



VA TECH WABAG LIMITED

DIVIDEND DISTRIBUTION POLICY

This Policy will regulate the process of dividend declaration and its pay-out by the Company in accordance with the provisions of Companies Act 2013, read with the applicable Rules framed thereunder, as may be in force for the time being (“Companies Act”).

This Dividend Policy will be effective from 11th August 2016.

PREAMBLE:

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The profits earned by the Company can either be retained in business or used for acquisitions, expansion or diversification, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

The objective of this policy is to ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the Company. The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will refer to the policy while declaring/ recommending dividends on behalf of the Company. Through this policy, the Company would endeavor to maintain a consistent approach to dividend pay-out plans.

The Company believes that it operates in the high potential and fast growing water sector. Recent Government thrust in this sector and various initiatives like Namami Gange Programme, smart cities mission etc., offers huge investment opportunities. Therefore, the retention of surplus funds for future growth will over-ride considerations of returning cash to the shareholders. However, considering the consistent and impressive generation of profits year on year, there is a need to provide greater clarity on the dividend pay-out philosophy of the Company.

CATEGORY OF DIVIDENDS

The Companies Act provides for two forms of Dividend- Final & Interim. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

A. Final Dividend

Final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of Final Dividend to the shareholders in a general meeting. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

Process for approval of Payment of Final Dividend:

Based on the profits arrived at as per the audited financial statements, Board at its meeting to recommend quantum of final dividend payable to shareholders once in a financial year in line with this Policy. Dividend will be paid to eligible shareholders subject to approval of shareholders at a General Meeting.

B. Interim Dividend

Interim dividend may be declared by the Board of Directors one or more times in a financial year as may be deemed fit by the Board. The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with this policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts.

Process for approval of Payment of Interim Dividend:

Based on profits arrived at as per quarterly (or half- yearly) financial statements, Board may declare Interim Dividend at its complete discretion one or more times in a financial year in line with this Policy.

C. Special Dividend

The Board may, at its discretion, declare a Special Dividend under certain circumstances such as extraordinary profits from sale of investments etc.,

COMPLIANCE

Provisions of Section 123 of the Companies Act, 2013, shall be complied with pertaining to recommendation, declaration & payment of dividend.

FACTORS TO BE CONSIDERED WHILE DECLARING DIVIDEND

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board of Directors will endeavor to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, any optimal policy in this regard may be far from obvious.

Unless warranted by exceptional circumstances, the Board in general shall not declare dividend out of free reserves of the Company.

The Dividend pay-out decision of any company depends upon certain external and internal factors-

A. External Factors

State of Economy- in case of uncertain or recessionary economic and business conditions, Board will endeavor to retain larger part of profits to build up reserves.

Capital Markets- when the markets are favorable, dividend pay-out may be liberal. However, in case of unfavorable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows.

Statutory Restrictions- the Board will keep in mind the restrictions imposed by Companies Act with regard to declaration of dividend.

B. Internal Factors

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring Dividend, which inter alia will include-

- i) Profits earned during the year;
- ii) Present & future Capital requirements of the existing businesses;
- iii) Brand/ Business Acquisitions;
- iv) Expansion/ Modernization of existing businesses;
- v) Additional investments in subsidiaries/associates of the Company;
- vi) Fresh investments into external businesses;
- vii) Any other factor as deemed fit by the Board.

The Company stands committed to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the shareholders, in the form of dividend. As explained in the earlier part of this Policy, determining the dividend pay-out is dependent upon several factors, both internal to a business and external to it. Taking into consideration the aforementioned factors, the Board will endeavor to maintain a Dividend pay-out.

POLICY REVIEW

This policy is framed pursuant to the provisions of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 and in compliance with provisions of Companies Act, 2013.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This Policy will be reviewed periodically by the Board and amended as appropriate.
