DIVIDEND DISTRIBUTION POLICY

Background

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), requires the top one thousand listed companies (based on market capitalization as on March 31 of every financial year) to formulate a dividend distribution policy ("**Policy**"). The Policy is required to be disclosed on the website of the listed entity and a web-link is to be provided in the listed entity's annual reports.

IRB Infrastructure Developers Ltd ("the **Company**") is listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) and is required to formulate the Policy considering its market capitalisation.

Purpose

The purpose of this Policy is to facilitate the process of dividend recommendation or declaration and its pay-out by the Company for all stakeholders of the Company. 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 in consultation with the board of directors choose to retain a part of its profits and distribute the balance among its shareholders as dividend.

Computation of the dividend

The Company being in infrastructure development, executes highway projects on 'build operate and toll' basis. The concession agreement and agreements with Project Lenders (as defined under the respective concession agreements) require the Company to infuse equity and provide financial support in terms of unsecured loans from time to time to the Project SPVs.

Therefore, the dividend policy of the Company recognizes the Company's contracted obligations and also growth prospects in Infrastructure Sector. Subject to this, the board of directors of the Company ("**Board")** shall endeavour to maintain the Dividend Payout Ratio (Dividend / Consolidated Net Profit after tax for the year) upto 25% or such higher ratio to maximise the dividend pay-out ratio. This limit is subject to the availability of free cash flow and other factors as stated below.

It is pertinent to note that as per lending agreements, the Company/ SPVs have to maintain certain financial & reserve ratios. They are different for each borrower i.e. SPVs/ Company. It is always the Company's endeavor to remain complied with such conditions. However, in case the Company exceed any such parameters/ ratios, lending agreement may restrict the company to distribute the dividend at the ratio stated above. In such case, the Board may decide to declare dividend in compliant with the lending agreements/ arrangements/ its contracted obligations.

Circumstances under which shareholders may not expect dividend

The circumstances under which shareholders may not expect dividend shall include but not be limited to, the following:

a) Changes in material laws applicable to the Company that materially impacts the business and the revenue stream of the Company;

b) Losses (if any) incurred by the Company; and

c) Uncertainty of the earnings/ financial results of the Company on account of macro-economic conditions impacting the Business of the Company.

Financial parameters considered while declaring dividend

Dividend shall be declared or paid only out of profits or out of such amounts as may be specified under the Companies Act, 2013, and the rules made thereunder, Listing Regulations and other applicable laws. Additionally, the factors set out in this Policy could also impact the declaration of dividend. Primarily, the distribution of dividend shall take into account (a) the net profits after tax accumulated reserves, cash flow position, leverage profile etc.

Factors affecting dividend declaration

The declaration of dividend is dependent upon various internal and external factors including the performance of the Company, the availability of free cash flow, liquidity position, company's projects, proposed bids and its prospects. However, the Company's plans to grow organically/ inorganically and various other economic and business conditions prevalent in the industry will play a significant role while considering the declaration of dividend.

The key external and internal factors relevant to the business of the Company including but not limited to:

External Factors

1. *Economic Environment*. This includes the economic environment and market conditions prevalent at the time of declaration of dividend i.e., a liberal approach with respect to dividend payment when the market conditions are favorable and a conservative approach in case of unfavorable market conditions.
2. *Legal and Regulatory Framework*. This includes the legal requirements, regulatory conditions or restrictions laid down under the applicable laws including tax laws prevailing at the time of declaration of dividend.
3. *Sectoral framework*. The nature and performance of industries in which the Company is operating, influences the dividend decision. Industries with stable demand throughout the year are in a position to have stable earnings and help declare stable dividends.
4. *Tax framework.* The tax policy including the rate of corporate tax, and other taxes influences the amount of dividend to be declared out of profits available to the Company.

Internal Factors

1. *Accumulated Earnings*. The stability and magnitude of Company's earnings could directly influence the dividend rate and therefore the dividend is directly linked with the availability of the earnings (including accumulated earnings) with the Company.
2. *Liquidity Position*. If the Company does not have sufficient cash resources to make dividend payment, then it may reduce the amount of dividend pay-out.
3. *Business Growth*. Business growth of the Company in a particular year vis-a-vis the growth in the previous years, growth capital for organic & inorganic growth through merger and/or acquisitions as deem necessary from time to time
4. *Cash Outflow*. Present and future capital requirements of the business (example day to day requirements, funding of new bids and projects)
5. *Past Dividend Trends*. The Company may consider its historical records with respect to past dividend declared by the Company or other market participants in the industry.
6. *Covenants in lending & Joint Venture documents*. Financial commitments and obligations undertaken by the Company with its borrowers and joint venture partners.

Utilization of retained earnings

Since the company operates in a capital intensive business, it is required to maintain healthy proportion of equity investment in its projects. The retained earnings will be deployed in meeting such requirements. These earnings may be utilized for internal financing of its various projects and for fixed as well as working capital.

Parameters for different classes of shares

At present, the company has only one class of equity shares. It does not require adoption of a different policy for other classes of shares.

Review and Amendment

a) This Policy may be reviewed by the Board every 3 years or such other period required by the Board to ensure that the objectives are relevant to the prevailing legislation and needs of the Company.
b) Notwithstanding (a) above, the Board has the right to change/ amend the policy as may be expedient taking into account the law for the time being in force at any time.
c) Any changes or additions to the Policy shall be disclosed on the Company's website

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