

DIVIDEND DISTRIBUTION POLICY

Effective from: November 9, 2016

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DIVIDEND DISTRIBUTION POLICY

The Board of Directors (the “**Board**”) of Apollo Tyres Ltd (the “**Company**”) has adopted the Dividend Distribution Policy (the “**Policy**”) of the Company as required in terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**Listing Regulations**”) at its meeting held on November 9, 2016.

1. EFFECTIVE DATE

The Policy shall become effective from the date of its adoption by the Board *i.e.* November 9, 2016.

2. PURPOSE, OBJECTIVES AND SCOPE

The Securities and Exchange Board of India (“**SEBI**”) vide its Notification dated July 8, 2016 has amended the Listing Regulations by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31st day of March of every financial year. Considering the provisions of the aforesaid Regulation 43A, the Board of the Company recognizes the need to lay down a broad framework for considering decisions by the Board, with regard to distribution of dividend to its shareholders and/ or retaining its profits. The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the shareholders.

Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element of the Policy will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the manner set out in paragraph 9 below.

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for future growth of the Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years.

The Policy shall not apply to distribution of Dividend by Subsidiaries/Associates/Joint Ventures of Apollo Tyres Ltd.

3. APPLICABLE LAWS

The Company will adhere with the requirements of all the applicable provisions of Companies Act, 2013 (the “Act”) and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for distribution of dividend.

4. DECLARATION AND PAYMENT OF DIVIDEND

The declaration and payment of dividend shall be in accordance with the provisions of the Listing Regulations, Section 123 to 127 of the Act and any other provisions as may be applicable. The Company shall declare dividend for any financial year subject to the following:

- a) out of the profits of the Company for that year arrived after providing for depreciation; or
- b) out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation and remaining undistributed; or
- c) out of both (a) and (b).

The dividend shall be declared or paid by the Company out of its free reserves.

5. FINANCIAL PARAMETERS

The Dividend payout may be in the range of 20% to 35% of Consolidated Net Profit every year:

- i. In line with the trend of Global Tyre Industry and Indian auto component industry;
- ii. Higher than trend of the Indian Tyre Industry.

The Board shall consider the following parameters, while taking decisions for declaration and payment of dividend during a particular year-

- i. Balance sheet strength;
- ii. Overall economic scenario;
- iii. Near future cash flow needs of the Company; and
- iv. Any other relevant factors and material events.

6. FACTORS FOR DECLARATION OF DIVIDEND

The Board shall also consider the following internal and external factors before declaring or recommending the dividend to the shareholders:

6.1 Internal Factors

- i. Mid-term growth projects before the Company;
- ii. Agreements with lending institutions;
- iii. Debt payments coming up next year;
- iv. Expectations of major stakeholders, including small shareholders; and
- v. Any other prudential requirements.

6.2 External Factors

- i. Prevailing statutory provisions under Companies Act, 2013, tax laws including dividend distribution tax and other regulatory concerns;
- ii. Macroeconomic conditions/overall economic/ business scenario;
- iii. Capital market conditions;
- iv. Relevant industry practice; and
- v. Any other factor as deemed fit by the Board.

7. MANNER OF UTILISATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make alternative use of the available funds and increase the value of the shareholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- i. Growth projects;
- ii. Modernization plan;
- iii. Diversification of business;
- iv. Long term strategic plans;
- v. Replacement of capital assets;
- vi. Anticipation of future capital being difficult to raise or being costly; and
- vii. Other such criteria as the Board may deem fit from time to time.

8. CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The Board shall consider the factors provided above before determination of any dividend after analyzing the prospective opportunities and threats, viability of the options of dividend distribution or retention etc. The decision of dividend may be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

Under the following circumstances, the dividend may not be expected by the shareholders:

- a) Whenever the Company proposes to utilize surplus cash for buyback of securities;
- b) In the event of loss or inadequacy of profits;
- c) Whenever the Company undertakes or proposes to undertake a large expansion project requiring higher allocation of capital.

9. PARAMETERS WITH REGARDS TO VARIOUS CLASSES OF SHARE-HOLDERS

At present the Company has only one class of shareholder *i.e.* equity shareholders. The Policy shall be reviewed and amended if the Company issues shares to any other class of shareholders.

10. MANNER OF DIVIDEND

In case of final dividend

- i. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company;
- ii. The dividend as recommended by the Board shall be approved/declared at the annual general meeting of the Company;
- iii. The payment of dividend shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable law.

In case of interim dividend

- i. Interim dividend, if any, shall be declared by the Board;
- ii. Before declaring interim dividend, the Board shall consider the financial position of the Company whether it allows the payment of such dividend;
- iii. The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws;
- iv. The dividend as declared by the Board shall be confirmed at the annual general meeting of the Company. In case no final dividend is declared, interim dividend will be regarded as final dividend in the annual general meeting.

11. DISCLOSURE

The Company shall make appropriate disclosures as per the Listing Regulations and/or other applicable laws.

The Company shall disclose this Policy on its website (www.apollotyres.com) and in its Annual Report and shall also update the Policy on its website and in its Annual Report, as and when any changes are made in the Policy.

If the Company proposes to declare dividend on the basis of any additional parameters, it shall disclose such changes along with the rationale for the same on its website and in its Annual Report.

12. REVIEW

This policy shall be reviewed periodically (every 3 years) to factor in the industry trend / Company needs.

13. CONFLICT OF POLICY

In the event of Policy being inconsistent with any regulatory provision, such regulatory provision shall prevail upon the corresponding provision of this Policy.

14. AMENDMENT

The Board may review and amend the Policy, as and when required to give effect to any changes/amendments notified by any regulator under the applicable law from time to time.
