

UNITED SPIRITS LIMITED (USL)

DIVIDEND DISTRIBUTION POLICY

1. Key Principles of Dividend Distribution Policy

This dividend distribution policy is formulated to have a uniform policy with respect to payment of dividends to its shareholders and to maintain consistency and predictability on dividend payments. Various regulatory and financial parameters, as enumerated below will be considered while declaring dividends.

Circumstances under which shareholders may or may not expect dividend-

- i. Dividend shall be payable subject to meeting regulatory requirements applicable for such payments;
- ii. Dividend shall be paid if the Board is of the view that the internal Guidelines including financial parameters for payment of dividend set out in this policy are met.
- iii. If the above two conditions are not met, Dividend shall not be payable.

2. Regulatory considerations

Companies Act and Rules, SEBI's Listing Regulations on payment of dividend and other applicable Regulations enumerate the requirements in this respect. Company will consider following key requirements for declaring dividend:

- i) All carried over previous years losses and depreciation not provided in previous year or years are set off against profit of the Company of the Current year;
- ii) Current year's depreciation charge has been duly provided for and there is balance in the Profit and Loss account after providing for past accumulated losses and current year depreciation and depreciation of previous periods;
- iii) Amounts transferred to reserves as may be stipulated;
- iv) Compliance with FEMA Regulations and Rules prescribed from time to time by Reserve Bank of India for payment of dividend to Non Residents;
- v) Unpaid dividend, if any, shall be transferred to Investor Education and Protection Fund as per the provisions of the Companies Act, 2013;
- vi) Any other applicable laws and regulations in this respect.

3. Financial parameters

The key financial parameters that shall be considered while declaring dividends:

- i. Percentage of profits to Turnover – Gross Profit Ratio and Operating Profit Margin ratio
- ii. Earnings per share of the Company
- iii. Dividend payout ratio
- iv. Total borrowings of the Company, interest rate, cost of raising funds from alternate sources and need for cash to reduce debt including having optimum debt: equity ratio.
- v. Cash Flow position of the Company; funds for revenue budgets including for payment of taxes including dividend distribution tax.
- vi. Adjustments on dividend per share due to buy back, split, bonus and other corporate actions.
- vii. Future expansion plans and the capital expenditure requirement including acquisition or diversification to be made by the Company from time to time.
- viii. Dividend Payout ratio in comparable companies and thresholds as per Group Dividend Policy
- ix. Need for ploughing back of profits into Business
- x. Other reasons, which in the view of the Board of Directors of the Company or as per applicable regulations may be required to be considered from time to time before declaration of dividend.

4. Internal and external factors for declaration of dividend:

Following are important internal and external factors which will have bearing on dividend declaration:

i. Internal Factors:

- a. Internal proposal from Management, recommendation of the Audit Committee and by the Board of Directors, financial considerations and approval of Shareholders
- b. Internal Guidelines for payment of dividend being met
- c. Such other factors as may be relevant from time to time and as considered by the Board of Directors.

ii. External Factors:

- a. Regulatory changes and implications
- b. Payout Ratios of peer group companies in general and in the Alcobev or FMCG industry in particular.
- c. Long term dividend yield of peer group Companies

iii. Utilization of retained earnings (Profit and Loss and General Reserve):

The retained earnings ie., balance in Profit and Loss account (other than balance in reserves) will be utilized as per Guidelines stated in Para 2 and para 3 above. Payment of Dividend out of Reserves shall be subject to applicable Regulations or the amount of General Reserve being transferred to Profit and Loss Account through necessary approvals by shareholders, courts/ other statutory authorities.

5. Parameters that shall be adopted with regard to various classes of shares:

All Equity shares shall rank pari-passu for the purpose of Dividend and voting and other classes of shares shall be eligible for dividend as per the terms of issue of such shares from time to time. Shares of a Particular category/ class shall rank pari-passu and all shareholders holding shares on the Book Closure/ Record Date shall be entitled to dividend on the same basis and be paid the same dividend per share irrespective of the holding period or date of allotment of such shares.

6. Tax Implications

As per the Income Tax Act, companies declaring Dividend are required to pay dividend distribution tax (DDT) at the rate prescribed under the Act. The dividend payout ratio will include outgo on account of DDT as well. For example if the profit after tax is Rs 1000 and a dividend of Rs 600 is declared and if Dividend distribution tax rate is 15% then the company will additionally pay Rs 90 as DDT to Government and Rs 600 as Dividend to shareholders. As a result the Dividend payout ratio will be 69% in this example (Rs 690/ Rs 1000). Company will also consider the impact of any withholding tax/TDS, as applicable from time to time on payment of Dividend of Rs 600 as above.

7. Approval process

Payment of Dividend shall be proposed by the Management (after necessary internal clearances) to the Audit committee which in turn will peruse and forward its views on the proposal to the Board of Directors which shall then recommend the dividend to be paid to the shareholders for approval of the shareholders.

Dividend shall be paid either by way of interim dividend during the year which shall be approved by the Board or as final dividend after the end of the year end which shall be subject to approval by shareholders of the Company.