Indus Towers Limited

(formerly Bharti Infratel Limited)

Dividend Distribution Policy

(Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

As adopted by the Board of Directors on November 20, 2020

1. Preamble, Objective and Scope

This Dividend Distribution Policy ('Policy') reflects the intent of the Company to reward its shareholders, and the Company is committed to deliver sustainable value to all its stakeholders.

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations"), the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

To comply with the above requirement and with an endeavor to maintain fairness, sustainability and consistent approach to dividend pay-out plans, the Board of Directors of the Company adopts this Policy

The objective of this Policy is to:

(i) specify the parameters (including financial parameters and internal and external factors) that shall be considered while declaring the dividend;
(ii) lay down the circumstances under which the shareholders of the Company may or may not expect dividend;
(iii) provide for the manner of utilization of retained earnings; and
(iv) parameters that shall be adopted with regard to various classes of shares.

2. Dividend Philosophy

Subject to (a) the working capital requirements of the Company and its subsidiaries, (b) the terms of the then existing debt facilities of the Company and its subsidiaries; (c) the Target Leverage Ratio not being breached immediately following such distribution (determined on a pro forma basis by reference to the most recent management accounts for the Company) and (d) applicable law (including the directors' fiduciary duties and any requirement limiting the payment of dividends to profits or other reserves available for distribution), the Company shall, in respect of each completed Financial Year, distribute to the holders of Equity Securities, in accordance with their entitlements, an amount equal to 100% of:

i) the excess cash of the Company and its subsidiaries as at the end of such Financial Year as determined by the Board by majority resolution; or
ii) if the Board has not passed a resolution to distribute the excess cash of the Company and its subsidiaries in accordance with (i) above, then the Free Cash Flow of the Company for such Financial Year,

plus any amounts in respect of any previous Financial Year(s) that would, but for any of the restrictions referred to in (a) to (d) of this clause 2, have been so distributed but which have not been so distributed and can then be distributed. Subject to the matters referred to in (a) to (d) of this clause 2, the Company has agreed that it shall make a distribution to the shareholders in accordance with the articles of association of the Company at least once in each Financial Year and shall also be entitled to make interim distributions.

3. Parameters/Factors considered by the Company while declaring dividend

The Company shall use all reasonable endeavours to ensure that it is able to declare and pay the distributions payable by the Company pursuant to clause 2 of this Policy by procuring, so far as it is legally able to do so, the upstreaming of cash from its subsidiaries and by ensuring that the Company has sufficient distributable reserves to declare and pay such dividends and other distributions. In particular, the Company shall take such actions as the Board considers appropriate to increase the amount of distributable reserves where there might otherwise be a dividend (or distribution) shortfall amount, including by carrying out a reduction of capital of the Company or of a subsidiary.

The Company shall instruct its auditors (at the expense of the Company) to report on the distributable reserves position of the Company at the same time as they sign their report on the Audited Accounts.

Subject to clause 2 above, the Board of Directors shall consider the following parameters before declaring or recommending dividend to shareholders, including but not limited to the following:

A) Financial Parameters of the Company / Internal Factors:

(a) Financial performance, including profits earned, available distributable reserves etc.;
(b) Leverage profile;
(c) Working capital requirements;
(d) Debt repayment schedules and agreements with lending institutions;
(e) Past dividend trend, including interim dividend paid, if any; and
(f) Any other factor as deemed fit by the Board.

B) External Factors:

(a) Macroeconomic conditions – e.g., the state of the national and international economy and any changes in the competitive environment;
(b) Statutory requirements – e.g., the Act, the Listing Regulations, taxation laws, etc.;
(c) Technological changes necessitating significant new investments; and
(d) Capital market conditions.

4. Circumstances under which the shareholders of the Company may not expect dividend

Subject to clause 2 of this Policy, there may be certain circumstances under which the shareholders of the Company may not expect dividend, including the circumstances where:

(a) The Company proposes to utilize surplus cash in entirety for alternative forms of distribution such as buy-back of securities;
(b) The Company is in higher need of funds for acquisition/diversification/expansion/investment opportunities/deleveraging or capital expenditures; or
(c) The Company has incurred losses or is in the stage of inadequacy of profits.

5. Utilization of retained earnings

Subject to clause 2 of this Policy, the profits retained by the Company (i.e., retained earnings) may either be used for business purposes/ objects mentioned in its Memorandum of Association in accordance with the Articles of Association or shall be distributed to the shareholders.

6. Parameters with regard to various classes

It may be noted that currently the Company has only one class of shares, namely, equity shares. If the Company issues other kinds of shares, the Board may suitably amend this Policy.

7. Disclosure by the Company

The Policy will be published on the website of the Company at www.industowers.com and in the Annual Report of the Company.

8. General Limitations

In the event of any conflict between this Policy and any regulatory provision(s), such regulatory provision(s) shall prevail over this Policy.

9. Review of Policy and Amendments

This Policy will be reviewed and updated from time to time, as may be required in accordance with the articles of association of the Company. Subject to the foregoing, the Chief Financial Officer along with Company Secretary and Chief Investor Relation Officer shall be jointly authorized to amend the Policy to give effect to any changes/amendments notified by Ministry of Corporate Affairs, Securities and Exchange Board of India or any appropriate authority from time to time. Such amended policy shall be periodically placed before the Board for noting and ratification. Any questions and clarifications relating to this Policy should be addressed to the Company Secretary at compliance.officer@industowers.com.

10. Definitions

a) "**Accounting Standards**" means Ind AS, together with any pronouncements issued under applicable law thereon from time to time and shall be deemed to include any accounting principles adopted and/or promulgated in place of and in lieu of Ind AS or any other accounting principles that may be prescribed under applicable law from time to time.

b) **"Act"** shall mean the Companies Act, 2013 including the rules made thereunder, as amended from time to time.

c) **"Audited Accounts"** means the consolidated report and audited accounts of the Company and its Subsidiaries for any Financial Year.

d) **"Board" or "Board of Directors"** means the board of directors of the Company.

e) **"Company"** shall mean Indus Towers Limited (formerly known as Bharti Infratel Limited).

f) **"Dividend"** includes any interim dividend.

g) **"EBITDA"** means, for the purpose of the definition of "Free Cash Flow" only, the consolidated profit before tax of the Company as per the Financial Statements for that relevant period after adding back: (i) any amount attributable to amortisation of intangible assets and goodwill, and depreciation of tangible assets; (ii) Finance Charges; (iii) items treated as exceptional; (iv) Integration Costs; and (v) certain costs in connection with the merger of the Company and erstwhile Indus Towers Limited, which the promoters of the Company have agreed to share in equal proportions, in each case, to the extent added, deducted or taken into account, as the case may be, in determining the consolidated profit before tax of the Company as per the relevant Financial Statements.

h) "**Equity Securities**" means any equity shares and includes any options or warrants over, or rights to subscribe for, equity shares or any other securities (including preference shares and debentures) convertible into or exercisable or exchangeable for equity shares.

i) **"Finance Charges"** means, for any relevant period, the aggregate amount of interest, commission, fees, discounts, prepayment penalties or premiums, Forex Losses or Gains (if net losses) and other finance payments in respect of Financial Indebtedness whether accrued, paid or payable in respect of that relevant period, net of any treasury income (representing income from investing surplus cash in securities as per the treasury policy of the Company), or interest or similar income and Forex Losses or Gains (if net gains) whether accrued, received or receivable, and:

(i) including the interest element of leasing and hire purchase payments;

(ii) including the mark-to-market gains or losses, whether realised or unrealised, on foreign exchange rate and interest rate derivative financial instruments; and

(iii) including any amounts in the nature of interest payable in respect of any shares other than ordinary equity share capital.

j) **"Financial Indebtedness"** means any borrowings or indebtedness for or in respect of:

(i) moneys borrowed;

(ii) accrued interest payable;

(iii) any interest bearing amount raised by acceptance under any acceptance credit, bill acceptance or bill endorsement facility or dematerialised equivalent;

(iv) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(v) the amount of any liability in respect of any finance lease;

(vi) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(vii) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing under the Accounting Standards;

(viii) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account); and

(ix) shares which are expressed to be redeemable or shares or instruments convertible into shares (other than compulsorily convertible instruments),

provided in each case that there shall be no double-counting of any indebtedness.

k) **"Financial Statements"** means in relation to the Company the consolidated quarterly financial statements of the Company and its subsidiaries prepared in accordance with the Accounting Standards.

l) **“Financial Year”** means the Company's fiscal year beginning on 1 April of each calendar year and ending on 31 March of the immediately succeeding calendar year, or such other period as the Board or the shareholders of the Company, as the case may be, determine in accordance with applicable law.

m) **“Forex Losses or Gains”** means the net foreign exchange gains or losses with respect to Financial Indebtedness denominated in a currency other than INR.

n) **“Free Cash Flow”** means in respect of any accounting period, EBITDA less net interest and other net financial expenses, less tax payments, less net change in working capital, less net tangible capital expenditure, less net intangible capital expenditure, plus net proceeds from asset sales but, for the avoidance of doubt, before net proceeds from borrowings, in all cases as determined in accordance with the accounting policies of the Company and by reference to the Financial Statements.

o) **“Indus Financial Statements”** means the consolidated financial statements of erstwhile Indus Towers Limited and its subsidiaries prepared for group reporting purposes in accordance with the Accounting Standards.

p) **“Integration Costs”** means costs incurred on or after the effective date in connection with the merger of the Company and erstwhile Indus Towers Limited as contemplated in the Implementation Agreement, which would not have been incurred otherwise.

q) “**Leverage Ratio**” means, at any time, the ratio of Net Debt to LTM EBITDA, each of which shall have been determined with reference to the same time.

r) "**LTM EBITDA**" means, at any time, the Company's earnings before interest, taxation, depreciation and amortisation (**"ebitda"**) (as determined in accordance with the accounting policies and definitions of the Company and by reference to the Financial Statements) for the twelve (12) months up to the end of the most recent calendar quarter ended 31 March, 30 June, 30 September or 31 December. Where LTM EBITDA must be determined for periods prior to 19 November 2020, it shall be determined on the basis of the Financial Statements and the Indus Financial Statements (with ebitda for erstwhile Indus Towers Limited recalculated, if necessary, on a basis consistent with ebitda as defined and reported by the Company in the Financial Statements) and aggregated.

s) **“Net Debt”** means, at any time and on a consolidated basis, the aggregate amount of all obligations of the Company for or in respect of Financial Indebtedness at that time but:

(i) deducting the aggregate amount of cash and cash equivalent investments held by the Company at that time; and

(ii) deducting the aggregate amount of interest receivable by the Company at that time,

and so that no amount shall be included or excluded more than once.

t) **“Policy”** means this Dividend Distribution Policy.

u) **“Target Leverage Ratio”** means a Leverage Ratio that does not exceed 3:1, unless otherwise approved.

11. Interpretation

The words and expressions used in this Policy unless defined herein shall have the meaning assigned to them respectively in the Act, Listing Regulations and such other act, laws, rules or regulations along with any statutory modification(s) or re-enactment(s) thereof, as the case may be.

If due to any reason, any provision(s)/ clause(s) of this Policy is rendered unlawful or unenforceable, then the Policy shall be read as excluding that provision(s)/ clause(s).

All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires.