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CIN L23200MH1979PLC021359



CIL: SHARES: 3004

10<sup>th</sup> October 2016

The BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400 001

National Stock Exchange of India Ltd  
Bandra Kurla Complex  
Plot No. C/1, "G" Block  
Bandra (East)  
Mumbai 400051

**Scrip Code: 500870**

**Symbol: CASTROLIND**

Dear Sir,

**Sub: Adoption of Dividend Distribution Policy**

We wish to inform you that in furtherance to SEBI's requirement for the top 500 Listed Companies (by way of market capitalization ) to formulate and disclose their Dividend Distribution Policy, the Board of Directors of Castrol India Limited has adopted the Dividend Distribution Policy .

The approved Dividend Policy is enclosed herewith for reference. It is also being made available on the Company's website [www.castrol.com](http://www.castrol.com)

Yours faithfully,  
For Castrol India Limited

A handwritten signature in blue ink, appearing to be "Omer Dormen", written over a blue circular stamp.

Omer Dormen  
Managing Director

# DIVIDEND DISTRIBUTION POLICY

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Version approved by: The Board of Directors of Castrol India Limited

Version approved on:

Last Modified on:

Effective Date:

# DIVIDEND DISTRIBUTION POLICY

## 1. Objective

The objective of this Policy document is to articulate Castrol India Limited's Dividend Distribution Policy.

This Policy applies to all types of Dividend declared or recommended by the Board of Directors of the Company and seeks to conform to the requirements of Section 123 of the Companies Act 2013, the notified rules thereof and other such provisions.

## 2. Philosophy

At Castrol we respect, and are committed to, our role towards shareholders and meeting our obligations to the communities in which we do business. We believe that sustainable growth can be achieved by creating wealth and jobs, developing useful skills, and investing time and money in people.

Castrol aims to share its prosperity with the shareholders by way of declaring dividend subject to liquidity and growth requirement.

## 3. The Regulatory Framework

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, top 500 Listed Companies in India as per Market Capitalisation as on the preceeding Financial Year shall formulate a dividend distribution policy.

Castrol falls within the list of Top 500 Listed Companies.

## 4. Definitions

Unless repugnant to the context:

4.1. "Act" shall mean the Companies Act, 2013 including the Rules made thereunder.

4.2. "Company or Castrol" shall mean Castrol India Limited

4.3. "Chairman" shall mean the Chairman of the Board of Directors of the Company.

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- 4.4. "Board" or "Board of Directors" shall mean Board of Directors of the Company.
- 4.5. "Dividend" shall mean Dividend as defined under Companies Act, 2013 or SEBI Regulations.
- 4.6. "SEBI Regulations" shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modifications or re-enactments thereof for the time being in force.

### 5. Policy

#### 5.1. Frequency of payment of dividend:

- 5.1.1. Castrol believes in rewarding its shareholders as and when the funds are available for distribution as dividend and generally strive to declare Interim Dividend at least once in a year and to recommend Final Dividend to the Members at the Annual General Meeting of the Company.
- 5.1.2. If the frequency of Interim Dividend is more than once, Castrol may not recommend Final Dividend for that year.

#### 5.2. Internal and external factors that would be considered for declaration of dividend:

- 5.2.1. Castrol considers several Internal and External Factors before deciding declaration or recommendation of Dividend.
- 5.2.2. The Internal Factors are adequacy of profits for last year and likely profits for next year, allocation of capital towards capital expenditure, probably mergers and acquisitions, loan repayments and working capital requirements.
- 5.2.3. The External Factors that would impact dividend payout are interest rate on surplus funds, taxation on distribution of dividend including taxation on dividend received from subsidiaries and dividend payout ratios of comparable companies.

#### 5.3. The financial parameters that will be considered while declaring dividends:

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- 5.3.1. In order to maximize corporate value over the long term, internal capital resources will be secured for measures that will increase corporate value. These measures include investments in R&D and Capital Investments, which are vital to future business expansion.
- 5.3.2. After taking into consideration the required investments for future growth and the level of free cash flow, surplus will be distributed to the shareholders to the maximum extent possible.
- 5.3.3. For dividends in each financial year, Castrol's policy is to enhance stable, uninterrupted profit distributions by taking into account consolidated results as well as indicators including dividends on equity (DOE), which is return on equity (ROE) multiplied by the payout ratio, although this is subject to the level of internal capital resources necessary.
- 5.3.4. Other Financial Parameters like Net Free cash generation after factoring internal parameters like Net Operating Profit after Tax, working capital and capital expenditure requirements, loan repayments and payouts towards any probably merger and acquisition will be considered by the Company before declaring or recommending Dividend.

### **5.4. The circumstances under which their shareholders can or cannot expect dividend:**

In an event where Company has undertaken a significant project requiring higher allocation of capital or Merger or Acquisitions which demands higher capital allocation or in event where the company profits are inadequate or company makes losses, the Company would like to use the Company's reserves judiciously and not declare dividend or declare dividend lower than its normal rate of dividend.

### **5.5. Policy as to how the retained earnings will be utilized:**

- 5.5.1. The Company would like to retain the balances in Reserves and Surplus to give the required strength to the balance sheet for exploring leverage options for supporting growth.
- 5.5.2. The Company would be very cautious in declaring divided out of past profits and reserves.

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### 5.6. Transfer of Profits to Reserves:

The Company will not transfer any amount to reserves unless otherwise statutory.

### 5.7. Provisions regarding class of shares:

Currently, the Company has issued only Equity Shares and this policy shall be applicable to Equity Shares.

As and when the Company issues other kind of shares, the Board shall amend this policy along with Rationale at the time or before issue of other class of shares.

## 6. Procedure

- 6.1. The Chief Financial Officer in consultation with the Managing Director of the Company shall recommend any amount to be declared as Dividend to the Board of Directors of the Company.
- 6.2. The Company Secretary and Compliance Officer of the Company shall ensure compliance of Insider Trading Rules of the Company and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 6.3. The Agenda of the Board of Directors where Dividend declaration is proposed shall contain the rationale of the proposal.
- 6.4. The Board of Directors shall approve the declaration or recommendation of Dividend after ensuring compliance of Act, SEBI Regulations and this Policy.
- 6.5. The Company shall ensure compliance of provisions of Act, SEBI Regulations and this Policy in relation to Dividends dividend.
- 6.6. Item on Confirmation of Interim Dividend(s) declared by the Board of Directors of the Company shall form part of Notice of every Annual General Meeting of the Company.

## 7. General

- 7.1. This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs and/or Securities Exchange Board of India from time to time, on the subject matter.

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- 7.2. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
- 7.3. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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