

Capital Allocation Policy



Approved and Released on
12th February, 2018

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UNDERSTANDING UTILIZATION OF CASH ENTRUSTED BY INVESTORS:



Investors provide their cash to the company



Company invests the cash in itself for business growth



Company returns cash to shareholders

Providing Transparency to the shareholders on allocation of capital of the company

KEY FACTORS CONSIDERED WHILE CREATING OUR CAPITAL ALLOCATION POLICY

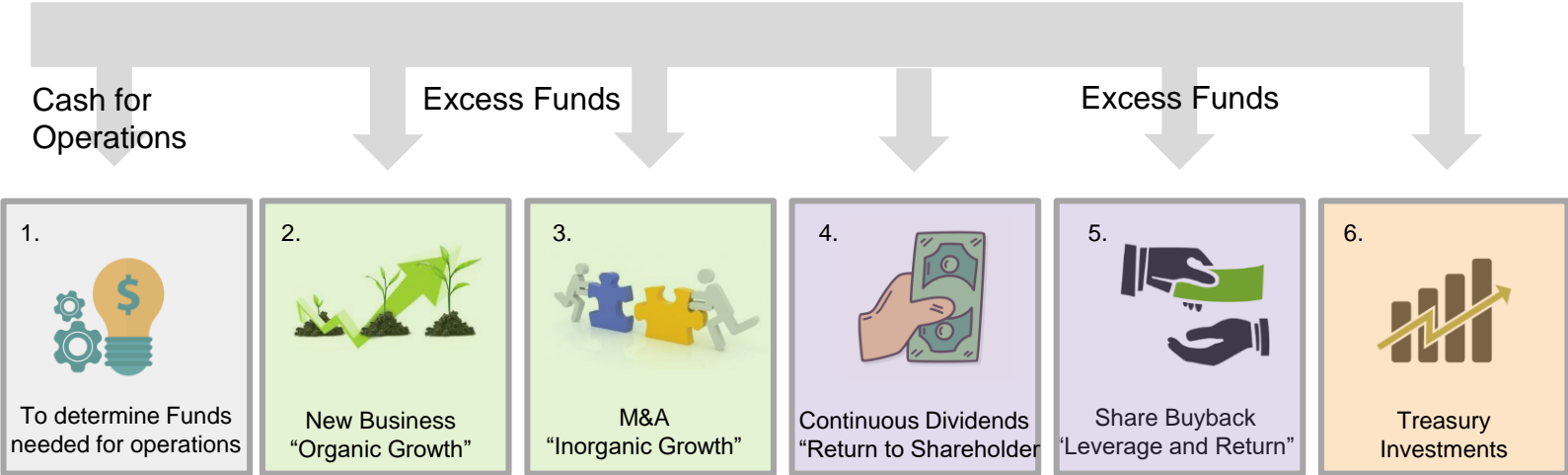
- 1 Finance with Equity or Debt:** Currently, we are a Debt free company. We do not plan to raise any debt in the near future
- 2 Free Cash flow forecasts:** Estimating the Free cash flows we expect to generate
- 3 Investment Forecasts:** How we plan to invest (Organic business growth, Investments in Enabling Infrastructure such as - Technology, Training , Brand Building Initiatives)
- 4 Investment discipline:** Understanding the hurdle rate for Return on Capital
- 5 Shareholders Returns:** Set expectations for Dividend Payout and Share Buy back

UNDERSTANDING OUR CAPITAL ALLOCATION POLICY

Equity and Debt

Operating Business

Free Cash Flows



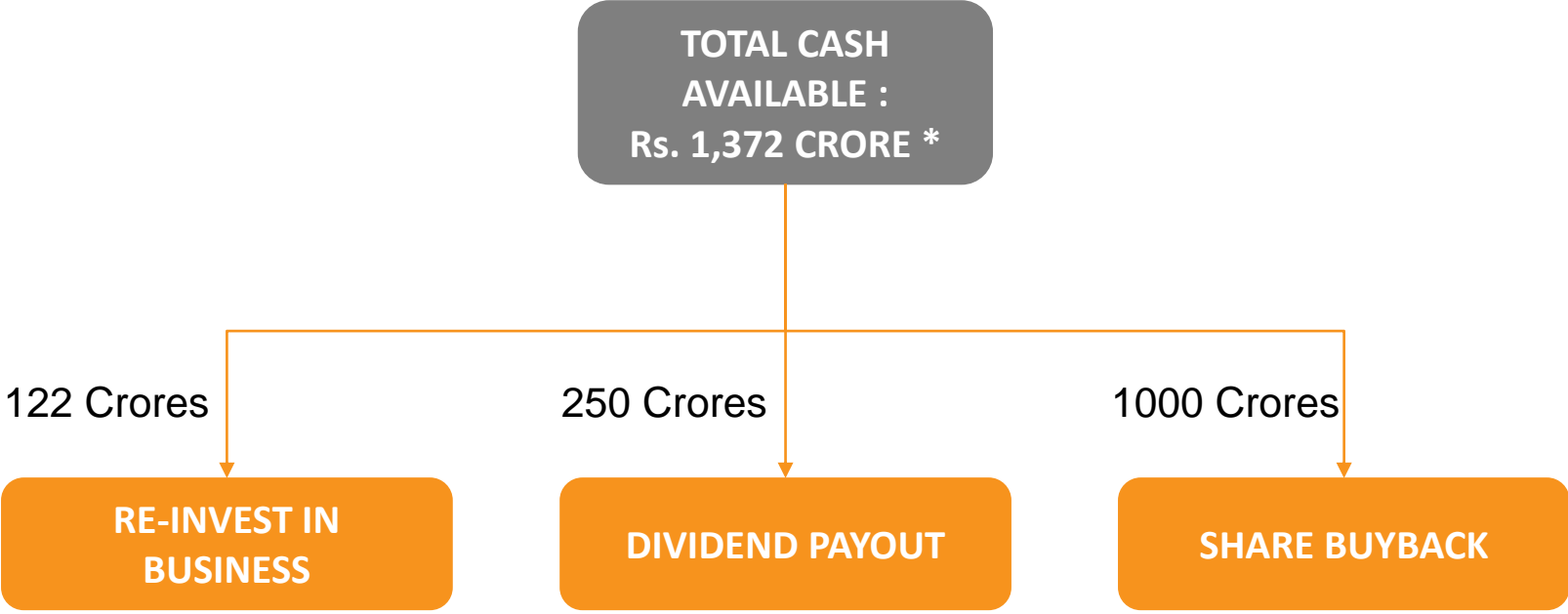
Includes Investments in -

- Business Capex
- Incremental Working Capital Investments

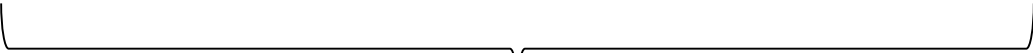
Includes Investments in Enabling Infrastructure - Technology, Training Infrastructure and Brand Building Initiatives

Based on feedback received from our investors, we released a Revised Treasury policy stating that: **“Vakrangee will no longer invest in direct equities”**

ONE-TIME CAPITAL ALLOCATION



- Includes Investments in –**
- Organic Business Growth
 - Technology and R&D
 - Training Infrastructure
 - Brand Building Initiatives
 - Contingency Fund



Return to Shareholders

- Total Dividend Payout (Including Dividend Distribution Tax)
- FY2016 - Rs. 79.62 crore
 - FY2017 - Rs. 127.44 crore

OVERALL Rs. 1,250 CRORES TO BE UTILIZED FOR DIVIDEND PAYOUT & SHARE BUYBACK

Note * - As on 31 December, 2017

Note - Subject to requisite approvals from the respective authorities

IMPLICATION OF SHARE BUYBACK AND DIVIDEND PAYOUT

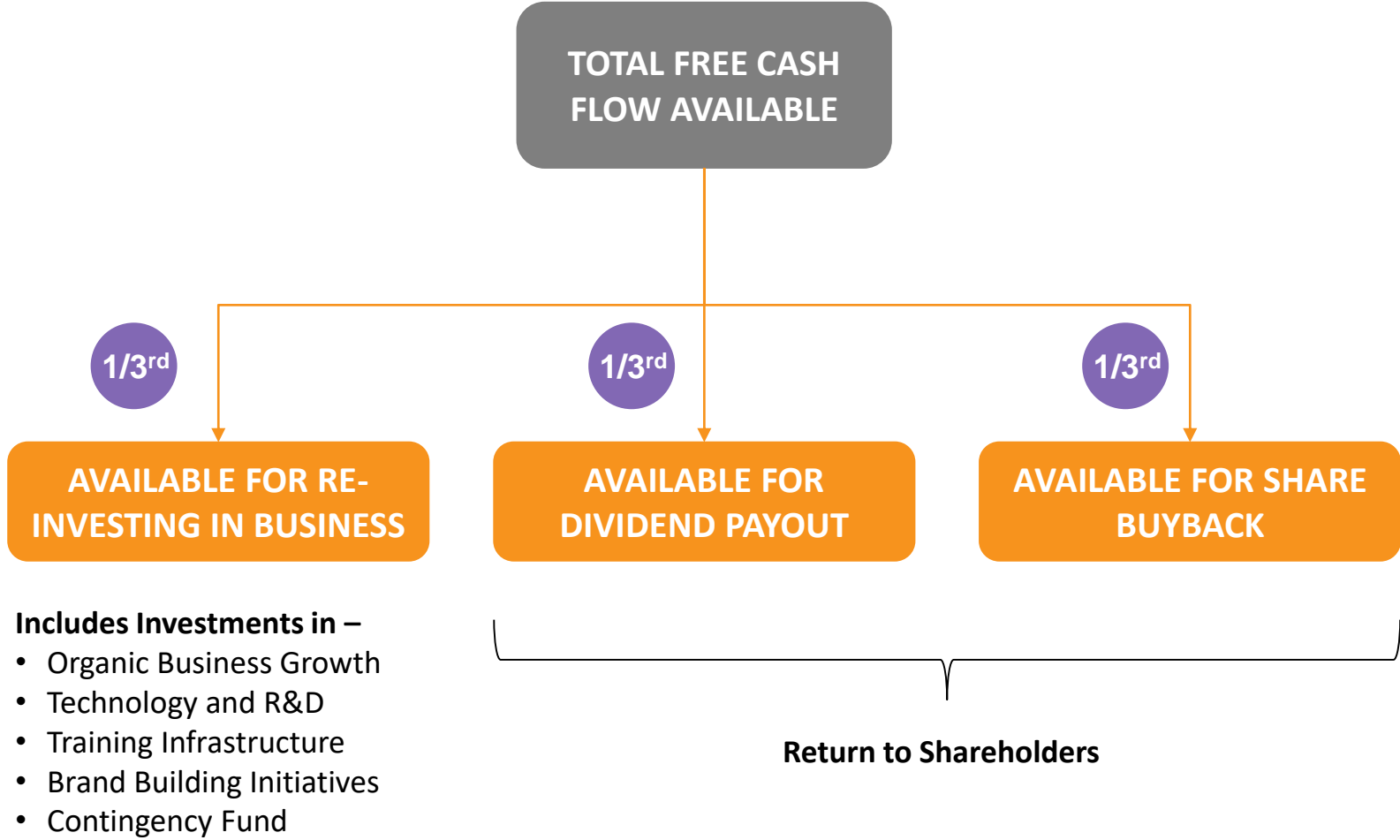
SHARE BUYBACK

- Tax efficient mechanism
- Long term Advantage - Increase in EPS of the Company
- Option to shareholders to participate in Buyback
- Promoter and Promoter group shall not participate in the Buyback leading to high percentage of Buyback as % of Free Float available.

DIVIDEND PAYOUT

- Double Taxation - Dividend Distribution tax and Individual tax on dividend received.
- Only One-Time benefit - No effect on EPS
- Dividend received by all shareholders including the Promoter

LONG TERM CAPITAL ALLOCATION POLICY



Free Cash Flow (FCF) = Net Income + Depreciation – Capex – Incremental Working Capital

SUMMARY AND KEY TAKEAWAYS



- Current One Time Capital Allocation - Overall Rs. 1250 crores to be utilized through Dividend Payout and Share buyback
- Long Term Capital Allocation - 2/3rd of the Free Cash Flows to be made available for Dividend Payout and Share Buyback
- We have analyzed the world's top companies and wish to follow the best Global practices
- We have also conducted a survey from our top investors and keeping their inputs in mind, we have formulated our Capital Allocation Policy
- Promoter and Promoter group of the Company will not take part in the Buyback process and would not tender any shares in the buyback process



Thank You