



## **DIVIDEND DISTRIBUTION POLICY**

[In Accordance with regulation 43A of SEBI (Listing Obligations and Disclosure Requirement), 2015]

[As approved by the Board of Directors on January 28, 2017]

## 1. OBJECTIVE

The objective of this Policy is to reward the shareholders of the Company by sharing a portion of the profits, whilst also ensuring sufficient funds are retained for future growth, to meet its obligations and working capital requirement of the Company. The Policy lays down parameters to be considered by the Board of Directors of the Company for declaration of Dividend from time to time. Through this policy, the Company would endeavor to maintain a consistent approach to Dividend pay-out plans.

## 2. REGULATORY FRAMEWORK

The Securities and Exchange Board of India ("SEBI") vide its Notification dated July 08, 2016 has inserted Regulation 43A in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top five hundred listed companies based on their market capitalization calculated as on the March 31, 2016 of every Financial Year to formulate a Dividend Distribution Policy which shall be disclosed in their annual reports and on their websites. Since as on date this regulation is not applicable to the Company. Looking to the increase in market cap on account turnaround story, the Board thinks fit to have dividend distribution policy of the Company. The Policy also sets out at the time of taking such decision of distribution or of retention of profits, in the interest of providing transparency to the shareholders.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided as relevant by the Board. However, 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, in the interest of the Company, will be disclosed in the Annual Report as well as on the website of the Company.

## 3. DEFINITIONS

In this Policy, unless the context otherwise requires:

1. "**Act**" shall mean the Companies Act 2013 and the rules made thereunder, including any modifications, amendments or re-enactment thereof.
2. "**Applicable Laws**" shall mean the Companies Act, 2013 and the 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 the distribution of Dividend.
3. "**Board or Board of Directors**" shall mean the Board of Directors of the Company.
4. "**Company**" shall mean Kiri Industries Limited and wherever the context requires, shall signify the Company acting through its Board.
5. "**Dividend**" shall mean Dividend as defined under Companies Act, 2013.
6. "**Financial Year**" shall mean the period beginning from 1st April of every year to March 31<sup>st</sup> of the succeeding year.
7. "**Policy or this Policy**" shall mean this Dividend Distribution Policy and as may be amended from time to time.

8. **"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 modification(s) or re-enactment (s) thereof for the time being in force.

#### **4. POLICY**

The Company would endeavor to keep consistent Dividend payment track record except for reasons to be recorded.

The Dividend for each year would be recommended by the Board at its discretion taking into account the operating and financial performance of the Company after considering the advice of executive management including the CFO and other relevant factors. The Board may also declare interim Dividend at its discretion from time to time.

The Policy shall become effective from the date of its adoption by the Board i.e. January 28, 2017.

#### **5. PROCEDURE**

The Act provides for two types of Dividend – Final & Interim. The final Dividend is paid once for the Financial Year after the annual accounts are prepared. The Board of Directors shall have the power to recommend the final Dividend to the shareholders for their approval in the Annual General Meeting (AGM) of the Company. 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.

The Board of Directors shall have the absolute power to declare interim Dividend during the Financial Year, as and when they think fit. Before declaring interim Dividend, the Board shall consider the financial position and payout obligations for remaining period in such financial year. In case no final Dividend is declared, interim Dividend paid during the year, if any, will be regarded as final Dividend at the AGM.

Pursuant to the provisions of Applicable Laws and this Policy, Interim Dividend approved by the Board of Directors will be confirmed by the shareholders and final Dividend, if any, recommended by the Board of Directors, will be subject to shareholders' approval, at the ensuing AGM of the Company.

The Board may recommend special dividend as and when it deems fit.

The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

#### **6. PRUDENTIAL REQUIREMENTS**

The Board of Company shall take a decision to declare dividend after taking into account the following

**(a) Profits of the Company –**

- (i) In case of Final Dividend, the profits (after providing depreciation as per Companies Act, 2013) as per audited financial statements of the financial year for which the Final Dividend is proposed to be declared and after transferring to the reserves such amount as the Board of the Company may consider appropriate.
- (ii) In case of Interim Dividend, the profits as per the unaudited results for/upto the last quarter (after providing depreciation as per Companies Act, 2013) which have been approved by the Board and for which limited review as per "Listing Regulations" has been carried out.

**(b) Specifically for interim dividends, the perception of the management with regard to**

- (i) Likely profits in the remaining part of the financial year;
- (ii) The prevailing and forward product prices in the international market;
- (iii) Foreign currency exchange rate;

(c) Future Capital Expenditure plans of the Company;

(d) Likely maturity of Short-term investments to ensure maximum returns;

(e) Likely fund requirements of Subsidiaries and Joint Venture companies;

(f) Expectation of shareholders /stakeholders.

**7. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND**

The shareholders of the Company may or may not expect Dividend under the following circumstances:

- i. Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital.
- ii. Significant higher working capital requirements adversely impacting free cash flow.
- iii. Whenever it undertakes any acquisitions or restructuring or joint ventures requiring significant allocation or reduction of capital.
- iv. Whenever it proposes to utilise surplus cash for buy-back of securities or
- v. In the event of inadequacy of profits or whenever the Company has incurred losses etc.;

**8. PARAMETERS FOR DECLARATION OF DIVIDEND**

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based on the following Internal/External factors/ parameters:

- (a) Cash flow** – If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.
- (b) Obligations to creditors** – The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Decision of dividend declaration shall be taken after considering the volume of such obligations and time period of repayment.
- (c) Cost of borrowings** – The Board will analyze the requirement of necessary funds considering the long term or short term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from external sources such as bankers, lending institutions or by issuance of debt securities or plough back its own funds.
- (d) Taxation and other regulatory concern** - Dividend distribution tax or any tax deduction at source as required by tax regulations in India, as may be applicable at the time of declaration of dividend and its impact on the finances of the Company.

- (e) **Macroeconomic conditions** - Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.

## **9. UTILISATION OF RETAINED EARNINGS**

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

- i. Strategic and long term plans and expansion of the Company;
- ii. Diversification opportunities.
- iii. Non-fund based needs of the Company, its subsidiaries / Associates and Joint Ventures which may require the Company to have a healthy consolidated Balance Sheet.
- iv. Government guidelines with regard to issue of bonus, buy-back etc;
- v. Any other criteria which the Board of the Company may consider appropriate;

## **10. PARAMETERS FOR DIVIDEND WITH REGARD TO VARIOUS CLASSES OF SHARES**

- i. Preference shareholders shall receive Dividend at the fixed rate as per the terms of allotment and shall stand in priority to the equity shareholders for payment of Dividend.
- ii. Equity shareholders shall be entitled for the Dividend, interim or final, if recommended by the Board of Directors and confirmed or approved by the shareholders of the Company, as the case may be. Equity Dividend shall stand second in priority after payment of Dividend to the Preference Shareholders, if any.

## **11. BOARD DISCRETION**

To the extent any change/amendment is required in Policy in terms of any Applicable Laws or otherwise, the Board of Directors of the Company shall be authorised to review and amend the Policy, to give effect to any such changes/amendments. Such amended Policy shall be placed before the Board for noting and necessary ratification at its subsequent meeting.

Declaration of Dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element or the Policy will be regarded as deviation. Any such deviation on elements of this Policy, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board.

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