



KIOCL Limited

(A Government of India Enterprise)

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DIVIDEND DISTRIBUTION POLICY, 2018

(PURSUANT TO REGULATION 43A OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015, (SECOND AMENDMENT) AND AS APPROVED BY THE BOARD OF DIRECTORS OF THE COMPANY IN ITS 251ST MEETING HELD ON 22/05/2018)

1. INTRODUCTION

Securities Exchange Board of India (SEBI) vide its notification dated 8th July, 2016 has inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Second Amendment) which requires top five hundred listed entities based on market capitalization (calculated as on March 31 of every year) to formulate a dividend distribution policy to be disclosed in its Annual Report and on its website. The Regulation further provides that the dividend distribution policy shall include the following parameters:

- (a) the circumstances under which the shareholders of the listed entities may or may not expect dividend;
- (b) the financial parameters that shall be considered while declaring dividend;
- (c) internal and external factors that shall be considered for declaration of dividend;
- (d) policy as to how the retained earnings shall be utilized; and
- (e) parameters that shall be adopted with regard to various classes of shares.

The Regulation also provides that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) above or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its Annual Report and on its website.

The equity shares of KIOCL Limited (KIOCL) are listed on National Stock Exchange of India Limited (NSE), BSE Limited (BSE) and Metropolitan Stock Exchange of India Limited (MSEI). As, KIOCL is ranked 182nd as per NSE, based on market capitalization, on 31st March, 2018, the regulation is applicable to the Company.

2. OBJECTIVE

The objective of this Policy is to enhance the value of the Company for its shareholders through regular dividend payout after balancing the requirement of immediate payout from profits, future growth plans and sustenance.

3. EFFECTIVE DATE

The KIOCL Dividend Distribution Policy, 2018 shall be effective from the date of its approval by the Board of Directors i.e. w.e.f. 22/05/2018

4. POLICY FRAMEWORK

The Policy has been formulated in line with the provisions of the Companies Act, 2013, Regulations issued by SEBI, Guidelines on Capital Restructuring of Central Public Sector Enterprises issued by Department of Investment and Public Asset Management (DIPAM), Guidelines issued by Ministry of Finance/Ministry of Corporate Affairs and other guidelines, to the extent applicable on the Company. Any subsequent amendments in these provisions would, *ipso-facto*, apply to this Policy. The Policy is not an alternative to the decision taken by the Board regarding declaration/recommendation of dividend after considering the various relevant factors.

5. DIVIDEND

Dividend is the amount paid by the Company out of profits, to its Shareholders in proportion to the amount paid up on the shares held by the shareholders. As per the provisions of the Companies Act, 2013, the dividend can be paid as interim or final.

5.1 Interim Dividend

- (a) The Board of Directors of the Company shall declare the interim dividend during the financial year, as and when they consider it fit to declare.
- (b) The interim dividend can be declared by the Board of Directors one or more times in a financial year and normally, the Board may consider the declaration of interim dividend after the finalization of the quarterly / half yearly financial statements of the Company.
- (c) The interim dividend, if declared, shall be paid to the eligible shareholders, as per provisions of the Companies Act, 2013, SEBI Regulations and other laws, to the extent applicable. First interim dividend, if any, may be declared in the Board Meeting convened for approving financial statements for the 2nd quarter / half-year,

and 2nd interim dividend, if any, may be declared at the time of approving financial statements for the 3rd quarter of the financial year.

- (d) In case no final dividend is declared by the Company, interim dividend paid during the financial year, if any, shall be considered as final dividend in the Annual General Meeting of the Company.

5.2 Final Dividend

- (a) The final dividend, if any, is paid once in a financial year after the preparation of the annual financial statements.
- (b) The Board of Directors shall recommend the final dividend to the Shareholders for their approval in the Annual General Meeting of the Company. The declaration of final dividend, if any, shall be included in the ordinary business items to be transacted at the Annual General Meeting of the Company.
- (c) The final dividend shall be paid to the eligible shareholders as per provisions of the Companies Act, 2013, SEBI Regulations and other laws, to the extent applicable.

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

6.1 The decision regarding dividend payout is a vital decision, as it determines the amount of the profit to be distributed among its shareholders and the amount of the profit to be retained in business for the future growth and modernization & expansion plan of the Company. Dividend for the financial year shall be decided / recommended by the Board, considering, statutory, economic, market, and industry, external and internal factors.

6.2 The Company may not declare dividend or declare dividend at a lower rate under the following circumstances: (a) in the event of the Company making losses or the profits are inadequate; (b) where the Company is having requirement of funds for Capex requiring high capital allocation, working capital, repayment of loans taken in the past; (c) inadequate availability of cash; and (d) higher cost of raising funds from alternate sources.

6.3 Declaration of dividend shall be subject to the provisions of Companies Act, 2013, SEBI Regulations, Guidelines issued by Ministry of Corporate Affairs/Ministry of Finance/Department of Investment and Public Asset Management or any other authority.

7. FINANCIAL PARAMETERS THAT SHALL BE CONSIDERED FOR DECLARING DIVIDEND

The Board of Directors of the Company while declaring/recommending the dividend may, *inter-alia*, considers the following parameters:

- (a) net profit earned and cash generated by the Company during the financial year;
- (b) present and future capital requirements for Capex plan and other investment opportunities;
- (c) retention of sufficient profits for further leveraging in line with CAPEX needs i.e. maintenance of debt: equity ratio;
- (d) availability of cash and bank balance and liquidity position of the Company;
- (e) Existing borrowings, capacity to further borrow and cost of borrowings;
- (f) tax on profits including dividend tax rate and outgo;
- (g) financial covenants agreed in the loan and other commercial agreements;
- (h) limits prescribed w.r.t. various statutes, notifications and guidelines; and
- (i) any other parameter which the Board may consider fit.

8. INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARING DIVIDEND

Internal Factors

In addition to the financial parameters mentioned at Sl. No.7 above, the internal factors that shall be considered by the Board for declaring / recommending dividend would include past payout of dividend, statutory provisions applicable to the Company for payment of dividend, etc.

External Factors

The external factors that shall be considered by the Board for declaring / recommending dividend would include macro-economic factors affecting the industry and Company, commodity prices, applicable statutory provisions and guidelines, practice followed by industry and industry segment, expectations of the shareholders and any other factor which the Board may consider fit based on the general market conditions.

9. UTILISATION OF RETAINED EARNINGS

The retained earnings shall be utilized in line with the objects of the Company as mentioned in the Memorandum of Association of the Company. However, the Board of Directors may consider the following factors for utilization of the retained earnings while declaring/recommending payment of dividend:

- (a) financing plan of the projects under Capex plan of the Company;
- (b) statutory provisions and Government guidelines with respect to issue of bonus shares, buy-back of shares, creation of reserves, etc.
- (c) any other factor which the Board of Directors may deem fit.

10. AMENDMENTS

The Policy will be reviewed as and when the Board of Directors may deem appropriate from time to time.
