

Dividend Distribution Policy

1. Background and applicability

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulations”) require the top 1000 listed companies (by market capitalization) to disclose a Dividend Distribution Policy in the annual report and on the Company’s website. The Board of Directors (“Board”) of The KCP Limited (“Company”/KCP) has adopted this Dividend Distribution Policy to comply with these requirements.

This Dividend Distribution Policy (“the policy”) establishes the principles to ascertain amounts that can be distributed to equity shareholders as dividend by the Company as well as enable the Company strike balance between pay-out and retained earnings, in order to address future needs of the Company.

The policy shall come into force for accounting periods beginning from 1st April, 2021.

KCP has had a consistent dividend policy that balances the objective of appropriately rewarding shareholders through dividends and to support the future growth, the Company’s dividend payout will be determined based on available financial resources, investment requirements.

The Company currently has only one class of shares, viz. Equity, for which this policy is applicable. The policy is subject to review if and when the Company issues different classes of shares.

2. Dividend distribution philosophy

The Company is committed to driving superior value creation for all its stakeholders.

The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium term and longer-term value creation.

Accordingly, the Board would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well as long term needs of the business.

3. Dividend

Dividend is the cash distributed by a company to its shareholders from its profit earnings in proportion to the amount paid-up on shares they hold.

Dividends are decided by the board of directors of the company and it has to be approved by shareholders.

The company may decide to reinvest its profits in business as well without providing dividends.

The Dividend for any financial year shall normally be paid out of the Company profits for that year.

This will be arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013.

If circumstances require, the Board may also declare dividend out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act, Rules and Regulations, as applicable.

4. Circumstances under which shareholders can expect Dividend

The Board will assess the Company's financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors like consistency in dividend payment.

Notwithstanding the above, the shareholders of the Company may not expect Dividend under the following circumstances:

- a. Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital
- b. Significantly higher working capital requirements adversely impacting free cash flow
- c. Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital
- d. In the event of inadequacy of profit or whenever the Company has incurred losses

5. Interim and Final Dividend

The Board may declare interim dividend(s) at its discretion and its recommendation to the shareholders on the dividend may also include Special dividend(s) as it considers appropriate.

The date of the Board meeting in which the Dividend proposal will be considered, will be provided to the stock exchanges, as required by Listing Regulations.

6. Financial parameters and other internal and external factors that would be considered for declaration of Dividend:

- Distributable surplus available as per the Act and Regulations
- The Company's liquidity position and future cash flow needs
- Track record of Dividends distributed by the Company
- Payout ratios of comparable companies
- Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution

- Capital expenditure requirements considering the expansion and acquisition opportunities
- Cost and availability of alternative sources of financing
- Stipulations/ Covenants of loan agreements
- Macroeconomic and business conditions in general
- Providing of unforeseen event and contingency with financial implications
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

7. Utilization of retained earnings Subject to applicable regulations, the Company's retained earnings shall be applied for:

- Funding inorganic and organic growth needs including working capital, capital expenditure, repayment of debt, etc.
- Buyback of shares subject to applicable limits and other compliances
- Payment of Dividend in future years
- Issue of Bonus shares
- Any other permissible purpose

8. Target dividend – payout ratio

Taking the above parameters and criteria into account, the Company would strive to distribute at least 10% of its Standalone Post-Tax Profits out of its normal business operations as dividend including interim dividends in each financial year and the distribution shall include dividends and tax on such dividends as per relevant regulations.

9. Modification of the Policy

The Board of Directors is authorized to change/amend this policy from time to time at its sole discretion and/or in pursuance of any amendments made in the Companies Act, 2013, Rules and the Regulations, etc.

10. Disclaimer

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's Equity shares.

