

K.P. ENERGY LIMITED

DIVIDEND DISTRIBUTION POLICY

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1. PREAMBLE:

The Board of Directors ('the Board') of K.P. Energy Limited ('the Company') understands the importance of shareholders' confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest or any apprehension in the minds of its shareholders, the Board of the Company, has adopted the Dividend Distribution Policy ('the Policy') and procedures with respect to Dividends declared/ recommended by the Company in accordance with the provisions of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

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 to strike balance between payout and retained earnings, in order to address future needs of the Company. The policy shall come into force for accounting periods beginning from April 1, 2024.

2. OBJECTIVE:

The objective of this Policy is to reward the shareholders of the Company by sharing a portion of the profits, whilst also ensuring that sufficient funds are retained for future growth of the Company. Towards this end, the Policy lays down parameters to be considered by the Board of the Company for declaration of Dividend from time to time. Through this Policy, the Company would endeavour to maintain a consistent approach to Dividend pay-out plans.

3. REGULATORY FRAMEWORK:

The Securities and Exchange Board of India ('SEBI') vide its Notification dated 8th July, 2016 has inserted Regulation 43A in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Regulation requires the top one thousand listed Companies, based on market capitalization, to formulate a Dividend Distribution Policy which shall be disclosed on the website of the Company and a web-link shall also be provided in the annual reports.

The Company, being one of the top one thousand listed companies as per the market capitalisation, frames this Policy to comply with the requirements of the SEBI Regulations.

4. DEFINITIONS:

“**Act**” shall mean the Companies Act, 2013 and the rules made thereunder, including any modifications, amendments or re-enactment thereof.

“**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.

“**Board**” means the Board of Directors of the Company.

“**Company**” means K.P. Energy Limited.

“**Dividend**” shall mean Dividend as defined under Companies Act, 2013.

“**Financial Year**” shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.

“**Policy or this Policy**” shall mean this Dividend Distribution Policy and as may be amended from time to time.

“**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.

5. POLICY:

The Company would endeavour 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 Chief Financial Officer and other relevant factors. The Board may also declare interim Dividend at its discretion from time to time.

6. 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 and adopted by the members of the Company. The Board of the Company shall have the power to recommend the final dividend to the shareholders for their approval in the annual general meeting 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 consider it fit. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.

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 annual general meeting of the Company.

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.

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

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 or propose to make any investment in Subsidiary and Associate Companies of the Group.
- iv Whenever it proposes to utilise surplus cash for buy-back of securities.
- v In the event of inadequacy of profits or whenever the Company has incurred losses.
- vi Such other purposes, as the Board may think appropriate from time to time to maintain / enhance its competitive advantage.

8. PARAMETERS FOR DECLARATION OF DIVIDEND:

➤ Financial Parameters / Internal Factors:

Subject to the provisions of the Act, Dividend shall be declared or paid only out of:

- (i) Current Financial Year's profit:
 - a. After providing for depreciation in accordance with law;
 - b. After transferring to reserves such amount as may be prescribed under the Act or as may be otherwise considered appropriate by the Board at its discretion.
- (ii) The profits for any previous Financial Year(s):
 - a. After providing for depreciation in accordance with law;
 - b. Remaining undistributed; or
- (iii) Out of (i) & (ii) both

The Board of Directors of the Company would consider the following financial parameters / internal factors before declaring or recommending Dividend to shareholders:

- (i) Profits earned during the year;
- (ii) Capital expenditure requirements;
- (iii) Past performance / Dividend history of the Company;
- (iv) Resources required to fund acquisitions and / or new businesses;
- (v) Cash flow required to meet operations & contingencies;
- (vi) Cost of borrowings and outstanding borrowings;
- (vii) Return on capital invested & post Dividend EPS;
- (viii) Additional investments in subsidiaries / associates of the Company;
- (ix) Any other factor as deemed fit by the Board.

➤ **EXTERNAL FACTORS:**

The Board of Directors of the Company would consider the following external factors before declaring or recommending Dividend to shareholders:

(i) State of Economy

In case of uncertain or recessionary economic, business/market conditions and Industry outlook, Board will endeavour to retain larger part of profits to build up reserves to absorb future contingencies.

(ii) Statutory Restrictions

Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including taxation.

(iii) Any other factors as deemed fit by the Board.

Apart from the above, the Board also considers past dividend history while determining the rate of dividend.

9. UTILISATION OF RETAINED EARNINGS:

The profits earned by the Company can either be retained in business and used for acquisitions, expansion or diversification, or it can be distributed to shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as Dividend after having due regard to the parameters laid down in this Policy.

10. POLICY AMENDMENT / DEVIATION:

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 in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board.
