



Kalpataru Power Transmission Limited

Dividend Distribution Policy

(Effective from 14th February, 2017)

TABLE OF CONTENTS

Sr. No.	Particulars	Page Nos.
1.	Introduction	3
	1.1 Philosophy 1.2 Applicability 1.3 Objective 1.4 Regulatory Framework	
2.	Interpretation	3
	2.1 Definitions 2.2 Interpretation	
3.	Policy	4
	3.1 Policy 3.2 Procedure 3.3 Circumstances under which the shareholders may or may not expect Dividend 3.4 Parameters for declaration of Dividend 3.5 Utilization of retained Earnings 3.6 Parameters with regard to various class of share	
4.	Disclosure	6
5.	General	6

1. INTRODUCTION

1.1. **Applicability**

- 1.1.1. The Board of Directors (“**the Board**”) of Kalpataru Power Transmission Limited (“**the Company**” or “**KPTL**”), has adopted the following policy with regard to Dividend Distribution (“**Policy**”) as defined below in the Board meeting held on 14th February, 2017 and the policy shall be effective from 14th February, 2017.

1.2. **Philosophy**

The philosophy of the Company is always to maximize the shareholders’ wealth through various means. The Company believes that returning cash to shareholders is an important component of overall value creation. The Company has a consistent Dividend Track Record and the policy of the Company is in line with historic guidelines and trends.

The Company follows a transparent mechanism for declaring dividends and retaining earnings accrued in a given financial year for future capital expenditures, working capital requirements, earmarking reserves for inorganic growth opportunities or for retiring debt and thereafter distributing the surplus profits in the form of dividend to the shareholders.

1.3. **Objective**

The main objective of this Policy is to regulate the process of dividend declaration and its pay-out by the Company which would ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the Company while ensuring to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes.

1.4. **Regulatory Framework**

- 1.4.1. Regulation 43A of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, which was notified vide Notification dated July 08, 2016 provides that top five hundred listed entities based on their market capitalization calculated as on 31st day of March of every Financial Year shall formulate a Dividend Distribution Policy which shall be disclosed in the annual reports and on the websites of such Company.
- 1.4.2. The Company has framed this policy as the Company is one of the top five hundred listed companies as per the market capitalization as on the last day of the immediately preceding Financial Year.

2. INTERPRETATION

2.1. **Definitions**

- 2.1.1. “**Act**” means Companies Act, 2013 and Rules made thereunder, including any modifications, amendments or re-enactment thereof.

- 2.1.2. “Applicable Laws”** shall mean the Companies Act, 2013 and 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.
- 2.1.3. “Board”** means Board of Directors of the Company.
- 2.1.4. “Company”** shall mean Kalpataru Power Transmission Limited.
- 2.1.5. “Dividend”** Shall mean Dividend as defined under Companies Act, 2013 and includes any Interim Dividend.
- 2.1.6. “Financial Year”** shall mean the period beginning from 1st April of every year to 31st March of succeeding year.
- 2.1.7. “Policy or this Policy”** shall mean Dividend Distribution Policy and as may be amended from time to time.
- 2.1.8. “SEBI Regulations or SEBI LODR”** shall mean 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.

2.2. Interpretation

- 2.2.1.** The Clause headings are for ease of reference only and shall not be relevant to interpretation.
- 2.2.2.** A reference to a clause number includes a reference to its sub-clauses.
- 2.2.3.** The words in singular number include the plural and vice versa.
- 2.2.4.** Any term not defined in the Policy shall have the same meaning assigned to it under the Companies Act, 2013 or the SEBI Regulations or Depositories Act, 1996 or Securities and Exchange Board of India Act, 1992.

3. POLICY

3.1. Policy

- 3.1.1.** The Company would endeavor to keep consistence Dividend payment track record except for the reasons to be recorded.
- 3.1.2.** Dividend payout in a particular year shall be determined after considering the operating and financial performance of the Company and the cash requirement for financing the Company's future growth.

3.2. Procedure

- 3.2.1.** The agenda of the Board of Directors where Dividend declaration or recommendation is proposed shall contain the rationale of the proposal which shall be in line with the Parameters mentioned in this Policy.

3.2.2. If the Company proposes to declare dividend on the basis of parameters in addition to this policy or proposes to change such 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 the annual report and on the website.

3.2.3. 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 shareholder's approval, at the ensuing annual general meeting of the Company. The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

3.3. Parameters for Declaration of Dividend

The Dividend payment decision of the Company depends upon certain Internal (including Financial parameters) and External Factors like:

3.3.1. Internal Factors

- a. **Profits Earned:** The extent of stability and magnitude of company's earnings will directly influence the dividend declaration. Thus, the dividend is directly linked with the availability of the earnings (including accumulated earnings) with the company.
- b. Capital Expenditure Requirements and future working capital requirements
- c. **Current and Projected Liquidity Position:** A company's liquidity position also determines the level of dividend. If a company does not have sufficient cash resources to make dividend payment, then it may reduce the amount of dividend pay-out.
- d. **Committed or Projected Cash Flow Requirement:** If a company foresees some profitable investment opportunities including but not limited to Brand/ Business Acquisitions, Expansion / Modernization of existing businesses, Additional investments in subsidiaries/associates of the Company, Fresh investments into external businesses, then it may decide for lower dividend payout and vice-versa.
- e. Leverage profile and liabilities of the Company.
- f. Any other factor as deemed fit by the Board.

3.3.2. External Factors

- a. **Industry Practice:** The nature of industry in which a company is operating, influences the dividend decision. Like the industries with stable demand throughout the year are in a position to have stable earnings and thus declare stable dividends.
- b. **Statutory Provisions and Regulatory concern:** The Board should keep in mind the restrictions imposed by Companies Act or any other applicable laws with regard to declaration of dividend and quantum of dividend. Further, any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company may also impact the declaration of dividend.
- c. **Macro-Economic Factors and General Business Environment:** The Board will endeavor to retain larger part of profits to build up reserves to absorb future shocks in case of uncertain or recessionary economic conditions and in situation where the policy decisions of the Government have a bearing on or affect the business of the Company.

- d. **Fiscal Policy:** The tax policy of the country also influences the dividend policy of a company. The rate of tax directly influences the amount of profits available to the company for declaring dividends.
- e. **Capital Markets:** In case of unfavorable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows and reduce the cost of raising funds through alternate resources.

3.4. Circumstances under which the Shareholders may not expect Dividend

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

- a. Due to operation of any other law in force
- b. Due to inadequate profit or losses incurred by the Company and the Board considers it appropriate not to declare dividend for any particular year
- c. Due to any restrictions and covenants contained in any agreement as may be entered into with the Lenders
- d. Whenever Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital or undertakes any acquisitions or restructuring
- e. Significant higher working capital requirements adversely impacting free cash flow.
- f. Whenever it proposes to utilise surplus cash for buy-back of securities

3.5. Utilisation of Retained Earnings

The portion of profits not distributed among the shareholders but retained and used in business are termed as retained earnings. It is also referred to as ploughing back of profit. These earnings may be utilized for internal financing of various projects of the Company and for fixed as well as working capital. 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.

3.6. Parameters for Dividend with regard to various classes of Shares

The Company does not have different classes of shares and follows the 'one share, one vote' principle.

4. DISCLOSURE

4.1.1. The Company shall make appropriate disclosures as required under the SEBI Regulations.

5. GENERAL

5.1.1. The Policy shall be reviewed as and when required to ensure that it meets the objectives of the relevant legislation and remains effective. The Executive Committee has the right to change/amend the policy as may be expedient taking into account the law for the time being in force. Such amended Policy shall be placed before the Board for noting and necessary ratification at its subsequent meeting.

5.1.2. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.
