# KEN FINANCIAL SERVICES LIMITED

## Dividend Distribution Policy

I **Objective of the Policy:** The purpose of this Policy is to regulate the process of dividend declaration and its payout by the Company which would ensure the right balance between the quantum of Dividend paid and amount of profits retained in the business for various purposes. The Policy lays down parameters to be considered by the Board of Directors of the Company for declaration of Dividend from time to time.

II **Regulatory Framework**: Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires top five hundred listed companies based on market capitalization (calculated as on March 31 of every financial year) to formulate a Dividend Distribution Policy.

Adhering to best corporate governance practice and to comply with provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as and when it becomes applicable, Ken Financial Services Limited frames this policy.

III **Forms of Dividends**:

**Final Dividend:**

The final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of final dividend to the shareholders for their approval at the general meeting of the Company.

**Interim Dividend:**

This form of dividend can be declared by the Board of Directors one or more times in a financial year as may be deemed fit by it. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, in line with this policy.

IV **Factors Affecting dividend declaration:**

The Dividend pay-out decision of company, depends upon certain external and internal factors

1. **Internal Factors & financial parameters:** The Board of Directors of the Company would take into account various internal factors including the financial parameters before declaring or recommending dividend to shareholders, which inter alia will include –

a) Magnitude and Stability of Earnings: 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) 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.

c) Future Requirements: If a company foresees some profitable investment opportunities in near future 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.

d) Leverage profile and liabilities of the Company.

e) Working capital requirements

f) Capital expenditure requirements

g) Cash flow required to meet contingencies

h) Any other factor as deemed fit by the Board.

**2. External Factors:**

Apart from the various internal factors, the Board of Directors of the Company shall take into account various external factors before declaring dividend:

a) Legal/ Statutory Provisions and Regulatory concern: The Board should keep in mind the restrictions imposed by Companies Act, any other applicable laws with regard to declaration and distribution 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.

b) State of Economy: 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.

c) Taxation Policy: The tax policy of a 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.

d) 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.

e) Dividend pay-out ratios of companies in the same industry.

**V Circumstances under which the shareholders may not expect Dividend:**

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

a. In the event of inadequacy of profits or whenever the Company has incurred losses;

b. Whenever Company proposes to utilise surplus cash for buy-back of securities;

c. Significantly higher working capital requirements adversely impacting free cash flow;

d. Whenever it undertakes or proposes to undertake a significant expansion of business requiring higher allocation of capital;

e. Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;

f. Operation of any law in force which restricts payment of dividend in particular circumstances; and

g. Any restrictions and covenants contained in any agreement as may be entered with the Lenders.

## VI Retained Earnings

The portions 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. The Company should ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. These earnings may be utilized for internal financing of its various activities and for fixed as well as working capital. Thus the retained earnings shall be utilized for carrying out the main objectives of the company and maintaining adequate liquidity levels. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

o Market expansion plan;

o Modernization plan;

o Diversification of business;

o Long term strategic plans;

o Replacement of capital assets;

o Where the cost of debt is expensive;

o Other such criteria as the Board may deem fit from time to time.

The Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous year(s) or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this Policy.

## VII Parameters that Shall be adopted with regard to various classes of share

At present, the issued and paid-up share capital of the Company comprises only equity shares; the Company does not have different classes of shares. As and when the Company issues other kind of shares, the Board of Directors may suitably amend this Policy.

## VIII Procedure

1. Recommendation of final dividend, 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.

2. The final dividend as recommended by the Board shall be approved/declared at the Annual General Meeting of the Company.

3. Interim dividend, if any, shall be declared by the Board. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.

4. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration, to those shareholders who are entitled to receive the dividend on the record date/book closure period, as per the applicable law.

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

## IX Disclosure

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

## X. Review & Amendment

The Policy shall be reviewed as and when required to ensure that it meets the objectives of the relevant legislation and remains effective. This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy. 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