

## **DIVIDEND DISTRIBUTION POLICY**

### **1. PREAMBLE**

The Securities Exchange Board of India vide its Notification No. SEBI/LAD-NRO/GN/2016-17/008 dated July 08, 2016, inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [LODR] mandating the formulation of a Dividend Distribution Policy for the top 500 listed entities based on their market capitalisation calculated on March 31 of every financial year.

### **2. OBJECTIVE**

In compliance with Regulation 43A of the LODR, the Company is required to frame a Dividend Distribution Policy. The objective of this policy is to enumerate the details of the parameters based upon which the decisions on dividend distribution will be made and provide clarity to the stakeholders on the same.

### **3. EFFECTIVE DATE**

The Policy shall become effective from the date of its adoption by the Board i.e. 25 January 2017.

### **4. DEFINITIONS**

- a) 'Act' means the Companies Act, 2013 and Rules made thereunder, including any amendments or modifications thereof.
- b) 'Board of Directors' or 'Board' means the collective body of the Directors of the Company.
- c) 'Company' means KIRLOSKAR OIL ENGINES LIMITED.
- d) 'Policy' means 'Dividend Distribution Policy'.

## **5. PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND**

- 5.1 The Company shall pay dividend (including interim dividend) in compliance with the provisions of Section 123 of the Act and Companies (Declaration and Payment of Dividend) Rules, 2014.
- 5.2 The Board of Directors will refer to this policy for declaration of interim dividend and for recommendation of dividend to shareholders for their approval in the Annual General Meetings.
- 5.3 The Company has only one class of shareholders i.e. equity shareholders. Therefore dividend declared will be distributed equally among all shareholders, based on their shareholding as on the record date.
- 5.4 The decision on the distribution of dividend will consider the following parameters:

### **A. FINANCIAL PARAMETERS**

- i. The operating and financial performance of the Company
- ii. Earnings Per Share (EPS)
- iii. Operating cash flow of the Company
- iv. Cost of borrowings and Obligation to Lenders/financial institutions/ Banks

### **B. INTERNAL FACTORS**

- i. Proposals for major capital expenditures
- ii. Proposals for inorganic growth
- iii. Contingent Liabilities, under exceptional circumstances
- iv. Past Dividend trends
- v. Providing for unforeseen events and contingencies with financial implications

### **C. EXTERNAL FACTORS:**

- i. Economic environment
- ii. Government Policies
- iii. Taxation
- iv. Such other factors which can have financial impact on the Company.

## **6. UTILISATION OF RETAINED EARNINGS**

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on Market / Product expansion plan, Increase in production capacity, Diversification of business and such other criteria as the Board may deem fit from time to time.

## **7. TARGET DIVIDEND PAYOUT RATIO**

Taking the above parameters and criteria into account, the Company shall strive to distribute at least 10% of its Post-Tax Profits as dividend including interim dividends in each financial year. The distribution shall include dividends and tax on such dividends as per relevant regulations. Special Dividends, if any may be declared in addition to the regular dividend payout.

## **8. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE LISTED ENTITIES MAY OR MAY NOT EXPECT DIVIDEND**

The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors:

- i. Proposed expansion plans requiring higher capital allocation
- ii. Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc. which requires significant capital outflow
- iii. Requirement of higher working capital for the purpose of business of the Company
- iv. The company has implemented, or intends to implement, a share buyback scheme or any other alternate profit distribution measure
- v. In the event of loss or inadequacy of profit

## **9. DISCLOSURES:**

- i. If the company does not declare any dividend or if the final payout for the year is lower than the target percentage referred in Clause 7, the Board will provide a rationale for the deviation from the policy in the annual report.
- ii. If the Company declares dividend on the basis of parameters not enumerated in this policy or changes 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.
- iii. This Policy will be available on the Company's website at [www.koel.co.in](http://www.koel.co.in)

**10. AMENDMENT:**

In case of any subsequent changes in the provisions of Act / Regulation, which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act/ Regulation would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

**For Kirloskar Oil Engines Limited**



**Atul C. Kirloskar  
Executive Chairman**

**Date: 25 January 2017**