



KUMAR ARCH TECH LIMITED

DIVIDEND DISTRIBUTION POLICY

Version –01

Date of the approval by the Board: September [9], 2024

Effective Date: September [9], 2024

Dividend Distribution Policy

1. Introduction

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, This Policy seeks to lay down a broad framework for the distribution of dividend by the Company whilst appropriately balancing the need of the Company to retain resources for the Company's growth & sustainability. Through this policy, the Company also endeavours to maintain fairness and consistency while considering distributing dividend to the shareholders.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking a decision on distribution or retention of profits, in the interest of providing transparency to the shareholders. The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered relevant by the Board.

The Policy is being recommended for adoption by the Board of Directors of all the companies in the Kumar Arch Tech Group i.e. by all its subsidiaries and to the extent possible, the joint ventures after discussions with its partners.

2. Statutory Requirements

The declaration and distribution of dividend shall, at all times, be in accordance with the provisions of the Companies Act, 2013, read with applicable rules framed thereunder, as may be in force for the time being ("Act") in particular Sections 2(35), 24, 51, 134(3)(k), 123, 124, 125, 126 and 127 of the Act and the Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), such other applicable provisions of law and the Articles of Association of the Company as amended.

3. Objective and Scope

The objective of the policy is to specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilised, etc. The objective of this Policy is to ensure the right balance between the quantum of Dividend paid and amount of profits retained in the business for various purposes.

Policy lays down below parameters to be considered by the Board of Directors of the Company for declaration of Dividend from time to time.

- The circumstances under which the shareholders may or may not expect dividend;

- The financial parameters and internal and external factors that shall be considered for declaration of dividend;
- Policy as to how the retained earnings shall be utilized; and
- Parameters that shall be adopted with regard to various classes of shares.

However, the Company reserves the right to carry out in any change in the aforesaid parameters, in the best interest of the Company, shareholders and/or other stakeholders.

- **CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND**

The shareholders of the Company should not expect Dividend under certain circumstances such as the following:

- ✓ Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital.
- ✓ Significant higher working capital requirements adversely impacting freecash flow.
- ✓ Whenever it undertakes any acquisitions or restructuring or jointventures requiring significant allocation or reduction of capital.
- ✓ Whenever it proposes to utilise surplus cash for buy-back of securities or
- ✓ In the event of inadequacy of profits or whenever the Company has incurred losses.

- **FACTORS TO BE CONSIDERED BEFORE DECLARING DIVIDEND**

The Company would, inter alia, consider the following financial parameters and / or internal & external factors before declaring dividend(s) or recommending dividend(s) to the shareholders:

- ❖ **Financial Parameters / Internal Factors :**

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

- ✓ Current Financial Year's profit
 - After providing for depreciation in accordance with law;
 - 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.
- ✓ The profits for any previous Financial Year(s):

- After providing for depreciation in accordance with law;
 - Remaining undistributed; or
- ✓ Out of i) and ii) both

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

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

❖ **Financial Parameters / Internal Factors**

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

- ✓ State of Economy

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

- ✓ Statutory Restrictions

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

• **POLICY AS TO HOW THE RETAINED EARNINGS SHALL BE UTILIZED**

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 utilization of retained earnings shall prioritize long-term sustainability and shareholder value, based on the following factors:

- Long term strategic plans;
- Augmentation/ Increase in production capacity;
- Market expansion plan;
- Product expansion plan;
- Modernization plan;
- Diversification of business;
- Replacement of capital assets;
- Balancing the Capital Structure by de-leveraging the Company;

- Payment of Dividend or issue of Bonus Shares;
- Other such criteria as the Board may deem fit from time to time.

• **PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES**

- ✓ Preference shareholders shall receive Dividend at the fixed rate as per the terms of allotment and shall stand in priority to the equity shareholders for payment of Dividend.
- ✓ 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.

4. Clear Communication of the Policy:

This policy shall be uploaded on the website of the Company i.e. www.echon.co

5. Amendment:

The Company is committed to continuously reviewing and updating our policies and procedures. Therefore, this policy is subject to revision / amendment on a periodic basis, as may be necessary. The Board of Directors of the Company or any duly authorized committee thereof, subject to applicable laws, may amend, suspend, or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors or such committee in line with the broad intent of the Policy.

In the event of any variation or inconsistency between provisions of this policy and any amendments, clarifications, circulars, notifications or guidelines issued by the relevant authorities, then such amendments, clarifications, circulars, notifications or guidelines shall prevail over this policy and the provisions of this policy shall be deemed to have been amended so as to be read in consonance with such amendments, clarifications, circulars, notifications or guidelines.

6. Conflict of Policy

In the event of any conflict between this Policy and the provisions contained in the applicable laws, the provisions of applicable laws shall prevail.

Adaptive Date: September, 09th 2024

Date of the approval by the Board: September, 09th 2024

Sd/-

Chairman's Signature