



DIVIDEND DISTRIBUTION POLICY

OBJECTIVE

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 a balance between pay-out and retained earnings, in order to address future growth needs of the Company. The Policy shall come into force for accounting periods beginning from 1st April, 2021.

This Policy aims to ensure that the Company makes rational decisions with regard to the amount to be distributed to the shareholders as dividend after retaining sufficient funds for the Company's growth, to meet its long-term objectives. It lays down various parameters which shall be considered by the Board of Directors of the Company before recommendation and declaration of dividend to its shareholders.

DIVIDEND DISTRIBUTION PHILOSOPHY

Dividends will generally be recommended by the Board once a year, after the announcement of the full year results and before the Annual General Meeting (AGM) of the shareholders, as may be permitted by the Companies Act, 2013. The Board may also declare interim dividends as may be permitted by the Companies Act, 2013.

The Company has had a consistent dividend policy that balances the objective of appropriately rewarding shareholders through dividends and to support the future growth of the company.

FACTORS CONSIDERED FOR RECOMMENDATION AND DECLARATION OF DIVIDEND

As in the past, subject to the provisions of the applicable law, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return.

While determining the nature and quantum of the dividend payout, including amending the suggested payout range as above, the Board would take into account the following factors:

Internal Factors (Financial Parameters):

- i. Profitable growth of the Company and specifically, profits earned during the financial year, as compared with:
 - a. Previous years; and
 - b. Internal budgets,
- ii. Cash flow position of the Company,
- iii. Accumulated reserves,
- iv. Earnings stability,

- v. Capital expenditure,
- vi. The ratio of debt to equity (at net debt and gross debt level).
- vii. Current and future leverage and, under exceptional circumstances, the amount of contingent liabilities,
- viii. Future cash requirements for organic growth and expansion,
- ix. Long term investments,
- x. Brand acquisitions and takeovers,

External Factors:

- i. Business cycles,
- ii. Economic environment,
- iii. Cost of external financing,
- iv. Industry outlook for the future years,
- v. Inflation rate, and
- vi. Changes in the Government policies, industry specific rulings and regulatory provisions.

Apart from the above, the Board also considers past dividend history and sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend special dividend in special circumstances.

CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY NOT EXPECT DIVIDEND

The shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.
- ii. In the event of higher working capital requirement for business operations or otherwise.
- iii. In the event of inadequacy of cash flow available for distribution.
- iv. In the event of inadequacy or absence of profits.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, after analysing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment.

In such event, the Board will provide rationale in the Annual Report.

MANNER OF UTILISATION OF RETAINED EARNINGS

The retained earnings of the Company may be used in any of the following ways:

- i Capital expenditure and/or working capital or additional investment in existing business,
- ii Declaration of dividend,
- iii Buy back of shares,
- iv Capitalization of shares,
- v. General corporate purposes, including contingencies,
- vi. Investment in new business(es) for Organic growth,
- vii. Any other permitted usage as per the Companies Act, 2013.

PARAMETERS ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

I. Dividend on Preference Shares:

Preference Shareholders shall be entitled and paid dividend at the fixed rate as per the terms of issue and shall stand in priority to equity shareholders for payment of dividend.

The other factors/parameters mentioned in this policy shall not apply to determination and declaration of dividend on preference shares issued by the Company, as the same will be as per the terms of issue of such preference shares.

II. Dividend on Equity Shares:

Equity Shareholders shall be entitled for the dividend, interim or final, as the case may be, if recommended by the Board of Directors and declared by the Shareholders of the Company.

Equity dividend shall stand second in priority after payment of dividend to the Preference Shareholders.

REVIEW

The Board of Directors shall have the right to modify, amend or change any clause of this Policy in accordance with the provisions of the Applicable laws/Acts/Regulations. Any changes or revisions to the Policy will be communicated to shareholders in a timely manner.

DISCLOSURES

The policy will be available on the Company's website and the link to the policy is: <https://www.kuantumpapers.com/Policies>. The Policy will also be disclosed in the Company's Annual Report.
