

Kansai Nerolac Paints Ltd.

Dividend Distribution Policy

Introduction

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 has inserted a new section viz. Section 43 A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulations”) that requires the top 500 listed entities based on market capitalisation to formulate a Dividend Distribution Policy which shall be disclosed in their annual reports and on their websites.

Kansai Nerolac Paints Ltd. is one of the top 500 listed companies by market capitalization.

The Board of Directors of Kansai Nerolac Paints Limited (“Company”) has adopted this Dividend Distribution Policy to comply with these requirements at its meeting held on January 31, 2017.

This policy aims at ensuring compliance with the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

Policy

This Policy is called “Kansai Nerolac Paints Limited – Dividend Distribution Policy” (hereinafter referred to as “this Policy”) and shall be effective from January 31, 2017 (“Effective Date”).

Circumstances under which shareholders may or may not expect Dividend

The Board will assess the Company’s financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors as mentioned elsewhere in this policy before declaring dividend in any financial year.

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



Financial parameters that shall be considered while declaring Dividend

The Dividend (including interim and/or final) for any financial year shall be declared or paid by the Company for any financial year out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013 or out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013 and remaining undistributed, or out of both. The Company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the Company. The Company shall follow the provisions of the Companies Act and all the relevant rules and regulations of the Companies Act and/or any regulatory enactment(s) as may be applicable while declaring and paying dividend for any financial year.

The rate of Dividend shall be fixed by the Board of Directors of the Company. Final dividend proposed by the Board of Directors, if any, would be subject to the approval of the shareholders at the Annual General Meeting.

The Board of Directors shall recommend dividend in compliance with this policy, the provisions of the Companies Act, 2013 and Rules made there under and other applicable legal provisions.

The Company will consider various internal and external factors, including but not limited to the following before making any recommendation for dividends:

Internal and external factors that shall be considered for declaration of dividend

(i) Internal factors:

- a. Profitable growth of the Company and specifically, profits earned during the financial year as compared with previous years and internal budgets,
- b. Cash flow position of the Company,
- c. Accumulated reserves
- d. Stability of earnings
- e. Future cash requirements for organic growth/expansion and/or for inorganic growth,
- f. Contingent liabilities,
- g. Deployment of funds in short term marketable investments and / or long term investments,
- h. Capital expenditure(s), and
- i. The ratio of debt to equity.



(ii) External factors:

- a. Economic environment,
- b. Cost and availability of alternative sources of financing
- c. Inflation rate,
- d. Industry outlook and stage of business cycle for underlying businesses
- e. Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution,
- f. Changes in the Government policies, industry specific rulings & regulatory provisions, and
- g. Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

Apart from the above, the Board also considers past dividend history and track record of previous Dividends distributed by the Company. The Board may additionally recommend special dividend in special circumstances.

Utilisation of retained earnings

Subject to applicable regulations, the Company's retained earnings shall be applied for:

- Funding inorganic and organic growth needs including working capital, capital expenditure, repayment of debt, etc.
- Buyback of shares subject to applicable limits,
- Capitalisation of shares,
- Issue of Bonus shares
- Payment of Dividend in future years
- Investment in new business(es) and / or additional investment in existing business(es),
- General corporate purposes, including contingencies,
- Any other permissible usage as per law.

Parameters that shall be adopted with regard to various classes of shares

The Company currently has only one class of shares, viz. Equity shares, for which this policy is applicable. The policy is subject to review if and when the Company issues different classes of shares.



Modification of the Policy

This policy may be reviewed periodically by the Board of Directors. Any amendments made in the Companies Act, 2013, the Regulations, etc. will also be considered while effecting any modification in this Policy.

Disclosure

Information on Dividends paid for the past 15 years is provided in the Annual Report for information of the Shareholders. This policy will be available on the Company's website and will also be disclosed in the Company's annual report.

