

DIVIDEND DISTRIBUTION POLICY

FOR KAY JAY FORGINGS LIMITED

CIN: U74899DL1983PLC029298

Registered Office: A-8, Maya Puri Industrial Area Phase-1, New Delhi- 110 064 Delhi, India

DIVIDEND DISRIBUTION POLICY

1. INTRODUCTION

This Dividend Distribution Policy (the “**Policy**”) has been adopted by the Board of Directors of **Kay Jay Forgings Limited**(the “**Company**”) in the meeting held on August 2, 2025 pursuant to Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (hereinafter referred to as “**Listing Regulations**”).

The Policy intends to set out several factors for consideration by the Board at the time of taking a decision on distribution vis-a-vis retention of profits, in the interest of providing transparency to the shareholders and maximizing returns on investments. The Policy is one of the guiding factors 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 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 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 utilized, etc. The Board of Directors may consider a declaration of interim dividend depending upon the cash flow situation of the Company.

The Policy is being recommended for adoption by the Board of Directors of the company and by all its subsidiaries.

2. DIVIDEND

Dividend means distribution of profits earned in the current year or earlier years, by the Company, to its shareholders in proportion to the amount paid-up on shares held by them (“**Dividend**”). Under the Companies Act, 2013 (the “**Act**”) a Company can either declare Dividend during the year, which is called interim Dividend, or can declare Dividend after the end of financial year, which is called final Dividend.

This policy applies to declaration of interim Dividend and recommendation of final Dividend by the Board.

Interim dividend is the dividend declared by the Board between two annual general meetings as and when considered appropriate. The Board shall have the absolute power to declare interim dividend during the financial year, as and when deemed fit. The Act authorises the Board to declare interim dividend during any financial year out of the profits for the financial year in which the dividend is sought to be declared and/or out of the surplus in the profit and loss account.

Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial statements.

Final dividend is recommended for the financial year at the time of approval of the annual financial statements. The Board shall have the power to recommend final dividend to the shareholders for their approval at the annual general meeting of the Company.

The Dividend for any financial year shall normally be paid in accordance with the provisions of Section 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, Listing Regulations, such other applicable provisions of law and the Articles of Association of the Company as amended:

- a. out of the profits for the year (arrived at after providing for depreciation in accordance with law and transferring such amount to reserves as may be considered appropriate by the Board of Directors of the Company); and/or
- b. out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable. Further it is to be noted that while declaring the Dividend out of accumulated profits the following conditions as per Rule 3 of the Companies (Declaration and Payment of Dividend) Rules, 2014, shall be satisfied,
 - The rate of Dividend declared shall not exceed the average of the rates at which Dividend was declared by it in the three years immediately preceding that year. (this sub-rule shall not apply to a Company which has not declared any Dividend in each of the three preceding financial year)
 - The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
 - The amount so drawn shall first be utilized to set off losses incurred in the financial year in which Dividend is declared before any Dividend in respect of equity shares is declared.
 - The balance of reserves after such withdrawal shall not fall below fifteen per cent of its paid up share capital as appearing in the latest audited financial statement.
- c. out of free reserves.

3. DEFINITIONS

- a. **“The Company”** means **“Kay Jay Forgings Limited”**;
- b. **“Policy”** means dividend distribution Policy;
- c. **“Board”** or **“Board of Directors”** shall mean the Board of Directors of the Company;
- d. **“Act”** shall mean the Companies Act, 2013 and Rules thereunder (including any statutory modification or amendment or re-enactment thereof for the time being in force);

- e. **“Dividend”** shall have the meaning as defined under the Act and includes any interim Dividend;
- f. **“SEBI”** shall mean Securities and Exchange Board of India;
- g. **“Listing Regulations”** shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
- h. **“Stock Exchange”** shall mean a recognized Stock Exchange as defined under Securities and Exchange Board of India Act, 1992 (including any statutory modification or amendment or re-enactment thereof for the time being in force);

Words and phrases used in this Policy and not defined herein shall derive their meaning from the Act and Listing Regulations;

4. FACTORS AFFECTING DIVIDEND DECLARATION

The Board of Directors considers the following factors while arriving at the Dividend amount:

a. INTERNAL FACTORS & FINANCIAL PARAMETERES

- profits earned during the year.
- Accumulated reserves, including retained earnings.
- distributable surplus available with the Company.
- Company’s liquidity position & return ratios, future cash flow requirements for operations and reserve for any contingencies.
- Future capital expenditure requirements for expansion and growth.
- history of Dividends distributed by the Company - rate of dividend, EPS and payout ratio, etc.
- loan covenants, if any.
- Contingent liabilities, under exceptional circumstances.
- Earning Stability.
- Any other significant developments that require cash investments.

b. EXTERNAL FACTORS

- Dividends distributed by other companies in the same industry.
- taxation policy and any amendments thereof.
- cost and availability of alternative sources of financing.
- state of economy and nature of industry.
- macroeconomic and business conditions in general.
- any other relevant factors that the Board may deem fit.
- Unfavourable market conditions.
- Changes in Government policies and regulatory provisions.
- Cost of raising funds from alternate sources.
- Inflation rates.
- Sense of shareholders’ expectations.
- Cost of external financing.
- Other factors beyond the control of management.

5. 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 utilisation of retained earnings of the Company would be based on criteria as the Board may deem fit from time to time.

6. QUANTUM AND MANNER OF DIVIDEND PAYOUT

The Company is committed to deliver sustainable value to all its stakeholders. The Company strives to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the equity shareholders, in the form of Dividend. Determining the Dividend pay-out depends on several factors, both internal to a business and external to it. Taking into consideration the aforementioned factors, the Board shall have absolute discretion to determine & recommend appropriate Dividend pay-out for the relevant financial year.

7. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND

The Board of Directors of the Company, while declaring or recommending Dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Act and Listing Regulations. The shareholders of the Company may expect Dividend only if the Company is having adequate profits after complying with all other statutory requirements under the Applicable Laws.

Subject to the discretion of the Board, the shareholders of the Company may not expect Dividend in the following circumstances.

- a. in case of inadequacy of profits or whenever the Company has incurred losses;
- b. whenever the Company undertakes or proposes to undertake any significant business expansion/ investment /acquisitions;
- c. significant working capital requirement affecting free cash flow;
- d. whenever the Company proposes to utilize surplus cash for buy- back of securities or setting off of previous year losses or losses of its subsidiary(ies);
- e. whenever a declaration of Dividend is prohibited by any regulatory body; and
- f. Distributable surplus available as per the Act and Listing Regulations.
- g. The Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital;

8. FACTORS TO BE CONSIDERED WHILE DETERMINING DIVIDEND PAY-OUT

The Board shall consider but not limited to the following circumstances as provided below before determination of any dividend payout after analyzing the prospective opportunities and threats, viability of the options of dividend payout or retention etc. The decision of dividend payout shall, majorly be based on such factors considering the balanced interest of the stakeholders and the business requirements of the Company.

- a. **Accumulated Losses, if any:** The profits earned by the Company during any financial year shall be first utilized to set off the accumulated losses/ unabsorbed depreciation, if any of the Company from the previous financial years;
- b. **Operating cash flow of the Company:** The Board will consider the impact of proposed dividend on the operating cash flow of the Company and shall satisfy itself of its adequacy before taking a decision on whether to declare dividend or retain its profits;
- c. **Transfer to Reserves and other Statutory Requirements:** The Board shall examine the implication of relevant statutory requirements including payment of dividend distribution tax, transfer of a certain portion of profits to Reserves etc., if applicable, on the financials of the Company at the time of taking decision with regard to dividend declaration or retention of profit;
- d. **Prudential & Strategic requirements:** The Board shall analyze the ongoing and prospective projects and strategic decisions including need for replacement of capital assets, expansion and modernization etc., before recommending Dividend Pay-out for any financial year with an object to build a healthy reserve of retained earnings to augment long term strength and to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company.
- e. **Obligations to Lenders:** The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time and subject to the terms and conditions mentioned in the financing documents.

9. MANNER OF DIVIDEND PAYOUT

The applicable provisions of the Act, the Company's ability to declare and pay dividends is based on the standalone Financial Statements only. In future should the regulations be amended permitting the Company to pay dividend based on its Consolidated Profits, the Board would consider such a payout ratio on its Consolidated Profits. Till such time, the Company will endeavour to have a policy on dividend distribution with a similar payout ratio across its subsidiary/(ies) and to the extent possible. The Company may declare dividends for a year, usually payable for a financial year at the time when the Board considers and recommends the Annual Financial Statements, which is called final dividend. The Board shall have the power to recommend final dividend to the shareholders for their approval in the annual general meeting of the Company. The Board may also declare interim dividend during the financial year, between two annual general meetings as and when they consider it fit.

10. PARAMETERS ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

Dividend would continue to be declared on the face value of the equity shares and on a per share basis of the Company. Parameters for Dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable laws and will be determined, if and when the Company decides to issue other classes of shares. Therefore, Dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date.

11. REVIEW AND AMENDMENT

The Board is authorised to change or modify this Policy from time to time at its sole discretion and/or in pursuance of any amendments made by any relevant law for the time being in force.

In the event of any conflict between the provisions in this Policy and of the Act/ Regulations or any other statutory enactments, rules, the provisions such Act or the Regulations or statutory enactments or rules would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

12. DISCLOSURE OF THE POLICY

The Policy shall be disclosed on the website of the Company and the web-link of the same shall be provided in the annual reports.

13. DISCLAIMER

This Policy represents a general guidance regarding Dividend and shall not be construed as a solicitation for investments in the Company's securities. It shall not act as an assurance or a commitment of guaranteed returns (in any form), on investments in the Company's securities. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the year and the Board reserves the right to depart from the policy as and when circumstances so warrant.

Version approved by: The Board of Directors

Effective Date: August 02, 2025

Place: Ludhiana

Note: Approved in the meeting dated August 02, 2025
