

Dividend Distribution Policy

1. Background and Applicability

In accordance with the provisions of the SEBI (Listing Obligations & Disclosure Requirements) (Second Amendment) Regulations, 2016, which came into effect on July 8th, 2016, introducing a new Regulation 43A which requires the top 500 listed companies based on market capitalization calculated as on March 31 of every financial year to formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

Based on the market capitalization information as on 31st March, 2016, Kennametal India Limited (“the Company”) falls within such top 500 listed companies and therefore is accordingly required to formulate a Dividend Distribution Policy (“the Policy”).

The Board of Directors (“Board”) of the Company has considered and approved this Dividend Distribution Policy in its meeting held on February 2, 2017 to comply with these requirements. The Policy will be applicable from the Company’s Financial Year 2016-17.

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

2. Dividend distribution philosophy

The Company is deeply committed to driving superior value creation for all its Shareholders. The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium term and longer term value creation. Accordingly, the Board would continue to adopt a progressive and dynamic dividend policy, ensuring immediate as well as long term needs of the business.

3. Dividend

“Dividend” shall mean Dividend as defined under the Companies Act, 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulations”) together with circulars issued thereunder, including any statutory modifications or re-enactments thereof for the time being in force.

Interim and Final Dividend

The Board may declare one or more Interim Dividends during the year. Additionally, the Board may recommend Final Dividend for the approval of the shareholders at the Annual General Meeting. The date of the Board meeting in which the Dividend proposal will be considered, will be provided to the stock exchanges, as required by Listing Regulations.

4. Policy

- 4.1 The Company believes in rewarding its shareholders as and when the funds are available for distribution as dividend and generally strive to declare Dividend and to recommend the same to the Members at the Annual General Meeting of the Company.
- 4.2 The Company envisions dividend frequency every 2-3 years, it can be more frequent if excess cash position enable.
- 4.3 The Company aims to target long term dividend yield consistent with peer average.
- 4.4 The Company aims to target long term dividend payout ratio after considering the needs of business reinvestment.

5. Circumstances under which shareholders can expect Dividend

The Board will assess the Company's financial requirements, including present and future, organic and inorganic growth opportunities and other relevant external and internal factors and declare Dividend in any financial year.

The Dividend for any financial year shall normally be paid out of the Company profits for that year. This will be arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013. If circumstances require, the Board may also declare dividend out of accumulated profits of any previous financial year(s) in accordance with the provisions of the Act and Regulations, as applicable.

6. Financial parameters and other internal and external factors which would be considered for declaration of Dividend:

- Distributable surplus available as per the Act and Regulations;
- The Company's liquidity position and future cash flow needs;
- Track record of Dividends distributed by the Company;
- Payout ratios of comparable companies;
- Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution;
- Capital expenditure requirements considering the expansion and acquisition opportunities;
- Cost and availability of alternative sources of financing;
- Stipulations/ Covenants of loan agreements;
- Macroeconomic and business conditions in general; and
- Any other relevant factors which the Board may deem fit to consider before declaring Dividend

7. Utilization 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;
- Payment of Dividend in future years;
- Issue of Bonus shares; and
- Any other permissible purpose

8. Disclosure of this Policy

The Company shall disclose this Policy on its website and in its Annual Report.

9. Modification of the Policy

The Board is authorized to change/amend/alter this policy from time to time at its sole discretion and/or in pursuance of any amendments made in the Companies Act, 2013, the Regulations, etc.

10. Disclaimer

This document does not solicit investments in the Company's securities. Nor is it assurance of guaranteed returns (in any form), for investments in the Company's equity shares.
