# Dividend Policy

LT Foods Ltd.

# DIVIDEND POLICY

## 1. PREAMBLE:

The Board of Directors (the "Board") of LT Foods Limited (the "Company") has approved the following Policy ("The Policy") of the Company for the declaration and payment of Dividend. This Policy has been formulated in accordance with the Chapter VIII of the Companies Act, 2013 and Companies (Declaration and Payment of Dividend) Rules,2014 made thereunder.

This policy *inter alia* provides for declaration and payment of dividend.

## 1.2 OBJECTIVE:

This policy will regulate the process of dividend declaration and its pay-out by LT Foods Limited in accordance with the provisions of Companies Act, 2013, read with the applicable rules framed thereunder, as may be in force for the time being and other bylaws as applicable to the company.

The objective of this policy is to ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the company. The company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will refer to the policy while declaring/recommending dividends on behalf of the company. Though this policy, the Company would endeavor to maintain a consistent approach to dividend pay-out plans.

The Company believes that it operates in the fast growing branded staple food segment of Basmati Rice business. Ageing of Basmati Rice is key to our business and therefore it is necessary to carry high level of inventories to meet the business demand. Therefore, the retention of surplus fund for future growth will over-ride considerations of returning cash to the shareholders. However, considering the consistent and impressive generation of profits year on year, there is a need to provide greater clarity on the dividend pay-out policy of the company.

## 2. DEFINITIONS

a) Act: "Act" means the Companies Act, 2013 including any amendment or modification thereof.

b) Board: Board means Board of Directors of the Company

c) Company: "Company" means LT Foods Limited.

d) Compliance Officer: "Compliance Officer" means the Company Secretary of the Company who is responsible to perform duties as required under section 205 of the Companies Act

2013 and Regulation 6 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

e) Director: “Director” means a person as defined in Section 2(34) of the Companies Act, 2013 and presently appointed as a Director in the Company.

f) Dividend: “Dividend” means a distribution of any sums to Members out of profits or reserves available for the purpose;

g) Employees: “Employees” shall mean the employees and office-bearers of the Company, including but not limited to Managing Director and Whole Time Directors.

h) Key Managerial Personnel: “Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2(51) of the Companies Act, 2013 and rules prescribed thereunder.

i) Regulations: “Regulations” shall mean SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015

j) Secretarial Standards: “Secretarial Standards” means standards issued by the Institute of Company Secretaries of India under section 118 (10) of the Companies Act 2013.

k) Stock Exchange or Exchanges: “Stock Exchange or Exchanges” shall mean BSE Limited and National Stock Exchange of India Limited

l) Any other term not defined herein shall have the same meaning as defined in the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, Companies Act, 2013, Securities Contract Regulation Act or any other applicable law or regulations.

## 3. Legal Provisions relating to Dividend Declaration

This policy shall be governed by the Companies Act 2013, SEBI Act, Rules and Regulations made under Companies Act, 2013 & under SEBI Act, Secretarial Standard and all other applicable laws for the time being in force.

The Companies Act, 2013 lays down certain provisions for declaration of dividend, which are:

(i) Section 51 permits companies to pay dividends proportionately, i.e. in proportion to the amount paid-up on each share when all shares are not uniformly paid-up i.e. pro rata. Pro rata means in proportion or proportionately, according to a certain rate. The Board of Directors of a company may decide to pay dividends on pro rata basis if all the equity shares of the company are not equally paid-up. However, in the case of preference shares, dividend is always paid at a fixed rate. The permission given by this section is, however, conditional upon the company’s articles of association expressly authorizing the Company in this regard.

(ii) Final Dividend is generally declared at an annual general meeting [Section 102(2))] at a rate not more than what is recommended by the directors in accordance with the articles of association of a company.

(iii) An interim dividend is declared by the Board of directors at any time before the closure of financial year, whereas a final dividend is declared by the members of a company at its annual general meeting if and only if the same has been recommended by the Board of directors of the Company.

(iv) In accordance with Section 134(3)(k), Board of directors must state in the Directors' Report the amount of dividend, if any, which it recommends to be paid. The dividend recommended by the Board of directors in the Board's Report must be 'declared' at the annual general meeting of the company. This constitutes an item of ordinary business to be transacted at every annual general meeting.

(v) No dividend shall be declared or paid by a company for any financial year except out of the profits of the company for that year arrived at after providing for depreciation in accordance with section 123 (2) of the Act or out of profits of the company for any previous financial year/years arrived at after providing for depreciation in accordance with the provisions of above sub section and remaining undistributed or out of both or out of moneys provided by the Central Government or a State Government for payment of dividend in pursuance of a guarantee given by the concerned Government [Section 123(1)].

(vi) A 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.

(vii) If owing to inadequacy or absence of profits in any year, a company proposes to declare dividend out of the accumulated profits earned by it in any previous financial years and transferred to reserves, such declaration of dividend shall not be made except in accordance with the Companies (Declaration and Payment of Dividend) Rules, 2014.

(viii) Depreciation, as required under Section 123(1) of the Companies Act has to be provided in accordance with the provisions of Schedule II to the Act.

(ix) A company which fails to comply with Section 73 and 74 of the Companies Act shall not declare any dividend on its equity shares till such default continues.

(x) The amount of dividend (final as well as interim) shall be deposited in a separate bank account within 5 days from the date of declaration. [Section 123(4)]

(xi) Dividend has to be paid within 30 days from the date of declaration.

(xii) In case of listed companies, Section 24 of the Companies Act, 2013 confers on SEBI, the power of administration of the provisions pertaining to non-payment of dividend. In any other case, the powers remain vested in Central Government.

(xiii) If dividend has not been paid or claimed within the 30 days from the date of its declaration, the company is required to transfer the total amount of dividend which remains unpaid or unclaimed, to a special account to be opened by the company in a scheduled bank to be called "Unpaid Dividend Account". Such transfer shall be made within 7 days from the date of expiry of the said period of 30 days.

(xiv) In accordance with Section 70, a company cannot buy its own shares if apart from other things provided in the section, it makes default in payment of dividend to any shareholder.

(xv) Any money transferred to the unpaid dividend account of a company in pursuance of section 124 which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to the Investor Education and Protection Fund and the company shall file a statement in “Form DIV-5” to the Authority constituted under the Act to administer the fund and such authority shall issue a receipt to the company as evidence of such transfer. [Section 124(5)]

(xvi) Where a dividend has not been paid by the company within 30 days from the date of declaration, every director shall, if he is knowingly a party to the default, be punishable with imprisonment for a term which may extend to 2 years and shall also be liable to a fine of rupees 1000 for every day during which default continues and the company shall be liable to pay simple interest @ 18% per annum during the period for which such default continues. [Section 127]

(xvii) If the company delays the transfer of the unpaid/unclaimed dividend amount to the unpaid dividend account, it shall pay interest @ 12% p.a. till it transfers the same and the interest accruing on such amount shall ensure to the benefit of the members of the company in proportion to the amount remaining unpaid to them. [Section 124(3)]

(xviii) Any dividend payable in cash may be paid by cheque or warrant through post directed to the registered address of the shareholder who is entitled to the payment of the dividend or to his order or in any electronic mode sent to his banker. [Section 123(5)]

## 3. Factors to be considered before declaring dividend

**Requirement of profit for the following purposes**

a. New Project
b. Expansion of existing units
c. Modernization plan
d. Maintenance of inventory level
e. Major repair and maintenance
f. Any contingent liabilities
g. Weather forecast and economy trend

## 4. Procedure for declaration and payment of Interim Dividend

1. Verify from company’s Articles of Association that they authorize the directors to declare interim dividend; if not then alter the Articles of Association accordingly.

2. Issue notice for holding a meeting of the Board of directors of the company to consider the matter. The notice must be in accordance with Section 173 of the Companies Act. It must state time, date and venue of the meeting and details of the business to be transacted thereat and be sent to all the director for the time being in India and to all other directors, at their usual address in India either by post or by hand delivery or by electronic means.

3. In case of listed companies, notify stock exchange(s) where the securities of the company are listed, at least 2 working days in advance of the date of the meeting of its Board of Directors at which the declaration of interim dividend is to be considered and will immediately after the meeting of its Board of Directors intimate declaration of dividend to the Stock Exchanges where the company is listed (within 15 minutes of the closure of the board meeting) by phone, fax, telegram, e-mail.

4. At the Board meeting, the Board of Directors considers in detail all the matters with regard to the declaration and payment of an interim dividend including:

(a) Before declaring an interim dividend, the directors must satisfy themselves that the financial position of the company allows the payment of such a dividend out of profits available for distribution.

(b) The Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared.

(c) In case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years

(d) The directors of a Company may be held personally liable in the event of wrong declaration of an interim dividend.

*Therefore, it is prudent on the part of the directors to have a proforma profit and loss account and balance sheet of the company prepared upto the latest possible date of the financial year in respect of which interim dividend is proposed to be declared and provision must be made for all the working expenses and depreciation for the whole year.*

(e) The board should pass a suitable resolution for declaration and payment of interim dividend on equity shares of the company.

(f) Authority for signing the dividend warrants and pass appropriate resolutions covering all these aspects of the matter.

(g) Interim dividend on preference shares: Generally, dividend on preference shares is paid annually. However, the dividend at a fixed rate on the preference shares can be paid more than once during a year, in proportion to the period of completion of current financial period over the whole financial year, by declaring it as interim dividend, in the Board meeting by the Board of directors. A suitable resolution should be passed to the effect that the dividend will be paid to the registered preference share holders whose names appear in the register of preference shareholders as on the date of commencement of closure of share transfer books.

5. In case of listed company, publish notice of book closure in a newspaper circulating in the district in which the registered office of the company is situated at least seven days before the date of commencement of book closure. Further:

(i) To give notice of book closure to the stock exchange at least 7 working days or as many days as the stock exchange may prescribe, before the closure of transfer books or record date, stating the dates of closure of its transfer books/record date.

(ii) To send the copies of notice stating the date of closure of the register of transfers or record date, and specifying the purpose for which the register is closed or the record date is fixed, to other recognised stock exchanges.

(iii) Time gap between two book closures and record date would be at least 30 days.

(iv) To declare and disclose the dividend on per share basis only.

6. Close the register of members and the share transfer register of the company.

7. Hold a Board/committee meeting for approving registration of transfer/ transmission of the shares of the company, which have been lodged with the company prior to the commencement of book closure. In compliance with the Board resolution, register transfer/transmission of shares lodged with the company prior to the date of commencement of the closure of the register of members and mail the share certificates to the transferees after endorsing the shares in their names.

8. Round off the amount of interim dividend to the nearest rupee and where such amount contains part of a rupee consisting of paise then if such part is fifty paise or more, it should be increased to one rupee and if such part is less than fifty paise, it should be ignored.

9. Open the “Interim Dividend Account of ............. Ltd.” with the bank as resolved by the Board and deposit the amount of dividend payable in the account within five days of declaration and give a copy of the Board resolution containing instructions regarding opening of the account and give the authority to Bank to honour the dividend warrants when presented.

If the company is listed, then for payment of dividend it has to mandatorily use, either directly or through its Registrars to an Issue and Share Transfer Agents (RTI & STA), any Reserve Bank of India approved electronic mode of payment such as Electronic Clearing Services (ECS), National Electronic Fund Transfer (NEFT), etc. In order to enable usage of electronic payment instruments, the company (or its Registrar & Share Transfer Agent) shall maintain requisite bank details of its investors as under-

(a) For investors that hold securities in demat mode, company or its RTI & STA shall seek relevant bank details from the depositories.
(b) For investors that hold physical share / debenture certificates, company or its RTI & STA shall take necessary steps to maintain updated bank details of the investors at its end.
(c) In cases where either the bank details such as MICR (Magnetic Ink Character Recognition), IFSC (Indian Financial System Code), etc. that are required for making electronic payment are

not available or the electronic payment instructions have failed or have been rejected by the bank, company or its RTI & STA may use physical payment instruments for making cash payments to the investors. Company shall mandatorily print the bank account details of the investors on such payment instruments.
(d) Depositories are directed to provide to companies (or to their RTI & STA) updated bank details of their investors.

10. Make arrangements with the bank and in collaboration with other banks if required, for payment of the Dividend Warrants at par.

11. Prepare a statement of dividend in respect of each shareholder containing the following details:

(a) Name and address of the shareholder with ledger folio No.

(b) No. of shares held.

(c) Dividend payable.

12. Ensure that the dividend tax is paid to the tax authorities within the prescribed time.

13. To have sufficient number of dividend warrants printed in consultation with the company's banker appointed for the purpose of dividend. To get approval of the RBI for printing the warrants with MICR facility. Get the dividend warrants filled in and signed by the persons authorised by the Board.

14. No RBI approval is required for payment of dividend to shareholders abroad, in case of investment made on repatriation basis.

15. Prepare two copies of the list of members with names and addresses only for mailing purposes – one to cut and paste on envelopes which could even be printed on self-sticking labels and the other for securing receipt from the Post Office.

16. Where an instrument of transfer has been received by company prior to book closure but transfer of such shares has not been registered when the dividend warrants were posted, then keep the amount of dividend in special A/c called "Unpaid Dividend Account" opened under section 124 unless the registered holder of these shares authorises company in writing to pay dividend to the transferee specified in the said instrument of transfer.

17. Dispatch dividend warrants within thirty days of the declaration of dividend. In case of joint shareholders, dispatch the dividend warrant to the first named shareholder.

18. Instructions to all the specified branches of the bank that dividend should be paid at par should be sent by the Bank.

19. Issue bank drafts and/or cheques to those members who inform that they received the dividend warrants after the expiry of their currency period or their dividend warrants were lost in transit after satisfying that the same have not been encashed.

20. Arrange for transfer of unpaid or unclaimed dividend to a special account named “Unpaid dividend Account” within 7 days after expiry of the period of 30 days of declaration of final dividend.

21. Confirm the interim dividend in the next Annual General Meeting.

22. Identify the unclaimed amounts as referred to in sub-section (1) of section 124 of the Act and, separately furnish a statement and upload on company’s own website or any other website as may be specified by the Government in such form as may be prescribed containing the following:

(a) the names and last known addresses of the persons entitled to receive the sum;

(b) the nature of amount;

(c) the amount to which each person is entitled;

The company shall prepare the above statement within a period of 90 days of making any transfer to unpaid dividend account.

23. Transfer unpaid dividend amount to Investor Education and Protection Fund (IEPF) after the expiry of seven years from the date of transfer to unpaid dividend A/c. The company while effecting credit to the Fund, should separately furnish a statement with the authority constituted to administer the fund in Form DIV-5 of Companies (Declaration and Payment of Dividend) Rules, 2014 and obtain a receipt from the authority as evidence of such transfer.

24. Company shall also transfer all the shares in the name of Investor Education and Protection Fund (IEPF) on which unpaid or unclaimed dividend has been already transferred to IEPF and any lawful claimant of those shares/dividend shall be entitled to claim the transfer of shares/dividend from IEPF in accordance with such rules, procedure and submission of documents as may be prescribed by the Central Government in this regard. [Section 124 (5)/(6) & Section 125(3)(a)]

**5. Amount of Dividend**

The Board shall endeavour to maintain the Dividend Payout Ratio (Dividend /Net Profit for the year) as near as possible to 10-20% (consolidated profits) subject to:

a. Company’s need for capital for its growth plan
b. Positive cash flow
c. EPS more than or equal to Re.1/-

*to be reviewed every 2 to 3 years

6. **Procedure for Transfer of Unpaid Dividend to IEPF**

The following procedure should be followed by the company:

(1) Section 124(5) of the Act, provides that any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of

such transfer is required to be transferred by the company along-with interest accrued, if any, thereon to the Investor Education and Protection Fund (IEPF) established under Section 125.

(2) The amount shall be remitted into the specified branches of State Bank of India or any other nationalized bank along with challan (in triplicate) within a period of 90 days of such amount becoming due to be credited to the IEPF. The Bank will return two copies duly stamped to the Company as token of having received the amount and the company shall file one such copy of challan to the authority.

(3) The company shall send a statement of amount credited to Investor Education and Protection Fund in Form DIV 5 to the authority which administer the fund and the authority shall issue a receipt to the company as evidence of such transfer.

(4) On receipt of this statement, the authority shall enter the details of such receipts in a register maintained by it in respect of each company every year and reconcile the amount.

(5) The company shall keep a record consisting of names, last known addresses of the persons entitled to receive the same, the amount to which each person is entitled, folio number/ client ID, certificate number, beneficiary details etc. of the persons in respect of whom amount has been remain unpaid or unclaimed for 7 years and transferred to IEPF. Such record shall be maintained for a period of 8 years from the date of such transfer to IEPF and authority shall have the powers to inspect such records.

**6. Amendments**

The Board of Directors can amend this Policy, as and when deemed fit. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.