

# KRBL LIMITED

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## REVISED DIVIDEND DISTRIBUTION POLICY OF KRBL LIMITED

### 1. BACKGROUND

The Securities and Exchange Board of India (SEBI), vide gazette notification dated July 08, 2016 has amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, by introducing a new regulation 43A, which mandates the requirement of forming dividend distribution policy by the top 500 listed entities based on market capitalization (calculated as at the end of every financial year) and the same shall be disclosed in the annual report and website of the company.

### 2. APPLICABILITY & EFFECTIVE DATE

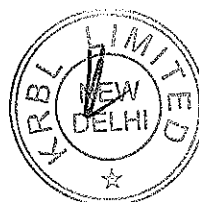
The Board of Directors of the Company in its meeting held on November 14, 2016 have revised the dividend distribution policy of the Company by inserting the provisions as stipulated under the new regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015. The revised dividend distribution policy as approved by the board of directors will be effective from November 14, 2016.

### 3. PREAMBLE

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The profits earned by the company can either be retained in business, or can be distributed to the shareholders. The Company may choose to retain major part of its profits for business purposes and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

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. Through 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 the key to our business and therefore it is necessary for a company like KRBL to carry high level of Inventories to meet the business demand. Therefore, the retention of surplus funds 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 need to provide greater clarity on the dividend pay-out philosophy of the company.



#### **4. DECLARATION**

**Dividend shall be declared or paid only out of-**

**i) Current Years' Profit**

- a) after providing for depreciation in accordance with law;
- b) after transferring to the reserves such amount of profit as may be prescribed, or

**ii) The Profits for any previous financial year(s)**

- a) after providing for depreciation in accordance with law;
- b) out of the amount available for dividend that remains undistributed after prescribed appropriations have been made.

**iii) Out of i) & ii) both**

#### **5. LOSSES, IF ANY**

Before declaring any dividend:

The losses, if any, of any previous financial year(s) must be set off first against the profits of the company for the current year or previous years.

#### **6. DECLARATION OF DIVIDEND OUT OF RESERVES**

The Board avoids the practice of declaration of dividend out of reserves of the Company.

#### **7. AMOUNT OF DIVIDEND**

The Board shall endeavor to maintain the Dividend Payout Ratio.\*  
(Dividend/ Net Profit for the year) as near as possible to 15 % (Inclusive of Dividend Distribution Tax) subject to:

- a) Company's need for Capital for its growth plan and
- b) Positive Cash Flow

\* To be reviewed after every 2 to 3 years.

#### **8. KEY PARAMETERS TO BE CONSIDERED WHILE DECLARING THE DIVIDEND**

**I. The circumstances under which the shareholders of the company may or may not expect dividend:**

Dividend payout is dependent upon various factors, which are enumerated herein below in this policy document and the Board of Directors shall before taking any decision on dividend payout consider these factors in the best interest of the company and the shareholders.



**II. The factors and financial parameters shall be considered before declaration of dividend:**

The Board shall inter-alia, consider the following financial parameters while declaring the dividend:

- i. Operating cash flow & liquidity
- ii. Likelihood of crystallization of contingent liabilities, if any
- iii. Contingency Fund
- iv. Acquisition of brands/ businesses
- v. Sale of brands/ businesses
- vi. Quantum of anticipated capital expenditure
- vii. Investment opportunities
- viii. Cost of borrowings vis-s-vis cost of capital
- ix. Anticipated expenses
- x. Financial ratios (e.g. EPS-post dividend)
- xi. Such other criteria which affects the financial position of the company from time to time

**III. The following Internal & External Factors shall be considered before declaration of dividend:**

The most important internal and external factors that affect the dividend payout are regulations (taxation, repatriation & accounting policies), industry growth rate, natural calamity, capital investment needs, profitability, earnings variability, liquidity and cash flows, financial leverage and asset characteristics such as the composition of tangible and intangible assets. Further the impact of government policies as favorable and unfavorable in the rice and allied business operations of the Company.

**IV. Utilization of retained earnings**

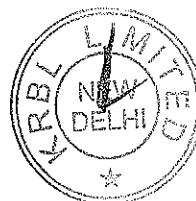
The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

Plough back of profits for the purpose of:

- Maintenance of Inventory Levels for Ageing of Rice
- New Project
- Expansion of capacities of existing units and products
- Futuristic long term business strategic plans
- Renovation/ Modernization
- Major Repairs & Maintenance

**V. Parameters that shall be adopted with regard to various classes of share**

The holders of the equity shares of the Company, on the basis of record date, will be entitled to receive dividend. Since the Company is having only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.



## **9. POLICY EXECUTION:**

The policy shall not be applicable in the following circumstances:

- i. Any distribution of cash as an alternative to payment of dividend by way of Buy Back of equity shares
- ii. Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities
- iii. Such other factors or circumstances the board may consider necessary from time to time

## **10. REVIEW AND AMENDMENT**

- i. The Board may review the Policy as and when it deems necessary. The right to interpret/amend/modify this Policy vests in the Board of Directors of the Company.
- ii. This Policy may be amended or substituted by the Board as and when required and also by the Compliance Officer where there is any statutory changes necessitating the change in the policy.
- iii. This policy as amended from time to time shall be made available on the website of the Company.

