



# PARAG MILK FOODS LIMITED

## DIVIDEND DISTRIBUTION POLICY

### **OBJECTIVE:**

The objective of this Policy is to establish the various principles to ascertain amounts that can be distributed to the equity shareholders as dividend and criteria to be considered by the Board of Directors before recommending dividend to its shareholders for a financial year. The policy is framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The policy shall come into force for accounting periods beginning from 1st April, 2021.

### **CRITERIA TO BE CONSIDERED BY THE BOARD BEFORE RECOMMENDING DIVIDEND:**

The Board will consider the following factors before recommending dividend:

#### **Statutory and Regulatory Compliance:**

- The Company shall declare dividend only after ensuring compliance with the various provisions of Companies Act, 2013 with respect to declaration and payment of dividend under the Chapter VIII ranging from *Sections 123 to 127* namely Declaration, Unpaid Dividend Account, Investor Education and Protection Fund ("IEPF"), Abeyance of right to dividend and punishment for non-compliances.
- Also, the *Companies (Declaration and Payment of Dividend) Rules, 2014* shall be complied with by the Company while declaring dividend.
- The Company shall also ensure compliance with the *SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015*, as amended and to the extent applicable to the Company vide Regulation 43, 43A and others.

#### **Financial Parameters:**

- Financial performance of the Company for the year for which dividend is recommended and to be declared by shareholders
- Any interim dividend paid between the final dividends
- Internal capital planning framework / policy
- Dividend payout trends (the dividend payout ratio will be calculated as a percentage of dividend (including dividend tax) recommended for the year to the net profit for that year)

- Tax implications if any, on distribution of dividends
- Cost of raising funds from alternate sources of capital
- Corporate actions including preferential allotments, new issues, private placements, acquisitions and additional investments including expansion plans and investment in subsidiaries of the Company
- Such other factors and / or material events which the Company's Board may consider

While determining the nature and quantum of the dividend payout, the Board would take into account the following internal and external factors:

**Internal Factors:**

- Profitable growth of the Company and specifically, profits earned during the financial year as compared with:
  - Previous year Profits and
  - Internal budgets of the Company,
  - Cash flow position of the Company,
  - Accumulated reserves
  - Earnings stability
- Future cash requirements for organic growth/expansion and/or for inorganic growth,
- Brand acquisitions,
- Current and future leverage and, under exceptional circumstances, the amount of contingent liabilities,
- Deployment of funds in short term marketable investments,
- Long term investments,
- Capital expenditure(s), and
- The ratio of debt to equity (at net debt and gross debt level).

**External Factors:**

- Business cycles,
- Economic environment,
- Cost of external financing of capital,
- Applicable taxes including tax on dividend,
- Industry outlook for the future years,
- Inflation rate, and
- Changes in the Government policies, industry specific rulings & regulatory provisions.
- Shareholder expectations including individual shareholders
- Macro-economic environment

## **CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND:**

The Board of Directors of the Company may not recommend any dividend if the eligibility criteria for recommendation of dividend has not been met by the Company, including any regulatory restriction placed on the Company on declaration of dividend or if the Board strongly believes the need to conserve capital for growth or other exigencies or contingencies which will be spelt.

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. In such event, the Board will provide the rationale in the ensuing Annual Report.

## **UTILISATION OF RETAINED EARNINGS:**

The Company would utilise the retained earnings in a manner which is beneficial to the interest of the Company as well as its stakeholders, including, but not limited to ensuring maintenance of a healthy level of financial ratios including Dividend Payout Ratio, meeting the Company's future business growth / expansion and strategic plans or such other purpose the Board may deem fit from time to time in the interest of the Company and its stakeholders.

The retained earnings of the Company may be used in any of the following ways:

- Capital expenditure for working capital,
- Organic and / or inorganic growth,
- Investment in new business(es) and/or additional investment in existing business(es),
- Declaration of dividend,
- Capitalisation of shares,
- Buy back of shares,
- General corporate purposes, including contingencies, if any
- Correcting the capital structure,
- Any other permitted usage as per the Companies Act, 2013.

## **PARAMETERS FOR VARIOUS CLASSES OF SHARES:**

Currently, the Company does not have any other class of shares (including shares with differential voting rights) other than the ordinary equity shares. In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders of the Company.

**DIVIDEND INFORMATION:**

Information on dividends paid in the last three years is provided in the Annual Report.

**CONFLICT IN POLICY:**

In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

**AMENDMENTS / MODIFICATIONS:**

To the extent any change / amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. Such amended policy shall be placed before the Board for noting and necessary ratification.

**REVIEW OF POLICY:**

The Board of Directors of the Company will review the policy annually. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the Company's website and in the Annual Report. Any changes or revisions to the policy will be communicated to shareholders in a timely manner.

**DISLCOSURE OF POLICY:**

The policy will be available on the Company's website and web-link for the same shall also be provided in their Company's Annual Report.