

CREMICA AGRO FOODS LIMITED

**DIVIDEND DISTRIBUTION
POLICY**

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1. LEGAL FRAMEWORK

The Securities and Exchange Board of India (“SEBI”) vide its Notification dated July 08, 2016 has amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31st day of March of every year.

As per the said regulations, the listed entities other than top five hundred listed entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.

The Board of Directors (the “Board”) of Cremica Agro Foods Limited (the “Company”) has voluntarily adopted the Dividend Distribution Policy (the “Policy”) to lay down a broad framework for considering decisions by the Board of the Company, with regard to distribution of dividend to its shareholders and/ or retaining or plough back of its profits.

This policy is drafted in compliance with the provisions of Listing Regulations.

2. EFFECTIVE DATE

The Policy shall come into force with effect from the date SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 taking effect with respect to the Company.

3. PURPOSE, OBJECTIVES AND SCOPE

The Company’s dividend policy is to increase the shareholders’ return by way of declaring dividends, considering two primary factors i.e earnings and the financial needs of the Company.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking decisions for distribution or of retention of profits, in the interest of providing transparency to the shareholders for such decisions.

Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element of the Policy will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board of Directors.

The Policy reflects the intent of the Company to reward its shareholders by sharing its profits after retaining sufficient funds for growth of the Company.

The Policy shall not apply to:

- a. Determination and declaring dividend on preference shares (if any), as the same will be as per the terms of issue approved by the shareholders;
- b. Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- c. Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

The parameters set out in the policy are applicable for declaration of both Interim Dividend and Final Dividend.

4. DEFINITIONS

“**Act**” means the Companies Act, 2013 (or the Companies Act, 1956 to the extent applicable) and Rules made thereunder.

“**Board**” means Board of Directors of the Company.

“**Company**” means Cremica Agro Foods Limited.

“**Dividend**” included any interim dividend.

“**Listing Regulations**” mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India, as amended, from time to time.

“**Policy**” means Dividend Distribution Policy.

“**SEBI**” means the Securities and Exchange Board of India.

5. GENERAL POLICY OF THE COMPANY AS REGARDS DIVIDEND

The general considerations of the Company for taking decisions with regard to dividend payout or retention of profits shall be as following-

- a. Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company, the advice of executive management including the CFO, and other relevant factors.
- b. The Board may also, where appropriate, aim at distributing dividends in kind, subject to applicable law, in form of fully or partly paid shares or other securities.

6. CONSIDERATIONS RELEVANT FOR DECISION OF DIVIDEND PAY-OUT

The Board shall consider the following, while taking decisions of dividend payout during a particular year-

Statutory requirements

The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any reserve as provided in the Act, which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

Agreements with lending institutions

The decision of dividend pay-out may also be governed by the restrictions and covenants contained in the agreements with the lenders of the Company and the Company shall observe those restrictions and covenants while declaring dividend.

Shareholders' Agreements

The decision of dividend pay-out may also be affected or governed by the restrictions and covenants contained in the agreements with the shareholders' of the Company and the Company shall observe those restrictions and covenants while declaring dividend subject to any statutory provisions.

Other Agreements

The decision of dividend pay-out may also be affected by the restrictions and covenants contained in agreements that the Company may generally enter into during the course of business, if any. The Company shall observe those restrictions and covenants while declaring dividend subject to any statutory provisions.

Long term strategic objectives of the Company as regards financial leverage

The Board may exercise its discretion to change the percentage of dividend or to otherwise take decision of retention or distribution of profits where, the Company is planning to go for expansion, restructuring, reorganizing, diversification, investment etc.

Prudential requirements

The Company shall analyze the prospective projects and strategic decisions in order to decide-

- to build a healthy reserve of retained earnings;
- to augment long term strength;
- to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company; and
- the needs for capital conservation and appreciation.

Proposals for major capital expenditures etc.

In addition to plough back of earnings on account of depreciation, the Board may also take into consideration the need for replacement of capital assets, expansion and modernization or augmentation of technology, including any major capital expenditure proposals.

Extent of realized profits as a part of the GAAP of the Company

The extent of realized profits calculated as per GAAP, affects the Board's decision of determination of dividend for a particular year. The Board is required to consider such factors before taking any dividend or retention decision.

Expectations of major stakeholders, including small shareholders

The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the small shareholders of the Company who generally expects a regular dividend payout.

7. OTHER FINANCIAL PARAMETERS FOR DECLARATION OF DIVIDEND

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based on the following financial parameters:-

Operating cash flow of the Company

If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and to run the day-to-day operations under certain conditions. The Board will consider such conditions before its decision to declare dividend or to retain its profits.

Net sales of the Company

To increase its sales in the long run, the Company will need to expand its marketing and selling expenses, advertising expenses etc. The amount outlay in such activities will influence the decision of declaration of dividend.

Return on invested capital

The efficiency with which the Company uses its capital will impact the decision of dividend declaration.

Magnitude of earnings of the Company

Since dividend is directly linked with the availability of earning over the long haul, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.

Cost of borrowings

The Board will analyze the requirement of necessary funds considering the long term or short term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from bankers, lending institutions or by issuance of debt securities or plough back its own funds.

Obligations to creditors

The Company shall have to honor its debt obligations without difficulty over a period of time. Considering such obligations and span of repayment; the decision of dividend declaration shall be taken by the Company.

Inadequacy of profits

If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.

8. FACTORS THAT MAY AFFECT DIVIDEND DECLARATION

External Factors

Taxation and other regulatory concern

Dividend distribution tax or any tax deduction at source or such other tax as may be required by applicable tax regulations in India, at the time of declaration of dividend may impact the declaration of dividend.

Product/ market expansion plan

The Company's growth oriented decision to conserve cash in the Company for future expansion plan impacts shareholders' expectation for the long run which shall have to be considered by the Board before taking dividend decision.

Macroeconomic conditions

Considering the state of economy in the Country, the policy decisions that may be formulated by the Government (Federal and / or State) and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.

Internal Factors

Past performance/ reputation of the Company

The trend of the performance/ reputation of the Company that has been during the past years determine the expectation of the shareholders.

Working capital management in the Company

The current working capital management system within the Company also impacts the decision of dividend declaration.

Age of the Company and its product/market

The age of the Company and its product or the market in which the Company operates will be one of the most significant determining factors to the profitability of the Company and dividend declaration or retention.

Amount of cash holdings in the Company

In the absence of any major expansion plan or capital investments or other strategic investment plans in the hands of the Company, it is not appreciable to hold excessive cash in the Company. The Board shall consider the same for taking decision of dividend declaration.

9. MANNER OF DIVIDEND PAYOUT

The discussion below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations:

In case of final dividend

1. Declaration, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.
2. The dividend as declared by the Board shall be approved at the annual general meeting of the Company.
3. The payment of dividends shall be made within 30 days or within such period as may be provided under statute from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable law.

In case of interim dividend

1. Interim dividend, if any, shall be declared by the Board.
2. Before declaring interim dividend, the Board shall consider the factors as envisaged in this Policy

and financial position of the Company allowing the payment of such interim dividend.

3. The payment of dividends shall be made within 30 days or within such period as may be provided under statute from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws.
4. The dividend as declared by the Board shall be approved at the annual general meeting of the Company. In case no final dividend is declared, interim will be regarded as final dividend in the annual general meeting.

10. MANNER OF 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 shareholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors in addition to factors stated in this Policy:

- Market expansion plan;
- Product expansion plan;
- Modernization plan;
- Diversification of business;
- Long term strategic plans;
- Replacement of capital assets;
- cost of debt;
- Other such criteria as the Board may deem fit.

11. PARAMETERS TO BE ADOPTED FOR VARIOUS CLASSES OF SHARES

Presently, the Company has issued only one class of equity shares with equal voting rights. Accordingly, all members of the company are entitled to receive the same amount of dividend per equity share. The Policy shall be suitably revisited at the time of issue of any new class of shares subject to statutory provisions.

12. DISCLOSURE

The Dividend Distribution Policy shall be disclosed in the Annual Report and on the website of the Company

13. AMENDMENTS TO THE POLICY

This Policy has been embraced and adopted by the Board voluntarily for effective corporate governance. However, the Policy would be subject to modification in accordance with the statutory provisions and applicable guidelines as may be applicable from time to time.

14. DISCLAIMER

This document does not solicit investments in the Company's securities nor it is an assurance of

guaranteed returns (in any form), for investment in the Company's equity shares.
