

## **DIVIDEND DISTRIBUTION POLICY**

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## **1. Preface**

The Dividend Distribution Policy (“the policy”) applies to the distribution of dividend by **Zenith Exports Limited** (the “Company”). It has been developed in accordance with the extant provisions of the Companies Act, 2013 and Regulation 43A of the SEBI (Listing obligations and disclosure Requirements) Regulations, 2015. The objective of this policy is to establish the parameters to be considered by Board of Directors of Company before declaring or recommending dividend. Pursuant to Regulation 43A, which required top 1000 listed entities based on the market capitalization (calculated as on March 31 of every financial year) to formulate the Dividend distribution policy, which shall be disclosed on the website i.e., <https://www.zenithexportslimited.com> and link should also be displayed in the annual reports of the Company.

The Company believes in long term value creation for its shareholders while maintaining the desired liquidity ratios and protecting the interest of all the stakeholders.

## **2. Implementation of Policy**

The policy has been adopted by the Board of directors of **Zenith Exports Limited** in its meetings held on 30<sup>th</sup> May’ 2024

## **3. Definitions**

Under Section 2(35) of the Companies Act, 2013, “**Dividend**” includes any interim dividend. It is and inclusive and not an exhaustive definition. In common parlance, “dividend” means the profit of a company, which is not retained in the business and is distributed among the shareholders in proportion to the amount paid-up on the shares held by them. 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. Simply stated it is an return on investment made by the shareholders of the Company.

The Company can retain its profit for the purpose if reinvestment or can distribute the profit among its shareholders in the form of dividend.

“**Final Dividend**” means the Dividend recommended by the Board of Directors and declared by the member at an Annual General Meeting. “**Interim Dividend**” means dividend declared by the Board of Directors.

## **4. Purpose, Objectives and Scope**

- The Board has lay down a broad framework for distribution of dividend to its shareholders and/ or retaining or plough back of its profits. The Policy set forth the circumstances and broad framework for guiding the Management at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the shareholders.

- This Dividend Distribution Policy (“the policy”) establishes the principles to ascertain amounts that can be distributed to Equity Shareholders as dividend by the Company as well as enable the Company to strike a balance between pay-out and retained earnings, in order to address future needs of the Company.
- The Company believes that driving growth creates maximum shareholder value. Thus, the Company would first utilise its profits inter-alia for working capital requirements, capital expenditure to meet expansion needs, reducing borrowings, earmarking reserves for growth opportunities and thereafter distributing the surplus profits in the form of dividend to the shareholders.
- The Policy shall broadly specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilized.

##### **5. Financial Parameters for declaration of dividend**

- Financial Performance of the Company: The impact of the dividend declaration decisions of the Company is directly linked with the financial performance or the availability of earning during the year.
- The company Liquidity position and future cash flow needs: If the Company has inadequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations of the company. The Board will consider the same before its decision whether to declare dividend or retain its profits.
- Return on invested capital: The efficiency with which the Company uses its capital.
- Obligations to lenders: The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.
- 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.
- Post dividend EPS: The post dividend EPS can have strong impact on the funds of the Company, thus, impacting the overall operations on day-to-day basis and therefore, affects the profits and can impact the decision for dividend declaration during a particular year.
- 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 raising funds from alternative sources viz a viz plough back its own funds.
- Prevailing taxation policy and legal requirements with respect to Dividend distribution
- Capital expenditure requirements
- Macro-economic and business conditions in general
- Cost of raising funds from alternative sources
- The Company’s long term growth strategy which requires to conserve cash in the Company to execute the growth plan.
- Any other parameter which the Board deems fit in its discretion

##### **6. Target or Maximum amount of dividend**

The management upon compliance and if thinks fit may recommend to the Board of Directors the dividend at a rate (inclusive of applicable tax on dividend) which deems fit and appropriate depending upon the financial position and requirement of the company.

Not with-standing the above, the Board reserves the right not to declare dividend or decide any rate of dividend, for a particular year, due to capital conservation prudence, or other exigencies which shall be stated by the Board.

#### **7. Circumstances under which the shareholders may or may not expect dividend**

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors:

- Proposed expansion plans, renovations and up-gradations requiring higher capital allocation
- Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc. which requires significant capital outflow
- Requirement of higher working capital for the purpose of business of the Company • Debt obligations
- Proposal for buy-back of securities
- In the event of loss or inadequacy of profit or such other matters as may be determined by the Board from time to time.

#### **8. Utilization of retained earnings**

Subject to applicable Regulations, the Company's retained earnings may be applied for:

- \* Organic growth needs including working capital, capital expenditure, repayment of debt, etc.
- \* Inorganic growth needs such as market expansion plans; long term strategic plans; innovations and diversification of business,
- \* Buyback of shares subject to applicable limits
- \* Payment of Dividend in future years
- \* Issue of Bonus shares
- \* Augmentation/ Increase in production capacity
- \* Product expansion plan
- \* Modernization plan
- \* Replacement of capital assets
- \* Any other permissible purpose

#### **9. Dividend Payout scheme**

In case of final dividend:

- i. Recommendation, 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.
- ii. The dividend as recommended by the Board shall be approved/declared at the Annual General Meeting of the Company.

iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration to those shareholders who are entitled to receive the dividend on the record date/book closure period, as per the applicable law.

In case of interim dividend:

- i. Interim dividend, if any, shall be declared by the Board.
- ii. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
- iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration to the shareholders entitled to receive the dividend on the record date, as per the applicable laws.

#### **10. Amendments / Modifications**

This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Reserve Bank of India, Ministry of Corporate Affairs, Securities Exchange Board of India or such other authority as may be authorized, from time to time, on the subject matter. 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 approval.

#### **11. Disclosures**

- a) Notes to Accounts forming part of the financial statements of the Company shall disclose the aggregate amount of Dividend proposed to be distributed to equity Shareholders for the financial year and the related amount of Dividend per share.
- b) The Balance Sheet of the company shall also disclose under the head „Current Liabilities and Provisions“, the amount lying in the Unpaid Dividend Account together with interest accrued thereon, if any.
- c) The amount of Interim Dividend, if any, paid during the financial year and final Dividend recommended by the Board of directors shall be disclosed in the Board’s Report.
- d) The Annual Report of the company shall disclose the total amount lying in the Unpaid Dividend Account of the company in respect of the last seven years and when such unpaid Dividend is due for transfer to the Fund. The amount of Dividend, if any, transferred by the company to the Investor Education and Protection Fund during the year shall also be disclosed.

#### **12. Parameters adopted for various classes of shares**

The Company has issued only one class of equity shares with equal voting rights. Accordingly, all members are entitled to receive the same amount of dividend per equity share. The Policy shall be suitably modified upon the issue of equity shares of a different class.

**13. Payment of Dividend**

Time limit for deposit of dividend: The amount of the dividend, including interim dividend, must be deposited in a scheduled bank in a separate account within five (5) days from the date of declaration of such dividend.

Time limit for payment of dividend: The dividend has to be paid within such period as is applicable by law.

Dividend to be paid to Registered Shareholders: In terms of Section 123(5) of the Companies Act, no dividend shall be paid by a company in respect of any share therein except to the registered shareholder.

Mode of payment of dividend: Any dividend payable in cash shall be paid by using any of the electronic mode of payment facility approved by the Reserve Bank of India.

Payment of Tax deductible at source on dividend: TDS on dividend will be paid as per the applicable laws, as amended from time to time.

**14. Transfer of unpaid or unclaimed dividend**

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.

The Company shall upload the details of unpaid and unclaimed dividend in the company website in PDF format.

**15. Transfer to Investor Education Protection Fund (IEPF)**

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. The Company shall deposit the unclaimed dividend amount after lapse of 7 years to IEPF within the prescribed period in the prescribed mode maintain the particulars of unpaid dividend transferred to IEPF for a period of 8 years from the date of such transfer.

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