

# LIBERTY SHOES LIMITED

## DIVIDEND DISTRIBUTION POLICY

---

## 1. INTRODUCTION

- 1.1. The Securities and Exchange Board of India on July 8, 2016 inserted Regulation 43A in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top 500 listed companies (based on market capitalization calculated as on March 31 of every financial year) to formulate a Dividend Distribution Policy which shall be disclosed in its Annual Report and on its website. Subsequently, the requirement extended to top 1000 listed companies (based on market capitalization as on March 31 of every financial year)
- 1.2. Liberty Shoes Limited being one of the top 1000 listed companies as per the market capitalization as on the March 31, 2020, framed this policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 1.3. This Policy will regulate the process of dividend declaration and its pay-out by Liberty Shoes 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.

## 2. DEFINITIONS

Unless the context otherwise requires, the words, terms, expressions and derivations used in this Policy shall have the same meaning given in the Companies Act, 2013 and/ or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- 2.1 **“Applicable laws”** shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for the distribution of Dividend.
- 2.2 **“Board of Directors” or “Board”** shall mean the Board of Directors of Liberty Shoes Limited, as constituted from time to time.
- 2.3 **“Company”** shall mean Liberty Shoes Limited.
- 2.4 **“CA 2013”** shall mean Companies Act, 2013 read with related rules framed thereunder and including all amendments and modifications thereto.
- 2.5 **“Listing Regulations”** shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 2.6 **“Policy”** shall mean Dividend Distribution Policy.
- 2.7 **“SEBI”** shall mean Securities and Exchange Board of India.

### 3. **OBJECTIVE**

- 3.1 The objective of this Policy is to:
- 3.1.1 ensure a regular dividend income for the shareholders and long-term capital appreciation for all stakeholders of the Company;
  - 3.1.2 strike the right balance between the quantum of dividend paid to its shareholders and the amount of profits retained in the business for various purposes;
  - 3.1.3 to maintain a consistent approach to dividend pay-out plans;
  - 3.1.4 specify the parameters (including external and internal factors) that shall be considered while declaring dividend;
  - 3.1.5 lay down the circumstances under which the shareholders of the Company may or may not expect dividend;
  - 3.1.6 provide the manner of utilization of retained earnings.
- 3.2 The Company believes that it operates in the highly capital-intensive industry and large chunk of funds are required for modernization or setting up of manufacturing units and to keep itself abreast with technology challenges and countering competitors. Therefore, the retention of surplus funds for future growth will over-ride considerations of returning cash to the shareholders.

### 4. **CATEGORY OF DIVIDENDS**

The CA 2013 provides for two forms of Dividend - Final and Interim, the details of which are provided below:

#### 4.1 **Final Dividend**

The Final dividend is paid once for the financial year after the annual accounts are prepared and adopted. The Board has the power to recommend the payment of Final Dividend to the shareholders at the Annual General Meeting of the Company. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at an Annual General Meeting.

#### **Process for approval of Payment of Final Dividend:**

- a. The Board shall recommend the quantum of final dividend payable to shareholders in its meeting in line with the Policy;
- b. Dividends shall be paid only out of current year profits or past year profits/reserves after providing for depreciation and setting off losses, if any and in alignment with the provisions of the CA 2013;

- c. Shareholders are required to approve the final dividend recommended by Board in Annual General Meeting;

#### 4.2 **Interim Dividend**

This form of dividend can be declared by the Board during any financial year or at any time during the period of closure of financial year till holding the Annual General Meeting. It is declared out of the surplus in the profits of the financial year for which such interim dividend is to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend

#### **Process for approval of Payment of Interim Dividend:**

- a. The Board may declare Interim Dividend at its discretion in line with the Policy;
- b. The interim dividend as declared by the Board shall be confirmed at the next Annual General Meeting;

Appropriate Dividend Distribution Tax shall be paid within the due date prescribed under the Income Tax Act, 1961.

### 5. **DECLARATION AND PAYMENT OF DIVIDEND**

- 5.1 The Company stands committed to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the shareholders, in the form of dividend. Further, determining the dividend pay-out is dependent upon several factors, both internal to a business and external to it, including the capital expenditure requirements of the Company. The Board of Directors will recommend Dividend taking into account all the above parameters.
- 5.2 The Company shall declare and pay dividend, both, interim and final dividend, in compliance with the applicable laws.
- 5.3 Subject to the provisions of the CA 2013, Dividend shall be declared or paid only out of:
  - 5.3.1 Current Financial Year's profit:
    - a. after providing for depreciation in accordance with law
    - b. after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion.
  - 5.3.2 The profits for any previous Financial Year(s) after providing for depreciation in accordance with law;
  - 5.3.3 out of 5.3.1 and 5.3.2 both.

- 54 As mentioned above, for computing the surplus funds for purposes of determining the Dividend, the Board may at its discretion, subject to provisions of the applicable law, exclude any or all of the following from the Profit after tax:
- 5.4.1 extraordinary Profits
  - 5.4.2 exceptional Profits
  - 5.4.3 one off transactions on account of change in law or rules or accounting policies or accounting standards.
  - 5.4.4 Proposed funds required for CAPEX and other related expenses during the year.

## 6. **FACTORS TO BE CONSIDERED WHILE DECLARING DIVIDEND**

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board of Directors will endeavor to take a decision with an objective to enhance shareholders wealth and market value of the shares.

The Dividend pay-out decision of any company depends upon certain external and internal factors:

### 6.1 **External Factors:**

- 6.1.1 **Economic Environment** - In case of uncertain or recessionary economic and business conditions, the Board will endeavor to retain larger part of profits to have sufficient reserves to absorb unforeseen circumstances in future.
- 6.1.2 **Capital Markets** - In favorable market scenarios, the Board may consider liberal pay-out. However, in case of unfavorable market conditions, the Board may resort to a conservative dividend pay-out in order to conserve cash outflows.
- 6.1.3 **Statutory Restrictions** - The Company will keep in mind the prevailing legal/ statutory requirement, regulatory conditions or restrictions, as may be imposed by applicable laws.
- 6.1.4 **Agreements with Lending Institutions** – The Board may consider protective covenants in a bond or loan agreement that may include leverage limits & restrictions on payment of cash dividends in order to preserve the Company's ability to service its debts.
- 6.1.5 **Industry trend** – Past and present dividend payment trend of companies in the same industry.

### 6.2 **Internal Factors:**

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring Dividend, which inter alia will include:

**6.2.1 Financial Considerations**

- 6.2.1.1 Profits earned during the year or any previous financial year
- 6.2.1.2 Accumulated reserves;
- 6.2.1.3 Earnings stability;
- 6.2.1.4 Future capital expenditure;
- 6.2.1.5 Past dividend trends of the Company;
- 6.2.1.6 Cost of raising funds from alternate sources; and
- 6.2.1.7 Net worth, cash flow position and Debt-Equity Ratio.

**6.2.2 Non-Financial Considerations**

- 6.2.2.1 Inorganic growth plans;
- 6.2.2.2 Stage of business cycle;
- 6.2.2.3 Reinvestment opportunities; and
- 6.2.2.4 Investor expectations/ demands.

**6.2.3 Miscellaneous**

- 6.2.3.1 Expansion/ Modernization of existing businesses;
- 6.2.3.2 Additional investments for merger or acquisitions for Brand or Business
- 6.2.3.3 Providing for unforeseen events and contingencies of the Company;
- 6.2.3.4 Fresh investments into external brands/ businesses; and
- 6.2.3.5 Any other factor as deemed fit by the Board.

**7. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND**

In line with the Policy of the Company, there may be certain circumstances under which the shareholders of the Company may not expect dividend, including but not limited to:

- 7.1 Adverse market conditions and business uncertainty.
- 7.2 The Company has sufficient avenues to generate significantly higher returns on such 'surplus' than what a common shareholder can generate himself.
- 7.3 The Company is in higher need of funds for acquisition/ diversification/ expansion/ investment opportunities/ deleveraging or capital expenditures.
- 7.4 The Company proposes to utilize surplus cash in entirety for alternative forms of distribution such as buy-back of securities.
- 7.5 The Company has incurred losses or in the stage of inadequacy of profits.
- 7.6 Changing government regulations.
- 7.7 Any other extraordinary circumstances etc.

Even under such circumstances, the Board may at its discretion, and subject to applicable laws, choose to recommend a dividend out of the Company's free reserves.

## **8. PARAMETERS WITH REGARD TO VARIOUS CLASSES OF SHARES**

8.1 Presently, the issued and paid-up share capital of the Company comprises of equity shares only. In case, the Company issues other kind of shares, the Board may suitably amend this Policy.

## **9. UTILIZATION OF RETAINED EARNINGS**

In any given financial year, the retained earnings of the Company are expected to be utilized across the following activities:

- 9.1 **Growth:** The Company will utilize its retained earnings for the growth of the Company. The Company can consider venturing into new markets/geographies/ verticals.
- 9.2 **Research and Development:** The Company will utilize its retained earnings for research and development of new products in order to increase market share.
- 9.3 **Capital Expenditure:** The Company will utilize its retained earnings for capital expenditure by way of physical and technology infrastructure etc.
- 9.4 **Mergers and Acquisitions:** The Company will utilize its retained earnings for mergers and acquisitions, as it may deem necessary time to time.
- 9.5 Any other purpose as deemed fit by the Board and as mentioned in the purposes/ objects mentioned in its Memorandum & Articles of Association.

## **10. UNPAID/ UNCLAIMED DIVIDEND**

- 10.1 Where a dividend has been declared by the Company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to receive such dividend, the Company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the Company in any scheduled bank to be called as Unpaid Dividend Account.
- 10.2 Any person claiming to be entitled to any money transferred to the Unpaid Dividend Account of the company may apply to the Company for payment of the money claimed.
- 10.3 Any money transferred to the Unpaid Dividend Account of the Company 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 (IEPF).

- 104 The Company shall inform the concerned shareholder three months before the due date of transfer of shares regarding the shares liable to be transferred to IEPF for which dividend has remained unpaid and unclaimed for seven consecutive years or more as on the date of transfer, at their latest available address and also simultaneously publish a notice in the leading newspaper in English and regional language having wide circulation and on their website giving details of such shareholders and shares due for transfer.
- 105 Following details/ statements shall be filed with statutory authorities in prescribed forms under the applicable laws:
- a) Statement of amount of dividend credited to the IEPF,
  - b) Statement of unclaimed and unpaid amounts due to be credited in IEPF in coming years,
  - c) Statement of shares transferred to the IEPF and Statement of shares and unclaimed and unpaid dividend not transferred to IEPF due to specific order of Statutory Authority,
  - d) any other forms/ statements/ return etc. that may be prescribed by the IEPF or any other authority from time to time.

## **11. REVIEW AND AMENDMENT**

This Policy will be reviewed periodically and is subject to modification by the Board from time to time, to be in the line with the best industrial practices and to ensure conformity with the applicable laws. Any subsequent notification, circular, guidelines or amendments under CA 2013 and Listing Regulations as may be issued from time to time shall be mutatis mutandis applicable without any further modification or amendment in this policy.

## **12. DISCLAIMER**

In any circumstances, where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the newly enacted law, rule, regulation or standard will take precedence over this Policy until such time the Policy is changed to conform to the law, rule, regulation or standard.