



## DIVIDEND POLICY

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### **RELAXO FOOTWEARS LIMITED**

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## **DIVIDEND POLICY**

This Policy will regulate the process of dividend declaration and its pay-out by Relaxo Footwears Limited (“Company”) 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 (“Companies Act”).

### **1) 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 and used for acquisitions, expansion or diversification, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

The dividend pay-out vary from Company to Company and is driven by several factors like requirement of funds, expansion and modernization of the business and diversification.

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 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.

### **2) Category of Dividends**

The Companies Act provides for two forms of Dividend- Final & Interim. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the General Meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the Financial Year, as and when they consider it fit.

#### **i) Final Dividend**

The Final dividend is paid once for the Financial Year after the Annual Accounts are prepared. The Board of Directors of the Company has the power to recommend the

payment of Final Dividend to the shareholders in Annual General Meeting. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

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

- Based on the profits arrived at as per the Audited Financial statements Board will recommend quantum of Final Dividend payable to shareholders in its meeting in line with this Policy;
- Shareholders to approve Dividend recommended by Board in Annual General Meeting;
- Once in a Financial Year;

**ii) Interim Dividend**

This form of dividend can be declared by the Board of Directors one or more times in a Financial Year after finalization of quarterly (or half yearly) Results.

The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with the policy. The Board of Directors can declare interim dividend based on exceptional profits earned during the interim period and availability of disposable cash with the Company.

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

- Based on profits arrived at as per quarterly (or half- yearly) Results
- Board may declare Interim Dividend at its full discretion in line with the Policy;
- One or more times in a Financial Year.

**3) Declaration of Dividend**

Subject to the provisions of the Companies Act, Dividend shall be declared or paid only out of

**i) Current Financial Year's profit:**

- after providing for depreciation in accordance with law;
- after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion.

**ii) The profits for any previous Financial Year(s):**

- after providing for depreciation in accordance with law;

**iii) out of i) & ii) both.**

#### 4) **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-

##### **External Factors:-**

- i) **State of Economy**- in case of uncertain or recessionary economic and business conditions, Board will endeavor to retain larger part of profits to build up reserves to absorb future shocks.
- ii) **Capital Markets**- when the markets are favorable, dividend pay-out can be liberal. However, in case of unfavorable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows.
- iii) **Statutory Restrictions**- the Board will keep in mind the restrictions imposed by Companies Act with regard to declaration of dividend.

##### **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:

- i) Profits earned during the year;
- ii) Present & future Capital requirements of the existing businesses;
- iii) Expansion/ Modernization of existing businesses;
- iv) Additional investments for merger or acquisitions for Brand or Business
- v) Any other factor as deemed fit by the Board.

#### 5) **Dividend Range**

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. As explained in the earlier part of this Policy, 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 said parameters.

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 law, exclude any or all of the following from the Profit after tax :

- (i) extraordinary Profits
- (ii) exceptional Profits
- (iii) one off transactions on account of change in law or rules or accounting policies or accounting standards.
- (iv) Proposed funds required for CAPEX and other related expenses during the year.

**6) Amendment**

This Policy will be reviewed periodically and the Board of Directors reserves its right to amend or modify this Policy in whole or in part, at any time.