

# LEMON TREE HOTELS LIMITED

## DIVIDEND DISTRIBUTION POLICY

### **Background:**

As per Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Regulations"), the top five hundred listed entities based on the market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

Lemon Tree Hotels Limited being one out of top 500 listed entities based on market capitalization as on March 31, 2019 has formulated a dividend distribution policy as approved by the Board of Directors of the Company.

### **Objective:**

The objective of the Dividend Distribution Policy ("the policy") is to broadly specify the external and internal factors including financial parameters that shall be considered while declaring dividend. The policy is broadly in line with the provisions of the Companies Act, 2013 and SEBI Regulations ("applicable laws") read with the relevant clauses of the Articles of Association of the Company, to the extent applicable.

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 strike balance between pay-out and retained earnings, in order to address future needs of the Company.

The Company currently has no other class of shares. Therefore, dividend declared will be distributed amongst all equity shareholders, based on their shareholding on the record date.

Dividends may be recommended by the Board, after the announcement of the full year results and before the Annual General Meeting (AGM) of the shareholders. The Board may also declare interim dividends as may be permitted as per the applicable laws.

The profits being retained in the business shall be continued to be deployed in the Company and thus contributing to the growth to the business and operations of the Company. The Company stands committed to deliver sustainable value to all its stakeholders.

### **Parameters for declaration of Dividend**

**Internal Factors / Financial Parameters:** The Board of Directors of the Company would consider the following financial parameters and factors before declaring or recommending dividend to shareholders:

- Operating cash flow of the Company
- Profits earned during the year
- Profits available for distribution
- Earnings Per Share (EPS)
- Dividend, if any, declared by Subsidiary / Associate Company (ies).

- Working capital requirements
- Capital expenditure requirement
- Business expansion and growth
- Likelihood of crystalization of contingent liabilities, if any
- Additional investment in subsidiaries and associates of the company
- Creation of contingency fund
- Acquisition of brands and business
- Cost of Borrowing
- Past dividend payout ratio / trends

### **External Factors**

- Industry Outlook and Economic environment
- Statutory provisions and guidelines
- Dividend pay-out ratios of companies in the same industry

### **Circumstances under which the shareholders may or may not expect Dividend**

The Company shall not recommend dividend if it is of the opinion that it is financially not prudent to do so. The shareholders of the Company may not expect Dividend under the following circumstances:

- In case the Company is undertaking significant expansion, renovation and/or upgradation which would require higher allocation of resources
- In case the Company proposes to utilise surplus cash for buy-back of securities
- Whenever the Company undertakes any acquisitions or joint ventures requiring significant allocation of capital or in case the company expands its stake in any of these entities
- In the event of inadequacy of profits or whenever the Company has incurred losses

The Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous year(s) or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this Policy.

### **Modification of the Policy**

The Board of Directors is authorized to change/amend this policy from time to time at its sole discretion and/or in pursuance of any amendments made in the applicable laws.

### **Disclosure**

The policy will be available on the Company's website and will also be disclosed in the Company's annual report.

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