

Procedure for declaring Final Dividend

1. Issue notice for holding a meeting of the Board of directors

The notice must be in accordance with Section 286 of the Companies Act. It must contain time, date and venue of the meeting and details of the business to be transacted thereat and must be sent to all the directors for the time being in India and to all other directors, at their usual address in India. In case of Listed Companies as per Clause 19(a) of the Listing Agreement a prior intimation of at least 7 days about the date of the Board meeting should be given to Stock exchanges where the securities of the company are listed, simultaneously with notice under section 286..

2. Hold Board meeting.

The Board meeting should pass following resolutions:

- a. approving the annual
- b. recommending the quantum of final dividend to be declared at the next AGM and the source of funds for the payment thereof, i.e. :
 - out of profits of the company after providing for depreciation for the current financial year and also for earlier years, if not already provided and amount to be transferred from the current profits to reserves as per provisions of the Companies (Transfer of Profits to Reserves) Rules, 1975; or
 - out of reserves in accordance with the provisions of the Companies (Declaration of Dividend out of Reserves), Rules, 1975.
- c. fixing time, date and venue for holding the next annual general meeting of the company.
- d. approving notice for the annual general meeting and authorising the company secretary to issue the notice on behalf of the Board of directors of the company to all the members, directors and auditors of the company and other persons entitled to receive the same.
- e. determining the dates of closure of the register of members under section 154 of the Companies Act 1956 and the share transfer register of the company as per requirements the listing agreements (in the case of listed companies).

In the case of listed companies, It is prudent to consult in advance the regional stock exchange and then fix the dates for closure of books. Care should be taken to ensure that the date of commencement of closure of the transfer books should not be on a day following a holiday and the dates so fixed should also not clash with the clearance programme in the stock exchanges.

3. Intimate the Board decision to Concerned Stock Exchange

The company will, immediately on the date of the meeting of its Board of Directors held to consider or decide the same, intimate to the Exchange within 15 minutes of the closure of the Board Meetings by Letter/fax, (or, if the meeting be held outside the City of Mumbai, by fax/telegram) all dividends recommended or declared or the decision to pass any dividend. (Clause 20 of the Listing Agreement)

4. Notice of the closure of the Share transfer Register to Stock Exchanges.

The company must give to the Stock Exchange in which the shares are listed a notice in advance of at least twenty one days (fifteen days in case of such securities which are announced by SEBI from time to time for compulsory delivery in dematerialized form by all investors), or of as many days as the Exchange may from time to time reasonably prescribe, stating the dates of closure of its Transfer Books (or, when the Transfer Books are not to be closed, the date fixed for taking a record of its shareholders or debenture holders ie, record date).The Company must also send copies of such notices to the other recognised stock exchanges in India.(Clause 16 of the listing Agreement)

5. Notice of closure of register of members to Stock Exchange

In the case of listed companies give 42 days notice of book closure(Register of members) to the stock exchanges

6. Publish Notice of Book Closure in News paper

Publish the notice of book closure in a newspaper circulating in the district in which the registered office of the company is situated at least seven days before the date of commencement of book closure.

7. Update Share Transfer Register

Register all the transfers/transmissions received prior to the date of closure and prepare a list of shareholders who are entitled to dividend

8. Close the register of members &Share Transfer Register

Close the register of members and the share transfer register of the company.

9. Hold the annual general meeting and declare final dividend

Hold the annual general meeting and pass an ordinary resolution declaring the payment of dividend to the shareholders of the company as per recommendation of the Board. The shareholders cannot declare the final dividend at a rate higher than the one recommended by the Board. However, they may declare the final dividend at a rate lower than the one recommended by the Board

10. Prepare a statement of dividend

A statement of dividend in respect of each shareholder containing the following details should be prepared

- a. Name and address of the shareholder with ledger folio No.
- b. No. of shares held.
- c. Dividend payable.

11. Deposit the amount payable in a separate bank account.

Open a bank account and credit the dividend payable with the said bank account within five days of declaration of dividend.

Dividend should be paid out of such bank account within thirty days of declaration.(ss-3 Para 5.1)

12. Print sufficient number of dividend warrants

In consultation with the company's banker appointed for the purpose of dividend, print sufficient number of dividend warrants. In case of dividend warrants with MICR facility get approval of the RBI for printing the same. The dividend warrants must be filled in and signed by the persons authorised by the Board.

13. Intimate the date of dividend payable to Stock exchanges

In the case of listed companies inform the stock exchanges at least 21 days in advance, of the date from which the dividend shall be payable.(Clause 21 of the listing Agreement)

14. Pay dividend Tax

The Company has to pay dividend tax subject to the provisions of the Income tax Act 1961. Presently no tax is deducted at Source.

15. Make arrangement with the bank for payment of dividend

The company must make arrangements with banks for payment of dividend at par. In case of listed companies arrangements have to make with bankers for payment of dividend at all centers as per requirement of the listing agreements with the stock exchanges. Dividend should be paid out of such bank account within thirty days of declaration.(ss-3 Para 5.1)

16. Maintain an unpaid dividend A/c

The company must open an account called "Unpaid Dividend Account". In case the instrument of transfer has been received by company but transfer of such shares has not been registered, then the dividend payable should be kept in the said "Unpaid Dividend Account". However the registered holder of these shares authorises company in writing to pay dividend to the transferee specified in the said instrument of transfer, the company can pay dividend to said transferee.

17. Dispatch dividend warrants

The company must send the dividend warrants within thirty days of the declaration of dividend [Refer Section 207]. In case of joint shareholders, dispatch the dividend warrant to the first

named shareholder. In the case of defaced, torn or decrepit Dividend warrants, a duplicate warrant may be issued before the expiry of the validity period of the Dividend warrant on surrender to the company of such defaced, torn or decrepit warrant. (Para 5.5 of SS-3)

18. Preservation of Dividend Warrants

Where the company has given an undertaking to the Bank for preservation or safe keeping of paid Dividend warrants for a specified period, the warrants returned by the Bank, after payment thereof, should be preserved for such period or eight years from the date of the warrant, whichever is longer.

19. Maintain Register of dividend Warrants/Register of Duplicate Dividend warrants

Particulars of every Dividend warrant issued should be entered in a Register of Dividend Warrants, indicating the name of the person to whom the Dividend warrant is issued, the number and amount of the Dividend warrant and the date of issue of such warrant. In case of Duplicate dividend warrant is issued, particulars of every such duplicate Dividend warrant issued should be entered in a Register of Duplicate Dividend Warrants, indicating the name of the person to whom the Dividend warrant is issued, the number and amount of the Dividend warrant in lieu of which the duplicate warrant is issued and the date of issue of such duplicate warrant.

20. Notice of dispatch of dividend warrants to members.

In the case of listed companies, a notice must be published in a newspaper circulating in the district in which the registered office of the company is situated to the effect that dividend warrants have been posted and advise those members of the company who do not receive them to get in touch with the company for appropriate action within a period of fifteen days.

21. Issue bank drafts and/or Cheques ,if required

Issue bank drafts and/or Cheques to those members who inform that they received the dividend warrants after the expiry of their currency period or their dividend warrants were lost in transit after satisfying that the same have not been encashed.

22. Transfer of unpaid or unclaimed dividend to a special account

The unpaid /unclaimed amount should be payable to a special account named “Unpaid dividend A/c” within 7 days after expiry of the said period of 30 days.

23. Reconcile the amount of unpaid/unclaimed dividend with bankers

The company should maintain the details of unpaid or unclaimed Dividend and reconcile the amounts thereof with the concerned bankers, periodically. (Para 6.1 of SS-3)

24. Give individual intimation to the Members, whose unclaimed Dividend is transferred to IEPF

After the expiry of the period of seven years from the date from which unclaimed and unpaid Dividends were transferred to the Unpaid Dividend Account, no claims shall lie against the Fund or the company in respect of any such amounts. Hence, the company should intimate the concerned Members individually of the amount of Dividend remaining unclaimed which is liable to be transferred to the Investor Education and Protection Fund and advising the Member to claim such amount of Dividend from the company before such transfer. (Para 6.3 of SS-3)

25. Transfer unpaid dividend to Investor Education and Protection Fund

After the expiry of seven years from the date of transfer to unpaid dividend A/c, unpaid dividend has to transfer to Investor Education and Protection Fund. The company when crediting to the account of the fund, should separately furnish to RoC a statement in Form 1 of IEPF Rules duly certified by chartered accountant or a company secretary or a cost accountant practising in India or by the statutory auditors of the company.

The transfer to the Investor Education and Protection Fund should be made within thirty days of the expiry of seven years from the date of transfer to the Unpaid/Unclaimed Dividend Account. (Para 6.2 of the SS-3)

If the Unpaid Dividend Account is kept as a fixed deposit or in any account on which interest is earned, the interest earned should be transferred to the Investor Education and Protection Fund. (Para 6.4 of the SS-3)

26. Preparation and preservation of Dividend Register

The Company must prepare a Dividend Register and the same should be kept in safe custody for eight years.(Para 8.1 of SS-3)

27. Make Disclosures in Annual Reports.

The company should make the following disclosures in Annual Reports

1. The Balance Sheet of the company should disclose under the head '**current liabilities and provisions**', the amount lying in the Unpaid Dividend Account together with interest accrued thereon, if any.
2. The Annual Report of the company should disclose the total amount lying in the Unpaid Dividend Account of the company in respect of the last seven years. The amount of Dividend, if any, transferred by the company to the Investor Education and Protection Fund during the year should also be disclosed. The amounts lying in the Unpaid Dividend Account and the amounts transferred to the Investor Education and Protection Fund should be disclosed in the Directors' Report.

3. The Annual Return of the company should mention that the amount of Dividend remaining unpaid or unclaimed for a period of seven years from the date such Dividend became payable by the company, together with interest accrued thereon, if any, has been credited to the Investor Education and Protection Fund.