



# GLAND PHARMA LIMITED

## DIVIDEND DISTRIBUTION POLICY

### PREAMBLE AND BACKGROUND

Dividend is profits earned by the company and divided amongst the shareholders in proportion to the amount of paid up shares held by them. It is a return on investment made by the shareholders.

The term 'dividend' has been defined under Section 2(35) of the Companies Act, 2013 as which includes any interim dividend. It is an inclusive and not an exhaustive definition.

### DIVIDEND DISTRIBUTION PHILOSOPHY

The Company is deeply committed to driving superior value creation for all its stakeholders. The focus will continue to be future growth and long term interests of the Company as well as its shareholders. Accordingly, the Board would continue to adopt a progressive dividend policy, ensuring the immediate as well as long term needs of the business.

### OBJECTIVE

The objective of this policy is to lay down the criteria to be considered by the Board of Directors of the Company before recommending dividend to its shareholders for a financial year. The policy is framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

### Brief Outline of the Objectives

- To define the policy and procedures of the Company in relation to the calculation, declaration and settlement of Dividends and the determination of the form and time periods within which Dividends are paid.





- To ensure that the Company has sufficient distributable profits and/or general reserves, as determined by a review of the Company's audited financial statements, prior to any declaration and/or payment of Dividends.
- To create a transparent and methodological Dividend policy, adherence to which will be required before declaring dividends.
- The Company will review this Policy annually and make necessary changes if deemed necessary or as and when there are regulatory changes, new regulations, directions, guidelines issued by the regulatory/government authorities from time to time.
- The Company shall pay dividend on equity shares only after ensuring compliance with the Companies Act, 2013 and SEBI Listing Regulations.

### **3. SCOPE, LAW AND REGULATION OF DIVIDEND**

The declaration and payment of dividend are governed by various provisions of the Companies Act, 2013 viz.,

- Chapter - VIII of the Companies Act, 2013 from section 123 to 127 which deals with Declaration and payment of dividend; The Companies (Declaration and Payment of Dividend) Rules, 2014
- Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- Section 27 of Security Contract Regulation Act, 1956
- Income Tax Act, 1961
- SEBI Guidelines/Circulars etc. as amended from time to time and to the extent applicable.

The Company will adhere to the provisions of applicable Laws as amended from time to time and to the extent applicable.





The policy set out herein generally relates to final Dividend, certain principles also apply to Interim Dividend declared by the Board of Directors, as stated hereinafter.

The management will discuss and recommend to the Board of Directors on dividend considering the circumstances or factors but not limited to the following:

- Future expansion plans
- Profit earned during the current financial year
- Overall financial conditions
- Cost of raising funds from alternative sources
- Applicable taxes (including dividend distribution tax)
- Money market conditions
- Macro-economic situations, etc.

#### 4. GENERAL TERMS

**Basis of recommending dividend:** The dividends are declared at the Annual General Meeting of the Company, based on recommendations of the Board of Directors (Board).

**Free Reserves:** The word "Free reserves" has been defined by Section 2(43) of Companies Act, 2013 to mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend. However the following shall not be treated as free reserves: any amount representing unrealized gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves.

*Bonus shares shall not be issued in lieu of dividend in terms of section 63(3) of the Companies Act, 2013.*

**Payment of dividend proportionately:** In terms of section 51 of the Companies Act, 2013 companies are permitted to pay dividends in proportion to the amount paid-up on each share when all shares are not uniformly paid up, i.e. pro rata (in proportion or





proportionately, according to a certain rate). The Board of Directors of a company may decide to pay dividends on pro-rata basis if all the equity shares of the company are not equally paid-up. The permission given by this section is, however, conditional upon the company's articles of association expressly authorizing the company in this regard.

**Interim dividend:** The Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared. In case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years in terms of section 123 (3) of Companies Act, 2013.

**Final Dividend:** It is declared by members at an Annual General Meeting as "Ordinary Business" in terms of section 102(2)(ii) of the Companies Act, 2013 only if recommended by the Board of Directors and at a rate not more than what is recommended by the directors in accordance with the Articles of Association of a company.

**Debenture Redemption Reserve:** Where debentures are issued by a company, the company shall create a debenture redemption reserve account out of the profits of the company available for payment of dividend and the amount credited to such account shall not be utilized by the company except for the redemption of debentures in terms of section 71 (4) of the Companies Act, 2013.

**Dividend Payout Ratio:** The dividend payout ratio measures the percentage of Net Profit (PAT) that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits, the company decides to keep for funding operations and the portion of profits that is given to its shareholders. It is calculated by dividing the proposed dividend (excluding taxes on dividend) by the Profit after tax and depreciation.



**Trading Window:** In terms of regulation 2(1) (n) of SEBI (Prohibition of Insider Trading), 2015, declaration of dividends (interim or final) shall be treated as “Unpublished Price Sensitive Information” hence company shall comply with norms / compliances of trading window read with Company’s insider Trading Policy viz. Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders pursuant to regulation 9 of SEBI (Prohibition of Insider Trading), 2015.

## **5. PARAMETERS FOR DECLARATION OF DIVIDEND**

The Board will consider various parameters as mentioned below before arriving at a decision on declaration of dividend:

- Current year’s Profit/ Inadequacy of profit
- Accumulated reserves
- Distributable surplus available as per the various Acts and Regulations
- The Company’s liquidity position and future cash flow needs
- Track record of Dividends distributed by the Company
- Capital expenditure requirements considering the expansion and acquisition opportunities
- Cost and availability of alternative sources of financing
- Funds requirement for contingencies and unforeseen events with financial implications
- Capital market scenario
- Shareholders expectations
- Government Policies
- Macro- economic conditions
- Stipulations/ Covenants of loan agreements
- Prevailing Taxation Policy or any amendments expected thereof, with respect to dividend distribution
- Payout ratios considering probabilities of its consistency in coming time
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.



## **6. CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND**

The Board will assess the Company's financial requirements, including present and future organic and inorganic growth opportunities, government policies & regulations and other relevant factors (as mentioned elsewhere in this policy) and accordingly declare dividend in any financial year.

The shareholders of the Company may not expect dividend under certain circumstances including the following,

- In the event of inadequacy of profits or whenever the Company has incurred losses;
- Significant cash flow requirements towards higher working capital requirements / tax demands / or others , adversely impacting free cash flows;
- An impending / ongoing capital expenditure program or any acquisitions or investment in joint ventures requiring significant allocation of capital;
- Allocation of cash required for buy-back of securities;
- Any of the internal or external factors restraining the Company from considering dividend.

## **7. CONFLICT IN POLICY**

In the event of a conflict between this policy and the existing statutory regulations, the statutory regulations shall prevail.

## **8. MODIFICATION OF THE POLICY**

The Board 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 Companies Act, 2013, SEBI and other Regulations, etc.

## **9. REVIEW AND DISCLOSURE OF POLICY**

The Board may review the Dividend Distribution Policy of the Company periodically and may make revisions or changes in the existing policy at any time during the year, if







required. The Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and placed on the Company's website

#### **10. UTILIZATION OF RETAINED EARNINGS**

Retained earnings shall be utilized in accordance with prevailing regulatory requirements, creating reserves for specific objectives, fortifying the balance sheet against contingencies, generating higher returns for shareholders through reinvestment of profits for future growth and expansion and any other specific purpose as approved by the Board of Directors of the Company. The Company shall endeavor to utilize retained earnings in a manner that shall be beneficial to both, the interests of the Company and its stakeholders.

#### **11. MODE OF PAYMENT**

As per Regulation 12 of SEBI Listing Regulations, the Company shall use any of the electronic modes of payment facility approved by the Reserve Bank of India for the payment of the dividends. Where it is not possible to use electronic mode of payment, 'payable-at-par' warrants or cheques may be issued to the eligible shareholders. Further, where the amount payable as dividend exceeds INR 1,500 the payable-at-par warrants or cheques shall be sent by speed post.

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

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.

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**Notes*****Dividend Distribution Policy. 43A of the SEBI Listing Regulations***

*(1) The top five hundred listed entities based on 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.*

*(2) The dividend distribution policy shall include the following parameters:*

*(a) the circumstances under which the shareholders of the listed entities may or may not expect dividend;*

*(b) the financial parameters that shall be considered while declaring dividend;*

*(c) internal and external factors that shall be considered for declaration of dividend;*

*(d) policy as to how the retained earnings shall be utilized; and*

*(e) parameters that shall be adopted with regard to various classes of shares:*

*Provided that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.*

*(3) The listed entities other than top five hundred listed entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.*

for GLAND PHARMA LIMITED

*S. Srinivas*

SRINIVAS SADU  
MANAGING DIRECTOR & CEO