

# **FREDUN PHARMACEUTICALS LIMITED**

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## **DIVIDEND DISTRIBUTION POLICY**

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*[Accordance with good corporate governance practices and in alignment with Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]*

### **A. PREAMBLE:**

The Board of Directors (“the Board”) of Royal Chain Private Limited (“the Company”) is committed to creating long-term value for all stakeholders and believes in rewarding them through sustainable and consistent returns.

This Dividend Distribution Policy sets out the guiding principles to be followed by the Company in the matter of declaration and distribution of dividends, in accordance with Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

### **B. SCOPE AND PURPOSE:**

(1) This Policy specifies the internal and external factors, financial parameters, and guiding principles that the Board shall consider while declaring dividends, and outlines circumstances where shareholders may or may not expect dividend distribution, as well as the utilization of retained earnings.

(2) This Policy is framed in accordance with the provisions of the Listing Regulations and other applicable laws.

### **C. APPLICABILITY:**

1. The Company currently has only one class of shares, viz. equity, for which this policy is applicable. The policy is subject to review if and when the Company issues different classes of shares.
2. The Policy shall not apply to:
  - a) determination and declaration of the Dividend on preference shares, as and when issued by the Company, as the same will be as per the terms of issue approved by the stakeholders; and
  - b) Issue of Bonus Shares by the Company.

### **D. DEFINITIONS:**

In this Policy, words and expressions shall have the meaning assigned to them below:

- a. "**Board**" shall mean Board of Directors of the Company.

- b. "**Act**" shall mean the Companies Act, 2013 and rules framed thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended from time to time.
- c. "**Dividend**" includes any interim dividend and final dividend.
- d. "**Policy**" means Dividend Distribution Policy.

**E. DIVIDEND:**

- (i) The Dividend represents the portion of profit of the Company that is distributed among its shareholders in proportion to the amount paid-up on the shares held by them. The Dividend may be declared as Interim Dividend or Final Dividend, as may be decided by the Board of Directors in accordance with applicable laws and regulations.
- (ii) The term 'Dividend', as defined under Section 2(35) of the Companies Act, 2013, includes any interim dividend. It is an inclusive definition, implying that dividend encompasses all forms of profit distribution by the Company to its shareholders.

**F. LAWS AND REGULATIONS:**

The declaration and payment of Dividend is governed by-

- 1) Chapter - VIII of the Act, from section 123 to 127 which deals with Declaration and payment of the Dividend
- 2) The Companies (Declaration and Payment of Dividend) Rules, 2014
- 3) Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001
- 4) Listing Regulations
- 5) Section 27 of Securities Contract Regulation Act, 1956
- 6) Income Tax Act, 1961
- 7) 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.

**G. POLICY:**

- A. Parameters and factors for declaration of the Dividend

The Board shall *inter alia* consider the following parameters before declaring or recommending the Dividend to the shareholders:

**1) Statutory and Regulatory Parameters**

The Company shall ensure full compliance with all applicable statutory requirements and regulatory provisions, including but not limited to the Companies Act, 2013, the Listing Regulations, applicable SEBI guidelines, and any other laws, circulars, or notifications as may be prescribed from time to time.

**2) Financial parameters and Internal Factors:**

While determining the quantum of dividend, the Board shall, among other things, consider the following financial and internal aspects:

- (i) Financial performance including profits earned by the Company (standalone) during the financial year;
- (ii) Available distributable reserves;
- (iii) Cash balance and operating cash flows of the Company;
- (iv) Earnings Per Share (EPS);
- (v) Working capital requirements;
- (vi) Capital expenditure requirement such as for business expansion, technological advancement, corporate restructuring including investments in subsidiaries, joint ventures and associates of the Company;
- (vii) Likelihood of crystallization of contingent liabilities, if any;
- (viii) Up gradation of physical infrastructure;
- (ix) Fund requirement for contingencies and unforeseen events with financial implications;
- (x) Cost of Borrowing;
- (xi) Past Dividend payout ratio / trends;
- (xii) Any other factor as may be deemed fit by the Board.

**3) External Factors:**

- (i) Economic and market conditions;
- (ii) Government policies and taxation framework;
- (iii) Global business environment;
- (iv) Industry outlook; and
- (v) Financing Costs.

**B. Circumstances under which the shareholders of the company may or may not expect the Dividend**

The decision regarding the Dividend pay-out is crucial as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The Company ought to balance its decision to pay-out the Dividend after considering meeting of the dual objectives of appropriately rewarding shareholders through the Dividends while at the same time ensuring instant availability of internal sources of funding for achieving business goals of the Company.

The Board may not recommend the Dividend and the shareholders of the Company may not expect the Dividend in the following circumstances, subject to discretion of the Board:

- 1) Proposed expansion plans requiring higher capital allocation
- 2) Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc. which requires significant capital outflow
- 3) Requirement of higher working capital for the purpose of business of the Company
- 4) Proposal for buy-back of securities
- 5) Inadequacy of profits earned during the financial year
- 6) Inadequacy of cash balance
- 7) Adverse market conditions and business uncertainty

C. Utilization of the retained earnings

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- 1) Market expansion plans
- 2) Product expansion plans
- 3) Increase in production capacity
- 4) Technological advancement and modernization plans
- 5) Diversification of business

- 6) Long term strategic plans
- 7) Replacement of capital assets
- 8) Where the cost of debt is expensive
- 9) Dividend payment
- 10) Such other criteria as the Board may deem fit from time to time.

**D. Manner of the Dividend payout**

**1) In case of Final Dividend:**

- (i) Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholder of the Company.
- (ii) The Dividend as recommended by the Board shall be approved/declared at the Annual General Meeting of the Company.
- (iii) The payment of the Dividends shall be made within the statutory prescribed period after declaration, to those stakeholders who are entitled to receive the Dividend on the record date/book closure period, as per the applicable law.

**2) In case of Interim Dividend:**

- (i) Interim Dividend, if any, shall be declared by the Board.
- (ii) Before declaring interim Dividend, the Board shall consider the financial position of the Company that allows the payment of such Dividend.
- (iii) The payment of the Dividends shall be made within the statutory prescribed period after declaration, to those stakeholders who are entitled to receive the Dividend on the record date/book closure period, as per the applicable laws.

**E. Parameters to be adopted with regard to various classes of shares**

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of the Dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

**H. DISCLOSURES:**

The Dividend Distribution Policy shall be disclosed on the website of the Company.

**I. CONFLICT IN POLICY:**

In the event of any conflict between this Policy and the provisions contained in the Listing Regulations, the said regulations shall prevail.

**J. POLICY REVIEW AND AMENDMENTS:**

This Policy would be subject to modification in accordance with the guidelines / clarifications as may be issued from time to time by relevant statutory and regulatory authority.

The Board may periodically review this Policy after taking into account the national and global economic conditions, company's growth and expansion plans, financial position, etc. and suitably amend this, Policy.

Sd/-  
Chairman Signature

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