

## ***Dividend Distribution Policy of Orchid Pharma Limited***

### **Background and applicability**

The Securities and Exchange Board of India (“SEBI”) vide its Notification no. SEBI/LAD-NRO/GN/2016- 17/008 dated July 08, 2016, has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) by inserting Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandating the formulation of a Dividend Distribution Policy for the top 500 listed entities based on their market capitalization calculated as on March 31 of every financial year and to disclose a Dividend Distribution Policy in the Annual report and on the corporate website.

The Board of Directors (“Board”) of Orchid Pharma Limited (“the Company”) has adopted this Dividend Distribution Policy to comply with these requirements.

### **Objective**

The objective of this policy is to provide clarity to the shareholders on the external and internal factors, including the financial parameters that would be considered by the Board of Directors, while deciding on the recommendation / declaration of dividend on Equity Shares from time to time.

### **Definitions**

Any term used in this policy shall have the meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act, 1992 or Rules and Regulations made thereunder or any other relevant legislation/law applicable to the Company

### **Dividend**

Dividend represents the profit of the Company, which is distributed to shareholders in proportion to the amount paid-up on shares they hold. Dividend includes Interim Dividend.

### **Guidelines for declaration/recommendation of Dividend**

The Company shall pay dividend in compliance with the provisions of Section 123 and other applicable provisions of the Companies Act, 2013(the Act) read with Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other applicable Regulations.

The Dividend for any financial year shall normally be paid out of the Company profits for that financial year. This will be arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013. The Board shall consider the expectations of all stakeholders including minority / small shareholders while declaring/ recommending dividends.

### **The Policy shall not apply to**

- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- Distribution of funds as an alternative to payment of dividend by way of buyback of equity shares

### **Circumstances under which the shareholders of the Company may or may not expect dividend**

The Board of Directors shall endeavor to take a decision for Dividend Distribution with an objective to enhance shareholders value. However, the decision regarding pay-out is subject to several parameters which forms part of this Policy. If circumstances require, the Board may also declare dividend out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.

### **Some conceivable circumstances under which shareholders may not expect a dividend are:**

- In case of inadequacy or absence of profits in any fiscal year, the Board may decide to conserve profits of the Company and may declare a lesser dividend or the Board shall not recommend dividend if it is of opinion that it is financially not prudent to do so.
- Adverse market conditions and business uncertainty
- Due to any restrictions and covenants contained in any agreement as may be entered with the Lenders;
- Inadequacy of cash balance, large forthcoming capital requirements which are best funded through internal accruals, changing government regulations
- Pressure on cash flows on account of various factors such as higher working capital expenditure / tax demands and / or others.
- Impending / ongoing projects / acquisitions or investment in joint ventures requiring significant allocation of capital.

### **Parameters that shall be considered while declaring dividend**

Financial parameters and other internal factors that would be considered for declaration of Dividend:

- Profits earned during the financial year and overall performance of the Company
- The Company's liquidity position and future cash flow needs
- Funds required for any contingencies or unforeseen events/ service any outstanding loan / any other significant developments that require cash investments
- Distributable surplus available as per the Act and Regulations
- Capital expenditure and Investment requirements
- Cost and availability of alternative sources of financing
- Accumulated Reserves
- Current and projected debt raising capacity

**External factors that would be considered for declaration of Dividend:**

- Macroeconomic and business conditions in general
- Any changes in the competitive environment requiring significant investment.
- Future outlook for the Company and the Industry.
- Legal / Regulatory Framework and Government Policy.
- Shareholders expectations
- The Board shall take into account the historical dividends payout as well as also those declared by its peers and other leading companies of similar size and
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

**Interim and Final Dividend**

The Board may declare one or more Interim Dividends during the year. Additionally, the Board may recommend Final Dividend for the approval of the shareholders at the Annual General Meeting. The date of the Board meeting in which the Dividend proposal will be considered, will be provided to the stock exchanges, as required by Listing Regulations.

**Utilization of retained earnings**

Subject to applicable regulations, the Company's retained earnings shall be applied for:

- Expansion plans
- Funding growth needs including working capital, capital expenditure, repayment of debt, etc.
- Payment of Dividend in future years
- Issue of Bonus shares/ Buyback etc.
- Such other purposes as approved by the Board of Directors, which shall be beneficial to the Company and its Stakeholders.

**Parameters that shall be adopted with regard to various classes of shares**

Currently, the Company does not have different classes of shares and follows the 'one share, one vote' principle. If the Company has more than one class of shares in future, dividend for each class would be subject to prescribed statutory guidelines as well as terms of offer of each class to the investors of that class of shares.

**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, the Regulations, etc.



This Policy (as amended from time to time) shall be disclosed on the Company's website: [www.Orchidpharma.com](http://www.Orchidpharma.com) and in the Annual Report.

**Disclaimer**

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.

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