

Dividend Distribution Policy

1. INTRODUCTION

1.1. Applicability

- 1.1.1. The Board of Directors (“the Board”) of Charms Industries Limited (“the Company” or “CIL”) at its meeting held on May 25, 2021 had adopted this dividend distribution policy (“the policy”) as required by Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI Listing Regulations”). The policy shall be effective from May 25, 2022.

1.2. Philosophy

The philosophy of the Company is always to maximize the shareholders’ wealth through various means. The Company believes that returning cash to shareholders is an important component of overall value creation. The Company has a consistent dividend track record and the policy of the Company is in line with historic guidelines and trends.

The Company follows a transparent mechanism for declaring dividends and retaining earnings accrued in a given financial year for future capital expenditures, working capital requirements, earmarking reserves for inorganic growth opportunities or for retiring debt and thereafter distributing the surplus profits in the form of dividend to the shareholders.

1.3. Objective

The objective of the policy is to regulate the process of dividend declaration and its payout by the Company which would ensure a regular dividend income for the members and long-term capital appreciation while ensuring to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Company had an uninterrupted dividend payment history.

1.4. Regulatory Framework

- 1.4.1. Regulation 43A of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, which was notified vide Notification dated May 05, 2021 provides that top thousand listed entities based on their market capitalization (calculated as on March 31 of immediate previous financial year) shall formulate a dividend distribution policy which shall be disclosed in the company’s annual report and on the company’s website.

The Company has framed this policy as the company is one of the top thousand listed companies as per the market capitalization as on the last day of the immediately preceding financial year i.e. March 31, 2022.

2. INTERPRETATION

2.1. Definitions

- 2.1.1. "Act" means Companies Act, 2013 and Rules made thereunder, including any modifications, amendments or re-enactment thereof.
- 2.1.2. "Applicable Laws" shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for the distribution of Dividend.
- 2.1.3. "Board" means Board of Directors of the Company.
- 2.1.4. "Company" shall mean Lincoln Pharmaceuticals Limited.
- 2.1.5. "Dividend" Shall mean Dividend as defined under Companies Act, 2013 and includes any Interim Dividend.
- 2.1.6. "Financial Year" shall mean the period beginning from April 01 of every year to March 31 of succeeding year.
- 2.1.7. "Policy or this Policy" shall mean Dividend Distribution Policy and as may be amended from time to time.
- 2.1.8. "SEBI Regulations or SEBI LODR" shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

2.2. Interpretation

- 2.2.1. The Clause headings are for ease of reference only and shall not be relevant to interpretation.
- 2.2.2. A reference to a clause number includes a reference to its sub-clauses.
- 2.2.3. The words in singular number include the plural and vice versa.
- 2.2.4. Any term not defined in the Policy shall have the same meaning assigned to under the Companies Act, 2013 or the SEBI Regulations or Depositories Act, 1996 or Securities and Exchange Board of India Act, 1992.
- 2.2.5. "Policy or this Policy" shall mean Dividend Distribution Policy and as may be amended from time to time.
- 2.2.6. SEBI Regulations or SEBI LODR" shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

POLICY

2.3. Policy

- 2.3.1. The Company would endeavor to keep consistence track record of dividend payment except for the reasons to be recorded.
- 2.3.2. Dividend payout in a particular year shall be determined after considering the operating and financial performance of the Company and the cash requirement for financing the Company's future growth

2.4. Procedure

- 2.4.1. The agenda of the board of directors where dividend declaration or recommendation is proposed shall contain the rationale of the proposal which shall be in line with the Parameters mentioned in this Policy.
- 2.4.2. If the Company proposes to declare dividend on the basis of parameters in addition to this policy or proposes to change such 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 the annual report and on the website
- 2.4.3. Pursuant to the provisions of Applicable Laws and this Policy, interim dividend approved by the board of directors will be confirmed by the shareholders and final Dividend, if any, recommended by the board of directors, will be subject to shareholder's approval, at the ensuing annual general meeting of the Company. The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to dividend declared by the Company.
- 2.4.4. Pursuant to the provisions of Applicable Laws and this Policy, interim dividend approved by the board of directors will be confirmed by the shareholders and final Dividend, if any, recommended by the board of directors, will be subject to shareholder's approval, at the ensuing annual general meeting of the Company. The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to dividend declared by the Company.

2.5. Parameters for Declaration of Dividend

The dividend payment decision of the Company depends upon certain internal (including financial parameters) and external factors like:

2.5.1. Internal Factors

- a) **Profits Earned:** The extent of stability and magnitude of company's earnings will directly influence the dividend declaration. Thus, the dividend is directly linked with the availability of the earnings (including accumulated earnings) with the company.
- b) Capital Expenditure Requirements and future working capital requirements.
- c) **Current and Projected Liquidity Position:** A company's liquidity position also determines the level of dividend. If a company does not have sufficient cash resources to make dividend payment, then it may reduce the amount of dividend pay-out.
- d) **Committed or Projected Cash Flow Requirement:** If a company foresees some profitable investment opportunities including but not limited to Brand / Business Acquisitions, Expansion / Modernization of existing businesses, Fresh investments into external businesses, then it may decide for lower dividend pay-out and vice-versa.
- e) Leverage profile and liabilities of the Company.
- f) Any other factor as deemed fit by the Board.

2.5.2. External Factors

- a) Industry Practice:** The nature of industry in which a company is operating, influences the dividend decision. Like the industries with stable demand throughout the year are in a position to have stable earnings and thus declare stable dividends.
- b) Macro-Economic Factors and General Business Environment:** The Board will endeavor to retain larger part of profits to build up reserves to absorb future shocks in case of uncertain or recessionary economic conditions and in situation where the policy decisions of the Government have a bearing on or affect the business of the Company.
- c) Fiscal Policy:** The tax policy of the country also influences the dividend policy of a company. The rate of tax directly influences the amount of profits available to the company for declaring dividends.
- d) Capital Markets:** In case of unfavorable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows and reduce the cost of raising funds through alternate resources.

2.6. Circumstances under which the Shareholders may not expect Dividend

2.6.1. The shareholders of the Company may not expect Dividend under the following circumstances:

- a)** Due to operation of any other law in force;
- b)** Due to inadequate profit or losses incurred by the Company and the Board considers it appropriate not to declare dividend for any particular year;
- c)** Due to any restrictions and covenants contained in any agreement as maybe entered into with the Lenders;

- d)** Whenever Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital or undertakes any acquisitions or restructuring;
- e)** Significant higher working capital requirements adversely impacting free cash flow;
- f)** Any of the internal or external factors restraining the Company from considering dividend.

2.7. Utilisation of Retained Earnings

The portion of profits not distributed among the shareholders but retained and used in business are termed as retained earnings. It is also referred to as ploughing back of profit. These earnings may be utilized for internal financing of various projects of the Company and for fixed as well as working capital. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as Dividend after having due regard to the parameters laid down in this Policy.

2.8. Parameters for Dividend 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.

2.9. Conflict in policy

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