DIVIDEND DISTRIBUTION POLICY

(Originally approved on 18 May 2009 and modified by the Board of Directors at their meeting held on 25 October 2016)

KEY HIGHLIGHTS :

- Dividend payout would be subject to profitability under Standalone Financials Statements prepared under Indian Accounting Standard (IND-AS)
- Special dividend, if any, to be outside the scope of this policy but would be governed by the provisions under the Companies Act, 2013
- Applicable to Dr. Reddy’s Laboratories Limited, India only and not its subsidiaries

INTRODUCTION :

The Board of Directors of Dr. Reddy’s Laboratories Limited (Dr. Reddy’s or the Company), aims to grow the business lines of the Company and enhance the rate of return on investments of the shareholders. They present the dividend distribution policy, considering:

a) Preservation of a balance between the expectations of its shareholders and company’s own need to grow, and
b) The profitability of the Company.

The policy is intended to ensure a regular dividend payout for maximizing the shareholder’s wealth with an objective to distribute a regular dividend through an interim or final dividend or a combination of both.

The annual dividend rate would be recommended by the Board of Directors and could vary in order to reflect the underlying growth of the Company and to maintain a regular dividend payment.

APPLICABILITY :

This policy is a guiding principle for Dr. Reddy’s Laboratories Limited, India

STATUTORY PROVISIONS :

Under the Companies Act, 2013 and rules made there under, a Company shall declare or pay dividend, for any financial year, only out of the profits of the Company for that financial year. The following points set out the statutory obligations of a Company / requirements under the Companies Act, 2013 with respect to declaration / payment of dividend. [Section 123].

- The dividend shall be declared / paid only out of the profits of the Company after providing for depreciation in accordance with the provisions of the law.
- The Company before declaration of any dividend in any financial year, may transfer such percentage of its profit for that financial year to the general reserve.

However, in case of inadequacy or absence of profits in any year, a maximum of 10% of paid-up capital can be declared as dividend, subject to other provisions contained in the Companies (Declaration and Payment of Dividend) Rules, 2014.

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, requires a Company to disclose its dividend distribution policy in its Annual Report and on its website.

I. DECLARATION :

The declaration of dividend would be subject to compliance with applicable provisions of the Companies Act, 2013 and rules made there under, if any.

II. LOSSES :

Before declaring any dividend, the losses, if any, of any previous year(s) must be set off against the profits of the Company for the current year or previous years.

III. DECLARATION OF DIVIDEND OUT OF RESERVES :

The declaration of dividend out of reserves or accumulated profit & loss account may be as per the provisions of the Companies Act, 2013 and rules made there under, if any.

IV. AMOUNT OF DIVIDEND :

The Board may endeavor to recommend dividends considering:
a. Company’s need for Capital for its growth / expansion plans; and
b. Positive Cash Flow

The amount of **maximum dividend payout** (including interim dividend) is expected to be up to 20% of the cash profit under Consolidated Financial Statement prepared under Indian Accounting Standards (IND-AS).
Subject to per share amount rounding off to nearest 25 paise and further subject to percentage being adjusted to nearest multiple of 5.

V. PARAMETERS TO BE CONSIDERED BEFORE DECLARING DIVIDEND :

The major internal and external factors for deciding on dividend payment are:

1) Current year’s earnings
2) Past dividend pattern
3) Liquidity Cash flow
4) Repayment/Pre-payment of borrowing
5) Expected Future Earnings
6) Capital Expenditure Requirements (Retained earnings) requiring ploughing back of profits i.e. future capital expenditure program including
a) New projects
b) Expansion of capacities of existing units
c) Renovation/ Modernizations
d) Acquisition of brands/ businesses
e) Major Repairs & Maintenance
7) Likelihood of crystallization of contingent liabilities, if any
8) Contingency Fund
9) Sale of brands/ businesses
10) Social / Geo-political factors/risks
11) Regulatory or proposed regulatory requirements
12) Currency risk

Prior to declaration / recommendation of any dividend as per this policy, the Company may consider any applicable covenants / conditions or restrictions imposed by any lenders, JV partners of the Company or its subsidiaries. The Company may decide to retain earnings in entirety for a particular year(s) for its growth / expansion, consequently resulting in shareholders’ wealth creation.

VI) TIMING :

1) Interim Dividend
The Board may declare the interim dividend, based on review of profits earned during the current year - to date.

The interim dividend may be declared during the tenure of the financial year i.e. normally at the time of reviewing and approving the quarterly / half-yearly financial results.

2) Final Dividend
The Board may recommend the final dividend, subject to the approval of the members of the Company, based on profitability of the Company as per the annual audited financial statements. The final dividend may be recommended once in a year and shall be subject to the approval of the members of the Company at their meeting held for the purpose.

In addition to the above, the Board of Directors of the Company may also consider declaration of any special dividend, on special occasions, as and when they may deem fit, subject to provisions of the Companies Act, 2013 rules made there under and other relevant requirements, if any.

VII) CLASSES OF SHARES :

At present, the issued and paid-up share capital of the Company comprises only of equity shares. As and when the Company issues any other class(es) of shares, the Board of Directors may suitably declare dividend on such class(es) in accordance with the provisions of the Companies Act, 2013.

VIII) TAXATION

The Company shall be responsible for payment of Dividend Distribution Tax as per the provisions of Income Tax Act, 1961 or such other amendments from time to time.

However, the Income Tax liability, if such is applicable, on the dividend earned by the shareholders under the Income Tax Act, 1961 or such other amendment from time to time shall be borne by the respective shareholders and if required under the then prevalent Income Tax laws, the payment shall also be subject to deduction of tax at source.

IX) PERIODIC REVIEW OF THIS POLICY; AMENDMENTS :

The Board may amend, modify, repeal or waive any of the stipulations of this Policy at any time, as it determines necessary or appropriate, in the exercise of its judgment or fiduciary duties and as per the provisions of the Companies Act.