

DIVIDEND DISTRIBUTION POLICY

OF

ESDS SOFTWARE SOLUTION LIMITED

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1. Objective

ESDS Software Solution Limited (hereafter referred as “**the Company**”) is committed to enhance corporate value by developing/expanding its businesses and at the same time appropriately rewarding the shareholders by distributing dividends to them from time to time out of profits/reserves of the Company.

The objective of this policy is to provide guidelines to the Board of Directors of the Company (“**Board**”) in balancing the dual objectives of appropriately rewarding shareholders through dividends and retaining capital to support development/expansion of the Company and maintain a healthy capital adequacy ratio.

This policy also aims to set out the key parameters and circumstances that Board need to consider for arriving at the dividend distribution decision/recommendation. The Board may in extraordinary circumstances, deviate from the guidelines of this Policy by recording the reasons thereof.

2. Applicability

This policy applies to the distribution of dividend by the Company to Equity shareholders of the Company in accordance with the provisions of the Memorandum & Articles of Association of the Company, the Companies Act, 2013 and other applicable laws/rules/regulations.

3. Policy Statement

The Board has adopted a progressive dividend distribution policy which would under normal circumstance be previous year’s actual paid dividend as a floor with increase in line with the Company’s growth, while adhering to a pay-out ratio of up to 50% of net profits attributable to shareholders, after considering the applicability of dividend tax (if any) on Company and/or its shareholders.

4. Parameters

Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation by the Board. The Board may recommend dividends, at its discretion, to be paid to shareholders. The Board may also declare interim dividends.

The Board shall consider the following parameters while declaring dividend or recommending dividend to shareholders:

Financial Parameters

- a) Current year profits, existing reserves and future projections of profitability
- b) Interim dividend paid
- c) Dividend pay-out trends
- d) Operating cash flow
- e) Dividend to be paid after providing for depreciation in accordance with law
- f) Dividend to be paid after transferring to reserves such amount as may be prescribed by the board

Internal

- a) Funds required towards working capital, servicing of outstanding loans and capital expenditure;
- b) Funds required for merger/acquisitions and towards execution of the Company’s strategy;
- c) Investments in subsidiary/associates
- d) Minimum cash required for contingencies or unforeseen events;

- e) Maintaining of required liquidity and return ratios; and
- f) Any other significant developments that require cash investments

External

- a) State of the domestic and global economy, capital market conditions and dividend policy of competitors;
- b) Any significant change in the business or technological environment resulting in the Company making significant investments to effect the necessary changes to its business model;
- c) Restrictions and covenants contained in any agreement as may be entered with the Lenders
- d) Competition or client related risks
- e) Legislations impacting business or tax
- f) Shareholder expectations
- g) Any other significant risk or external matter

5. Approval Process

The decision regarding dividend shall be taken by the Board at its Meeting and shall be passed through an ordinary resolution by the shareholders at the Annual General Meeting. Shareholder approval is not required for payment of interim dividend and shall be decided by the Board.

6. Utilization of retained earnings

The profits earned by the Company that is left after distribution of dividend can be retained in the business or used for various purposes as outlined in clause 4 above.

7. Circumstances under which the shareholders may not expect dividend

The Board may choose not to recommend a dividend, if there are important strategic priorities which require large investments that would deplete the Company's cash reserves or due to uncertainties in the business performance in the near to medium term or due to regulatory/contractual restrictions, if any.

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

Currently, the Company has only one class of shares, namely, Equity Shares. The provisions of this Policy shall apply to all classes of shares in future, if any.