



DIVIDEND DISTRIBUTION POLICY

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1. Background

The Dividend Distribution Policy's ("Policy") objective is to maintain guidelines for the Board of Directors of Tracxn Technologies Limited (the "Company") to follow when declaring or recommending the amount of dividend (interim or final) per share. A dividend policy determines the ratio of dividends to retained earnings. Retained earnings are an important source of internal finance for the company's long-term growth, whereas dividends reduce the company's available cash funds.

The Company's Dividend Distribution Policy aims to reward its shareholders by sharing a portion of its profits / earnings, while also ensuring that enough funds are retained to meet the Company's future needs.

This policy focuses on ensuring dividend income for shareholders as well as long-term capital appreciation for the Company's stakeholders.

The policy sets out the principles to determine the amount that can be distributed to equity shareholders as dividend.

2. Legal Framework

In terms of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations), the top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a Dividend Distribution Policy ("Policy") which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports. Listed entities other than the top 500 listed entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.

3. Definitions

"Act" means Companies Act, 2013 including the rules framed there under and any statutory amendment(s) or modification(s) or circular(s) or notification(s) or order(s) thereof for the time being in force.

"Applicable Law" means the Act, the SEBI Listing Regulations, Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996, or any other law or act as may be applicable.

“**Dividend**” is as defined under Section 2(35) of the Act.

“**Free Reserves**” are as defined under Section 2(43) of the Act.

“**SEBI Listing Regulations**” mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any statutory amendment(s) or modification(s) or circular(s) or notification(s) thereof for the time being in force.

Words and expressions used but not defined in this Policy but defined in any Applicable Law shall have the same meaning respectively assigned to them in such Applicable Law.

4. **Effective Date**

The Board of Directors of the Company at its meeting held on 12th August 2021 has adopted the Dividend Distribution Policy (Policy) of the Company.

This Policy will come into force on 12th August 2021 and all dividends declared on or after this date will conform to the Policy.

5. **Objective**

The objective of the policy is to specify:

- The external and internal factors that shall be considered while declaring dividend.
- The financial parameters that shall be considered at the time of dividend declaration.
- The circumstances under which the shareholders of the Company may or may not expect dividend.
- Utilisation of retained earnings

Further, the intent of the policy is to inform stakeholders of the policy of the Company with regard to declaration and distribution of dividend and to comply with statutory and regulatory requirements, to the extent applicable.

The Board of Directors may consider the declaration of interim dividend depending upon the profits for the period and cash flow situation of the Company. The final dividend may be recommended by the Board and shall be decided at the Annual General Meeting of the Company.

6. **Parameter for Dividend Distribution**

The factors / parameters falling within the following categories shall be considered while taking decision on dividend distribution.

(i) Internal Factors

- a) **Profitability:** Dividend decision will be taken having regard to the profitability of the Company on a standalone basis.
- b) **Free Cash Flow:** Availability of free cash flow has a direct bearing on the amounts to be distributed to shareholders via dividends as the Company is required to meet all its business obligations before distributing profits.
- c) **Growth Plans:** Growth plans of the Company and the associated capital expenditure may necessitate the Company to preserve its funds generation to be deployed for the planned growth/expansion opportunities within the desired leverage. The Board would take into consideration internal funds generation to be earmarked for the proposed growth plans prior to taking decision on dividend distribution.
- d) **Enhancement in the borrowing Capacity:** It may be prudent for the Company to build up certain level of net worth to be in a position to raise debts with a view to seize any growth opportunities, inorganic or otherwise.
- e) **Investment Opportunities:** Dividend decisions shall be made in the light of timing of investment opportunities available with the Company.
- f) **Safety Reserve -** Minimum cash required for contingencies or unforeseen events
- g) Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

(ii) External Factors

- a) **Statutory restrictions:** The dividend to be distributed will be subject to prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws.
- b) **Contractual Restrictions/Restrictions in Debt Covenants:** The

Company's ability to pay dividends may be restrained by limiting provisions, if any, in loan agreements.

- c) **Emerging Trends and External Changes:** The dividend decisions may also be influenced by the growth and performance of the economy, emerging trends in the financial market and performance of the Company vis-à-vis its peers and dividend payout ratio of the comparable companies. Including but not limited to;
- a. Any political, tax and regulatory changes in the geographies in which the Company operates;
 - 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. Any changes in the competitive environment requiring significant investment.
- d) Any other factor which has a significant influence / impact on the Company's operations.

7. Declaration and Payment of Dividend

- a) Dividend, other than interim dividend, for a financial year shall be paid after the annual financial statements of the Company are finalised and the distributable profits are available.
- b) The declaration and payment of dividend shall be in accordance with the provisions of Sections 123 to 128 of the Companies Act, 2013.

Pursuant to the provisions of Section 123 of the Act, dividend shall be declared:

- a) out of the profits of the Company for that year arrived after providing for depreciation in accordance with the provisions of the Act;
- b) out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation and remaining undistributed; or
- c) out of both (a) and (b)

8. Modifications/Deviations to the Policy

The Board of Directors or the Chairman is authorized to approve any minor modifications/ deviations to the policy and will be the competent authority for any interpretation regarding the policy. The modifications in the policy, if any, authorized by the Chairman, shall be placed at the ensuing/ next meeting of the Board of Directors for noting/ ratification.

9. Disclosure and Amendments to the Policy

The policy shall be disclosed in each of the Company's Annual Report and on the website of the Company.

The policy shall be reviewed periodically by the Board of Directors of the Company. Any amendments or changes made to it subsequent to the changes in the provisions of any Act or Regulations shall be consequently published on the website of the Company.

The amendments made shall be disclosed in the Annual Report and on the website of the Company.

10. Limitation and Amendment

In the event of any conflict between the provisions of this policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this policy.

Note: This policy is amended pursuant to the amendment in the SEBI LODR and the amended policy is effective from the date of approval of the Board of Directors viz. 12th Aug 2021.