



NXTDIGITAL Limited

Dividend Distribution Policy

(A) Introduction

The Securities and Exchange Board of India vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, dated May 5th, 2021 amended Regulation 43A in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a dividend distribution policy, which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports.

The Company being amongst top 1000 listed entities based on aforesaid criteria for the year ended March 31, 2021, has formulated this policy on dividend distribution with a view to inform the shareholders about the policy, the Company adopts for Dividend distribution.

(B) Objective

The Dividend Distribution Policy ("the policy") establishes the principles to ascertain amount that can be distributed to equity shareholders as dividend by the Company as well as enable the Company strike balance between pay-out and retained earnings, in order to address future needs of the Company. The policy shall come into force for accounting periods beginning from April 1, 2021.

The objective of this policy is to provide the dividend distribution framework to the stakeholders of the Company.

The Board of Directors (Board) may consider declaration of interim dividend depending upon the cash flow situation of the Company. The dividend distribution shall be as per the recommendations of the Board and shall always be decided at an annual general meeting of shareholders in case of final dividend. Depending on the long-term growth strategy of the Company and the prevailing circumstances, the Board may consider a higher dividend payout ratio, while trying to ensure that sufficient funds are retained for growth of the Company.

(C) Definitions

- (i) **“Act”** means the Companies Act, 2013 and Rules made there under, including any statutory amendment(s) or modification(s) thereof for the time being in force.
- (ii) **“Dividend”** includes final and interim dividend.
- (iii) **“Dividend Payout ratio”** means a fraction of net income (i.e. Profit after tax) a Company pays to its shareholders as dividend.
- (iv) **“Market capitalization”** means the aggregate value of the company based on its current market price and the total number of outstanding shares of the company.
- (v) **“Paid-up Share Capital”** means such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid-up in respect of shares issued and also includes any amount credited as paid-up in respect of shares of the company but does not include any other amount received in respect of such shares, by whatever name called.
- (vi) **“Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, from time to time and as notified by the Securities and Exchange Board of India.

(D) Declaration and payment of Dividend

In compliance with Section 51 of the Act, the Company shall pay dividend proportionately, i.e., in proportion to the amount paid-up on each share. Dividend for a financial year shall be paid after the annual financial statements of the Company are finalised and the amount of distributable profits is available. Dividend would continue to be declared on per share basis on the Ordinary Equity Shares of the Company having face value Rs.10 each.. Therefore, dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date.

The declaration and payment of dividend shall be in accordance with the provisions of Sections 123 to 128 of the Act. Pursuant to the provisions of Section 123 of the Act, the Board shall recommend dividend for any financial year subject to the following:

- (a) out of the profits of the Company for that year arrived after providing for depreciation; or
- (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).

(E) Parameters for declaration of dividend

The Board shall consider the following various circumstances like current year's profit, future outlook, reinvestment opportunities of the Company, tax benefits, Company's present and future performance for declaration and payment of dividend.

The Board may also declare interim dividends as may be permitted by the Companies Act.

The Company has had a consistent dividend policy that balances the objective of appropriately rewarding shareholders through dividends and to support the future growth.

As in the past, subject to the provisions of the applicable law, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return.

While determining the nature and quantum of the dividend payout, including amending the suggested payout range as above, the Board would take into account the following factors:

(i) Financial parameters

- (a) Availability of profits;
- (b) Financial feasibility of the Company;
- (c) Acceptable Debt Equity ratio;
- (d) Debt interest coverage ratio;
- (e) Liquidity position;
- (f) Business expansions, acquisitions, etc.;
- (g) Acceptable state of the capital markets;
- (h) Profit growth.

(ii) Internal Factors

- (a) Growth rate of past earnings;
- (b) Growth rate of predicted profits;
- (c) Expansion and modernisation of existing business;
- (d) Investment in research and development;
- (e) Working capital requirements;
- (f) Mergers and Acquisitions;
- (g) Investments in subsidiaries/Joint ventures/associates;
- (h) Future uncertainties and industrial downturn;
- (i) Buyback options;
- (j) Approach adopted - residual, stability or hybrid.

(iii) External Factors

- (a) Shareholders' expectations;
- (b) Uncertain or recessionary economic and business conditions;
- (c) Restrictions imposed under the Act with regard to declaration of dividend;
- (d) Sectorial performance;
- (e) Future uncertainties and industrial downturn;
- (f) Government policy;
- (g) Clientele effect;
- (h) Risk effect.

(F) Utilization of retained earnings

The Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous year or years or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this Policy

The retained earnings of the Company may be used in any of the following ways:

- i. Capital expenditure for working capital,
- ii. Acquisition/Diversification of business;
- iii. Long term strategic plan;
- iv. High cost of debt;

- v. Market or product development/expansion plan;
- vi. Modernisation Plan
- vii. Replacement of Capital intensive assets.
- viii. Organic and/ or inorganic growth,
- ix. Investment in new business(es) and/or additional investment in existing business(es),
- x. Declaration of dividend,
- xi. Capitalization of shares,
- xii. Buy back of shares,
- xiii. General corporate purposes, including contingencies,
- xiv. Correcting the capital structure,
- xv. Any other permitted usage as per the Companies Act, 2013.

(G) Publication of Policy

This Policy, as approved by the Board, policy shall be disclosed on the website of the Company at www.nxtdigital.in, web-link shall also be provided in their annual reports of the Company.

(H) Classes of Shares

The Company has issued only one class of shares viz., equity shares. There are no other class of shares issued or proposed to be issued by the Company. In case of issue of new class of shares in the future, the policy will be reviewed accordingly.

(I) Amendment/ Review of policy

In case of any subsequent changes in the provisions of the Act or Regulations or Income Tax Act, 1961 or any other regulations which makes any of the provisions of this Policy inconsistent with the Act or such other regulations, then the provisions of the Act or such other regulations would prevail over this Policy and the relevant provisions contained in this Policy would be modified accordingly in due course to make it consistent with applicable laws.

This policy may be reviewed periodically by the Board.

Any such changes/ amendments shall be disclosed along with the rationale for the same in the web link in Annual Report and on their website of the Company

The policy will also be disclosed on the website of the Company and a web-link shall also be provided in their annual reports.
