



INDIAN ENERGY EXCHANGE LIMITED

DIVIDEND DISTRIBUTION POLICY

This Policy will regulate the process of dividend declaration and its pay-out by the Company in accordance with the provisions of Companies Act, 2013 read with the applicable Rules framed thereunder, as may be in force for the time being (“Companies Act”).

Preamble:

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The profits earned by the Company can either be retained in business and used for acquisitions, expansion or diversification, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these divergent needs. The dividend pay-out of a Company is driven by several factors.

The objective of our policy is to ensure a balance between these apparently conflicting and divergent approaches and ensure that while the Company recommends a regular dividend income for the shareholders, it also ensures the long-term capital appreciation for all its stakeholders. The Company would seek to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes.

The Board of Directors will refer to the policy while declaring/recommending dividends on behalf of the Company. Through this policy, the Company would endeavour to maintain a consistent approach to dividend pay-out plans. The Company believes that it operates in the fast growing on-line power trading segment which is expected to witness new developments and offers investment opportunities, therefore the retention of surplus funds for future growth will equally be important as that of distribution of surplus by way of dividend to shareholders. However, considering the consistent and impressive generation of profits year on year, there is a need to provide greater clarity on the dividend pay-out philosophy of the Company.

The following financial parameters shall be considered while declaring dividend:

- i. Financial Performance and Profitability
- ii. Liquidity
- iii. Financial metrics (i.e. Financial Ratios)
- iv. Retained earnings
- v. Capital commitments going forward.

Utilisation of retained earnings:

Where the company predicts, based on appropriate analysis, that the Company can put retained earnings to better use and increase the earnings substantially or has the ability to increase earnings at a higher than market rate, the Board may utilize the retain earnings for the following purposes:

- i. To Secure a durable competitive advantage in the Power market;
- ii. To invest in research and development of the products/contracts in Power, Energy & related sectors;
- iii. To expand business by potential acquisition opportunities, as permissible by law;
- iv. To invest in technology / modernisation plan so as to avoid technological obsolescence risks
- v. To consider buy back of shares
- vi. To expand capacity / facilities utilising internal accruals to capitalize upon new opportunities in view of regulatory changes.
- vii. Such other purposes, as the Board may think appropriate from time to time to maintain / enhance its competitive advantage.

Factors (internal and external) to be considered while declaring Dividend

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board of Directors will endeavour to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, an optimal balance needs to be arrived at considering the interest of shareholders and that of the Company.

The dividend pay-out decision of any company depends upon certain external and internal factors.

External Factors:

State of Economy

In case of uncertain or recessionary economic and business conditions, Board will endeavour to retain larger part of profits to build up reserves to absorb future shocks.

Capital Markets

When the markets are favourable, dividend pay-out can be liberal. However, in case of unfavourable market conditions, the Board may resort to a conservative dividend pay-out in order to conserve cash outflows.

Statutory Restrictions

The Board will keep in mind the restrictions imposed by Companies Act with regard to declaration of dividend.

Internal Factors:

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring dividend, which inter alia will include

- a. Profits earned during the year;

- b. Present & future capital requirements of the existing businesses;
- c. Brand/business acquisitions;
- d. Expansion/modernization of existing businesses;
- e. Additional investments in subsidiaries/associates of the Company;
- f. Fresh investments into external businesses;
- g. Any other factor as deemed fit by the Board.

Category of Dividends

The Companies Act provides for two forms of Dividend- Final & Interim. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

Final Dividend

The Final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of Final Dividend to the shareholders in a general meeting. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

Process for approval of Payment of Final Dividend

Board to recommend quantum of final dividend payable to shareholder in its meeting in line with this Policy, based on the profits arrived at as per the audited financial statements. Shareholders to approve in Annual General Meeting - once in a financial year;

Interim Dividend

This dividend can be declared by the Board of Directors one or more times in a financial year as may be deemed fit by it. The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with this policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts.

Declaration of Dividend

Subject to the provisions of Section 123 (reproduced below) of the Companies Act dividend shall be declared or paid only out of:

- i. Current financial year's profit after (a) providing for depreciation in accordance with law and (b) transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion, or
- ii. The profits for any previous financial year(s) (a) after providing for depreciation in accordance with law; (b) remaining undistributed; or
- iii. Out of (i) and (ii) both.

Dividend Distribution Range

The Company stands committed to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the shareholders, in the form of dividend. As explained in the earlier part of this Policy, determining the dividend pay-out is dependent upon several factors, both internal to a business and external to it. Taking into consideration the aforementioned factors, the Board will endeavour to maintain a dividend pay-out (interim, if any, and final, put together) of about 50 per cent of profits after tax (PAT) every financial year on a standalone financials. However, the Board may amend the pay-out range, whenever considered appropriate by it, keeping in mind the aforesaid factors having a bearing on the dividend pay-out decision.

The Board may, after taking into consideration of the matters such as the financial position, investments plans economic conditions and liquidity, declare or recommending dividend.

Circumstances under which shareholders of the Company may not expect dividend;

The Board of Directors of the Company may abstain from declaring any dividend / lower percentage of dividend in a particular financial year, if they are of the view that the retained earnings / funds through internal accruals can be better utilised for the following purposes:

- a. Expansion / modernisation of the existing business operations,
- b. Seeking inorganic growth through acquisitions opportunities, within and outside India
- c. Investment in Subsidiary and Associate Companies,
- d. Embark upon new product / line of business,
- e. Buyback of shares etc.
- f. Such other purposes, as the Board may think appropriate from time to time to maintain / enhance its competitive advantage.

In case the Board of Directors abstains from declaring dividend, a justification thereof shall be provided to the shareholders in the Directors Report.

Review:

This Policy is subject to review / revision by the Board of Directors whenever felt necessary.