



PACE DIGITEK LIMITED
DIVIDEND DISTRIBUTION POLICY

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1. **BACKGROUND:**

The objective of the policy is to maintain guidelines for the Board of Directors ("the Board") to follow when declaring or recommending the amount of dividend (interim or final) per share and the circumstances under which the shareholders of Pace Digitek Limited ("the Company") may or may not expect dividend and how the retained earnings shall be utilized, etc. 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.

Further predictability in dividend distribution plays a critical role in creating shareholder value. Given the importance of dividend in creating shareholder value, the Company has adopted this Dividend Distribution Policy to promote transparency in its financial operations, which is also a requirement stipulated in Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Dividend Distribution Policy / Policy").

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 ("Listing Regulations"), the top 1000 listed entities based on market capitalization (calculated as on March 31 of every financial year) shall 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.

3. **DEFINITIONS:**

- i. Act: "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.
- ii. Dividend: As defined under Section 2(35) of the Act.
- iii. Free Reserves: As defined under Section 2(43) of the Act.

- iv. SEBI Regulations: SEBI 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 and not defined in this Policy but defined in the Act, SEBI Regulations, Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 shall have the same meaning respectively assigned to them in those Acts/Regulations.

4. EFFECTIVE DATE:

The Board of Directors of the Company at its meeting held on 01st February 2025 has adopted the Dividend Distribution Policy (Policy) of the Company.

This Policy will come into force on 01st February 2025 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.
- Utilization of retained earnings
- Parameters that shall be adopted with regard to various classes of shares

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 a 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) Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

7. 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: The dividend decisions may also be influenced by the growth and performance of the economy impacting emerging trends in the financial market and performance of the Company vis-à-vis its peers and dividend payout ratio of the comparable companies.
- (d) Any other factor which has a significant influence / impact on the Company's operations.

8. 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 is 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 financial year arrived after providing for depreciation in accordance with the provisions of the Act and after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion;
- (b) out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation in accordance with the provisions of the Act and remaining undistributed; or
- (c) out of both (a) and (b).

9. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The equity shareholders of the Company may expect dividend only if the Company is having surplus profits after providing for all expenses, depreciation and other necessary deductions and after complying with all other statutory provisions of the Companies Act, 2013, the Listing Regulations and other applicable laws. The internal and external factors specified above shall be crucial for taking a dividend declaration decision and determining the dividend distribution amount.

The equity shareholders of the Company may not expect dividend, if the Company does not have surplus profits or has incurred losses after providing for all expenses, depreciation, or other necessary deductions and after complying all other statutory provisions of the Companies Act, 2013 and other applicable laws. Also, the equity shareholders of the Company may not expect dividend, if the internal and external factors specified above warrant full retention of the surplus profit.

The Board may consider recommending a lower payout for a given financial year, after analyzing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment. In such events, the Board shall provide the rationale in the Annual Report.

10. POLICY AS TO HOW THE RETAINED EARNINGS SHALL BE UTILIZED

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

- A. Capital expenditure for working capital;
- B. Organic and/ or inorganic growth;
- C. Investment in new business (es) and/or additional investment in existing business (es);
- D. Declaration of dividend;
- E. Capitalization of shares;
- F. Buy back of shares;
- G. General corporate purposes, including contingencies;
- H. Correcting the capital structure;
- I. Any other permitted usage as per the Companies Act, 2013.

11. PARAMETERS IN RELATION TO VARIOUS CLASSES OF SHARES:

Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable laws and will be determined, if and when the Company decides to issue other classes of shares. Therefore, the dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date.

12. MODIFICATIONS/ DEVIATIONS TO THE POLICY:

The Board 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 for noting/ ratification.

13. DISCLOSURE AND AMENDMENTS TO THE POLICY:

The Policy shall be uploaded on the website of the Company and a web-link of the same shall be provided in the Company's Annual Report. Any amendments or changes made to it subsequent to the changes in the provisions of any Act or Regulations shall be published on the website of the Company.

The policy shall be reviewed periodically by the Board. 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.

In the event of any conflict between the Companies Act, 2013 or the SEBI Listing Regulations or any other statutory enactments and the provisions of this Policy, the Regulations shall prevail over this Policy and the provisions in the Policy would be modified in due course to make it consistent with law. Any subsequent amendment/modification in the Act or the Rules framed thereunder or the SEBI Listing Regulations and/or any other laws in this regard, the statutes would prevail over the Policy and shall automatically apply to this Policy.

The Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding this Policy. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the year and the Board reserves the right to depart from the Policy as and when circumstances so warrant.

