

DIVIDEND DISTRIBUTION POLICY

As adopted by the Board of Directors (“**Board**”) of Digidrive Distributors Limited (“**Company**”) on 18th July, 2023.

The Dividend Distribution Policy (the “**Policy**”) applies to the distribution of dividend by the Company in accordance with Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**SEBI Listing Regulations**”), as amended. The Policy will regulate the process of declaration of dividend as per the provisions of the Companies Act, 2013, as amended, read with the relevant rules made thereunder (the “**Act**”), in particular Sections 2(35), 24, 51, 123, 124, 125, 126, 127 and 134(3)(k), of the Act and the Companies (Declaration and Payment of Dividend) Rules, 2014 along with the internal policy of the Company for utilisation of retained earnings for future growth of the Company.

DEFINITIONS

The terms referred to in the Policy will have the same meaning as defined under the Act and the SEBI Listing Regulations.

- **ACT** means the Companies Act, 2013 and rules made thereunder
- **BOARD** means the Securities and Exchange Board of India;
- **COMPANY** unless the context otherwise provides, would imply Digidrive Distributors Limited
- **DIVIDEND** mean Dividend as defined under Companies Act, 2013
- **FREE CASH FLOW** means net cash flows arising from operating and financing activities less any fluctuations for one time events like asset amortisation
- **NET PROFIT** means the Net Profits as arrived at after payment of all applicable Taxes
- **POLICY** mean the Dividend Distribution Policy
- **SEBI Regulations** mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

OBJECTIVE AND PHILOSOPHY

The Policy establishes the principles to ascertain amounts 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 objective of this Policy is to reward its shareholders by returning a portion of its profits after retaining sufficient funds for growth of the Company thus maximizing shareholders’ value.

The Policy sets forth the broad principles for guiding the Board and the management in matters concerning declaration and distribution of dividend, with a view to ensure fairness, transparency, sustainability, and consistency in the decision for distributing profits to shareholders.

The Company believes that driving growth creates maximum shareholder value. Thus, the Company would first utilize its profits *inter alia* for working capital requirements, capital expenditure to meet expansion needs, reducing debt from its books of accounts, earmarking reserves for growth opportunities and thereafter distributing the surplus profits in the form of dividend to the shareholders.

The Policy shall broadly specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilized, etc.

PARAMETERS FOR DECLARATION OF DIVIDEND

The Company shall comply with the relevant statutory requirements that are applicable to the Company in declaring dividend or retained earnings. Generally, the Board shall determine the dividend for a particular period based on available financial resources, business requirements and taking into account optimal shareholder return, and other parameters described in this policy. The Board may in extraordinary circumstances, deviate from the parameters listed in this policy.

Dividend pay-out would also be subject to profitability under Standalone Financial Statements and while determining the nature and quantum of the dividend pay-out, the Board would take into account the following factors, including:

Financial Parameters and Internal Factors-

- Operating cash flow of the Company;
- Profit after tax during the year and Earnings Per Share (EPS);
- Working capital requirements;
- Capital expenditure requirement;
- Expansion of existing business and entry into new lines of business;
- Likelihood of crystallization of contingent liabilities if any;
- Additional investment in subsidiaries and associates of the company including acquisitions;
- Upgradation of technology and physical infrastructure;
- Debt levels and cost of borrowings.
- Past Dividends trends
- Business Policy
- Corporate restructuring
- Any other item which may have a financial impact on the Company

External Factors:

- Industry Outlook and Economic environment;
- Capital markets;
- Global conditions;
- Statutory provisions and guidelines;
- Dividend pay-out ratio of competitors.

CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND

The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board, including:

- Proposed expansion plans, renovations and up-gradations requiring higher capital allocation;
- Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc. which requires significant capital outflow;
- Requirement of higher working capital for the purpose of business of the Company;
- Debt obligations;
- Proposal for buy-back of securities;
- In the event of loss or inadequacy of profit.

The shareholders of the Company may expect dividend in the following circumstances, subject to discretion of the Board, including:

The Company shall strive to maintain the suitable Target dividend Payout ratio (Dividend including applicable taxes for the Financial Year / Profit After tax for financial year) in respect of each financial year and norms governing dividend are as follows:

- Dividends shall be distributed only out of the funds surplus to the operating needs of the Company.
- The Board of Directors shall ascertain the same on year to year basis.
- The said dividend shall always be subject to the condition that the solvency of the Company is not adversely affected by payment of such Dividends.
- Dividends shall be recommended by the Board of Directors of the Company subject to approval by Members except for Interim Dividends, which shall be declared by the Board of Directors of the Company.

- Subject to applicable provisions, Members can reduce the Dividends recommended by the Board of Directors but cannot enhance it.
- To measure the Company's performance on account of Dividend payouts, the Board of Directors shall strive to maintain consistency from year to year by smoothing the effect of any variation in free cash flows, arising out of any one-off gains or losses in individual years.

UTILIZATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors including:

- Market expansion plans;
- Declaration of dividend;
- Diversification of business;
- Long term strategic plans for growth;
- Replacement of capital assets;
- Such other criteria as the Board may deem fit from time to time.

PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

DISCLOSURES

The Policy shall be disclosed in the annual report and on the website of the Company i.e., at www.digidrivelimited.com

POLICY REVIEW AND AMENDMENTS

The Board may review, amend, abrogate, modify, or revise any or all provisions of this Policy from time to time. However, amendments in the Act or in the SEBI Listing Regulations shall be deemed to be incorporated in this Policy and shall be binding.

DISCLAIMER

The Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend 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.

Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward- looking statements in the Policy.