

MANIPAL PAYMENT AND IDENTITY SOLUTIONS LIMITED

DIVIDEND DISTRIBUTION POLICY

VERSION CONTROL

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1. LEGAL FRAMEWORK

Regulation 43(A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") required 1000 listed companies based on their market capitalization calculated as on the 31st day of March of every year to formulate a Dividend Distribution Policy which shall be disclosed in their annual reports and on their websites.

The declaration and distribution of dividend shall, at all times, be in accordance with the provisions of the Companies Act, 2013, read with applicable rules framed thereunder, as may be in force for the time being ("Act") in particular Sections 2(35), 24, 51, 134(3)(k), 123, 124, 125, 126 and 127 of the Act and the Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), such other applicable provisions of law and the Articles of Association of the Company as amended.

2. EFFECTIVE DATE

This Policy shall come into force with effect from 23rd June, 2025.

3. OBJECTIVES & SCOPE

- 3.1 The objective of this Policy is to increase the shareholders' return by considering two primary factors i.e. earnings and the financial needs of the Company.
- 3.2 This Policy sets out the circumstances and different factors for consideration by the Board at the time of making decisions for the distribution or retention of profits, in the interest of providing transparency to the shareholders for such decisions.
- 3.3 Declaration of dividend based on parameters in addition to the elements of this Policy or resulting in the amendment of any element of this Policy will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board of Directors.
- 3.4 This Policy reflects the intent of the Company to reward its shareholders by sharing its profits after retaining sufficient funds for the growth of the Company.
- 3.5 The parameters set out in this Policy are applicable for declaration of both Interim Dividend and Final Dividend.
- 3.6 The Policy is applicable to Dividend recommended/ declared on the equity share of the Company and shall not apply to:
 - (a) determination and declaring dividend on preference shares (if any), as the same will be as per the terms of issue approved by the shareholders;
 - (b) distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;

- (c) distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

4. DEFINITIONS

“**Act**” means the Companies Act, 2013 (or the Companies Act, 1956 to the extent applicable) and Rules made thereunder.

“**Board**” means Board of Directors of the Company.

“**Company**” means Manipal Payment and Identity Solutions Limited.

“**Dividend**” includes any interim dividend.

“**Financial Year**” means the period beginning from 1st April of every year to 31st March of the succeeding year.

“**GAAP**” means Generally accepted accounting principles.

“**Listing Regulations**” mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India, as amended, from time to time.

“**Policy**” means Dividend Distribution Policy.

5. PARAMETERS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND

The Board of Directors may declare interim dividend / recommend final dividend for consideration of shareholders of the Company.

As in the past, subject to the provisions of the applicable law, the Company’s dividend pay-out will be determined based on available financial resources, business requirements, other factors more fully described hereunder, and taking into account optimal shareholder return.

6. GENERAL POLICY OF THE COMPANY AS REGARDS DIVIDEND

The general considerations of the Company for taking decisions with regard to dividend pay-out or retention of profits shall be Subject to the considerations as provided in this Policy, the Board shall determine the dividend pay-out in a particular Financial Year after taking into consideration the operating and financial performance of the Company, and other relevant factors.

7. CONSIDERATIONS RELEVANT FOR DECISION OF DIVIDEND PAY-OUT

The Board shall consider the following while taking decisions on dividend pay-out during a particular year:

- (a) **Statutory requirements**

The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any reserve as provided in the Act, which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

(b) Agreements with lending institutions

The decision of dividend pay-out may also be governed by the restrictions and covenants contained in the agreements with the lenders of the Company and the Company shall observe those restrictions and covenants while declaring the dividend.

(c) Shareholders' Agreements

The decision of dividend pay-out may also be affected or governed by the restrictions and covenants contained in the agreements with the shareholders of the Company, if any and the Company shall observe those restrictions and covenants while declaring dividend subject to any statutory provisions.

(d) Other Agreements

The decision of dividend pay-out may also be affected by the restrictions and covenants contained in agreements that the Company may generally enter into during the course of business, if any. The Company shall observe those restrictions and covenants while declaring dividends subject to any statutory provisions.

(e) Long-term strategic objectives of the Company as regards financial leverage

The Board may exercise its discretion to change the percentage of dividends or to otherwise make decisions of retention or distribution of profits where, the Company is planning to go for expansion, restructuring, reorganizing, diversification, investment, etc.

(f) Prudential requirements

The Company shall analyse the prospective projects and strategic decisions in order to decide-

- to build a healthy reserve of retained earnings;
- to augment long-term strength;
- to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company; and
- the need for capital conservation and appreciation.

(g) Proposals for major capital expenditures etc.

In addition to ploughing back of earnings on account of depreciation, the Board may also take into consideration the need for replacement of capital assets, expansion and modernization, or augmentation of technology, including any major capital expenditure proposals.

(h) Extent of realized profits of the Company

The extent of realized profits calculated as per the applicable accounting standards and statutory provisions affects the Board's decision of determination of dividend for a particular year. The Board shall consider such factors before taking any dividend or retention decision.

8. OTHER FINANCIAL PARAMETERS FOR DECLARATION OF DIVIDEND

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditure, the decision of dividend pay-out or retention of profits shall also be based on the following financial parameters:-

- (a) Operating cash flow of the Company**
If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and to run the day-to-day operations under certain conditions. The Board shall consider such conditions before its decision to declare dividend or to retain its profits.
- (b) Net sales of the Company**
To increase its sales in the long run, the Company will need to expand its marketing and selling expenses, advertising expenses etc. The amount of outlay on such activities, mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc., and profits earned and available for distribution during the financial year will influence the decision of declaration of dividend.
- (c) Return on invested capital**
The efficiency with which the Company uses its capital will impact the decision of dividend declaration.
- (d) Magnitude of earnings of the Company**
Since dividend is directly linked with the availability of earnings over the long haul, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.
- (e) Cost of borrowings**
The Board shall analyse the requirement of necessary funds considering the long-term or short-term projects proposed to be undertaken by the Company and the viability of the options in terms of the cost of raising necessary funds from bankers, lending institutions, or by the issuance of debt securities or Plow back of its own funds.
- (f) Obligations to creditors**
The Company shall have to honor its debt obligations without difficulty over a period of time. Considering such obligations and the span of repayment, the decision of dividend declaration shall be taken by the Company.
- (g) Inadequacy of profits**
If during any financial year, the Board determines that the profits of the Company or accumulated reserves, including retained earnings, are inadequate, the Board may decide not to declare dividends for that financial year.
- (h) Other Factors**
In addition to the above, following additional points can also be considered by the management while determining the dividend declaration:-
 - (a) Past dividend trends – rate of dividend, EPS and payout ratio, etc.
 - (b) Earning Stability

- (c) Future Capital Expenditure requirement of the Company
- (d) Capital restructuring, debt reduction, capitalisation of shares
- (e) Crystallization of contingent liabilities of the Company
- (f) Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.

9. FACTORS THAT MAY AFFECT DIVIDEND DECLARATION

(a) External Factors

Taxation and other regulatory concerns

Dividend distribution tax or any tax deduction at source or such other tax as may be required by applicable tax regulations in India, at the time of declaration of dividend may impact the declaration of dividend.

Product/ market expansion plan

The Company's growth-oriented decision to conserve cash in the Company for future expansion plan shall have to be considered by the Board before taking a decision on dividend declaration.

Macroeconomic conditions

Considering the state of the economy in the country, the policy decisions that may be formulated by the Government (Central and/or State) and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb the impact of unforeseen circumstances.

Other factors

Other factors like Cost of raising funds from alternate sources, inflation rates, and cost of external financing may also impact the decision on the dividend.

(b) Internal Factors

Past performance/ reputation of the Company

The trend of the performance/ reputation of the Company that has been during the past years which determine the expectations of the shareholders shall be kept in mind before taking decision on declaration of dividend.

Working capital management in the Company

The current working capital management system within the Company also impacts the decision of dividend declaration.

Amount of cash holdings in the Company

In the absence of any major expansion plan or capital investments or other strategic investment plans by the Company, it is not appreciable to hold excessive cash in the Company. The Board shall consider the same for taking decisions on dividend declaration.

10. MANNER OF DIVIDEND PAY-OUT

The following is a summary of the process of declaration/ recommendation and payment of dividend, and is subject to applicable regulations:

(a) In the case of the final dividend

1. The Board shall recommend the final dividend usually in the Board meeting that considers and approves the annual financial statements.
2. In case of final dividend is approved by the shareholders, the payment of such final dividends shall be made within 30 days from the date of approval of the shareholders or within such period as may be provided under the applicable laws to the shareholders entitled to receive the dividend on the record date.

(b) In case of interim dividend

1. The Board may declare interim dividend at its complete discretion in line with this Policy.
2. Before declaring an interim dividend, the Board shall consider distributable profits arrived at on a quarterly or half- yearly financial results of the Company, the factors as envisaged in this Policy and the financial position of the Company.
3. If interim dividend is declared, then the payment of the dividend shall be made within 30 days from the date of declaration or within such period as provided under the applicable laws to the equity shareholders entitled to receive the dividend on the record date.
4. In case no final dividend is declared, the interim dividend paid during the Financial Year, if any, will be regarded as the final dividend for confirmation of shareholders in the annual general meeting.

11. CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The decision regarding dividend payout 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. Hence, the shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the applicable laws.

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

- (a) the Company has inadequate of profits or incurs losses for the Financial Year;
- (b) the Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
- (c) the Company undertakes /proposes to undertake any acquisitions or restructuring or joint ventures requiring significant allocation of capital;

- (d) the Company has significantly higher working capital requirement affecting free cash flow;
- (e) the Company proposes to utilize surplus cash for buy- back of securities;
- (f) the Company is prohibited to recommend/declare dividend by any regulatory body;
- (g) any compelling factors/parameters mentioned in this Policy;
- (h) any other reason as the Board may deem fit from time to time.

12. MANNER OF UTILISATION 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 shareholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors in addition to factors stated in this Policy:

- (a) Market expansion plan;
- (b) Product expansion plan;
- (c) Modernization plan;
- (d) Diversification of business;
- (e) Long-term strategic plans;
- (f) Replacement of capital assets;
- (g) Cost of debt;
- (h) Working Capital Management
- (i) Cash flow Position
- (j) Other such criteria as the Board may deem fit

13. PARAMETERS TO BE ADOPTED FOR VARIOUS CLASSES OF SHARES

Presently, the Company has issued only one class of equity shares with equal voting rights. Accordingly, all members of the Company are entitled to receive the same amount of dividend per equity share. The Policy shall be suitably revisited at the time of issue of any new class of shares subject to statutory provisions.

14. DISCLAIMER

This document does not solicit investments in the Company's securities, nor it is an assurance of guaranteed returns (in any form), for investment in the Company's equity shares.

15. COMMUNICATION

This Policy shall be disclosed in the Annual Report and on the website of the Company.

16. RETENTION OF DOCUMENTS

All important documents generated in the implementation of the policy shall be retained by the Company for a period of 8 (eight) years or such other period as specified by any other applicable law in force, whichever is more.

17. ADMINISTRATION OF THE POLICY

The Board shall oversee the implementation of the Policy.

18. REVIEW AND AMENDMENT

This Policy has been embraced and adopted by the Board voluntarily for effective corporate governance. However, this Policy would be subject to modification in accordance with the statutory provisions and applicable guidelines as may be applicable from time to time. The Policy shall be reviewed by the Board at least once a year.
