

## **DIVIDEND POLICY**

The Company stands committed to create sustainable Shareholder wealth to all its shareholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business to the shareholders, in the form of “Dividend”.

### **1. Interpretation**

1.1 “The Company” refers to Vakrangee Limited.

1.2 “Dividend (s)” refers to either an interim or final Dividend(s).

### **2. Introduction**

The Corporate dividend policy of the Company shall be governed by the applicable provisions of Companies Act, 2013 and Companies (Declaration and Payment of Dividend) Rule, 2014 and any modifications made therein from time to time.

### **3. Objectives**

To define the policy and procedures of the Company in relation to the calculation, declaration and settlement of Dividends and the determination of the form and time periods within which Dividends are paid.

To ensure that the Company has sufficient distributable profits and/or general reserves, as determined by a review of the Company’s audited financial statements, prior to any declaration and/or payment of Dividends.

To create a transparent and methodological Dividend policy, adherence to which will be required on annual basis, with any deviations clearly identified and promptly communicated to appropriate stakeholders.

### **4. Provisions of Companies Act, 2013:**

#### **Section 123 –Declaration of Dividend**

1. No dividend shall be declared or paid for any financial year except—

(a) out of the profits of the company for that year arrived at after providing for depreciation, or out of the profits of the company for any previous financial year or years arrived at after providing for

depreciation in accordance with the provisions of that sub-section and remaining undistributed, or out of both; or

(b) out of money provided by the Central Government or a State Government for the payment of dividend by the company in pursuance of a guarantee given by that Government:

- The company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company:

- No dividend shall be declared or paid by a company from its reserves other than free reserves.

2. For the purposes of clause (a) of sub-section (1), depreciation shall be provided in accordance with the provisions of Schedule II.

3. The Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared:

#### **5. FACTORS TO BE CONSIDERED:**

- The liquidity position of the Company
- Need to repay debt – often times there are negative covenants that restrict the dividends that can be paid as long as the debt is outstanding.
- The rate of asset expansion – the greater the rate of expansion of the firm, the greater the need to retain earnings to finance the expansion.
- Control of the firm – if dividends are paid out today, equity may have to be sold in the future causing a dilution of ownership.

#### **6. Rational for Dividend Payout range:**

- Historically the Dividend Payout for the last four fiscal years has been in the range of 4-10% of Profit after Tax (PAT).
- Company's Legacy Business (E-Governance vertical) has been Capex Intensive as well as Working Capital Intensive, thus limiting the Free Cash Flow generation.
- Going forward, the Company's plans to focus on Vakrangee Kendra outlet Business which currently contributes ~50% of the Total Revenues.
- Vakrangee Kendra business has Low Capex requirement, Low Working Capital requirement.

**For the FY 2015-16, the company focuses to retire Debt and intends to become Long term Debt Free by March 2016. Therefore, for the FY 2015-16, the company proposes to adhere to a Dividend Pay-out in the range of 8%-10% of Profit After Tax (PAT) on Consolidated financials.**

**Taking into consideration the aforementioned factors, the Board shall endeavour to maintain a Dividend pay-out in the range of 15% - 25% of Profit After Tax (PAT) on Consolidated financials from FY 2016-17 onwards.**

**This Policy will be reviewed periodically by the Board**