
DIVIDEND DISTRIBUTION POLICY

(Regulation 43A of Securities & Exchange Board of India (Listing Obligations & Disclosure Requirement) Regulations, 2015)

A. APPLICABILITY:

Regulation 43A of the SEBI (LODR) Regulations, 2015 requires 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 weblink shall also be provided in their annual reports. The other listed companies may disclose their dividend distribution policies on a voluntary basis on their websites and provide a web-link in their annual reports.

The Board of Directors (“**the Board**”) of Methodhub Software Limited (“**the Company**”) vide its resolution has voluntarily resolved to adopt the following policy on dividend distribution with a view to inform the shareholders about how it aims to utilize extra profits and the parameters that shall be adopted with regard to the equity shares.

B. SCOPE AND OBJECTIVE

This Policy seeks to lay down a broad framework for the distribution of dividend by the Company whilst appropriately balancing the need of the Company to retain resources for the Company’s growth & sustainability. Through this policy, the Company also endeavours to maintain fairness and consistency while considering distributing dividend to the shareholders.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking a decision on distribution or retention of profits, in the interest of providing transparency to the shareholders.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered relevant by the Board. The objective of the policy is to 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. The Board of Directors may consider a declaration of interim dividend depending upon the cash flow situation of the Company.

The Policy is being recommended for adoption by the Board of Directors of the company and by all its subsidiaries.

C. DEFINITIONS

- i. “**Board**” means the Board of Directors of the Company;
- ii. “**Company**” means the Methodhub Software Limited;
- iii. “**SEBI LODR Requirement**” means the Securities & Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulation, 2015;
- iv. “**Act**” means the Companies Act, 2013.

D. CONCEPT OF DIVIDEND

Dividend is the share of the profit that a company decides to distribute among its shareholders. The Company strongly believes that Dividend pay-out is vital for its Shareholders. However, before the pay-out is recommended, it is crucial for the Board to consider all the factors, which would be in the best interest of the Shareholders

E. TYPES OF DIVIDEND

The Act deals with two types of dividend - Interim and Final.

Interim dividend is the dividend declared by the Board between two Annual General Meetings as and when considered appropriate. The Board shall have the absolute power to declare interim dividend during the financial year, as and when deemed fit. The Act authorises the Board to declare interim dividend during any financial year out of the profits for the financial year in which the dividend is sought to be declared and/or out of the surplus in the profit and loss account.

Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial statements.

Final dividend is recommended for the financial year at the time of approval of the annual financial statements. The Board shall have the power to recommend final dividend to the shareholders for their approval at the Annual General Meeting of the Company.

- Interim Dividend
- Final Dividend

F. STATUTORY REQUIREMENTS

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 LODR Regulations**”), such other applicable provisions of law and the Articles of Association of the Company as amended.

G. PARAMETERS TO BE CONSIDERED WHILE RECOMMENDING/DECLARING DIVIDEND

The Board while declaring or recommending dividend to the shareholders, will consider following financial/ internal and external factors:

Financial/Internal Factors:

- a. Profits earned and available for distribution during the financial year
- b. Accumulated reserves, including retained earnings
- c. Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- d. Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- e. Earning Stability
- f. Future Capital Expenditure requirement of the Company

- g. Growth plans, both organic and inorganic
- h. Capital restructuring, debt reduction, capitalisation of shares
- i. Crystallization of contingent liabilities of the Company
- j. Profit earned under the Consolidated Financial Statement
- k. Cash Flows
- l. Current and projected Cash Balance and Company's working capital requirements.
- m. Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.

External Factors:

- a. Economic environment, both domestic and global.
- b. Unfavourable market conditions
- c. Changes in Government policies and regulatory provisions
- d. Cost of raising funds from alternate sources
- e. Inflation rates
- f. Sense of shareholders' expectations
- g. Cost of external financing
- h. Other Factors Beyond the control of management
- i. Dividend payout ratios of Companies in the same industry

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

The Board of Directors of the Company, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Companies Act, 2013 and SEBI LODR Regulations. 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 inadequacy 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 joint arrangements 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.

The Board may also not recommend a dividend on considering any compelling factors/parameters mentioned in point C above.

I. Policy as to how the retained earnings will be utilized

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:

- a. Long term strategic plans
- b. Augmentation/ Increase in production capacity
- c. Market expansion plan
- d. Product expansion plan
- e. Modernization plan
- f. Diversification of business
- g. Replacement of capital assets
- h. Balancing the Capital Structure by de-leveraging the Company
- i. Payment of Dividend or issue of Bonus Shares
- j. Other such criteria as the Board may deem fit from time to time.

J. FACTORS TO BE CONSIDERED WHILE DETERMINING DIVIDEND PAY-OUT

The Board shall consider but not limited to the following circumstances as provided below before determination of any dividend payout after analyzing the prospective opportunities and threats, viability of the options of dividend payout or retention etc. The decision of dividend payout shall, majorly be based on such factors considering the balanced interest of the stakeholders and the business requirements of the Company.

- a. **Accumulated Losses, if any:** The profits earned by the Company during any financial year shall be first utilized to set off the accumulated losses/ unabsorbed depreciation, if any of the Company from the previous financial years;
- b. **Operating cash flow of the Company:** The Board will consider the impact of proposed dividend on the operating cash flow of the Company and shall satisfy itself of its adequacy before taking a decision on whether to declare dividend or retain its profits;
- c. **Transfer to Reserves and other Statutory Requirements:** The Board shall examine the implication of relevant statutory requirements including payment of Dividend Distribution Tax, transfer of a certain portion of profits to Reserves etc., if applicable, on the financials of the Company at the time of taking decision with regard to dividend declaration or retention of profit;
- d. **Prudential & Strategic requirements:** The Board shall analyze the ongoing and prospective projects and strategic decisions including need for replacement of capital assets, expansion and modernization etc., before recommending Dividend Pay-out for any financial year with an object to build a healthy reserve of retained earnings to augment long term strength and to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company.
- e. **Obligations to Lenders:** The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time and subject to the terms and conditions mentioned in the financing documents.

K. MANNER OF DIVIDEND PAYOUT

The applicable provisions of the Act, the Company's ability to declare and pay dividends is based on the standalone Financial Statements only. In future should the regulations be amended permitting the Company to pay dividend based on its Consolidated Profits, the Board would consider such a payout ratio on its Consolidated Profits. Till such time, the Company will endeavour to have a policy on dividend distribution with a similar payout ratio across its subsidiary/(ies) and to the extent possible. The Company may declare dividends for a year, usually payable for a financial year at the time when the Board considers and recommends the Annual Financial Statements, which is called final dividend. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the Annual General Meeting of the Company. The Board of Directors may also declare interim dividend during the financial year, between two Annual General Meetings as and when they consider it fit.

L. PARAMETERS FOR VARIOUS CLASSES OF SHARES

Currently, the Company has only one class of shares - Equity Shares. There is no privilege amongst Equity shareholders of the Company with respect to dividend distribution.

M. SPECIFIC CLAUSE WITH REGARD TO DIVIDEND ON SHARES WITH DIFFERENTIAL VOTING RIGHTS

The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.

N. UTILISATION OF RETAINED EARNING

The Company shall endeavor to utilize the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders.

The Company may utilize the retained earnings for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose, as approved by the Board of Directors of the Company.

O. DISCLAIMER

The Policy shall be disclosed in the web-link in their Annual report and on the website of the Company i.e. at www.methodhub.in

If the Company proposes to declare dividend on the basis of any additional parameters apart from those mentioned in the Policy or proposes to change the parameters contained in this Policy, it shall disclose such changes along with the rationale for the same in the Annual Report and on the website.

P. POLICY REVIEW AND AMENDMENTS

The Policy will be reviewed periodically by the Board. This policy has been adopted by the Board of Directors of the Company at its meeting held on January 14, 2025, and the effective date of this Policy will be January 14, 2025.

Q. DISCLAIMER

1. 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.
2. 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.

Approved in the meeting dated January 14, 2025