

HAPPIEST MINDS TECHNOLOGIES LIMITED



DIVIDEND DISTRIBUTION POLICY

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Approved by	Board of Directors at their meeting held on Aug 1, 2019
Effective date	August 1, 2019
Process owner	Secretarial & Legal team
Updated	On May 20, 2020 with change in Company name

1. Objective

Happiest Minds Technologies Limited (hereafter referred as “**the Company**”) is committed to enhance corporate value by developing/expanding its businesses and at the same appropriately rewarding the shareholders by distributing dividends to them from time to time out of profits/reserves of the Company.

The objective of this policy is to provide guidelines to the Board of Directors of the Company (“**Board**”) in balancing the dual objectives of appropriately rewarding shareholders through dividends and retaining capital to support development/expansion of the Company and maintain a healthy capital adequacy ratio.

This policy also aims to sets out the key parameters and circumstances that Board need to consider for arriving at the dividend distribution decision/recommendation. The Board may in extraordinary circumstances, deviate from the guidelines of this Policy by recording the reasons thereof.

2. Applicability

This policy applies to the distribution of dividend by the Company to shareholders of the Company both Equity and Preference shareholders in accordance with the provisions of the Memorandum & Articles of Association of the Company, the Companies Act, 2013 and other applicable laws/rules/regulations.

3. Policy Statement

The Board has adopted a progressive dividend distribution policy which would under normal circumstance be previous year’s actual paid dividend as a floor with increase in line with the Company’s growth, while adhering to a payout ratio of up to 50% of net profits attributable to shareholders, which percentage includes applicable Dividend Distribution taxes payable by the Company.

4. Parameters

Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation by the Board. The Board may recommend dividends, at its discretion, to be paid to shareholders. The Board may also declare interim dividends.

The Board shall consider the following parameters while declaring dividend or recommending dividend to shareholders:

Internal

- (a) Current year profits, existing reserves and future projections of profitability
- (b) Funds required towards working capital, servicing of outstanding loans and capital expenditure;
- (c) Funds required for merger/acquisitions and towards execution of the Company's strategy;
- (d) Minimum cash required for contingencies or unforeseen events;
- (e) Maintaining of required liquidity and return ratios; and
- (f) Any other significant developments that require cash investments

External

- (a) State of the domestic and global economy, capital market conditions and dividend policy of competitors;
- (b) Competition or client related risks
- (c) Legislations impacting business or tax
- (d) Client related risks
- (e) Any other external matter or risk

5. Approval Process

The decision regarding dividend shall be taken only by the Board at its Meeting and not by a Committee of the Board or by way of a Resolution passed by circularization.

Final dividend shall be paid only after approval at an Annual General Meeting of the shareholders. Shareholder approval is not required for payment of interim dividend.

6. Utilization of retained earnings

The profits earned by the Company that is left after distribution of dividend can be retained in the business or used for various purposes as outlined in clause 4 above or it can be redistributed to the shareholders or used for any other corporate action.

7. Circumstances under which the shareholders may not expect dividend

The Board may choose not to recommend a dividend, if there are important strategic priorities which require large investments that would deplete the Company's cash reserves or due to uncertainties in the business performance in the near to medium term or due to regulatory/contractual restrictions, if any.