



# **DIVIDEND POLICY**

## **XED EXECUTIVE DEVELOPMENT** **LIMITED**

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| Approved by | Board of Directors |
| Approved on | 24.06.2025         |
| Adopted on  | 24.06.2025         |

## **1. Introduction and Objective:**

This Dividend Policy (“ the Policy ”) sets out the principles and guidelines for the declaration and distribution of dividends by XED Executive Development Limited (the “Company”). It is designed to ensure transparency, consistency, and fairness in rewarding shareholders, while preserving sufficient resources for the Company’s growth. The Policy aligns with applicable laws and regulations (including the International Financial Services Centres Authority (IFSCA) framework for GIFT City Listings) and supports the Company’s IPO readiness by outlining clear processes and considerations for dividend payouts. The objective is to inform shareholders of the circumstances and factors under which dividends (both interim and final) will be declared or withheld, the method and timeline of distribution, and the governance requirements for such decisions. The dividend policy of our company was approved and adopted by the Board of Directors at its meeting held on 24<sup>th</sup> June, 2025

## **2. Scope and Regulatory Compliance:**

This Policy applies to dividends declared on the Company’s equity share capital (including any class of equity shares that may be listed). It has been formulated in accordance with the Companies Act, 2013 and relevant rules thereunder, the Company’s Articles of Association, and the IFSCA (Listing) Regulations, 2024 and guidelines applicable to companies listed on stock exchanges in GIFT City. In case the Company issues other classes of shares (e.g., preferred shares) or securities in the future, dividends on such instruments will be governed by their terms and applicable law. The Policy will be updated as necessary to remain compliant with evolving legal and regulatory requirements. All provisions of law concerning declaration of dividend (such as Section 123 of the Companies Act, 2013 and the Companies (Declaration and Payment of Dividend) Rules, 2014) and any IFSCA directives on shareholder distributions are deemed incorporated in this Policy by reference.

## **3. Types of Dividends - Interim and Final:**

**Interim Dividend:** An Interim Dividend is the dividend declared by the Board of Directors in between two Annual General Meetings (AGMs). The Board may declare

one or more interim dividends in a financial year as and when sufficient distributable profits are available. Interim dividends are typically declared after reviewing the financial performance up to the quarter or half-year and are paid out of profits of the ongoing financial year (or out of free reserves if necessary and permissible). The Board's resolution declaring an interim dividend will also specify the record date for determining shareholders entitled to such dividend.

**Final Dividend:** A Final Dividend is the dividend for a financial year recommended by the Board of Directors and declared by the shareholders at the AGM. After the close of a financial year and upon finalization of accounts, the Board may recommend a final dividend rate/amount. The final dividend becomes payable only after approval of shareholders at the AGM through an ordinary resolution. The amount of final dividend shall be based on the annual financial results and the Board's recommendation, in line with the principles of this Policy. Once approved by shareholders, the final dividend is binding on the Company to pay.

**Special Dividend:** In addition to interim and final dividends, the Board may at its discretion declare a Special Dividend in exceptional circumstances (for example, to distribute gains from an extraordinary transaction or surplus cash from a one-time event). Special dividends, if any, will be declared in compliance with the applicable requirements for either interim or final dividends, as the Board finds appropriate, and will be guided by the same considerations outlined in this Policy.

#### **4. Factors Considered in Dividend Decisions:**

In recommending or declaring dividends, the Board will evaluate a range of financial, strategic, and external factors. The decision on the dividend payout (including the amount or rate of dividend for the year) will be arrived at after an assessment of these factors, which include but are not limited to:

##### **i. Financial Performance:**

The Board shall assess the Company's financial performance based on both standalone and consolidated results, including net profit after tax, cash flows from operations, and the overall financial condition. In the case of a

multinational structure, profitability will be considered across different jurisdictions, taking into account the ability to repatriate profits from foreign subsidiaries to the parent company. A stable earnings trend or extraordinary profits may support a higher dividend, whereas operational losses or thin margins may warrant a conservative approach.

**ii. Retained Earnings and Reserves:**

In determining dividend declarations, the Board will evaluate the level of retained earnings and free reserves, factoring in not only the Company's historical accumulation but also the jurisdictional constraints that may limit access to reserves held in foreign subsidiaries. Countries with profit repatriation restrictions, mandatory reserve requirements, or unfavourable tax treatment will be carefully reviewed to assess the distributable portion of earnings.

**iii. Liquidity and Cash Position:**

A critical factor in dividend determination will be the Company's liquidity and immediate cash position. Given the multinational footprint, the Board will consider whether adequate liquidity is available in parent and subsidiary jurisdictions, especially where capital controls, foreign exchange restrictions, or currency convertibility limitations may delay or prevent the flow of funds. Despite a profitable year, if funds are trapped in certain regions, the Company may defer or reduce the dividend to preserve overall financial stability.

**iv. Capital Expenditure and Growth Plans:**

The Company's business strategy, planned capital expenditures, and long-term investments will directly influence dividend decisions. Where subsidiaries operate in high-growth or innovation-focused sectors, retained earnings may be allocated to fund those initiatives locally. Expansion across different geographies may demand significant capital outlay, requiring the retention of a larger portion of profits to sustain organic or inorganic growth opportunities globally.

**v. Leverage and Debt Obligations:**

The Company will review its debt profile at the consolidated level, including any foreign currency borrowings, interest servicing obligations, and debt covenants. If any subsidiaries are bound by debt agreements that restrict dividend distribution or require certain leverage thresholds to be maintained, those will be honoured. The Board may also prioritize deleveraging using surplus cash before declaring dividends, especially in jurisdictions with high interest rates or currency volatility.

**vi. Contingencies and Buffer for Unforeseen Events:**

In keeping with prudent financial governance, the Board will retain a portion of earnings to serve as a contingency buffer. Multinational operations expose the Company to additional risks, including geopolitical tensions, cross-border litigation, foreign exchange risks, and country-specific compliance matters. To safeguard business continuity, the Company may hold back dividends in order to ensure resilience in the face of such uncertainties.

**External Factors:**

**i. Regulatory Restrictions:**

Dividend decisions will be made in strict compliance with the Companies Act, 2013, applicable rules under the International Financial Services Centres Authority (IFSCA), and sectoral regulations. In the case of overseas subsidiaries or group companies, local laws governing capital maintenance, solvency, and dividend restrictions will also be considered. For instance, regulatory frameworks in some countries may prohibit or limit dividend declarations until specific capital adequacy or liquidity criteria are met. The Board will ensure that all jurisdictional legal and regulatory thresholds are adhered to prior to recommending any payout.

**ii. Shareholders' Expectations:**

The Company acknowledges the expectations of its shareholders, especially following its public listing. As a multinational entity, the investor base may be spread across different geographies, each with unique market norms and expectations regarding dividend payouts. The Board will seek to balance the demands for regular shareholder

returns with reinvestment needs, benchmarking its approach against comparable global peers and maintaining a dividend strategy that aligns with shareholder sentiment across jurisdictions.

**iii. Macroeconomic and Market Conditions:**

The prevailing global economic environment will play a vital role in shaping dividend decisions. The Board will consider global inflation trends, interest rate movements, currency exchange fluctuations, and geopolitical developments that may affect the Company's financial performance and liquidity. Regional disparities such as economic slowdown in one country or growth in another will be weighed carefully to determine whether dividend distribution is prudent under prevailing market conditions.

These factors will be evaluated collectively by the Board each time a dividend is considered. The weightage given to each factor may vary depending on the context and the Company's position at that time. The overall approach is that the Company will endeavour to distribute a substantial portion of the profits/free cash flows as dividends when the financial position allows, balanced against the need to invest in the Company's growth and maintain stability. Ultimately, the decision will be arrived at by the Board in a holistic manner, ensuring that the dividend declared is prudent and sustainable.

**5. Circumstances Under Which Dividends May Not Be Declared:**

The shareholders should be aware that there could be certain circumstances where the Board may decide not to recommend any dividend or to declare a lower dividend than previous patterns might suggest. Such scenarios include, but are not limited to:

- **Insufficient Profit or Losses:** If the Company has had a loss in a given financial year or if profits are inadequate, it would not be in a position to declare dividends. Additionally, if the profit for the year is nominal or needs to be substantially retained for maintaining net worth, the Board may skip the dividend.

- **High Funding Requirements:** When the Company is embarking on a major expansion, new projects, acquisitions, or other capital-intensive undertakings, it might retain earnings to fund these projects rather than pay out dividends.
- **Leverage/ Covenants Compliance:** If the Company's debt levels are high, or it is near a threshold of a debt covenant that restricts payment of dividends, the Board may choose retention over distribution to avoid breaching agreements or to improve the balance sheet.
- **Macro-economic Uncertainty:** In periods of economic downturn, crisis or uncertainty (for example, recession, pandemic, etc.), even if the Company remains profitable, the Board might exercise caution and conserve cash as a precautionary measure, resulting in lower or no dividends.
- **Regulatory Prohibitions:** If any law or regulatory authority (including IFSCA or any other sector regulator) prohibits dividend declaration for a period (for instance, as a condition for some approval, or due to non-compliance by the Company of certain requirements), the Company will honour such restrictions.
- **Other Emergency Situations:** Natural calamities, significant unforeseen liabilities, or other force majeure events that impact the financial position may lead the Board to decide against dividend distribution, in order to prioritize the Company's operational and financial recovery.

In all such cases, the rationale for not declaring a dividend or for a reduced payout may be communicated to shareholders through appropriate disclosures (for example, in the AGM notice, annual report, or stock exchange filings), in line with corporate governance best practices.

## **6. Policy on Retained Earnings:**

Retained earnings are the accumulated profits that are not distributed to shareholders as dividends and are kept in the Company for its use. The Company's policy on utilization of retained earnings is as follows:

- **Reinvestment for Growth:** A significant portion of retained earnings will be reinvested in the business to fuel growth opportunities. This includes funding expansion projects, scaling up existing operations, investing in new product

development, technology upgrades, marketing, and human capital. By reinvesting profits, the Company seeks to enhance its future earning capacity and shareholder value in the long run.

- **Building Reserves:** Retained earnings may be used to build reserves for specific purposes, such as general reserve, capital reserves, or contingency reserve. These reserves strengthen the Company's financial position and can provide a buffer during economic downturns or unexpected exigencies. For example, a portion of profits may be parked in a reserve to ensure the Company can meet any contingent liabilities or to stabilize dividend payouts in future years even if there are temporary business fluctuations.
- **Debt Reduction:** The Company may deploy retained earnings to reduce debt (repay loans or avoid new borrowing) in order to improve the debt-equity ratio and reduce interest costs. A stronger balance sheet achieved by retaining earnings can improve the Company's credit profile and financial flexibility.
- **Strategic Initiatives:** Retained earnings provide the financial muscle for strategic initiatives such as mergers and acquisitions, joint ventures, or diversification into new business lines. The Company can accumulate funds over years to make sizable strategic investments without solely relying on external funding.
- **Distribution Alternatives:** The Company might retain earnings in certain years with the intention to distribute them at a later stage in a more efficient manner. For instance, if the Board believes that the Company's stock is undervalued, it may prefer to utilize retained earnings for a share buyback (subject to applicable regulations) instead of a dividend, as a means of enhancing shareholder value. Similarly, retained earnings could be capitalized into bonus shares to reward shareholders.

## **7. Declaration Process and Approvals:**

The process for declaring dividends (interim or final) involves a structured sequence of actions and approvals to ensure due diligence and compliance:

- **Board Recommendation/Declaration:** Dividends are initiated by the Board of Directors. For a Final Dividend, the Board will recommend the dividend at a Board meeting after finalization of annual accounts. This recommendation (including the rate per share or total amount) will be included in the Board's report to shareholders and is subject to shareholder approval at the AGM. For an Interim Dividend, the Board has the authority to declare the dividend at its meeting, since interim dividends do not require prior shareholder approval. In both cases, the decision must be made via a Board resolution passed by a majority of the directors (or as required by the Articles of Association and law). The Board, while making any recommendation or declaration, will satisfy itself that the dividend is in compliance with this Policy and is financially prudent.
- **Board Meeting and Prior Intimations:** As a listed entity (post-IPO), the Company will follow all applicable listing regulations regarding intimation of Board meetings. Specifically, if a meeting of the Board is to be held for considering the declaration of any dividend (interim or recommendation of final), the Company will notify the stock exchange(s) in the IFSC within the prescribed timeframe in advance of the meeting. (Under the IFSCA Listing Regulations and stock exchange rules, this prior notice period is typically a few working days similar to the practice of giving at least 2 working days advance notice in the Indian market for board meetings considering dividends). The outcome of such Board meeting, including the decision to declare or recommend dividend and the amount thereof, will be promptly communicated to the stock exchange(s) as required (generally within the same trading day or within 24 hours as per listing rules). This ensures transparency and enables the market to factor in the dividend announcement appropriately.
- **Shareholders' Approval (for Final Dividend):** After the Board recommends a final dividend, the proposal is placed for approval at the Annual General Meeting. The shareholders vote on an ordinary resolution for dividend declaration. A simple majority is required for the dividend to be approved. The dividend amount approved at the AGM cannot exceed the amount

recommended by the Board (however, shareholders may approve a lower amount if deemed prudent). Once approved by shareholders, the dividend becomes final and payable. (Note: Interim dividends, once declared by the Board, are binding and do not need further shareholder ratification, though they are usually noted at the subsequent AGM as part of confirming interim actions of the Board).

- **Regulatory Approvals:** Generally, no external regulatory approval is required to declare a routine dividend, except ensuring compliance with applicable laws. However, if the Company is under any special regulatory regime (for example, if certain government approval is needed for foreign currency remittance to non-resident shareholders, or if the Company has foreign shareholders requiring compliance with exchange control regulations), the Company will obtain all such approvals prior to remittance of the dividend. Additionally, if the Company has any agreements (like loan agreements) that require lender consent for dividend payment, the Board will ensure such consent is obtained or that the dividend declaration does not violate any covenants. Being a company listed in the IFSC, the Company will also comply with any IFSCA directives that might require notification or prior review by the Authority under specific circumstances (though none is generally needed for regular dividends).
- **Documentation:** The Board meeting minutes will record the rationale for declaring/recommending the dividend, amount of dividend, record date, etc. For final dividend, the AGM minutes will record the shareholder approval. The Company will maintain proper documentation of having given requisite notices to exchanges, and of the actual payout. Board resolutions will authorize officers of the Company to carry out the act of distribution, open bank accounts for dividend, and sign dividend warrants where applicable.

#### **8. Modes of Payment of Dividend:**

The Company will pay dividends by using any of the various modes of payment permitted under the prevailing regulations, with a strong preference for digital/electronic modes for efficiency and security. The modes include:

- **Direct Credit to Bank Account:** As the primary mode, the Company will transfer the dividend amount directly to the shareholder's registered bank account through electronic clearing systems. This includes NEFT (National Electronic Funds Transfer), RTGS (Real Time Gross Settlement), ECS (Electronic Clearing Service), IMPS, or direct bank transfers. The use of electronic payment is in line with regulatory guidelines which encourage listed companies to utilize RBI-approved electronic modes for dividend payment. Shareholders are advised to keep their bank account details updated with their depository participant (in case of demat shares) or with the Company's Registrar (in case of physical shares) to facilitate seamless credit of dividends.
- **Dividend Warrants/Cheques:** If electronic payment is not possible or fails, the Company will issue dividend warrants or account payee cheques. The warrant/cheque will be payable at par at designated bank branches, or through speed post/courier to the shareholder's last recorded address. The Company will print the bank account details (if available) of the payee on the cheque to reduce the risk of fraudulent encashment. Adequate arrangements will be made with the Company's bank to ensure such instruments are honoured as long as they are presented within their validity period.
- **Demand Drafts:** In cases where sending a cheque is not feasible or if the shareholder requests, the Company may issue a demand draft for the dividend amount, drawn on a scheduled bank. This is particularly useful for shareholders in remote locations where local clearing of cheques might take time, or for non-resident shareholders if required.
- **International Payments:** For shareholders who are not resident in India or who hold shares through depository receipts, the Company will coordinate the dividend payment through international banking channels. Payments may be made in foreign currency if applicable, at the exchange rate prevailing on a relevant date, or through crediting the funds to the custodian/participant's account who would then distribute to the non-resident investors. All such payments will be subject to foreign exchange regulations and any necessary

approvals from authorities like the RBI. The aim is to ensure that foreign shareholders receive their dividend net of taxes without undue delay, similar to domestic shareholders.

The Company or its Registrar will communicate the mode of payment used in the dividend intimation to shareholders. Where multiple options exist, the Company shall choose the mode most appropriate and effective for each shareholder category, possibly defaulting to electronic mode and using physical instruments only as a fallback. This approach is not only cost-effective and quick but also aligns with the green initiative by reducing paper usage. Any charges for remittance (for example, bank commission on demand drafts for outstation locations) will be borne by the Company, ensuring shareholders receive the full declared amount (less statutory taxes). The Company will continually review and adopt new payment methods as technology and regulations evolve, to improve shareholder experience.

#### **9. Policy Review and Amendments:**

This Dividend Policy shall be periodically reviewed by the Board of Directors. The Board may, at its discretion, revise or amend this Policy in whole or in part, at any time, to ensure it remains consistent with the Company's objectives, statutory requirements, and the prevailing business environment. In particular, a review will be considered when there are significant changes in any of the following:

- **Regulatory Changes:** Amendments in corporate laws, Listing Regulations by IFSCA, the Companies Act, or tax laws related to dividends that necessitate a change in our Policy (for instance, if a new regulation prescribes a minimum or maximum dividend payout ratio for certain companies, or alters the process of dividend payment).
- **Business or Economic Conditions:** If the Company's financial position or capital allocation strategy undergoes a major shift (such as a new long-term strategy focusing on reinvestment, or conversely, a phase of generating excess cash), the Policy might be updated to reflect the new approach (for example, introducing a target payout range). Similarly, sustained changes in macro-

economic conditions could prompt a relook at how conservative or liberal the dividend approach should be.

- **Investor Feedback:** As a listed company, shareholder feedback and expectations can be a valuable input. The Board may consider suggestions or concerns raised by significant shareholders or institutional investors regarding the dividend policy and decide if adjustments are warranted, provided they align with the Company's long-term strategy and regulatory constraints.

Any changes to the Policy will be approved by the Board and, if required by regulations, promptly disclosed to the stock exchange and posted on the Company's website. The revised policy document will also be made available in the next annual report. The Board will also review this Policy at least once in a defined interval (for example, every three years) even if no changes in external environment occur, to ensure the Policy remains relevant and effective.

#### **10. Publication and Disclosure:**

To ensure transparency, this Dividend Policy will be disclosed in the Company's DRHP/prospectus during the IPO process, and thereafter it shall be included or referenced in the annual report and made available on the Company's website for public access. In line with corporate governance best practices, a weblink to the Policy will be provided in the annual corporate governance disclosures. When the Company declares dividends, if the payout is not consistent with this Policy or past practice, the Company will communicate the reasons as part of the dividend announcement or in the investor presentation accompanying financial results.

By having a clear, publicly accessible Dividend Policy, XED Executive Development Limited enables its shareholders and potential investors to understand the Company's approach to sharing profits, thereby enhancing predictability and trust. This Policy forms an integral part of the Company's overall governance framework and is aligned with its mission to maximize shareholder value in a balanced and responsible manner.



This Policy will remain in effect until superseded by a revised version approved by the Board. The Board reserves the right to depart from the Policy in extraordinary circumstances, subject to full disclosure and compliance with law, if it so deems necessary to protect the Company's interests (for example, to conserve cash during a crisis), but in such cases the rationale will be communicated to shareholders. Apart from such rare exceptions, the Company commits to adhering to the above Policy in spirit and letter for all future dividend decisions.