DIVIDEND DISTRIBUTION POLICY

VERSION 3.0

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1.0	**Initial Version**	**Mr. Rajesh Agrawal**	**Reviewed by Mr. Narendra Kumar Ahlawat** **Approved by MCXCCL Board.**	**22/10/2021**
2.0	**No Changes**	**Mr. Rajesh Agrawal**	**Reviewed by Mr. Narendra Kumar Ahlawat** **Approved by MCXCCL Board.**	**08/11/2023**
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MULTI COMMODITY EXCHANGE CLEARING CORPORATION LIMITED

DIVIDEND DISTRIBUTION POLICY

This Policy has been formulated to regulate the process of dividend declaration and its pay-out by the Company in accordance with the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations, 2015") read with the applicable Rules framed thereunder, as may be in force for the time being.

Preamble:

Dividend is the payment made by a company to its shareholders, usually in the form of distribution of its profits. The profits earned by a company can either be retained in business or used for acquisitions, expansion or diversification or it can be distributed to the shareholders. A company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these divergent needs. The dividend pay-out of a company is driven by several factors. Some companies pay a lower dividend. The idea is to retain profits and invest it for further expansion and modernization of the business. On the other hand, there are companies which prefer to pay higher dividend. These companies may not necessarily be growth oriented companies with greater emphasis on retaining their shareholder base.

The objective of this Policy is to ensure a balance between these apparently conflicting and divergent approaches and adopt that while the Company recommends a regular dividend income for the shareholders. It shall keep the long-term capital appreciation for all its stakeholders. The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes.

The Board of Directors will refer to the Policy while declaring/recommending dividends on behalf of the Company. Through this Policy, the Company would endeavour to maintain a consistent approach to dividend pay-out plans. The Company clears and settles trades executed on MCX platform. Therefore, the retention of surplus funds for future growth will equally be important as that of distribution of surplus by way of dividend to shareholders. However, considering the consistent and impressive generation of profits year on year, there is a need to provide greater clarity on the dividend pay-out philosophy of the Company.

1. The following financial parameters shall be considered while declaring dividend:

i. Financial Performance and Profitability
ii. Liquidity
iii. Financial metrics (i.e. Financial Ratios)
iv. Retained earnings
v. Capital commitments going forward.
vi. Risk based capital requirement as per SECC Regulations and circulars issued thereunder
vii. Settlement Guarantee Fund corpus as per SEBI norms & circulars issued thereunder
viii. Net worth requirement as specified in SECC Regulations
ix. Any other regulatory stipulations as may be applicable to the Company

2. Utilisation of retained earnings:

Where the Company predicts, based on appropriate analysis, that the Company can put retained earnings to better use and increase the earnings substantially or has the ability to increase earnings at a higher than market rate, the Board may utilize the retain earnings for the following purposes:

i. To secure a durable competitive advantage in the Securities/Commodities clearing market;
ii.
iii. To expand business by potential acquisition opportunities, as permissible by law;
iv. To invest in technology/modernisation plan so as to avoid technological obsolescence risks;
v. To consider buy back of shares;
vi. To expand capacity / facilities utilising internal accruals to capitalize upon new opportunities in view of regulatory changes;
vii. Such other purposes, as the Board may think appropriate from time to time to maintain / enhance its competitive advantage.

3. Factors (internal and external) to be considered while declaring Dividend:

The decision regarding dividend pay-out 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. The Board of Directors will endeavour to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, an optimal balance needs to be arrived at considering the interest of shareholders and that of the Company.

The dividend pay-out decision of any company depends upon certain external and internal factors.

a. External Factors:

State of Economy:
In case of uncertain or recessionary economic and business conditions, Board will endeavour to retain larger part of profits to build up reserves to absorb future shocks.

Capital Markets:
When the markets are favourable, dividend pay-out can be liberal. However, in case of unfavourable market conditions, the Board may resort to a conservative dividend pay-out in order to conserve cash outflows.

Statutory Restrictions:
Board will keep in mind the restrictions imposed by Companies Act, 2013 with regard to declaration of dividend.

b. Internal Factors:

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring dividend, which *inter alia,* will include –

a. Profits earned during the year;
b. Present & future capital requirements of the existing businesses;
c. Brand/Business Acquisitions;
d. Expansion/Modernization of existing businesses;
e. Fresh investments into external businesses;
f. Any other factor as deemed fit by the Board.

4. Additional Parameters:

In case the Company proposes to declare dividend on the basis of parameters in addition to parameters mentioned above or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

5. Category of Dividends:

The Companies Act, 2013 provides for two forms of Dividend- Final & Interim. The Board of Directors shall have the power to recommend Final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

a. Final Dividend:

The Final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of Final dividend to the shareholders in a general meeting. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

Process for approval of Payment of Final Dividend:
Board to recommend quantum of Final dividend payable to shareholders in its meeting in line with this Policy, based on the profits arrived at as per the audited Financial Statements. Shareholders to approve the same in the Annual General Meeting ("AGM").

b. Interim Dividend:

This dividend can be declared by the Board of Directors one or more time in a financial year as may be deemed fit by it. The Board of Directors of the Company would declare an Interim dividend as and when considered appropriate, in line with this Policy. Normally, the Board could consider declaring an Interim dividend at any time during the period from closure of financial year till holding of the AGM preferably after finalization of quarterly (or half yearly) financial accounts.

6. Declaration of Dividend:

While declaring the Dividend, the Company shall inter alia ensure the compliance with section 123 of Companies Act, 2013 and rules made thereunder.

The Board of Directors of a company may declare interim dividend out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the

quarter preceding the date of declaration of the interim dividend.

However, in case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.

7. Dividend Pay-out:

The Company stands committed to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the shareholders, in the form of dividend. As explained in the earlier part of this Policy, determining the dividend pay-out is dependent upon several factors, both internal to a business and external to it.

The Board may, after taking into consideration of the matters such as the regulatory norms, financial position, investment plans, economic conditions and liquidity, declare or recommend dividend.

8. Circumstances under which shareholders of the Company may not expect dividend:

The Board of Directors of the Company may abstain from declaring any dividend / lower percentage of dividend in a particular financial year, if they are of the view that the retained earnings / funds through internal accruals can be better utilised for the following purposes:

a. Expansion / modernisation of the existing business operations;
b. Seeking inorganic growth through acquisitions opportunities, within and outside India;
c. Embark upon new product / line of business;
d. Buyback of shares etc;
e. Requirement of funds for identified purposes, if any.
f. Such other purposes, as the Board may think appropriate from time to time to maintain/enhance its competitive advantage.

Barring the above, shareholders can expect dividend in the normal course of business.

In case the Board of Directors abstains from declaring dividend, a justification thereof shall be provided to the shareholders in the Directors Report.

9. Review:

The Policy shall be reviewed by the Audit Committee as and when required or at least once in 2 years and changes made therein, if any, shall be approved by the Board.