



**INNEFU LABS LIMITED**

**(formerly known as Innefu Labs Private Limited)**

**DIVIDEND DISTRIBUTION POLICY**

## **DIVIDEND DISTRIBUTION POLICY**

The Board of Directors (the "Board") of **Innefu Labs Limited (formerly Innefu Labs Pvt. Ltd.) (the "Company")** has adopted the Dividend Distribution Policy (the "Policy") of the Company as required in terms of Clause 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"), as amended from time to time, other applicable provisions of Listing Regulations and in accordance with the applicable provisions of the Companies Act, 2013 ("Act"), at its meeting held on 11<sup>th</sup> June, 2025.

### **EFFECTIVE DATE:**

The Policy shall become effective from the date of its adoption by the Board i.e. 11<sup>th</sup> June, 2025.

### **DEFINITIONS:**

The terms referred to in the Policy will have the same meaning as defined under the Act and the rules made thereunder, and the Listing Regulations.

### **PURPOSE, OBJECTIVES AND SCOPE:**

The Securities Exchange Board of India ("SEBI") vide its Notification dated July 08, 2016 has amended the Listing Regulations by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31st day of March of every year. Considering the provisions of the aforesaid Regulation 43A, the Board of Directors (the "Board") of the Company recognizes the need to lay down a broad framework for considering decisions by the Board of the Company, with regard to distribution of dividend to its shareholders and/ or retaining or plough back of its profits. The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the shareholders.

The decision of recommending dividend would be taken by the Board after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided as relevant by the Board.

Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element of the Policy will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board of Directors. The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years.

**The Policy shall not apply to:**

- a. Determination and declaring dividend on preference shares as the same will be as per the terms of issue approved by the shareholders;
- b. Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- c. Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

**A. GENERAL POLICY OF THE COMPANY AS REGARDS DIVIDEND**

The general considerations of the Company for taking decisions with regard to dividend payout or retention of profits shall be as following-

- a. Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company, the advice of executive management including the CFO, and other relevant factors.
- b. The Board may also, where appropriate, aim at distributing dividends in kind, subject to applicable law, in form of fully or partly paid shares or other securities.

**B. CONSIDERATIONS RELEVANT FOR DECISION OF DIVIDEND PAY-OUT**

The Board shall consider the following, while taking decisions of a dividend payout during a particular year-

**Statutory requirements**

The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve etc. as provided in the Companies Act, 2013, which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

**Agreements with lending institutions**

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the agreements with the lenders of the Company.

**Shareholders' Agreements**

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the agreements with the shareholders' of the Company.

**Other Agreements**

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the agreements that the Company shall generally enter into during the

course of business, if any. This provision shall apply mutatis mutandis to agreements already executed before the commencement of the Dividend Policy of the Company.

### **Long term strategic objectives of the Company as regards financial leverage**

The Board may exercise its discretion to change the percentage of dividend or to otherwise take decision of retention or distribution of profits where, the Company is planning to go for expansion, restructuring, reorganizing, diversification, investment, etc.

### **Prudential requirements**

The Company shall analyze the prospective projects and strategic decisions in order to decide- to build a healthy reserve of retained earnings; - to augment long term strength; - to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company; and - the needs for capital conservation and appreciation.

### **Proposals for major capital expenditures etc.**

In addition to plough back of earnings on account of depreciation, the Board may also take into consideration the need for replacement of capital assets, expansion and modernization or augmentation of technology, including any major capital expenditure proposals.

### **Extent of realized profits as a part of the GAAP profits of the Company**

The extent of realized profits out of its profits calculated as per GAAP, affects the Board's decision of determination of dividend for a particular year. The Board is required to consider such factors before taking any dividend or retention decision.

### **Expectations of major stakeholders, including small shareholders**

The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the small shareholders of the Company who generally expects for a regular dividend payout.

## **B. OTHER FINANCIAL PARAMETERS**

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based the following:-

### **Operating cash flow of the Company**

If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.

### **Net sales of the Company**

To increase its sales in the long run, the Company will need to expand its marketing and selling expenses, advertising expenses etc. The amount outlay in such activities will influence the decision of declaration of dividend.

### **Return on invested capital**

The efficiency with which the Company uses its capital will impact the decision of dividend declaration.

### **Magnitude of earnings of the Company**

Since dividend is directly linked with the availability of earning over the long haul, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.

### **Cost of borrowings**

The Board will analyze the requirement of necessary funds considering the long term or short term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from outsiders such as bankers, lending institutions or by issuance of debt securities or plough back its own funds.

### **Obligations to creditors**

The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.

### **Inadequacy of profits**

If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.

### **Post dividend EPS**

The post dividend EPS can have strong impact on the funds of the Company, thus, impacting the overall operations on day-to-day basis and therefore, affects the profits and can impact the decision for dividend declaration during a particular year.

## **C. FACTORS THAT MAY AFFECT DIVIDEND PAYOUT:**

### **External Factors Taxation and other regulatory concern**

Dividend distribution tax or any tax deduction at source as required by applicable tax regulations in India, as may be applicable at the time of declaration of dividend. Any

restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

### **Product/ market expansion plan**

The Company's growth oriented decision to conserve cash in the Company for future expansion plan impacts shareholders expectation for the long run which shall have to consider by the Board before taking dividend decision.

### **Macroeconomic conditions**

Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.

### **Internal Factors Past performance/ reputation of the Company**

The trend of the performance/ reputation of the Company that has been during the past years determine the expectation of the shareholders.

### **Working capital management in the Company**

The current working capital management system within the Company also impacts the decision of dividend declaration.

### **Age of the Company and its product/market**

The age of the Company and its product or the market in which the Company operates will be one of the most significant determining factors to the profitability of the Company and dividend declaration or retention.

### **Amount of cash holdings in the Company**

In the investor's point of view, in the absence of any major expansion plan or capital investments or other strategic investment plans in the hands of the Company, the investors may not appreciate excessive cash holdings in the Company. The Board shall have to consider the same before taking decision of dividend declaration.

## **D. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED**

The Board shall consider the factors provided above, 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 the aforesaid factors considering the balanced interest of the shareholders and the Company.

## **E. MANNER OF DIVIDEND PAYOUT**

The discussion below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations:

**In case of final dividends** 1. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, and shall be presented to the shareholders for their approval for the declaration of the final dividend. 2. The dividend as recommended by the Board shall be approved at the annual general meeting of the Company. 3. The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable law.

**In case of interim dividend** 1. Interim dividend, if any, shall be declared by the Board. 2. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend. 3. The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws. 4. The dividend as declared by the Board shall be also be ratified/approved at the annual general meeting of the Company. In case no final dividend is declared, interim will be regarded as final dividend which shall be approved in the annual general meeting.

## **F. MANNER OF UTILISATION OF RETAINED EARNINGS**

The Board may retain its earnings in order to make better use of the available funds and increase the value of the shareholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Market expansion plan; • Product expansion plan; • Modernisation plan; • Diversification of business; • Long term strategic plans; • Replacement of capital assets; • Where the cost of debt is expensive; • Other such criteria as the Board may deem fit.

## **G. DISCLOSURE OF THE POLICY**

This Policy shall be uploaded on the website of the Company at [www.innefu.com](http://www.innefu.com).

## **H. LIMITATION AND AMENDMENT**

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

The Chairman/Managing Director or the Whole-time Directors of the Company shall be jointly/severally authorized to review and amend the Policy, to give effect to any changes/ amendments notified by any regulator under the applicable law from time to time. Such amended Policy shall be periodically placed before the Board for noting and necessary ratification.