



Dividend Distribution Policy

Document Control

Document Name	Dividend Distribution Policy
Document Status	Final
Current Version	1.1
Effective Date	06.11.2023
Owner Department & Administrator(s)	Accounts and Finance

Revision History

Version No	Prepared by	Reviewed and Approved by	Last Release date	Last Review date
1	Accounts & Finance Department	Board of Directors	06.11.2023	N.A.
1.1	Accounts & Finance Department	Board of Directors	N.A.	08.05.2024

Introduction

This Policy will regulate the process of dividend declaration and its pay-out by the Company in accordance with the provisions of Companies Act, 2013 read with the applicable Rules framed thereunder, as may be in force for the time being ("Companies Act") along with the Master Directions of RBI on declaration of Dividends by NBFC's.

Objective

The Dividend Distribution Policy ("the policy") establishes the principles to ascertain amounts that can be distributed to shareholders as dividend by the Company as well as enable the Company to strike balance between pay-out and retained earnings, in order to address future needs of the Company.

Background

This Policy sets out the parameters and circumstances that will be taken into account by the Board of Directors of the Company in determining the distribution of dividend to its shareholders and/or retaining profits earned by the Company. The Board of Directors may in extraordinary circumstances, deviate from the parameters listed in this policy.

Classes of Shares

The Company has issued Equity Shares, Compulsory Convertible Preference, and Non-Convertible Preference Shares. Dividend payments for Preference shares will align with their terms, with future classes determined based on applicable regulations.

The Policy shall be applicable to the dividend declared on the Equity Shares and Compulsory convertible Preference Shares.

Category of Dividends

The Companies Act provides for two forms of Dividend- Final and Interim. The Board shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit. Normally, the Board will endeavor to declare an interim dividend after finalization of quarterly financial accounts. The Board may declare an interim dividend based on profits of the Company, one or more times in a financial year as and when considered appropriate, in line with this policy.

After the annual accounts are prepared, the Board may recommend final dividend to the shareholders for their approval in the General Meeting of the Company. In the event the Board declares more than one interim dividend in a financial year, the Board may recommend to the shareholder to treat the last interim dividend as a final Dividend.

Declaration of Dividend

The decision regarding dividend 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 will endeavour to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding dividend is subject to several factors and hence any optimal policy in this regard may be far from obvious. The Board considers a stable dividend to constitute an important element of the Company's investment attractiveness and shareholder return. The Company's primary need is to maintain sufficient resources and financial flexibility to meet financial and operational requirements. The Company continually seeks ways to create shareholder value through both commercial and financial strategies, which may include both organic and inorganic development as well as the Company's capital management practices.

The shareholders of the Company may not expect dividend for a financial year(s) in the circumstances of challenging/sluggish market conditions, tough liquidity position, losses or inadequate profits.

The Board, while considering the proposals for dividend, will also consider the supervisory findings, if any, of the Reserve Bank of India on divergence in classification and provisioning for Non-Performing Assets (NPAs) and qualifications, if any, and shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in RBI Master Directions.

Auditors' Report to the financial statements of the Company or emphasis of matter by the statutory auditor that indicates an overstatement of net profit. In case the net profit for the relevant period includes any exceptional and/or extra-ordinary profits/ income, the net profit shall be suitably adjusted to exclude such extra-ordinary items for computing dividend pay-out ratio.

Compliances with Statutory Requirements

<u>Parameter</u>	<u>³RBI Requirements (1)</u>	<u>Companies Act 2013 (2)</u>	<u>Shareholders' Agreement (3)</u>	<u>Cumulative Compliance</u>
Capital Adequacy	¹ Regulatory capital requirement for the last three financial years as prescribed by the RBI including the financial year for which dividend is paid.	-	-	(1)
Net NPA Ratio	Net NPA ratio shall be less than 6% for the last three years, including the F.Y. for which dividend is proposed to be declared.	-	-	(1)

Compliance with RBI Act	Compliance with Section 45 IC of the RBI Act, 1934, and adherence to prevailing RBI regulations/guidelines.	-	-	(1)
Dividend Payout Ratio	² Ratio between dividend payable and net profit as per audited financial statements for the relevant financial year. Maximum dividend payout-ratio for NBFC-MFIs is 50%	-	-	(1)
Dividend Sources	-	⁴ Dividend declared only from current financial year's profit or undistributed profits of previous years.		(2)
Approval for Distribution of Dividend	-	To be proposed by Board of Directors and approved by Shareholders in General Meeting.	⁵ Distribution of capital or profits exceeding 20% of paid-up capital requires approval.	(2) & (3)
Dividend per share	-	-	Dividend Per Share (DPS) on Compulsorily Convertible Preference Shares equity should not be less than DPS per equity share	(3)

1. **Capital Requirement for NBFC-MFIs:** - NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets. The total of Tier II Capital at any point of time, shall not exceed 100 percent of Tier I Capital.
2. Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital.

In case the net profit for the relevant period includes any exceptional and/or extraordinary profits/ income or the financial statements are qualified (including 'emphasis of matter') by the statutory auditor that indicates an overstatement of net profit, the same shall be reduced from net profits while determining the Dividend Payout Ratio.
3. **Exceptions:** - A NBFC which does not meet the applicable prudential requirement as prescribed above for each of the last three financial years, may be eligible to declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided the NBFC complies with the following conditions: -

- a) meets the applicable capital adequacy requirement in the financial year for which it proposes to pay dividend; and
- b) has net NPA of less than 4 per cent as at the close of the financial year.

**Refer circular no. RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22*

- 4. Subject to the provisions of Section 123 (reproduced below) of the Companies Act dividend shall be declared or paid only out of:
 - a) Current financial year's profit after (a) providing for depreciation in accordance with law and (b) transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion, or
 - b) The profits for any previous financial year(s) (a) after providing for depreciation in accordance with law; (b) remaining undistributed; or
 - c) Out of (i) and (ii) both
 - d) No dividend shall be declared or paid by a company from its reserves other than free reserves
 - e) Provided also that no company shall declare dividend unless carried over previous losses and depreciation not provided in previous year or years are set off against profit of the company for the current year.
- 5. Distribution of capital or profits by dividends, capitalization of reserves or otherwise in excess of 20% of the paid-up capital requires the approval of KITARA PIIN 1501 and ICICI bank.

Interim Dividend

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

Provided that 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.

Dividend distribution range

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. The Board may, after taking into consideration of the matters such as the financial position, investments plan economic conditions and liquidity, declare or recommending dividend.

Factors to be considered while declaring dividend

Internal Factors: -

- Profit earned during the current years and previous year.
- Long term growth plan of NBFC's.
- Cash flow position and liquidation position of the company.
- Investment decisions.
- Capital Expenditure.
- Any other factors as deemed fit by the board.

External Factors: -

- Economic environment.
- Any political, tax and regulatory changes in the jurisdiction in which the Company operates.
- Changes in government policies.
- Cost of external financing.
- Inflation rate.
- Any other factors as deemed fit by the board.

Procedure for payment of Dividend

The dividend is proposed by Board of Directors in board meeting and declared by shareholders in Annual general meeting.

- The amount of the dividend, including interim dividend, shall be deposited in a scheduled bank in separate account within five days from the date of declaration of such dividend.
- No dividend shall be paid by a company in respect of any share therein except to the registered shareholder of such share or to his order or to his banker and shall not be payable except in cash. Provided further that any dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the shareholder entitled to the payment of the dividend.

Unpaid dividend account

Where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the Unpaid Dividend Account.

Investor Education and Protection Fund

All shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the company in the name of Investor Education and Protection Fund along with a statement containing such details as may be prescribed.

Utilization of Retained Earning

Retained earnings strengthen the Company's net owned funds and support the Capital Adequacy Ratio (CAR) for Non-Banking Financial Companies (NBFCs). The Board may decide on utilization based on factors like organic/inorganic growth strategies, market competition, and long-term shareholder value. The Board will ensure judicious balancing of these factors in the interest of the Company and its stakeholders.

Reporting Requirements

The Company shall report details of dividend declared during the financial year as per the prescribed format in Annex 2 of the guidelines issued by Reserve Bank of India vide notification RBI/2021-22/59 DOR.ACC.REC.No.23/ 21.02.067/2021-22 dated June 24, 2021 within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank, under whose jurisdiction the Company is registered.

Accounting period	Net profit for the accounting period (₹ crore)	Rate of dividend (per cent)	Amount of dividend (₹ crore)	Dividend Payout ratio (per cent)

Review

The Board is authorized to review/amend this policy periodically, aligning with guidelines issued by regulatory authorities such as the Ministry of Corporate Affairs and Reserve Bank of India. This ensures ongoing compliance and adaptation to evolving regulatory landscapes.

S.No	Task Description	Responsible	Accountable	Consulted	Informed
1.	<u>Convening of Board Meeting</u> Agenda of the meeting shall mention recommendation of Payment of Dividend to the shareholders at the proposed rate at the General Meeting.	Company Secretary	Chief Compliance Officer	-	-
2.	<u>Dividend proposed by Board of Director</u> The Dividend rate would be proposed by the management to Board of Directors in	Company Secretary	Chief Compliance Officer	-	Board of Directors

	Board Meeting and would be approved by the Board of Directors if they consider the same as per the regulations as mentioned above in the policy.				
3.	<u>Book Closure Date</u> Book Closure date would be finalized which shall not be less than one week before the AGM date. The same would be intimated to shareholders before General Meeting.	Company Secretary	Chief Compliance Officer	-	-
4.	<u>Convening of General Meeting</u> Once dividend would be proposed in Board Meeting, approval of shareholders would be taken by passing a resolution.	Company Secretary	Chief Compliance Officer	-	-
7.	<u>Account opening &Transferring of Amount in the Account</u> Dividend Account shall be opened and amount shall be transferred to this account within 5 days from the date of declaration of dividend.	Accounts and Finance Department	Company Secretary and Chief Compliance Officer	-	-
8.	<u>Transfer of Dividend in Shareholder's Account</u> Dividend should be transferred to shareholder account within 30 days from the declaration of dividend.	Accounts and Finance Department	Company Secretary and Chief Compliance Officer	-	-
9.	<u>Transfer of Funds in Unpaid Dividend Account</u> Where dividend would not been paid or claimed within 30 days from the declaration of dividend, the amount shall be transferred to Unpaid dividend account within 7 days from the end of 30 days.	Accounts and Finance Department	Company Secretary and Chief Compliance Officer	-	-

10.	<u>Quarterly review of Unpaid Dividend Account</u> Shareholder wise unpaid dividend detail will be shared with Compliance Team.	Company Secretary	Chief Compliance Officer	-	Chief Financial Officer and Managing Director
11.	- <u>Sharing of Remarks on Unpaid Dividend.</u> Compliance Team will share the remarks against each shareholder.	Company Secretary	Chief Compliance Officer	-	Chief Financial Officer and Managing Director
12.	<u>Quarterly reconciliation of Unpaid Dividend Data with Bank Statement</u> Unpaid Dividend Account as per books shall be quarterly reconciled with Unpaid Dividend account bank statement.	Accounts and Finance Department	Company Secretary and Chief Compliance Officer	-	-
12.	<u>Transfer of Amount to Investor Education and Protection Fund</u> Dividend which has not been paid or claimed for seven consecutive years or more shall be transferred by the company in the name of Investor Education and Protection Fund.	Accounts and Finance Department	Company Secretary and Chief Compliance Officer	-	-