



# CAPITALINDIA

Rediscover Business

## DIVIDEND DISTRIBUTION POLICY

Version	4.0
Owned by	CFO
Approved by	Board of Directors
Effective from	May 22, 2024

## INTRODUCTION AND OBJECTIVE

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Regulations), top five hundred listed companies based on market capitalization (calculated as on 31 March every year), are required to formulate a dividend distribution policy, and the same is to be disclosed in the company's annual report and on its website. Capital India Finance Limited (the "Company"), in compliance with the requirements of Regulation 43A on voluntary basis as a part of good corporate governance, has adopted this Dividend Distribution Policy (the "Policy") *inter-alia* to elaborate the parameters to be considered by the Board before declaring / recommending any dividend distribution, keeping in view the Company's policy of meeting the long term capital requirement from internal cash accruals and appropriately rewarding shareholders. The Board of Directors may, at their discretion deviate from the parameters listed in the Policy.

The Company being a Systematically Important Non Deposit-Taking Non-Banking Financial Company is governed by the Reserve Bank of India ("RBI"). Annexure I to this Policy specifies the provisions listed out by RBI, compliance of which shall be ensured by the Company, in addition to provisions under the Companies Act, 2013 and other applicable regulatory provisions.

### A. PARAMETERS TO BE CONSIDERED FOR DECLARING / RECOMMENDING DIVIDEND

#### a) Financial / Internal factors

- Profits earned during the financial year, accumulated reserves and distributable profits
- Working capital and capital expenditure requirement
- Financial commitments with respect to the borrowings undertaken / proposed to be undertaken and interest thereon
- Financial requirement for business expansion and/or diversification
- Capital requirements for maintenance of appropriate capital adequacy ratio
- Provisioning for financial implications arising out of unforeseen events and/or contingencies
- Past dividend declaration trend of the Company
- Additional investment requirement in subsidiaries of the Company
- Such other factors and/or material events which the Board of Directors may consider relevant

#### b) External Factors

- Legal requirements / regulatory restrictions
- Macro Economic environment
- Cost of borrowing and covenants, if any, with lenders
- Business outlook for the future years
- Government policies
- Prevalent market practices

### B. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND

While the decision to declare / recommend dividend shall primarily be dependent on the parameters mentioned above, the shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors:

- Proposed expansion / diversification plans requiring higher capital allocation

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- Decision to undertake any acquisitions, amalgamation, merger, joint ventures etc. which requires significant capital outflow
- Requirement of higher working capital to support business and operations of the Company
- Proposal for corporate action requiring significant capital outflow such as buy-back of securities
- In the event of loss or inadequacy of profit or cash flow available for distribution
- Such other circumstances which the Board of Directors may consider relevant

### **C. UTILIZATION OF RETAINED EARNINGS**

The Company would utilise retained earnings in a manner which is in the interest of the Company and its stakeholders. Retained earnings of the Company may be utilised for the following:

- Implementation of expansion / diversification plans
- To meet capital requirement for maintenance of appropriate capital adequacy ratio
- Support business / operational requirements of the Company
- Such other events which the Board of Directors may consider relevant

### **D. CLASSES OF SHARES**

Dividend distribution policy is applicable for all class of shares, though currently, the Company has issued only equity shares and has only one class of equity shares.

### **E. INTERIM AND FINAL DIVIDEND**

The Board may declare one or more Interim Dividends during the year. Additionally, the Board may recommend Final Dividend for the approval of the shareholders at the Annual General Meeting. The date of the Board Meeting in which the Dividend proposal will be considered, will be provided to the stock exchanges, as required by Listing Regulations.

### **F. DISCLOSURES**

The Policy shall be disclosed on the website of the Company.

### **G. REVIEW OF POLICY**

The Audit Committee shall review the policy annually and shall recommend all necessary changes to the Board of Directors for their consideration and noting.

The Board has the right to change/ amend the policy as may be expedient taking into account the law for the time being in force.

In the event of any amendment(s), clarification(s), circular(s), provision(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then the same shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly.

## Reserve Bank of India Guidelines on Declaration of Dividends by NBFCs

### Factors to be considered for Payment of Dividend

The Board of Directors shall, while considering the proposals for dividend, take into account the following aspects:

- (a) Supervisory findings of the Reserve Bank of India on divergence in classification and provisioning for Non-Performing Assets;
- (b) Qualifications in the Auditors' Report to the financial statements; and
- (c) Long term growth plans of the Company.

The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in the RBI Guidelines.

### Eligibility Criteria for Payment of Dividend

The Company being a Non-Deposit taking (NBFC-ND) and Systemically important NBFC shall comply with the minimum prudential requirements with respect to Capital Adequacy, Net Non-Performing Assets ("NPA") and other criteria as applicable to be eligible to declare dividend as applicable as mentioned below:

Sr. No.	Parameters	Requirement
1.	Capital Adequacy	The Company should have met the following regulatory capital requirement for each of the last three financial years including the financial year for which the dividend is proposed: <ul style="list-style-type: none"> <li>• Maintain a minimum capital ratio consisting of Tier I and Tier II capital not less than 15 percent of aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items.</li> <li>• The Tier I capital at any point of time, shall not be less 10 per cent.</li> </ul>
2.	Net NPA	The net NPA ratio shall be less than 6 per cent in each of the last three financial years, including as at the close of the financial year for which dividend is proposed to be declared.
3.	Other criteria	<ul style="list-style-type: none"> <li>• The Company shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934.</li> <li>• The Company shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank. The Reserve Bank of India shall not have placed any explicit restrictions on declaration of dividend.</li> </ul>

### Dividend Payout Ceiling

The ceiling on dividend payout ratio for the Company, if compliant with the Eligibility Criteria to declare dividend, shall be 40%.

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

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Ratio.

If the Company does not meet the Eligibility Criteria prescribed above for each of the last three financial years, it may be eligible to declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided it 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.

Reporting: The company shall furnish within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank in the format as may be prescribed:-

**Details of dividend declared during the financial year**

Name of the NBFC – \_\_\_\_\_

Account Period*	Net profit for the accounting period (Rs. crore)	Rate of dividend (%)	Amount of dividend (Rs. crore)	Dividend Pay Out Ratio (%)

\* quarter or half year or year ended ----- as the case may be.