



¹TRUCAP FINANCE LIMITED

DIVIDEND DISTRIBUTION POLICY

Sr. No.	Details of Changes	Date of Creation/Change	Department	Version No	Approved By
1.	Original Document	August 13, 2021	Corporate Secretarial and Compliance	V.1	Board of Directors
2.	Logo and Name Change	August 03, 2022	Corporate Secretarial and Compliance	V.2	----

¹ Logo and Name of the Company changed pursuant to Change in name of the Company w.e.f. August 03, 2022.

Dividend Distribution Policy

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1. Background and 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 and/or be used for acquisitions, expansion, diversification, business growth 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 balance between these.

This Dividend Distribution Policy ("Policy") will guide dividend declaration and its pay-out by ¹TruCap Finance Limited ("Company") in accordance with the provisions of Companies Act 2013 and rules made thereunder ("Act"), Secretarial Standard issued by Institute of Company Secretaries of India ("SS-3"), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, ("Listing Regulations"), Guidelines issued by Reserve Bank of India ("RBI") on Declaration of dividends by Non-Banking Financial Company issued on June 24, 2021, as amended ("RBI Guidelines") and any other applicable rules and regulations. The objective of this Policy is to ensure a regular dividend income for the shareholders and long-term capital appreciation for all shareholders of the Company. The Board of Directors of the Company ("Board") will refer to the Policy for declaring/ recommending dividends. This Policy is framed as required under SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, w.e.f. July 8, 2016.

As per newly inserted Regulation 43A of the Listing Regulations amended from time to time (*inserted vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, w.e.f. July 8, 2016*), the top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) are required to formulate a dividend distribution policy and disclosed the same in the annual reports and on the website of the company. In addition, RBI Guidelines requires that a policy to be drafted for distribution of dividend applicable to all systemically and non-systemically important NBFCs.

2. Applicability

It shall come into force with effect from August 13, 2021. Any change in applicable law, Listing Regulation, RBI Guidelines shall prevail over this Policy. This Policy shall be reviewed by the Board periodically for any changes or amendments. The Company has issued only equity shares and no preference shares issued by the Company are outstanding.

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3. Objective

- (a) To define the policy and procedures of the Company in relation to the calculation, declaration and settlement of Dividends and the determination of the form and time periods within which Dividends are paid.
- (b) To ensure that the Company has sufficient distributable profits and/or general reserves, as determined by a review of the audited financial statements of the Company, prior to any declaration and/or payment of dividends.
- (c) To create a transparent and methodological dividend policy, adherence to which will be required before declaring dividends.

4. Dividend

(a) Interim Dividend

The Board shall have the absolute power to declare interim dividend during a financial year, as and when it considers fit. The Board may endeavor to declare an interim dividend one or more times in a financial year after finalization of quarterly/half yearly/yearly financial accounts based on the profits of the Company and in accordance with the provisions of the Act.

(b) Final Dividend

The Final dividend shall be recommended to the shareholders of the Company by the Board after the annual financial statements are approved by the Board. The Board shall recommend the payment of Final Dividend to the shareholders of the Company for their approval as an ordinary business item of the Annual General Meeting (AGM) of the Company. If the Board declares more than one interim dividend in a financial year, the Board may recommend to the shareholder of the Company to treat the last interim dividend as a final dividend.

5. Eligibility criteria mentioned by RBI

The Company shall comply with the following minimum prudential requirements to be eligible to declare dividend in a financial year:

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Sr. No.	Parameters	Criteria
1	Capital Adequacy	<p>The Company shall meet the applicable regulatory capital requirement i.e.</p> <p>(a) Leverage Ratio shall not be more than 7 at any point of time;</p> <p>(b) minimum Tier I capital of 12 percent for each of the last three financial years including the financial year for which the dividend is proposed in terms of Paragraph 6 of Master Direction - Non-Banking Financial Company - Non- Systemically Important Non- Deposit taking Company (Reserve Bank) Directions, 2016</p> <p>(c) Or such other capital adequacy ratio as may be prescribed and applicable to the Company</p>
2	Net Non-Performing Asset (NPA)	<p>The net NPA ratio of the Company shall be less than 6 per cent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.</p>
3	Other conditions	<p>The Company shall be compliant with the provisions of Section 45IC of the Reserve Bank of India Act, 1934. The Company shall also be compliant with the prevailing regulations/guidelines issued by the Reserve Bank as applicable from time to time and shall not have placed any explicit restrictions on declaration of dividend.</p>

In case the Company is eligible to declare dividend as per aforesaid criteria, it may pay dividend, subject to the following:

- (a) The maximum Dividend Payout Ratio shall not exceed 50%. For this Policy, the Dividend pay-out Ratio shall be the ratio between the amount of the dividend payable in a year and the net profit as per the audited financial statements for the financial year for which the dividend is proposed.
- (b) Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares (if issued and outstanding) eligible for inclusion in Tier 1 Capital.
- (c) 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 Auditors of the Company that indicates an overstatement of net profit, the

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same shall be reduced from net profits while determining the dividend payout ratio.

In the event, if the Company does not meet the aforesaid applicable prudential requirements as prescribed by RBI for each of the last three financial years, then the Company may declare dividend, subject to a cap of 10 percent on the dividend payout ratio, PROVIDED the Company 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.

6. Parameters to be considered before recommending dividend

The Board of Directors of the Company shall consider the following financial parameters while declaring or recommending dividend to shareholders:

Internal Parameters

- (i) Supervisory findings of RBI on divergence in classification and provisioning for NPAs.
- (ii) Profits earned during the financial year
- (iii) Qualifications in the Statutory Auditors' Report to the financial statements.
- (iv) Long term growth plans of the Company.
- (v) Retained Earnings.
- (vi) Earnings outlook for next three to five years.
- (vii) funding requirements for expansion, diversification, growth, new projects, brand / business acquisitions.
- (viii) Any other relevant factors and material events.

External Parameters

- (i) Restrictions imposed under the Act and any other laws, the regulatory developments with regard to declaration of dividend, the contractual obligations of the Company under the loan agreements / debenture trust deed and other agreements, documents, writings, limiting / putting restrictions on dividend pay-out.
- (ii) Significant changes in macroeconomic environment materially affecting the businesses in which the Company is engaged in the geographies in which the Company operates.

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- (iii) Introduction of new regulatory requirements or material changes in existing taxation or regulatory requirements, which significantly affect the businesses in which the Company is engaged.
- (iv) Technological changes which necessitate significant new investments in any of the businesses in which the Company is engaged.

7. Circumstances under which the shareholders may or may not expect dividend

The Board of Directors of the Company, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Act and Listing Regulations. The Board of Directors, while determining the dividend to be declared or recommended, shall take into consideration the advice of the executive management of the Company and the planned and further investments for growth apart from other parameters set out in this Policy. The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board.

8. Utilisation of Retained Earnings

The Company shall endeavour to utilise the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders. The Company may utilise the retained earnings for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose, as approved by the Board of Directors of the Company.

9. Process Payment of Dividend

- The Company will give prior intimation of 2 working days to Stock Exchange/(s) (excluding the date of intimation and the date of the Board meeting) of date of Board meeting in which the declaration / recommendation of dividend will be considered.
- The Company will inform about the decision taken by Board regarding dividend to Stock Exchange/(s) within 30 minutes of the closure of the Board meeting.
- The Company will fix Record date for the purpose of determination for list of shareholders of the Company eligible to receive dividend. Persons appearing as members in the register of members or beneficiary ownership statement provided by the Registrar & Transfer Agent of the Company shall be entitled for dividend.

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- The intimation for fixing Record date shall be given to stock exchange/(s) at least seven working days in advance (excluding the date of intimation and the record date).
- Payment of dividend shall be made through electronic mode or cheques or payable at par warrants. If dividend is payable by at par warrants or cheques they shall be sent by speed post, if it exceeds one thousand five hundred rupees. The Company shall be discharged of its responsibility of payment of dividend on the amount debited to the dividend account maintained with the banker of the Company with such dividend paying bank.
- The dividend declared shall be deposited in a scheduled bank in a separate account within five days from the date of declaration of such dividend.

10. Unclaimed/Unpaid Dividend

- Dividend declared by a Company remaining unpaid or unclaimed within 30 days from the date of declaration of dividend, the Company shall within 7 days from the date of expiry of the said period of thirty days to a special account to be opened by the Company in any Scheduled bank to be called the Unpaid Dividend Account.
- Any money transferred to the Unpaid Dividend Account of a Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company along with Interest accrued, if any, thereon to the Fund established by the Central Government called the Investor Education and Protection Fund ("IEPF") and investors can claim refund from IEPF and not from Company.

11. Parameters that shall be adopted with regard to various classes of shares

The Company has issued only one class of shares viz. equity shares. Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue other classes of shares.

12. Reporting with RBI

Pursuant to the requirement specified in the RBI Guidelines, the Company shall report details of dividend declared during the financial year 2021-22 onwards as per the format prescribed in the RBI Guidelines. The report

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shall be furnished 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..

13. Conflict in Policy

In the event of any conflict between this Policy and the provisions contained in the Listing Regulations, the Regulations shall prevail.

14. Amendments

The Board may, from time to time, make amendments to this Policy to the extent required due to change in applicable laws and Listing Regulations or as deemed fit on a review.

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