

**ADITYA BIRLA CAPITAL LIMITED**

<b>Document Name</b>	<b>Dividend Distribution Policy</b>
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<b>Reviewer</b>	<b>Audit Committee</b>
<b>Owner</b>	<b>Company Secretary</b>
<b>Approver</b>	<b>Board of Directors of the Company</b>
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## **Aditya Birla Capital Limited - Dividend Distribution Policy**

### **1. Introduction**

- 1.1 As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the Company has decided to formulate and disclose its Dividend Distribution Policy. Accordingly, the Board of Directors of the Company ('the Board') has approved this Dividend Distribution Policy for the Company at its meeting held on 8<sup>th</sup> May, 2018 and amended at its meeting held on 5th August 2021.
- 1.2 The objective of this policy is to provide the dividend distribution framework to the stakeholders of the Company and infuse greater transparency and uniformity in practice on distribution of dividend.
- 1.3 The Board of Directors shall recommend dividend in compliance with this policy, the provisions of the Companies Act, 2013, and Rules made there under and other applicable legal provisions including RBI being a Non – Deposit- Systematically Important- Core Investment Company.
- 1.4 The Board shall also ensure compliance of conditions prescribed by RBI on guidelines on declaration of dividends by NBFCs vide circular No. RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22 dated June 24, 2021 ('RBI Circular') to the extent applicable as a Core Investment Company.
15. Year for the purpose of this policy mean Financial Year.

### **2. Quantum of Dividend Payout**

- 2.1 Dividend will be declared out of the current year's Profit after Tax of the Company on a Standalone basis Calculated in accordance with the provisions of the Companies Act, 2013. If circumstances require and in the matter deemed fit, the Board may also declare dividend out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act, RBI guidelines / circulars and Regulations, as applicable.
- 2.3 'Other Comprehensive Income' (as per applicable Accounting Standards) which mainly comprises of unrealized gains/losses, will not be considered for the purpose of declaration of dividend.
- 2.4 Dividend payout is an important decision as it determines the amount of profits to be distributed amongst the shareholders and to be ploughed back into the businesses for future growth. It is therefore necessary to have an optimal dividend payout policy that achieves sustainable growth in the Company and therefore enhances long-term shareholder' value.

- 2.5 The Dividend Pay-out Ratio is 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. "Dividend" includes any interim dividend.
- 2.6 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 Pay-out Ratio.
- 2.7 Considering the inherent nature of the market and business environment, and various subsidiaries of the Company being at different stages of growth and requirement of capital, while it is difficult to pre-determine the dividend payout as a percentage of earnings, the Company will, subject to applicable laws and relevant rules and regulations in this regard, endeavour to pay dividend to shareholders in the most efficient way and gradually increase it without compromising growth of the Company.
- 2.8 The Dividend Payout shall be subject to the conditions specified in Para 5 and 6 of this Policy and RBI Circular.

### **3. Board Oversight and Factors to be considered for Dividend Payout**

The Board will consider various internal and external factors, including but not limited to the following before making any recommendation for dividends:

- Stability of earnings
- Cash flow from operations
- Future organic and inorganic growth plans and reinvestment opportunities (including investment requirements for the Company in its subsidiaries and associate companies)
- Dividend policy followed by the investee companies, as a substantial portion of the Company's income is earned by way of dividends from its subsidiaries
- Industry outlook and stage of business cycle for underlying businesses
- Leverage profile
- Compliance with covenants contained in any agreement entered into by the Company with its lenders
- Funding and liquidity considerations
- Overall economic environment, changes in government policies, industry rulings & regulatory provisions
- Absorbing unfavourable market condition, meeting unforeseen contingent liabilities and other circumstances
- Cost of external financing
- Past dividend trends
- Buyback of shares or any such alternate profit distribution measure

- Any other contingency plans
- Supervisory findings of the Reserve Bank on divergence in classification and provisioning for Non-Performing Assets (NPAs)
- Qualifications in the Auditors' Report to the financial statements; and
- Long term growth plans

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.

#### **4. 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.

Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital.

#### **5. Ceiling of Dividend Pay-out Ratio**

The Board shall ensure that the total dividend proposed for the financial year does not exceed the maximum ceilings specified under the RBI Circular for Core Investment Company which is at present 60% of the net profits.

Provided however in case the Company does not meet applicable prudential requirement with respect to Capital Adequacy and Net NPA as prescribed in RBI circular and summarised in sub-clause 1 and 2 of para 6 of the Policy mentioned below, for each of the last three financial years, the Company may be eligible to 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. Eligibility criteria**

The Company being a Core Investment Company shall comply with the minimum prudential requirements with respect to Capital Adequacy, Net NPA and other criteria as applicable to be eligible to declare dividend as applicable as mentioned below:

Requirement	Conditions
1. Capital Adequacy	The Company shall have met the applicable regulatory capital requirement for each of the last three financial years including the financial year for which the dividend is proposed as specified under Paragraph 8 and 9 of Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016

	<p><b>Adjusted Net Worth</b> Adjusted Net Worth of a CIC shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year.</p> <p><b>Leverage Ratio</b> The outside liabilities of a CIC shall at no point of time exceed 2.5 times its Adjusted Net Worth as on the date of the last audited balance sheet as at the end of the financial year.</p>
2. Net NPA	The net NPA ratio 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.
3. Other criteria	<p>a) Comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934.</p> <p>b) Compliant with the prevailing regulations/ guidelines issued by the Reserve Bank and Reserve Bank shall not have placed any explicit restrictions on declaration of dividend.</p>

## **7. Reporting System**

The Company while declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in the RBI Circular

The report 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 it is registered.

## **8. Circumstances under which the shareholders may not expect Dividend**

The shareholders of the Company may not expect Dividend under the following circumstances:

- i. In the event of inadequacy of profits or whenever the Company has incurred losses;
- ii. Significant cash flow requirements towards higher working capital requirements / tax demands / or others, adversely impacting free cash flows;
- iii. An impending / ongoing capital expenditure program or any acquisitions or growth opportunity or other exigencies which will be spelt including investment plans;
- iv. Any of the above referred internal or external factors, including any regulatory restriction, if any, restraining the Company from considering dividend;

## **9. General**

9.1 Retained earnings will be used for the Company's growth plans, expected capital adequacy/ liquidity requirements, debt repayments and other contingencies.

9.2 If the Board decides to deviate from this policy, the rationale for the same will be suitably disclosed in the Annual Report and to RBI.

**10. Review**

This policy would be subject to review on yearly basis or may be subject to amendment, as may be necessary.

**11. Disclosure**

This policy (as amended from time to time) will be available on the Company's website ([www.adityabirlacapital.com](http://www.adityabirlacapital.com)) and in the Company's Annual Report as applicable