



BELSTAR MICROFINANCE LIMITED

Dividend Distribution Policy

@Reviewed by The Board of Directors on May 09, 2023

Contents

1. OBJECTIVE	1
2. DEFINITIONS	1
3. PARAMETERS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND	1
4. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND.....	3
5. UTILIZATION OF THE RETAINED EARNINGS.....	3
6. MANNER OF DIVIDEND PAYOUT	4
7. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES.....	4
8. POLICY REVIEW AND AMENDMENTS.....	4

1. OBJECTIVE

The intent of the Policy is to broadly specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilized, etc.

The Policy shall not apply to:

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

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided as relevant by the Board.

2. DEFINITIONS

2.1 "Board" shall mean Board of Directors of the Company.

2.2 "Companies Act" shall mean the Companies Act, 2013 and Rules thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended.

2.3 "Dividend" included any interim dividend.

2.4 "Company" shall mean Belstar Microfinance Limited.

2.5 "Policy" means Dividend Distribution Policy.

2.6 "Regulations" shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India, as amended, from time to time.

2.7 "Stock Exchange" shall mean a recognised Stock Exchange as defined under clause (f) of Section 2 of the Securities Contracts (regulation) Act, 1956.

3. PARAMETERS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND

The Board of Directors may declare interim dividend / recommend final dividend for consideration of shareholders of the Company.

As in the past, subject to the provisions of applicable laws, the Company's dividend pay-out will be determined by the Board of Directors from time to time based on the available financial resources, investment requirements and other factors more fully described hereunder. Subject to these parameters, the Company would endeavour to maintain a total dividend pay-out ratio (dividend inclusive of any tax on distribution of dividend in the hands of the Company) of about 10% of the annual standalone profits after tax after adjusting for payment of preference dividend, if any.

The Board of Directors of the Company will consider the following parameters while recommending / declaring Dividend:

3.1 Financial Parameters / Internal Factors

- i. Operating cash flow of the Company ;
- ii. Profit earned during the year ;
- iii. Profit available for distribution ;
- iv. Earnings Per Share (EPS) ;
- v. Working capital requirements ;
- vi. Capital expenditure requirement;
- vii. Regulatory and growth requirement of Capital Adequacy ;
- viii. Business expansion and growth ;
- ix. Likelihood of crystalization of contingent liabilities, if any ;
- x. Up gradation of technology and physical infrastructure ;
- xi. Creation of contingency fund ;
- xii. Acquisition of brands and business ;
- xiii. Cost of Borrowing ;
- xiv. Stipulations in agreements with lenders of the Company
- xv. Past dividend pay-out ratio / trends ;
- xvi. Any windfall, extra-ordinary or abnormal gains made by the Company; and
- xvii. Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

3.2 External Factors:

- i. Economic environment
- ii. Capital markets
- iii. Global conditions
- iv. Statutory provisions and guidelines
- v. industry outlook
- vi. Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

3.3 The Company shall declare dividend only where it meets the following minimum prudential requirements, as laid out under the Reserve Bank of India circular number 2021 ("Declaration of Dividends Circular") and any other applicable guidelines issued by the RBI:

- The Company shall have met the applicable regulatory capital requirement (as specified by the Reserve Bank of India from time to time) for each of the last three financial years including the financial year for which dividend is proposed.
- The net NPA ratio shall be less than 6 percent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
- The Company shall be compliant with the provisions of Section 45 IC of the Reserve Bank of India Act and with all prevailing regulations/guidelines issued by the Reserve Bank. The Reserve Bank shall not have placed any explicit restrictions on declaration of dividend.

3.4 The amount of dividend declared by the Board shall be subject to the maximum Dividend Payout Ratio and the guidelines for calculation thereof as laid out under the Declaration of Dividends Circular, or as notified by the Reserve Bank of India from time to time.

4. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors:

- Proposed expansion plans requiring higher capital allocation Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc. which requires significant capital outflow Requirement of higher working capital for the purpose of business of the Company
- Any of the above referred internal or external factors restraining the Company from declaring dividend;
- Due to restriction under any law in force or restrictions placed by the Reserve Bank of India
- any other circumstance in which the Board does not deem it expedient to recommend any dividend.

5. UTILIZATION OF THE RETAINED EARNINGS

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

- i. Market expansion plan
- ii. Product expansion plan
- iii. Modernization plan

- iv. Diversification of business
- v. Long term strategic plans
- vi. Replacement of capital assets
- vii. Where the cost of debt is expensive
- viii. Dividend payment
- ix. Such other criteria as the Board may deem fit from time to time.

6. MANNER OF DIVIDEND PAYOUT

In case of final dividend:

- i. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.
- ii. The dividend as recommended by the Board may be approved/declared at the Annual General Meeting of the Company.
- iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration, to those shareholders who are entitled to receive the dividend on the record date/book closure period, as per the applicable law.

In case of interim dividend:

- i. Interim dividend, if any, shall be declared by the Board.
- ii. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
- iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration to the shareholders entitled to receive the dividend on the record date, as per the applicable laws.
- iv. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the Annual General Meeting.

7. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

8. POLICY REVIEW AND AMENDMENTS

This Policy would be subject to modification in accordance with the guidelines / clarifications as may be issued from time to time by relevant statutory and regulatory authority. The Board may modify, add, delete or amend any of the provisions of this Policy. Any exceptions to the Dividend Distribution Policy must be

consistent with the Regulations and must be approved in the manner as may be decided by the Board of Directors.

