

MANAPPURAM FINANCE LIMITED (MAFIL)

DIVIDEND DISTRIBUTION POLICY

Version Control		
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Next Review Date : **20/03/2026**

Policy Owner : **Secretarial Department**

Prepared by : **Risk Management Department**

Reviewed by : **Policy Review Committee**

Approved by : **Board of Directors**

1. Introduction

Pursuant to the provisions of Regulation 43A of SEBI and (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable RBI guidelines, Dividend Distribution Policy is adopted to act as a guiding parameter in declaration of dividend in addition to applicable provisions of the Companies Act, 2013, rules made thereunder and SEBI regulations.

2. Applicable RBI Guidelines on distribution of Dividend:

Any dividend declared by MAFIL shall be in accordance with Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 ('RBI Master Direction '). In line with the said RBI Master Direction, MAFIL shall comply with the following minimum prudential requirements to be eligible to declare dividend:

Declaration of Dividend: Minimum Prudential Requirements

Sl. No.	Parameter	Requirement
1.	Capital Adequacy	<p>MAFIL shall have to meet the following applicable regulatory capital requirement for each of the last three¹ financial years including the financial year for which the dividend is proposed.</p> <ul style="list-style-type: none"> MAFIL shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15 percent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items MAFIL being an NBFCs primarily engaged in lending against gold jewellery (being gold loans comprising 50 percent or more of our financial assets) shall maintain a minimum Tier I capital of 12 percent.
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) MAFIL shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934.</p> <p>(b) MAFIL shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank. The Reserve Bank shall not have placed any explicit restrictions on declaration of dividend.</p>
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Quantum of Dividend Payable: Upon being eligible to declare dividend, MAFIL may pay dividend subject to the following additional conditions as mentioned in the RBI Circular:-

- The ceilings on dividend pay-out ratios as applicable to MAFIL to declare dividend are as under:

Sl. No.	Type of NBFC	Maximum Dividend Payout Ratio (percentage)
1.	Other NBFCs	50

- Dividend Pay-out Ratio shall be taken as 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.
- The 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 extra-ordinary 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.

If the company could not meet the applicable capital ratio (including leverage ratio wherever applicable) requirements and/ or the net NPA ratio requirement as above, for each of the last three financial years, shall be eligible to declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided the company complies with both the following conditions:

(i) meets the applicable minimum capital requirement (including leverage ratio wherever applicable), as per the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, in the financial year for which it proposes to pay dividend, and

(ii) has net NPA of less than four percent as at the close of the said financial year.

3. Details of dividend declared during the financial year

Upon declaration of dividend, MAFIL shall furnish a report within a fortnight to the RBI Thiruvananthapuram Office, being the Regional Office of the Department of Supervision of the Reserve Bank, under whose jurisdiction the Company is registered, as per the prescribed format

4. The financial parameters that shall be considered while declaring dividend

- Standalone / net operating profit after tax.
- Operating cash flow of the Company for the year.
- Liquidity position, aggregate Debt of the Company (both standalone and consolidated), debt service coverage position etc.
- Loan repayment and Working capital requirements;
- Capital expenditure requirements;
- Resources required for funding acquisitions, mergers and / or new businesses.
- Cash flow required for meeting tax demands and other contingencies.
- Regulatory (and growth requirement of) Capital Adequacy.
- Regulatory (and growth requirement of) Solvency. - Trend of dividends paid in the past years; - Dividend receipt from subsidiaries.
- Any windfall, extra-ordinary or abnormal gains made by the Company.
- Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

5. Internal and external factors that shall be considered for declaration of dividend

- 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.
- Long term growth plans of the Company.
- Stability of Earnings should be considered
- Internal financing policy of the company influences the dividend policy of the company.
- Liquidity of Funds should be considered along with dividend payout.
- Dividend Policy of Competitive Concerns in the same industry.
- Past Dividend Rates of the company to maintain a consistency.

- Debt Obligations and Ability to Borrow funds with respect to Growth Needs of the Company.
- The board of directors will have to consider the legal restriction in companies Act 2013/RBI/SEBI Guidelines.
- Policy of Control and Corporate Taxation Policy
- Tax Position of Shareholders and Effect of Trade Cycle.

6. Parameters that shall be adopted with regards to various classes of shares

- The Company has only one class of equity shareholders and does not have any issued preference share capital. However, in case Company issue different class of equity shares any point in time, the factors and parameters for declaration of dividend to different class of shares of the Company shall be same as covered above.
- The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.
- The dividends shall be paid out of the Company's distributable profits and/or general reserves, and shall be allocated among shareholders on a pro rate basis according to the number of each type and class of shares held
- Dividend when declared shall be first paid to the preference shareholders of the Company if any as per the terms and conditions of their issue

7. Amendment of Policy:

- The Dividend Distribution Policy of the company may be amended at any time by the Board of Directors of the Company.

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