



Spandana Sphoorty Financial Limited

DIVIDEND DISTRIBUTION POLICY
Date of Implementation: 31st October, 2019

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1. Introduction:

- a) The Securities and Exchange Board of India (the “SEBI”) vide its Notification dated July 08, 2016 has amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31st day of March of every year.

The Board of Directors (“the Board”) of the Company has adopted and formulated Dividend Distribution Policy, in compliance with the Listing Regulations, as amended, and has uploaded the same on Company’s website at www.spandanaindia.com.

2. Definitions:

The terms referred to in this policy will have the same meaning as defined under the Companies Act, 2013 (the “Act”) and the Rules made thereunder, and the Listing Regulations.

3. Effective Date:

The Policy will come into effect on its adoption by the Board of Directors of the Company.

4. Object:

The objective of the Policy is to establish the parameters to be considered by the Board before declaring or recommending dividend. The Policy endeavors to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient funds are retained for growth of the Company. The Company is committed to deliver sustainable value to all its stakeholders.

5. Scope:

The Policy covers the following:

a. Dividend to Equity Shareholders of the Company:

At present the Company has only one class of 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.

b. Interim Dividend:

Interim Dividend(s), if any, shall be declared by the Board.

In case no final dividend is declared for any particular financial year, interim dividend paid during that year, if any shall be regarded as final dividend for the year in the Annual General Meeting (AGM).

c. **Final Dividend:**

Recommendation, if any, shall be made 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.

The dividend as recommended by the Board shall be approved/declared in the AGM of the Company.

6. **Parameters to be considered:**

The Board shall consider following parameters, factors and circumstances before declaring or recommending dividend:

- a) **Statutory Requirements:** The Board shall comply with the provisions of the Companies Act, 2013 and rules applicable there under including those with respect to mandatory transfer of a certain portion of profits to any specific reserve which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.
- b) **Internal Factors:** The Board shall consider following internal factors:
- a) Company's Liquidity position including its present and expected obligations.
 - b) Profits of the Company.
 - c) Present and Future Capital expenditure plans of the Company including organic / inorganic growth opportunities.
 - d) Likely fund requirements of Subsidiary companies.
 - e) Financial commitments w.r.t. the outstanding borrowings and interest thereon.
 - f) Financial requirement for business expansion and/or diversification, acquisition etc of new businesses.
 - g) Past dividend trend of the Company and the Industry.
 - h) Cost of borrowings.
 - i) Other Corporate Action options (For ex. Bonus issue, Buy back of shares).
 - j) Any other relevant or material factor as may be deemed fit by the Board.
- c) **External Factors:** The Board shall consider following external factors:
- (a) State of economy and capital markets.
 - (b) Applicable taxes including dividend distribution tax.
 - (c) Regulatory Changes: Introduction of new or changes in existing tax or regulatory requirements (including dividend distribution tax) having significant impact on the Company's operations or finances.
 - (d) Any other relevant or material factor as may be deemed fit by the Board.

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

The Company may be restrained to declare dividends in following circumstances:

- a) **Inadequate profits:** If during any financial year, the profits of the Company are not adequate, the Board may decide not to recommend any dividend for that year.
- b) **Dividend not to be declared out of reserves:** As a rule, dividend for any particular financial year shall be recommended or paid out of the Profit of that financial year and the Board shall not declare or recommend any dividend out of the reserves, except for reasons to be expressly laid down. Any decision in this regard shall be reflected in the Annual Report and website of the Company while declaring/ recommending dividend.

8. Entitlement and Timelines for Dividend payments:

- a) **Entitlement:** The dividend shall be paid to the shareholders entitled to receive dividend on the record date / book closure date as per applicable laws.
- b) **Timelines:** The payment of dividend shall be made within the time prescribed under the Act or the rules made there under. Presently, dividend is to be paid within 30 days from the date of declaration by the Board in case of Interim Dividend and within 30 days from the declaration by the shareholders in the AGM in case of Final Dividend.

9. Manner of Utilization of Retained Earnings:

The retained earnings shall be deployed in line with the objects of the Company as detailed in Memorandum of Association of the Company. The Company shall endeavor to utilize its retained earnings in a manner which shall be beneficial to the interest of the Company and also its shareholders. The decision of utilization of the retained earning shall be based on the factors like strategic and long term plans of the Company, future equity acquisitions, diversification opportunities or any other criteria that may be considered relevant by the Board in this regard.

10. Conflict of Policy:

In the event of the Policy being inconsistent with any regulatory provision, such regulatory provision shall prevail upon the corresponding provision of this Policy.

11. Amendment(s):

The Board may, from time to time, make amendment(s) to this Policy to the extent required due to change in applicable laws and / or regulations or as deemed fit on a review.
