

# **NORTHERN ARC CAPITAL LIMITED**

## **DIVIDEND DISTRIBUTION POLICY**

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### **1. Background**

- 1.1. This policy is formulated in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”). Pursuant to Regulation 43A of Listing Regulations, the top thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) are required to formulate a Dividend Distribution Policy (the “**Policy**”), which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports. Further, the listed entities other than those specified above may disclose their dividend distribution policies on a voluntary basis on their websites and provide a web-link in their annual reports.
- 1.2. The objective of this policy is to lay down the criteria to be considered by the Board of Directors the “**Board**”) of Northern Arc Capital Limited (the “**Company**”) before recommending dividend to its shareholders for a financial year.
- 1.3. The Board shall declare interim dividend or recommend final dividend in compliance with the Policy, the applicable provisions of the Companies Act, 2013, rules made thereunder, regulations and guidelines issued by the Reserve Bank of India from time to time, and other applicable laws.

### **2. Parameters to be considered while declaring dividend**

- 2.1. The Board shall consider the following financial parameters or internal factors before arriving a decision on declaration of dividend:
  - Availability of profit during the financial year for distribution as dividend
  - The position of accumulated reserves of the Company
  - Company’s liquidity position and future cash flow needs
  - Stipulations in agreements with lenders of the Company
  - Long terms growth strategy requiring the Company to plough back profits
  - Capital expenditure requirements
  - Any other relevant factors that the Board may deem fit to consider before declaring dividend
- 2.2. The Board shall consider the following external factors while arriving a decision on declaration of dividend:
  - Statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve
  - Government Policies and any changes there in
  - Industry outlook

- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

2.3. The Company shall declare dividend only where it meets the following minimum prudential requirements, as laid out under the Reserve Bank of India Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 and any other applicable guidelines/circulars issued by the RBI:

The Board of Directors while considering the proposals for dividend, shall take into account each of the following aspects:

- (i) Supervisory findings of the Reserve Bank on divergence in classification and provisioning for Non-Performing Assets (NPAs).
- (ii) Qualifications in the Auditors Report to the financial statements.
- (iii) Long term growth plans of the NBFC.

The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in these guidelines

- The Company can declare the dividend up to dividend payout ratio of 50 percent, only if it satisfies the following conditions: 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.

However, there will be no ceiling on dividend payout ratio for eligible NBFCs that do not accept public funds and have no customer interface.

2.4. The company shall declare dividend up to a dividend payout ratio of 10 percent under the following situations:

- The Company fails to meet 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.
- Has net NPA of less than 4% as at the close of financial year.

2.5. 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 RBI Directions or Circular, or as notified by the Reserve Bank of India from time to time.

2.6. After the declaration of a dividend, the company shall report the details of the dividend declared during the financial year within a fortnight, as per the format prescribed by the RBI

from time to time.

### **3. The circumstances under which the shareholders may or may not expect dividend**

3.1. Under the following circumstances, the Board may decide not to recommend dividend to the shareholders:

- Due to restriction under any law in force or restrictions placed by the Reserve Bank of India
- Any of the financial parameters or internal/external factors referred in para 2 above restraining the company from considering declaration of dividend.
- any other circumstance in which the Board does not deem it expedient to recommend any dividend.

### **4. Utilisation of retained earnings**

4.1. The Company shall endeavor to utilise the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders.

4.2. The Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous years or out of the free reserves available for distribution of dividend, subject to the requirements of applicable laws, after having due regard to the parameters laid down in this Policy.

### **5. Parameters that shall be adopted with regard to various classes of shares**

5.1. The Policy shall not apply to determination of dividend on any of the classes of preference shares, as the same will be in accordance with the terms of issue preference shares, as approved by the shareholders.

### **6. Review**

6.1. This policy would be subject to revision or amendment on a periodic basis as may be necessary.

### **7. Disclosures**

7.1. The Policy shall be disclosed in the annual report and on the website of the Company i.e., at <https://www.northernarc.com/>

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