

V.2/01/22 (25.01.22)



YOGAKSHEMAM LOANS LMTIED

Dividend Policy

As approved by the Board on 23rd January,2021

Review History

<u>Original Approved</u>	<u>Board Meeting</u>	<u>23.01.2021</u>
<u>1st Review</u>	<u>Board Meeting</u>	<u>25.01.2022</u>

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Yogakshemam Loans Ltd.,

Policy on Appropriation of Profit, Declaration and payment of dividend 2021

I. Preamble

This policy on appropriation of profit and Declaration of dividend is framed to act as guiding principles for appropriation and distribution of profit of the company for different purposes. Reserve Bank of India (RBI) has issued a circular No. DOR.ACC.REC.No.23/21.02.067/2021-22 dated 24th June 2021 putting in place certain guidelines on distribution of dividend by NBFC and this policy is in line with the said circular.

II. Appropriation of profit

The company shall appropriate the net profit (Profit after Tax) in a manner that will be in the best interest of the company and its shareholders. Subject to the provisions of Companies Act, 2013, Reserve Bank of India Directions and all other laws to the extent they are applicable to the company in this respect. The net profit of the company shall be appropriated in the following manner;

Firstly, to the mandatory reserves, if any, prescribed under applicable laws and directions

Secondly, for ploughing back for the growth and development of the company including financing of working capital.

Thirdly, for distribution among the shareholders as dividend

Fourthly, for creating any contingent or special reserves as may be required or deem fit by the Board of directors

III. 2. Declaration and payment of dividend

- The Board shall while considering the proposal for dividend, take into consideration the following aspects:
- a) Supervisory findings of Reserve Bank of India on divergence in classification and provisioning for Non- Performing Assets (NPAs)
- b) Qualifications in the Auditors Report to the financial statements; and
- c) Long term growth plans of the NBFC.
- The Board of directors may at its meeting decide the quantum of dividend to be paid on the shares for each financial year subject to the compliance with the provisions of Companies Act and the guidelines or directions issued by the RBI from time to time.
- The Board may recommend the dividend based on the audited financial statements of the company for each financial year and the dividend so recommended shall be declared at the AGM and shall be paid accordingly

- The Board may also declare any interim dividend at such interval as it may deem fit based on availability of profit.

IV. Conditions for declaration and payment of dividend

- 1) The Company shall comply with the provisions of Section 45IC of the Reserve Bank of India Act, 1934.
- 2) 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 the Company is a Non-systemically Important Non-Deposit taking NBFC, (NBFC-ND_NSI) as per the existing regulations the leverage *ratio shall not be more than 7 at any time with effect from March 31, 2015.*
- 3) 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
- 4) The company shall be compliant with the prevailing regulations/ guidelines issued by the RBI. The RBI shall not have placed any explicit restriction on declaration of dividend.

V. Quantum of Dividend Payable.

- a) Dividend pay-out ratio:- 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.
- b) Proposed dividend shall include both dividend for equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital.
- c) Considering the fact that the company is in its growth stage and requires capital in good measure, the ratio of distributable profit shall be 50% of the Profit after tax for each financial year.
- d) Depreciation on fixed assets and intangibles should have been provided adequately in accordance with the applicable laws and accounting standards.
Sufficient provisions have been made for Non-Performing Assets (NPA) as required under the prudential norms and all lost assets should have been written off or fully provided for.
- e) In case the net profit for the relevant period includes any exceptional or extra ordinary profits or the financial statement are qualified 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
- f) All other statutory provisions have been provided for.
- g) The quantum of dividend shall be fixed after considering the sufficiency in Reserve and Surplus account to cover the net NPA as reduced by the provision for standard assets as on the date of recommendation of dividend.

VI. Dividend shall be on paid up value.

The payment of any dividend or interim dividend shall be in proportion to the paid up value of equity shares of the company and in proportion to the period for which the shares are

allotted during the relevant period to which the dividend relates. For the purpose of reckoning the period, 365 days will constitute a financial year or part thereof.

VII. Capitalisation of profit

The Board may issue fully paid up bonus shares out of accumulated profit in lieu of distribution of profit or by capitalising the balance in the securities premium account subject to the compliance with the applicable provisions.

VIII. Review of policy

The Board may review this policy at such intervals as it may deem necessary.
