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# **DIVIDEND DISTRIBUTION POLICY**

*GLOSEC FINANCE PRIVATE LIMITED*

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## Document Control

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<b>Reviewed and Approved By:</b>	Board of Directors

## **Introduction**

This Dividend Distribution Policy ("Policy") sets out the parameters and guidelines to be followed by Glosec Finance Private Limited ("the Company"), a Base Layer Non-Banking Financial Company (NBFC), for declaration and distribution of dividends.

This Policy is framed in accordance with the Companies Act, 2013 read with the applicable rules framed thereunder and Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025.

## **Objective**

The objective of this Policy is to: -

- a) Ensure compliance with all applicable regulatory requirements governing the declaration and distribution of dividends;
- b) Maintain an optimal balance between dividend distribution and retention of earnings, in order to support the Company's financial stability and long-term objectives;
- c) Facilitate sustainable growth of the Company's financing and investment activities through prudent capital management; and
- d) Safeguard the interests of all stakeholders, including shareholders, creditors, and regulators.

## **Scope and Applicability**

This Policy sets out the key parameters, factors, and circumstances that shall be considered by the Board of Directors of the Company while determining the declaration and distribution of dividends to its shareholders and/or retention of profits.

The Policy aims to ensure that dividend decisions are made in a prudent manner, taking into account the Company's financial performance, regulatory requirements, capital adequacy, liquidity position, and long-term business objectives.

Notwithstanding the above, the Board of Directors may, in exceptional or extraordinary circumstances, deviate from the parameters prescribed in this Policy, subject to compliance with applicable laws and regulations. Any such deviation shall be appropriately recorded and justified.

This Policy applies to declaration of Interim Dividend and Final Dividend on Equity Shares Compulsorily Convertible Preference Shares (if applicable) or such other class of shares convertible into equity shares.

### **Category of Dividends**

As per the provisions of the Companies Act, 2013, the Company may declare two types of dividend, namely Interim Dividend and Final Dividend.

#### **Interim Dividend**

The Board of Directors shall have the authority to declare interim dividend during any financial year or at any time during the period from closure of the financial year till the holding of the Annual General Meeting, out of:

- The surplus in the profit and loss account; or
- The profits of the financial year in which such interim dividend is sought to be declared; or
- Profits generated in the financial year up to the quarter preceding the date of declaration.

In case the Company has incurred a loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall be declared at a rate not higher than the average dividends declared by the Company during the immediately preceding three financial years.

The Board may declare interim dividend one or more times during a financial year, as it may deem appropriate, after considering the financial position of the Company.

Ordinarily, the Board may consider declaration of interim dividend after approval of quarterly or periodic financial results.

### **Final Dividend**

The final dividend shall be recommended by the Board of Directors for approval by the shareholders at the Annual General Meeting, based on the audited financial statements of the Company for the relevant financial year.

The dividend, once approved by the shareholders, shall be declared and paid in accordance with the applicable provisions of the Companies Act, 2013.

In a financial year where the Board has declared one or more interim dividends, the Board may recommend the same to be considered as final dividend, subject to compliance with applicable provisions of law.

## ***Recommendation / Declaration of Dividend***

### **Regulatory Framework**

The Company shall comply with the following conditions while declaring or distributing dividend:

#### ***As per the Companies Act, 2013***

a) Dividend shall be declared only out of:

- profits of the Company for the current financial year after providing for depreciation; or
- profits of previous financial year(s) after providing for depreciation; or
- both; or
- money provided by the Central or State Government for payment of dividend in pursuance of a guarantee.

b) No dividend shall be declared unless carried over previous losses and unprovided depreciation, if any, are set off against profits of the Company.

c) The Company shall transfer such percentage of profits to reserves as may be considered appropriate by the Board before declaration of dividend.

d) Dividend shall be deposited in a separate bank account within five days from the date of declaration and paid to eligible shareholders within the prescribed timelines.

e) In case of inadequacy or absence of profits, dividend may be declared out of accumulated profits transferred to free reserves, subject to compliance with Rule 3 of the Companies (Declaration and Payment of Dividend) Rules, 2014.

*As per RBI Guidelines (Applicable to NBFCs)*

The Company shall ensure compliance with Reserve Bank of India (Non-Banking Financial Companies–Prudential Norms on Declaration of Dividends) Directions, 2025 dated November 28, 2025 as amended from time to time, including the Scale Based Regulation framework.

The Company shall ensure compliance with Section 45 IC of the RBI Act, 1934, and adherence to prevailing RBI regulations/guidelines.

An NBFC shall comply with the following minimum prudential requirements to be eligible to declare dividend:

<b>Capital Adequacy (CRAR &amp; Regulatory Capital)</b>	<p>The NBFC must have complied with the applicable regulatory capital requirements (including CRAR, Tier I, Tier II, leverage ratio, ANW, etc.) for each of the last three financial years, including the year in which dividend is proposed.</p> <p>The NBFC should have been compliant for at least the last 3 financial years (or since registration, if incorporated recently)</p>
<b>Asset Quality (Net NPA)</b>	<p>The Net NPA ratio shall be below 6% for each of the last</p>

	three financial years or such other ration as amended from time to time.
<b>Profitability</b>	Dividend shall be declared only out of adequate and sustainable profits, as per audited financial statements.
<b>Supervisory Restrictions</b>	The NBFC should not be under any explicit restriction from RBI regarding declaration of dividend
<b>Provisioning Compliance</b>	The NBFC must have made adequate provisions for NPAs, standard assets, and other regulatory requirements before declaring dividend.

### **Dividend Payout Ratio**

In line with RBI Directions applicable to Base Layer NBFCs not accepting public funds and not having customer interface, the Company shall not be subject to any regulatory ceiling on dividend payout ratio. However, the Board shall adopt a prudent and conservative approach to dividend distribution, ensuring that sufficient profits are retained to maintain capital adequacy, support business growth, and meet regulatory requirements.

The Board shall ensure that dividend declaration does **not** adversely impact the Company's financial stability.

### **Factors to be considered**

The Company shall critically evaluate various internal and external factors before recommending or declaring dividend, to ensure that such distribution is prudent, sustainable, and in alignment with its financial position and regulatory expectations.

#### **Internal Factors**

The Board of Directors shall consider, inter alia, the following internal factors:

a)	<b>Profitability</b>	The Company's profitability, including current year profits and past earnings, shall be a primary determinant. The Board shall assess the sustainability and quality of earnings before recommending dividend.
b)	<b>Cash Flow Position</b>	The availability of adequate cash flows shall be evaluated to ensure that dividend payments do not strain the Company's operational liquidity or working capital requirements.
c)	<b>Capital Expenditure Requirements</b>	Planned and ongoing capital expenditure commitments, including investments in technology, infrastructure, and other strategic initiatives, shall be considered to ensure sufficient retention of earnings.
d)	<b>Business Expansion Plans</b>	The Company's growth strategy, including expansion of financing activities, entry into new segments, or scaling of existing operations, shall be taken into account while determining the extent of dividend distribution.
e)	<b>Liquidity Position</b>	The overall liquidity profile of the Company, including asset-liability maturity mismatches and funding requirements, shall be assessed to ensure that dividend declaration does not adversely impact liquidity.
f)	<b>Capital Adequacy and Leverage</b>	The Company's capital adequacy (CRAR), leverage levels, and ability to absorb potential losses shall be carefully evaluated to ensure continued regulatory compliance and financial resilience.
g)	<b>Asset Quality and Provisioning</b>	The level of non-performing assets (NPAs), provisioning coverage, and credit risk exposure shall

		be considered to ensure that dividend declaration does not compromise balance sheet strength.
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### External Factors

The Board shall also take into account relevant external factors, including:

a)	<b>Economic Conditions</b>	Prevailing macroeconomic environment, including GDP growth, credit demand, and overall financial market conditions, which may impact the Company's performance and future outlook.
b)	<b>Regulatory Changes</b>	Any changes in laws, regulations, or guidelines issued by the Reserve Bank of India or other authorities that may affect dividend distribution, capital requirements, or business operations.
c)	<b>Cost of Capital</b>	The cost and availability of external funding, including borrowing costs and market conditions, which may influence the need for internal capital retention.
d)	<b>Inflation and Interest Rate Environment</b>	Inflation trends and interest rate movements, which may affect operating costs, borrowing rates, and overall financial stability of the Company.
e)	<b>Industry Outlook</b>	The performance, risks, and outlook of the NBFC sector and broader financial services industry, including competitive dynamics and credit risk environment.
f)	<b>Market Conditions and Investor Expectations</b>	General market sentiment and expectations of shareholders, balanced with the Company's long-term financial health and sustainability

### **Procedure for Dividend Payment**

The Company shall ensure that the payment of dividend is carried out in a timely and compliant manner in accordance with applicable provisions of the Companies Act, 2013 and other relevant laws:

a)	<b>Separate Bank Account</b>	The amount of dividend declared shall be deposited in a separate bank account opened with a scheduled bank within <b>five (5) days</b> from the date of declaration of such dividend.
b)	<b>Timeline for Payment</b>	The dividend shall be paid or dispatched to the eligible shareholders within <b>thirty (30) days</b> from the date of declaration
c)	<b>Mode of Payment</b>	Dividend shall be paid through permitted modes such as electronic transfer (NEFT/RTGS/IMPS), cheque, or demand draft, as applicable, in accordance with applicable provisions and shareholder instructions.
d)	<b>Unpaid / Unclaimed Dividend</b>	In case any dividend remains unpaid or unclaimed within <b>thirty (30) days</b> from the date of declaration, the Company shall, within <b>seven (7) days</b> from the expiry of such period, transfer the unpaid amount to a separate account titled " <b>Unpaid Dividend Account</b> ".
e)	<b>Further Compliance (as applicable)</b>	The Company shall comply with all applicable provisions relating to unpaid and unclaimed dividend, including maintenance of records and transfer requirements, as prescribed under the Companies Act, 2013.
f)	<b>Investor Education</b>	Since your Company is a <b>private, non-listed Base</b>

	and Protection Fund (IEPF)	<b>Layer NBFC</b> , provisions relating to <b>Investor Education and Protection Fund (IEPF)</b> may have <b>limited or no practical applicability</b> (as they generally apply to public companies). However, the Company may continue to follow the same as a matter of good governance, where applicable.
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### **Reporting to RBI**

The Company shall comply with the reporting requirements prescribed by the Reserve Bank of India in relation to declaration of dividend.

a)	<b>Reporting Timeline</b>	The Company shall report the details of dividend declared to the Reserve Bank of India within <b>fourteen (14) days</b> from the date of declaration, or within such time as may be prescribed by the Reserve Bank of India from time to time.
b)	<b>Prescribed Format</b>	An NBFC declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in Annex I , within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank, under whose jurisdiction it is registered.
c)	<b>Responsibility</b>	The Compliance Officer / Chief Financial Officer or any other officer as may be designated by the Board shall be responsible for ensuring timely and accurate reporting of dividend-related information to the Reserve Bank of India

## *Policy Review and Disclosure*

a)	<p>This Policy shall be reviewed by the Board of Directors periodically to ensure its continued relevance and alignment with the regulatory framework, business environment, and the Company's strategic objectives. The Policy shall also be reviewed as and when there are any changes in the applicable laws, regulations, or guidelines issued by the Reserve Bank of India, the Ministry of Corporate Affairs, or any other statutory authority.</p>
b)	<p>Any amendments, modifications, or revisions to this Policy shall be subject to approval of the Board of Directors. The Board may also delegate authority to a committee or designated officials to recommend changes to the Policy.</p>
c)	<p><b>Disclosure</b></p> <p>In line with applicable regulatory requirements:</p> <ul style="list-style-type: none"><li>• The Policy shall be disclosed on the Company's website, if applicable;</li><li>• Key features of the Policy may be disclosed in the Board's Report, as required under the provisions of the Companies Act, 2013; and</li><li>• The Company shall make such disclosures as may be prescribed by the Reserve Bank of India or any other regulatory authority from time to time.</li></ul>
d)	<p><b>Interpretation</b></p> <p>In case of any ambiguity or inconsistency between this Policy and applicable laws or regulations, the provisions of such laws and regulations shall prevail. The interpretation of this Policy shall rest with the Board of Directors.</p>