A. K. CAPITAL FINANCE LIMITED

BUILDING BONDS

DIVIDEND DISTRIBUTION POLICY

Adopted/Amendment of the Policy	Board Meeting Date(s)
Adoption of the Policy	April 01, 2020
Amendment of the Policy	February 03, 2025

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1. OBJECTIVE:

The objective of the Dividend Distribution Policy ("**Policy**") of A.K. Capital Finance Limited is to reward its shareholders by sharing a portion of the profits.

2. DEFINITION:

A. **"Act"** means the Companies Act, 2013 read with rules made thereunder [including any amendments or re-enactments thereof]

B. "**Board**" or "**Board of Directors**" shall mean Board of Directors of the Company, as constituted from time to time.

C. "**Company**" shall mean A. K. Capital Finance Limited

D. "**Dividend**" includes any interim Dividend as specified in Section 2(35) of the Companies Act, 2013 read with Companies (Declaration and Payment of Dividend) Rules, 2014.

E. **"Dividend Payout 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. Proposed Dividend shall include both Dividend on equity shares, and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital.

F. "**Financial Year**" shall mean the period starting from 1st day of April and ending on the 31st day of March every year

G. "**NBFC**" means Non-Banking Financial Company

H. "**RBI**" means Reserve Bank of India

I. "**Scale Based Regulations**" means Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (including any amendments or re-enactments thereof)

Any term(s) and, or expression(s) not defined in this Policy shall have the same meaning as defined in the applicable provisions of the Companies Act, 2013, the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and other applicable laws and/ or regulation.

Wherever appropriate in this Policy, a singular term shall be construed to mean the plural where necessary and a plural term the singular. Similarly, any masculine term shall also be construed to mean the feminine or any other gender and vice versa.

3. REGULATORY COMPLIANCE:

The Company may declare Dividend only after ensuring compliance with the provisions specified in the Act read with rules made thereunder, Scale Based Regulation and RBI Circular on Declaration of Dividend by NBFC on declaration of Dividend as amended to the extent applicable to the Company and other applicable law time being in force.

4. PRINCIPLES AND FACTORS FOR DIVIDEND DECLARATION AND PAYOUT:

The Board of Directors may recommend/ declare the Dividend at its discretion considering the operating and financial performance of the Company as well as applicable legal and regulatory laws.

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

a) Supervisory findings of the Reserve Bank 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 company.

The Board shall ensure that the total Dividend Payout Ratio does not exceed the ceiling limit of 50% for the Financial Year.

Eligibility criteria for declaration of Dividend

The Company shall comply with the following minimum prudential requirements to be eligible to declare Dividend:

Sl. No.	Parameter	Minimum Prudential Requirements
1.	Capital Adequacy	Applicable Minimum Regulatory Capital Requirements prescribed under Scale Based Regulations shall be complied in each of the last three Financial Years including the Financial Year for which the Dividend is proposed.
2.	Net NPA	The net NPA ratio shall be less than 6% 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	The Company shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934.
		The Company shall be compliant with the prevailing regulations/ guidelines issued by the RBI. The RBI shall not have placed any explicit restrictions on declaration of Dividend.

Conditions for declaration of Dividend in case of non-fulfilment of prudential requirements:

If the Company does not meet the applicable regulatory capital requirement and/ or the net NPA ratio requirement as specified above for each of the last three Financial Years, it may be eligible to declare Dividend, subject to a ceiling of 10% on the Dividend Payout Ratio, provided it complies with the following conditions:

a) meets the applicable capital adequacy requirement in the Financial Year for which it proposes to pay Dividend; and
b) has net NPA of less than 4% as at the close of the Financial Year.

5. FACTORS THAT MAY AFFECT DIVIDEND PAYOUT

The Board may consider the below mentioned for purpose of recommendation/ declaration of Dividend:

Financial parameters and Internal Factors

- Distributable surplus available as per the Act and Scale Based Regulations;
- Financial performance of the Company;
- Optimal cash position requirement to fund exigencies, if any;
- Internal capital planning framework/ policy;
- Cost of raising funds from alternate sources of capital;
- Such other factors and/or material events which the Board of Directors of the Company may consider.

External Factors

- Prevailing legal requirements, regulatory conditions or restrictions laid down under the applicable laws including tax laws;
- Macro-economic conditions and general business environment; and
- Other factors and/or significant events that the Board of Directors may deem necessary to consider from time to time

The recommendation/ declaration of Dividend shall be at the discretion of the Board. In case of final Dividend, approval of shareholders is required and authority with the Board is to recommend the same to shareholders.

6. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED

The Board shall consider the factors as provided above, before determination of any Dividend payout after analyzing the prospective opportunities and threats, viability of the options of Dividend payout or retention etc.

7. DIVIDEND PAYOUT

The Company stands committed to deliver sustainable value to all its stakeholders. As explained in the earlier part of this Policy, determining the Dividend payout is dependent upon several factors, both internal to a business and external to it.

The ceiling on maximum Dividend Payout Ratio to declare Dividend in any Financial Year will be as per the regulatory limit as prescribed under the Act or Scale Based Regulations or any other statutory enactments.

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 Payout Ratio.

8. MANNER OF UTILISATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Market and Product expansion plan;
- Automation and modernization plan;
- Diversification of business;
- Long term strategic plans;
- Replacement of capital assets;
- Other such criteria as the Board may deem fit from time to time.

9. PARAMETERS ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

The Company has only one class of shares as on date. If in future, the Company issues any other class of shares, the Board will determine payout of Dividend for such class of shares in accordance with the terms of issue of the said class of shares, provisions of the Act, Scale Based Regulations and other applicable laws.

10. FREQUENCY OF DIVIDEND DISTRIBUTION

After taking into consideration the factors enumerated in this Policy, the Board may consider declaring one or more interim Dividend in addition to the recommendation of final Dividend for Financial Year in accordance with the Act, Scale Based Regulations and other applicable laws. The considerations applied for both types of Dividends will be same as enumerated above.

11. DISCLOSURES

This Policy should be disclosed on the website of the Company and a web-link shall also be provided in its annual reports.

12. REPORTING SYSTEM

The report (as per Annexure-1) shall be furnished by the Company within a fortnight after declaration of Dividend to the Regional Office of the Department of Supervision of the Reserve Bank.

13. REVIEW AND AMENDMENT

The Board may amend this Policy as and when deemed fit. This Policy shall subject to review by the Board, at least on an annual basis.

The Company shall reserve the right to review and make amendment to this Policy from time to time as it deems fit in accordance with the applicable laws, rules and regulations for the time being in force. In the event of any conflict between the provisions of this Policy and the Act or Scale Based Regulations or any other statutory enactments, the provisions of such Act or Scale Based Regulations or statutory enactments shall prevail over this Policy.

14. DISCLAIMER:

This Policy does not constitute a commitment regarding the future Dividends of the Company but only represents a general guideline regarding Dividend distribution. This Policy does not in any way restrict the right of the Board to use its discretion in the recommendation/ declaration of the Dividend to be distributed in the year and the Board reserves the right to depart from the Policy as and when circumstances so warrant.

Given the aforementioned uncertainties, all the stakeholders, including prospective or present investors are cautioned not to place undue reliance on any of the forward- looking statements in the Policy.

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Annexure 1

Reporting Format for NBFCs Declaring Dividend

Details of Dividend declared during the Financial Year - _____

Name of the NBFC – _____

Accounting period[#]	Net profit for the accounting period (₹ crore)	Rate of Dividend (%)	Amount of Dividend (₹ crore)	Dividend Payout Ratio (%)

[#]quarter or half year or year ended ----- as the case may be