

DIVIDEND DISTRIBUTION POLICY

Latest Review/Amendment Date

Date	Review/ Amendments	Reviewed/ Amendment Approved By
August 5, 2022	Review	Board of Directors

DIVIDEND DISTRIBUTION POLICY

BACKGROUND AND APPLICABILITY

The Securities and Exchange Board of India (SEBI), vide its Notification dated July 8, 2016 has amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, by inserting Regulation 43A in order to make it mandatory for the top specified companies to formulate a "Dividend Distribution Policy".

Regulation 43A of the SEBI Listing Regulations provides as under:

The top 1000 listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a Dividend Distribution Policy which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports.

Since Paisalo Digital Limited is amongst the top 500 listed entities based on the market capitalization as on March 31, 2021, the dividend distribution policy has been formulated and adopted on June 4, 2021.

Further, Reserve Bank of India vide its notification no. RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22 issued guidelines for Declaration of dividends by NBFCs ("RBI Guidelines") which shall be effective for declaration of dividend from the profits of the financial year ending March 31, 2022 and onwards. Accordingly, Company's Dividend Distribution Policy has been amended to incorporate the necessary clause in the policy in terms of RBI Guidelines.

OBJECTIVE OF DIVIDEND POLICY

The objective of this policy is to lay down the criteria and parameters to be considered by the Board of Directors of the Company before recommending dividend to its shareholders from time to time. This Policy is applicable to dividend declared/recommended on the equity shares of the Company and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital and does not cover dividend on other type of shares including preference shares, if any, where the rate of dividend is governed by the terms of the issue of preference shares or any other form of dividend.

DIVIDEND DISTRIBUTION PHILOSOPHY

The three words of ancient Sanskrit phrase 'Arthah Samajasya Nyasah' get reflected in the motto and philosophy behind the Company's ideology that Wealth is the Trust Property of the Society and Business with a Social Conscience. With this ideology the Company has been consistently paying dividend and committed to deliver value to all its stakeholders. Accordingly, the Board would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well as long term needs of the business.

DIVIDEND

Dividend represents the profit of the Company, which is distributed to shareholders in proportion to the amount paid-up on shares they hold. Dividend includes Interim dividend.

The Dividend for any financial year shall normally be paid out of the Company profits for that year. This will be arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013. If circumstances require, the Board may also declare dividend out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.

INTERIM AND FINAL DIVIDEND

The Board may recommend final dividend for the approval of the shareholders at the Annual General Meeting. Additionally, the Board may declare one or more Interim Dividends during the year.

The Board of Directors may also recommend special dividend in special circumstances

Dividend Payout Ratio

The 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.

PARAMETERS TO BE CONSIDERED FOR RECOMMENDATION/ DECLARATION OF DIVIDEND

The decision regarding dividend pay-out is a crucial decision as it balances the amount of profit to be distributed among the shareholders of the Company with the requirement of deployment of the internal accrual for its sustenance and growth plans.

As in the past, subject to the provisions of the applicable laws, the Company's dividend pay-out will be determined by the Board of Directors from time to time based on the available financial resource, investment requirements and other factors.

The Board of Directors of the Company will consider the following parameters/factors while recommending / declaring Dividend:

Financial Parameters / Internal Factors:

- ü Standalone / net operating profit after tax;
- ü Operating cash flow of the Company for the year;
- ü Liquidity position, aggregate Debt of the Company (both standalone and consolidated), debt service coverage position etc.;
- ü Cost of raising funds from alternate sources of capital;
- ü Corporate actions including mergers/demergers, acquisitions and additional investments including expansion plans and investment in subsidiary(ies)/associates
- ü Loan repayment and Working capital requirements;
- ü Capital expenditure requirements;
- ü Cash flow required for meeting tax demands and other contingencies;
- ü Regulatory Capital Adequacy;
- ü Regulatory Solvency;
- ü Trend of dividends paid in the past years;
- ü Dividend receipt from subsidiary;
- ü Any windfall, extra-ordinary or abnormal gains made by the Company;

- ü Supervisory findings of the Reserve Bank on divergence in classification and provisioning for Non-Performing Assets (NPAs)*.
- ü Qualifications in the Auditors' Report to the financial statements*;
- ü Ceilings specified in RBI guidelines;
- ü Long term growth plans of the Company; &
- ü Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

External Factors:

- ü Prevailing legal requirements, regulatory restrictions laid down under the applicable laws including tax laws and changes made in accounting laws;
- ü Macro-economic environment;
- ü Dividend pay-out ratios of companies in the same industry; &
- ü Any other factor that has a significant influence / impact on the Company's working / financial position of the Company.

ELIGIBILITY CRITERIA*

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

Sl. No.	Parameter	Requirement
1.	Capital Adequacy	Company shall have met the applicable regulatory capital requirement, as prescribed by the RBI from time to time, for 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 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.
3.	Other criteria	a. Company shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934. b. Company shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank. The Reserve Bank shall not have placed any explicit restrictions on declaration of dividend.

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

Before making any recommendation for dividend the Board will assess the Company's financial requirements, including, present and future growth opportunities, profit earned during the financial year, cash flow position and other relevant factors (as mentioned in this policy).

The shareholders of the Company may not expect Dividend under the following circumstances:

- In the event of inadequacy of profits or whenever the Company has incurred losses;
- Significant cash flow requirements towards higher working capital requirements / tax demands / or others, adversely impacting free cash flows;
- Allocation of cash required for buy-back of securities; and
- Any of the above referred internal or external factors restraining the Company from considering dividend.

QUANTUM OF DIVIDEND PAYABLE*

Company, eligible to declare dividend as per eligibility criteria mentioned above, may pay dividend, subject to the Maximum Dividend Payout Ratio of 50%.

Provided that 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.

However, in case Company does not meet the applicable eligibility criteria as mentioned above for each of the last three financial years, may be declare dividend, subject to a cap of 10% on the dividend payout ratio, provided the Company 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 per cent as at the close of the financial year.

UTILIZATION OF RETAINED EARNINGS

The Company would utilize the retained earnings of the Company in a manner which is beneficial to the interest of the Company and its stakeholders, including, but not limited to augmenting working capital, funding inorganic and organic growth needs including working capital, capital expenditure, repayment of debt, etc., Payment of Dividend in future years, Issue of Bonus shares, ensuring maintenance of capital adequacy ratios, or such other purpose the Board may deem fit from time to time in the interest of the Company and its stakeholders.

PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

The Company shall first declare dividend on outstanding preference shares, if any, at the rate of dividend fixed at the time of issue of preference shares and thereafter, subject to applicable law, the dividend would be declared on fully paid equity shares.

Currently, the Company has issued one class of equity shares. The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guideline thereof.

PROCEDURE FOR PAYMENT OF DIVIDEND

- Dividend proposal placed before the Board for its consideration shall be in terms of this policy.
- The Company shall ensure compliance of provisions of all applicable laws in relation to declaration and payment of dividend

REPORTING SYSTEM

The Company shall report details of dividend declared during the financial year as per the format prescribed in Annexure 1. The report shall be furnished 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.

AMENDMENTS / MODIFICATIONS

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter.

Managing Director is authorized to approve any minor change modification/ deviations to the policy and will be the competent authority for any interpretation regarding the policy.

DISCLOSURE OF POLICY

The Company shall make appropriate disclosures as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

* *Effective for declaration of dividend from the profits of the financial year ending March 31, 2022 and onwards.*

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Annexure-1
Reporting format for NBFCs/HFCs declaring dividend

Details of dividend declared during the financial year
Name of the NBFC – Paisalo Digital Limited

Accounting period (quarter or half year or year ended ----- as the case may be)	Net profit for the accounting period (₹ crore)	Rate of dividend (per cent)	Amount of dividend (₹ crore)	Dividend Pay out ratio (per cent)