



SAGARMALA FINANCE CORPORATION LIMITED

DIVIDEND DISTRIBUTION POLICY

Approved in 56th Board Meeting held on 9th September, 2026

1. PREAMBLE

Department of Investment and Public Asset Management (DIPAM) vide Office Memorandum dated 18th November 2024 has issued revised Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs) where every CPSE would pay minimum annual dividend of 30% of PAT or 4 % of the net-worth, whichever is higher subject to the limit, if any, under any extant legal provision. Financial sector CPSES like NBFCs may pay minimum annual dividend of 30% of PAT subject to the limit, if any, under any extant legal provisions.

The Policy will be effective from FY 2025-26 as amended in line with guidelines issued by DIPAM unless specified otherwise.

2. REGULATORY/ POLICY FRAMEWORK

The Policy has been framed broadly in line with:

- i. the provisions of the Companies Act, 2013 and rules made thereunder, each as amended (“**Companies Act**”) and the SEBI LODR Regulations;
- ii. the Guidelines on Capital Restructuring of Central Public Sector Enterprises issued by the Department of Investment and Public Asset Management, Ministry of Finance, Government of India (“**DIPAM**”) on November 18, 2024 (“**CPSE Guidelines on Capital Restructuring**”); and
- iii. any other law, regulations, guidelines, to the extent applicable.

3. OBJECTIVE AND SCOPE OF THE POLICY

- i. The Policy is aimed at increasing Company's fundamental value ensuring an annual dividend payout based on the amount of profit to be distributed amongst shareholders of the Company after balancing the requirement of deployment of internal accruals for its sustenance and growth plans.
- ii. The Company's commitment is to deliver sustainable value to all its stakeholders.
- iii. The Company endeavors to declare dividends, as per the CPSE Guidelines on Capital Restructuring, from time to time.

4. INTENT OF THE POLICY

The intent of the Policy is to broadly specify the following parameters:

- i. The circumstances under which the shareholders of the Company may or may not expect dividend;
- ii. The financial parameters that shall be considered while declaring dividend;
- iii. Internal and external factors that shall be considered for the declaration of dividend;
- iv. Policy as to how the retained earnings shall be utilized; and
- v. Parameters that shall be adopted with regard to various classes of shares.

Provided that if the Company proposes to declare dividend on the basis of parameters in addition to ones mentioned above or proposes to change such additional parameters or this Policy, the Company shall disclose such changes along with the rationale for the same in its annual report and on its website.

A. Circumstances under which the shareholders of the Company may or may not expect dividend.

The factors that may generally be considered by the Board before making any recommendations for the dividend include, but are not limited to, future capital expenditure plans, profits earned during the financial year, cost of raising funds from alternate sources, cash flow position and applicable taxes, subject to the guidelines as applicable from time to time.

B. Financial parameters that shall be considered while declaring dividend.

Being a Central Public Sector Enterprise (“CPSE”), the Company endeavors to declare the dividend as per the CPSE Guidelines on Capital Restructuring, mandating every CPSE to pay minimum annual dividend of 30% of PAT or 4% of the net-worth, whichever is higher subject to the limit, if any, under any extant legal provision. Financial sector CPSEs like NBFCs may pay minimum annual dividend of 30% of PAT subject to the limit, if any, under any extant legal provisions.

The minimum dividend as mentioned above is only a minimum benchmark and the Company strives to paying higher dividend taking into account relevant factors such as profitability, capex requirements with due leveraging, cash reserves and net worth.

However, in case, the Company is not able to comply with Guidelines on Capital Restructuring of Central Public Sector Enterprises issued by DIPAM, specific exemption shall be obtained from DIPAM through the Administrative Ministry viz. MoPSW. The proposal shall be discussed in the Inter-Ministerial forum called **Committee for Monitoring of Capital Management and Dividend by CPSEs (CMCDC)** chaired by Secretary DIPAM.

Department after considering the following financial parameters with the approval

of the financial advisers of such Administrative Ministry/ Department:

- i. Realized profitability
- ii. Net worth of the Company and its capacity to borrow;
- iii. Earnings Per Share
- iv. Long-term borrowings
- v. CAPEX/ Business expansion needs;
- vi. Retention of profit for further leveraging in line with the CAPEX needs; and
- vii. Cash & Bank Balance

C. Internal and external factors to be considered while declaring dividend

- i. Capital expenditure requirements considering expansion and other opportunities;
- ii. Borrowing levels and the capacity to borrow;
- iii. Cost and availability of alternative source of financing;
- iv. Macroeconomic and business condition;
- v. Regulatory norms; and
- vi. Any other relevant factors that the Board may deem fit to consider before declaring dividend.

D. Utilization 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:

- i. Capital and revenue expenditures for the growth of the business and operations of the Company.
- ii. Issue of bonus shares or buyback of shares as per DIPAM guidelines.
- iii. Any other purpose which the Board may consider appropriate.

E. Parameters to be adopted with regard to various classes of shares

The holders of the equity shares of the Company, as on the record date, are entitled to receive dividend. Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

F. Payment of Dividend

In line with guidelines of DIPAM payment of dividend, if any, for a particular year will be made by way of paying interim dividend every quarter after quarterly results, or at least twice a year, or annually depending upon the circumstances adhering to the prescribed guidelines.

5. STATUTORY REQUIREMENTS

The Board shall ensure compliance with the requirements of the Companies Act, the CPSE Guidelines on Capital Restructuring and all other applicable laws while deciding dividend payouts during a particular year.

6. MANNER AND TIMELINES FOR DIVIDEND PAYOUT

- i. Dividend for every financial year shall be decided by the Board considering various statutory requirements, financial performance of the Company and other internal and external factors enumerated earlier in the Policy.
- ii. Interim dividend(s), if any, may be declared by the Board in addition to the final dividend.
- iii. Subject to applicable laws, the payment of interim dividend to the shareholders entitled to receive dividend on the record date shall be made within 30 days from the date of approval by the Board.
- iv. Recommendations for final dividend, if any, shall be done by the Board usually in the Board meeting that considers and approves the annual report, subject to approval of shareholders of the Company.
- v. Subject to applicable laws, the payment of final dividend to the shareholders entitled to receive dividend on the record date, shall be made within 30 days from the date of approval by the members.
- vi. The payment of interim dividend shall be subject to shareholders' ratification.

7. DISCLOSURE OF THE POLICY

The Policy shall be disclosed on the Company's website, as required under the Companies Act or as may be required under any other laws, being in force for the time being.

8. REVIEW

The Policy shall be subject to review/ changes as may be deemed necessary and in accordance with regulatory amendments from time to time. The Managing Director of the Company shall have the power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace the Policy in its entirety with a new policy, in accordance with regulatory amendments from time to time and the same shall be placed before the Board for their information.

9. WEBSITE

The Policy will be uploaded on the Company's website for public information.

Reserve Bank of India Norms on Declaration of Dividends

1- DEFINITIONS

- **Capital to Risk Weighted Asset Ratio (CRAR):** CRAR' means Capital to Risk Weighted Assets Ratio calculated in terms of the applicable prudential norms on capital adequacy.
- **Dividends:** Dividends includes any interim dividend.
- **Dividend Payout Ratio:** means the ratio between the amount of the dividend payable (including interim dividend) in a year and the net profit during the year as per the audited financial statements for the financial year for which the dividend is proposed.
- **Exceptional profits/income:** Exceptional profits / income' shall have the same meaning as defined under applicable Accounting Standards.
- **Net Non-Performing Assets (NNPA):** means ratio of NNPA to net advances.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the applicable Acts, rules / regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

2- FACTORS/FINANCIAL PARAMETERS TO BE CONSIDERED BY THE BOARD FOR RECOMMENDING/DECLARING DIVIDEND

- (i) **Capital to Risk-weighted Asset Ratio:** SMFCL, being a Non-Banking Financial Company–Investment & Credit Company, is required to maintain a Capital to Risk-weighted Assets Ratio (CRAR) at a certain level as per applicable guidelines issued by the Reserve Bank of India from time to time. Accordingly, the expected figure for CRAR is also taken into consideration for the last three financial years, including the financial year for which the dividend is proposed, while declaring dividend so that it does not breach the prescribed figure.
- (ii) **Net NPA Ratio:** The net NPA ratio shall be less than **six** per cent in each of the last three years, including at the close of the financial year for which dividend is proposed to be declared.
- (iii) **Regulatory Provisions & Guidelines:** SMFCL shall comply with the **provisions of section 45-IC** of the Reserve Bank of India Act, 1934.

Apart from the above, the Company may also consider various other parameters, which may inter-alia include:

- ❖ Supervisory findings of the Reserve Bank, on divergence in classification and provisioning for NPAs.
- ❖ Qualifications in the auditors' report to the financial statements.
- ❖ Long term growth plans.

3- CEILING ON DIVIDEND PAYOUT

- (i) As per the applicable RBI norms governing the declaration of dividends by NBFCs, as amended from time to time, Board shall ensure that the Company, being an NBFC – Investment and Credit Company (NBFC-ICC), shall maintain the maximum dividend payout ratio at 50% for the relevant financial year.
- (ii) For the purpose of determining the dividend payout ratio, where the net profit for the relevant period includes any exceptional and/or extraordinary profits or income, or where the financial statements are qualified (including an ‘Emphasis of Matter’) by the Statutory Auditor in a manner that indicates an overstatement of net profit, such exceptional and/or extraordinary profits or income, as well as the amount of such overstatement, shall be reduced from the net profit for the relevant period.

4- REPORTING

The Company shall report details of dividend declared during the financial year in the format prescribed by the RBI as amended from time to time and annexed to this policy document 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.

5- OTHER MATTERS

In case of any ambiguity, **RBI Circular** Ref. No. DoR.ACC.REC.279/21.02.067/2025-26 dated **November 28, 2025**, as amended from time to time shall prevail.