
Dividend Policy

Compliance Department

UGRO Capital Limited



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1 *Introduction*

UGRO Capital Limited (hereinafter referred to as 'the Company') promotes conduct of the affairs in a fair and transparent manner by adopting the highest standards of Corporate Governance Practices and duly complying with applicable laws from time to time for its business. The Company focuses on enhancement of long term shareholder value without compromising on ethical and governance standards.

The Company has framed a Dividend Policy voluntarily as required by Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto (hereinafter referred to as 'SEBI LODR') and in compliance with the requirements the Companies Act 2013 and amendments thereto (hereinafter referred to as 'the Act'). Further, the Reserve Bank of India has vide its notification bearing ref no. RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22 dated June 24, 2021, prescribed certain additional guidelines on distribution of dividend by NBFCs in order to infuse greater transparency and uniformity in practice (hereinafter referred to as 'the Guidelines').

This policy sets out the eligibility criteria to declare dividend and principles to determine the amount that can be distributed to equity shareholders as dividend. The Company proposes to have a dividend policy that balances the dual objectives of appropriately rewarding shareholders through dividends and retaining capital in order to maintain a healthy capital adequacy to support its future capital requirements.

2 Purpose

The objective of this Policy is to establish the parameters to be considered by the Board of Directors of the Company before declaring or recommending dividend.

The dividend policy is based on the following parameters:

- the circumstances under which the shareholders may or may not expect dividend;
- Minimum prudential requirements to be eligible to declare dividend
- the financial parameters, internal and external factors considered while declaring dividend;
- policy as to how the retained earnings will be utilized; and
- parameters that will be adopted with regards to various classes of shares.

3 *Circumstances under which dividend shall be expected*

The Board of Directors of the Company, while declaring or recommending dividend shall ensure compliance with the minimum prudential requirements prescribed under the Guidelines issued by RBI and other statutory requirements under applicable laws including the provisions of the Companies Act, 2013 and Listing Regulations. The Board of Directors, while determining the dividend to be declared or recommended shall take into consideration the advice of the executive management of the Company and the planned and further investments for growth apart from other parameters set out in this Policy. The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board.

4 Guidelines issued by RBI

4.1 Board Oversight

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 proposed for the financial year does not exceed the ceilings specified in the Guidelines.

4.2 Eligibility criteria

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

Sl. No.	Parameter	Requirement
1.	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.
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	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 Reserve Bank and there should not be any explicit restriction by RBI on declaration of dividend.

4.3 Quantum of Dividend Payable

The Company, if eligible, to declare dividend as per paragraph 4.2 above, may pay dividend, subject to the following:

- a) 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 and maximum dividend payout ratio should not exceed 50%.

- b) Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital.
- c) 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.

4.4 Event of ineligibility

In the event the Company does not meet the applicable prudential requirement prescribed in Paragraph 4.2 above for each of the last three financial years, the Company may declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided it complies with the following conditions :

- a) the Company shall meet 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.

4.5 Reporting

The Company shall report details of dividend declared during the financial year as per the format prescribed in the RBI guidelines. 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. The Company shall also make necessary disclosures as prescribed under the Act and SEBI LODR.

5 *Parameters considered while declaring dividend*

5.1 *Financial Parameters*

Financial parameters to be considered while declaring dividend:

- The Company shall ensure availability of adequate profits in compliance with the Act prior to declaration of dividend.
- Retained earnings available with the Company.
- Future outlook of the Company and expected future capital/liquidity requirements.
- Cash Flows of the Company.
- Any other factor that Board may consider relevant.

5.2 *Internal and External Parameters*

The Board shall consider the following factors while declaring dividend:

- Macro-economic environment - Significant changes in macro-economic environment materially affecting the businesses in which the Company is engaged in the geographies in which the Company operates.
- Regulatory changes – Introduction of new regulatory requirements or material changes in existing taxation or regulatory requirements, which significantly affect the businesses in which the Company is engaged.
- Technological changes which necessitate significant new investments in any of the businesses in which the Company is engaged.
- The Company shall try to maintain a constant dividend payout ratio, subject to availability of funds post consideration of financial parameters.
- The Board shall declare annual dividends as well as interim dividends.
- Capital adequacy to be maintained above the minimum required levels as per the Reserve Bank of India after declaration of the dividend

6 *Utilisation of Retained Earnings*

The Company shall endeavor to utilise the retained earnings in a manner that shall be beneficial to the interests of the Company and also to its shareholders. The Company may utilize the retained earnings for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders, or for any other specific purpose, as approved by the Board of Directors of the Company.

7 *Parameters to be adopted for various classes of shares*

The Company has only one class of equity shareholders. Therefore, the dividend declared will be distributed equally among all shareholders, based on their shareholding on the record date. Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue other classes of shares.

8 *Review of Policy*

The Policy has been prepared pursuant to provisions of the applicable regulations. Any amendment or modification in the applicable regulations shall automatically be applicable to the Company. In the event of any conflict between the provisions of the Policy and the regulatory/ statutory enactments, the provisions of such regulatory/ statutory enactments shall prevail over the Policy.

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy.

