



VERITAS
FINANCE

Veritas Finance
Limited – Dividend
Distribution policy

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**VERITAS FINANCE LIMITED
DIVIDEND DISTRIBUTION POLICY**

DIVIDEND DISTRIBUTION POLICY

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Revision History:

S. No.	Revision History	Date
1.	Policy has been issued with the approval of the Board of Directors.	20.01.2021
2.	Policy has been amended to align with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, and to include the provisions of SEBI Listing Regulations.	29.10.2024
3	Policy has been amended to align with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, and to include the provisions of SEBI Listing Regulations.	09.01.2025

PREAMBLE

Pursuant to the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (the “**Listing Regulations**”), it is mandatory to have a dividend distribution policy in place by the top one thousand listed companies based on the market capitalisation calculated as on March 31st, every financial year. This dividend distribution policy (“**Policy**”) is framed to act as a reference guide for making necessary decisions on the declaration of dividend (including interim dividend) from time to time.

Veritas Finance Limited (“**Company**”) is deeply committed to driving superior value creation for all its stakeholders. The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium term and long-term value creation. 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.

OBJECTIVES OF THE POLICY

The purpose of this policy is to describe the factors, timing and amount to be considered for interim and final dividend payouts. The Policy aims to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient funds are retained for the growth of the Company.

While adopting this policy, the Company reiterates its commitment to its shareholders to maximize shareholders’ value, which will be represented as Dividend pay-out Ratio or the percentage of earnings paid to shares in dividends, as calculated as:

- Yearly Dividend per share/ Earnings per share
- Dividend / Net Income

Parameters for Dividend payments in respect of shares will be as per the respective terms of issue and in accordance with the applicable provisions of the Act, rules and, regulations and will be determined, as and when the Company decides to issue of shares.

REGULATORY FRAMEWORK

This Policy is formulated in accordance with the Companies Act, 2013, Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 and Reserve Bank of India (RBI) guidelines on declaration of dividend by non-banking financial companies (“**NBFCs**”). This policy will be effective from January, 20, 2021, being the date of its approval by the Board of Directors (*as defined below*) of the Company.

RESERVE BANK OF INDIA : MASTER DIRECTION – RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANY – SCALE BASED REGULATION) DIRECTIONS, 2023 ('RBI's Master Directions, 2023')

The Company shall comply with statutory requirements relating to declaration and payment of dividend. The dividend declaration/pay-out shall be within the specific and general prudential limits fixed by Reserve Bank of India ("RBI") and in conformity with the provisions of the RBI's Master Directions, 2023, read with the Companies Act 2013 and other applicable laws and guidelines that are issued by the regulators like RBI, Securities Exchange Board of India or any other such body from time to time and Article of Association of the company.

In order to infuse greater transparency and uniformity in practice of declaration of Dividend by NBFCs, RBI has prescribed guidelines on distribution of dividend by NBFCs. NBFCs may declare dividend, subject to compliance with the guidelines laid down as eligibility criteria, CRAR requirements, NPA % and other criteria.

THE COMPANIES ACT, 2013

The declaration and payment of dividend are governed by various provisions of the Companies Act, 2013 and most importantly chapter - VIII from section 123 to 127 which deals with declaration and payment of dividend read with the Companies (Declaration and Payment of Dividend) Rules, 2014 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001;

OTHER ACTS / STANDARDS / GUIDELINES

- Section 27 of Securities Contracts (Regulation) Act, 1956;
- Income Tax Act, 1961;
- SEBI Guidelines/Circulars etc. as amended from time to time and to the extent applicable.

DEFINITIONS

- a) "Act" means the Companies Act, 2013 and rules made thereunder [including any amendments or re-enactments thereof]
- b) "Applicable laws" shall mean to include Companies Act 2013 and rules made thereunder, [including any amendments or re-enactments thereof], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, [including any amendments or re-enactments thereof], Rules/guidelines/notifications/circulars issued by Reserve Bank of India and any other regulation, rules, acts, guidelines as may be applicable to the distribution of dividend.

- c) “Board” or “Board of Directors” shall mean Board of Directors of the Company, as constituted from time to time.
- d) “Company” shall mean Veritas Finance Limited .
- e) "Dividend" includes any interim dividend; which is in conformity with Section 2(35) of the Companies Act, 2013 read with Companies (Declaration and Payment of Dividend) Rules, 2014.
- f) “Financial year” shall mean the period starting from 1st day of April and ending on the 31st day of March every year,
- g) “Free reserves” shall mean the free reserves as defined under Section 2 (43) of the Act.

FACTORS TO BE CONSIDERED BEFORE DECLARING THE DIVIDEND:

The Board of Directors may declare interim dividend at any time during the financial year as it deems fit, after considering various factors/parameters laid down under this Policy. The Board may, if it deems fit, recommend a final dividend for consideration and approval of shareholders of the Company at the annual general meeting after the approval of the annual audited accounts.

The Company would ensure to strike the right balance between the quantum of the dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will have regards to this policy while declaring/recommending dividends on behalf of the Company.

a. Financial parameters/ Internal Factors:

The Board shall consider the below-mentioned financial parameters for the purpose of recommendation/declaration of dividend:

- i. Standalone / net operating profit after tax;
- ii. Operating cash flow of the Company for the year.
- iii. Liquidity position, aggregate debt of the Company (both standalone and consolidated), debt service coverage position, etc.
- iv. Loan repayment and Working capital requirements;
- v. Capital expenditure requirements;
- vi. Resources required for funding acquisitions, mergers and / or new businesses;
- vii. Cash flow required for meeting tax demands and other contingencies;
- viii. Regulatory (and growth requirement of) Capital Adequacy;
- ix. Regulatory (and growth requirement of) Solvency;
- x. Trend of dividends paid in the past years;

- xi. Dividend receipt from subsidiaries;
- xii. Any windfall, extraordinary or abnormal gains made by the Company and
- xiii. Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.
- xiv. Supervisor findings of RBI on divergence in asset classification and provisioning for non-performing assets
- xv. Qualifications in the Auditors' Report to the financial statements
- xvi. Long term growth plans of the Company

b. External Factors:

The Board shall also consider the below-mentioned external factors at the time of taking a decision w.r.t recommendation/declaration of dividend:

- i. Applicable laws and Regulations including taxation laws.
- ii. Prevailing legal requirements, regulatory restrictions laid down under the applicable laws including tax laws and changes made in accounting standards
- iii. Economic conditions
- iv. Prevalent market practices
- v. Dividend pay-out ratios of companies in the same industry.
- vi. Any other factor that has a significant influence / impact on the Company's working / financial position of the Company

RBI GUIDELINES:

Further, the company shall also ensure that the following conditions as stipulated in the RBI's Master Directions, 2023, are ensured before the dividend is declared:

1. Applicable Regulatory Capital Requirement should be complied with for each of the last three financial years including the financial year for which the dividend is proposed;
2. The Net NPA Ratio shall be less than 6% for each of the last three financial years including as at the end of the financial year for which the dividend is proposed to be declared;
3. Full compliance with Section 45 IC of the RBI Act, 1934 and other prevailing regulations/ or guidelines issued by RBI.
4. RBI should not have placed any explicit restriction on declaration of dividend;

5. If the conditions relating to capital requirement and NPA ratio is not met as per points 1 to 3 above for each of the last three financial years, dividend payout ratio is capped at 10% for the financial year for which the dividend is proposed if in that year the company is compliant with minimum regulatory capital requirement (including leverage ratio wherever applicable) and Net NPA Ratio is less than 4% as at close of the financial year.
6. If the conditions stipulated under points 1 to 3 are met for the last 3 financial years, the Dividend Payout Ratio (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) shall not cross 50% for a financial year.

UTILIZATION OF RETAINED EARNINGS

The Company may declare Dividend out of the profits of the Company for the year or out of the profits of any previous year or years or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this policy.

Any covenants laid down by the lenders with respect to dividend declaration shall also be considered before the dividend is declared.

Profits retained in the business will be invested in the business / operations of the Company and may be used for augmenting working capital, repayment of borrowings, funding capital expenditure / acquisition(s) and for all other corporate purposes.

PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

At present, the authorized, issued, subscribed and paid-up share capital of the Company comprises only of equity shares.

Currently, the Company has issued one class of equity shares with equal voting rights. As and when the Company issues a different class of shares, the Board of Directors may suitably amend this policy

CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY NOT EXPECT DIVIDEND

The decision to recommend/declare the dividend by the Board of Directors shall primarily depend on the factors listed above. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. However, the shareholders of the Company may not expect Dividend under the following circumstances:

1. In the event of inadequacy of profits or whenever the Company has incurred losses;
2. Significant cash flow requirements towards higher working capital requirements /tax demands / or others, adversely impacting free cash flow;
3. An impending / ongoing Capital expenditure program or any acquisitions or investment in joint ventures requiring significant allocation of capital, if any;
4. Allocation of cash required for buy-back of securities, if any and
5. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital for further business expansion;
6. Any of the above referred internal or external factors restraining the Company from considering dividend.

MANNER OF DECLARATION AND PAYMENT OF DIVIDEND

Process for approval of Payment of Final Dividend:

The Board to recommend quantum of final dividend payable to shareholders in its meeting in line with applicable laws and rules prescribed thereof, based on the profits arrived at as per the audited financial statements and post Shareholders approval for Dividend in the Annual General Meeting, the same shall be paid to the eligible shareholders within stipulated timelines as per applicable laws.

Process for approval of Payment of Interim Dividend:

Board may declare Interim Dividend, one or more times in a financial year, at its complete discretion in line with applicable laws and rules prescribed thereof, out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

The Board shall consider the financial results of the Company for the period for which Interim Dividend is to be declared and shall be satisfied that the financial position of the Company justifies and supports the declaration of such Dividend.

The financial results shall take into account the following:

- a) Depreciation for the full year;

- b) Tax on profits of the Company including deferred tax for full year;
- c) Other anticipated losses for the Financial Year;
- d) Dividend that would be required to be paid at the fixed rate on preference shares;
- e) The Losses incurred, if any, during the current financial year up to the end of the quarter, immediately preceding the date of declaration of Interim Dividend;

DISCLOSURE

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

The declaration of dividend shall be reported to RBI in the format prescribed in RBI's Master Directions 2023.

ENTITLEMENT AND TIMELINES FOR DIVIDEND PAYMENTS

- a. Entitlement: The dividend shall be paid to the shareholders entitled to receive dividend on the record date / book closure date as per applicable laws.
- b. Timelines: The payment of dividend shall be made within the time prescribed under the Act or the rules made there under. Presently, dividend is to be paid within 30 days from the date of declaration by the Board in case of interim Dividend and within 30 days from the declaration by the shareholders in the annual general meeting in case of final Dividend.

POLICY CHANGES AND EXCEPTIONS

This Policy would be subject to revision/amendment by the Board in accordance with the guidelines as may be issued by Reserve Bank of India, 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.