DIVIDEND DISTRIBUTION POLICY

Finance and Accounts

Svatantra Microfin Limited

Document Metadata

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Owner	Vrushali Mahajan, Chief Financial Officer
Prepared By	Finance and Accounts Team
Reviewed By	1. Vrushali Mahajan, Chief Financial Officer 2. Surinder Kumar Bhatia, Company Secretary and Chief Compliance Officer
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1 INTRODUCTION

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations"), top one thousand listed companies based on market capitalization, are required to formulate a dividend distribution policy, and the same is to be disclosed in the company's annual report and on its website. Svatantra Microfin Limited (the "Company"), in compliance with the requirements of Regulation 43A on voluntary basis as a part of good corporate governance, has adopted this Dividend Distribution Policy (the "Policy") inter-alia to elaborate the parameters to be considered by the Board before declaring / recommending any dividend distribution, keeping in view the Company's policy of meeting the long term capital requirement from internal cash accruals and appropriately rewarding shareholders. The Company being a Non-Deposit Taking Non-Banking Financial Company Micro Finance Institution (NBFC-MFI) is governed by the Reserve Bank of India ("RBI"). The Company shall comply with the provisions specified by the RBI, in addition to the provisions of the Companies Act, 2013 ("the Companies Act"), the Reserve Bank of India (Non-Banking Financial Companies - Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 read with the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025, and other applicable Directions, Guidelines and Circulars issued by the RBI from time to time ("RBI Directions"), as well as other applicable regulatory requirements.

2 OBJECTIVE

The objective of the Dividend Distribution Policy of the Company is to reward its shareholders by sharing a portion of the profits, whilst also ensuring that sufficient funds are retained for growth of the Company. The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Board of Directors shall refer to this policy while declaring/ recommending dividends on behalf of the Company.

3 CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The Equity Shareholders of the Company may expect dividend only if the Company is having surplus funds after providing all expenses, depreciation etc. and complying all other statutory requirements of the Companies Act, 2013. The Company's expansion plan and need for maintaining the Capital Adequacy Ratio at healthy level in view of regulatory requirements shall be key determining factors for declaration of dividend or non-declaration of dividend in any year.

The Board of the Company may vary the level of dividend or not recommend any dividend based on the capital and reserves position of the Company. The Board may recommend lower or no dividends if it is of the view that there is a need to conserve capital. The Board may recommend higher dividends, subject to applicable regulations, if the capital and reserves position supports a higher distribution to the shareholders.

4 DECLARATION OF DIVIDEND

Subject to the provisions of the Act, Dividend shall be declared or paid only out of-

i. Current Financial Year's profit:
   a) after providing for depreciation in accordance with law and

ii. The profits for any previous Financial Year(s):
   a) after providing for depreciation in accordance with law; and
   b) remaining undistributed; or

iii. out of i) & ii) both.

The Board may, while declaring or recommending Dividend, transfer to reserves such amount as may be considered appropriate. However, transfer of amount to reserves, before declaring or recommending Dividend is not mandatory, as per the provisions of the Act.

The Board may, at its discretion, declare a Special Dividend as it may deem fit.

5 THE FINANCIAL AND INTERNAL PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND

The amounts paid as dividends in the past will not be necessarily indicative of the dividend amounts, if any, that may be payable in future. The Board of Directors of the Company shall consider the following financial/ internal parameters while declaring dividend or recommending dividend to shareholders:

i. Capital allocation plans including:
   a. cash requirements of the Company towards working capital (Opex and Capex);
   b. Investments required towards execution of the Company's strategy;
   c. Funds required for any acquisitions that the Board of Directors may approve; and
   d. Any Share Buy-Back plans.

ii. Minimum cash required for contingencies or unforeseen events;

iii. Funds required to service any outstanding loans;

iv. Future expansion plans;

v. Any other significant developments that require cash investments.

6 EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND

The Board of Directors of the Company shall consider the following external parameters while declaring dividend or recommending dividend to shareholders:

i. Any significant changes in macro-economic environment affecting India or the geographies in which the Company operates, or the business of the Company or its clients;

ii. Any political, tax and regulatory changes in the geographies in which the Company operates;

iii. Any changes in the competitive environment requiring significant investment.

7 MANNER OF UTILISATION OF RETAINED EARNINGS

The retained earnings shall be deployed in line with the objects of the Company as detailed in its memorandum of association. The retained earnings shall be utilised in a manner which is beneficial to the interests of the Company and its shareholders. The decision of utilisation of the retained earning shall be based on the factors like strategic and long-term plans of the Company, future equity acquisitions, diversification opportunities or any other criteria that may be considered relevant by the Board in this regard. In the absence of the opportunity to utilise retained earnings in any of the above options, as an exception, the Board shall use the larger portion of profits to distribute amongst the shareholders as dividend.

8 ELIGIBILITY CRITERIA FOR DECLARATION OF DIVIDEND

The Company being a NBFC-MFI shall comply with the minimum prudential requirements with respect to Capital Adequacy, Net Non-Performing Assets ("NPA") and other criteria as applicable to be eligible to declare dividend as applicable as mentioned below:

Sr. No.	Parameters	Requirement
1.	Capital Adequacy	• The Company should maintain a CRAR of at least 18% for each of the last three financial years including the financial year for which the dividend is proposed. • The Company should have met the applicable Tier I capital, Tier II capital, leverage ratio, and ANW, as applicable, for each of the last three financial years including the financial year for which the dividend is proposed. • The Tier I capital at any point of time, shall not be less than 10 per cent.
2.	Net NPA	The net NPA ratio shall be less than 6 per cent in each of the last three financial 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. The Reserve Bank of India shall not have placed any explicit restrictions on declaration of dividend.

9 DIVIDEND PAYOUT CEILING

The ceiling on dividend payout ratio for the Company, if compliant with the Eligibility Criteria to declare dividend, shall be 50%. Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital/Owned Fund, as applicable. In case the net profit for the relevant period includes any exceptional and/or extraordinary 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.

If the Company does not meet the Eligibility Criteria as prescribed under the applicable directions as issued by Reserve Bank of India for each of the last three financial years, it may be eligible to declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided it complies with the following conditions:

(a) meets the applicable capital adequacy requirement (including CRAR, Tier I capital, Tier II capital, leverage ratio, ANW, as applicable) as at the close of the financial year for which it proposes to pay dividend; and

(b) has net NPA of less than 4 percent as at the close of the financial year.

The Company shall ensure that the total dividend proposed for the financial year does not exceed the ceiling specified in this policy.

The prudential treatment of reversal of excess provision, dividend payment by an NBFC on reversal of such provisions and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India shall be guided by the instructions contained in Reserve Bank of India (Non-Banking Financial Companies-Transfer and Distribution of Credit Risk) Directions, 2025.

10 PROVISIONS IN REGARD TO VARIOUS CLASSES OF SHARES

The provisions contained in this policy shall apply to all classes of Shares of the Company. It may be noted that currently the Company has only one class of shares, namely, Equity Shares.

11 REVIEW AND AMENDMENT

The policy will be subject to review after a period of two years. This Policy may be amended, modified or supplemented by the Board, from time to time, to ensure compliance with any amendment, modification or supplementation to the Companies Act, 2013, RBI Directions, SEBI Listing Regulations and any other guidelines issued by the regulatory authorities or as may be otherwise

The Board may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.

The policy shall be disclosed on the website of the Company.

12 LIMITATION AND AMENDMENT

In the event of any conflict between the Act or the SEBI Regulations or any other statutory enactments ("Regulations") and the provisions of this policy, the Regulations shall prevail over this policy. Any subsequent amendment / modification in the Regulations, in this regard shall automatically apply to this policy.