

Sattva Holding and Trading Private Limited

Policy on Declaration and Payment of Dividend

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Policy Custodian:

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1. Preamble

The Reserve Bank of India [“RBI”] has, under the Reserve Bank of India Act, 1934 [“RBI Act”], issued the Core Investment Companies (Reserve Bank) Directions, 2016 [“the CIC Directions”]. The Directions have prescribed various requirements relating to liquidity risk management of a Systemically Important Non-Deposit Taking Core Investment Company [“CIC-ND-SI”], in order to regulate the liquidity of funds in a prudent manner.

The Company, being a CIC registered U/s 45-IA of the RBI Act as a CIC-ND-SI, is engaged in investment and financing activities within the Companies in the Group.

In lieu of above, this policy document lays down the policy of the Company and the guidelines to be adhered to in managing the liquidity of the Company and to address the liquidity risk effectively.

2. Applicability

This policy shall be applicable for declaration and payment of dividend from 1st April, 2024, and onwards.

3. Definitions

“Dividend Payout Ratio” means 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. Proposed dividend shall include both dividend on equity shares and compulsory convertible preference shares eligible for inclusion in Owned Funds/ Adjusted Net Worth. 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. Eligibility Criteria

Sattva Holding and Trading Private Limited (hereinafter referred to as “Sattva”) shall comply with the following minimum prudential requirements to be eligible to declare dividend:

a) Capital Adequacy: As a Core Investment Company, Sattva shall maintain an Adjusted Net Worth of at least 30% of its aggregate risk-weighted assets on the balance sheet and risk-adjusted value of off-balance sheet items in each of the last three financial year including in the year for which dividend is proposed.

b) Leverage Ratio: The outside liabilities of Sattva shall not exceed 2.5 times its Adjusted Net Worth in each of the last three financial year including in the year for which dividend is proposed.

c) 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.

d) Other Criteria: Sattva shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934, and other prevailing regulations/guidelines issued by the RBI. The Reserve Bank shall not have placed any explicit restrictions on declaration of dividend.

e) Compliance with Companies Act: Sattva shall comply with the provisions of Sections 123 to 127 and Chapter VIII of the Companies Act, 2013, and rules made thereunder, regarding the declaration and payment of dividends.

5. Quantum of Dividend Payable

a) If eligible as per the criteria mentioned in Section 3 above, Sattva may declare dividends subject to a maximum Dividend Payout Ratio of 60%.

b) If criteria mentioned in section 3 are not fulfilled, the company may consider to declare dividend, subject to a cap of 10 per cent on the dividend payout ratio, provided it complies with both the following conditions:

- i. meets the applicable minimum capital requirements (including minimum adjusted net worth and maximum leverage ratio) requirement, as per this Master Direction, in the financial year for which it proposes to pay dividend, and
- ii. has net NPA of less than four per cent as at the close of the financial year.

c) The Dividend Payout Ratio shall be calculated as the ratio between the amount of 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.

d) Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital, if applicable.

e) If 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.

f) No dividend shall be declared or paid by Sattva from its reserves other than free reserves, as defined under the Companies Act, 2013.

g) The company may transfer a specified percentage of its profits to reserves before declaring any dividend, as per the applicable provisions of the Companies Act, 2013, and rules made thereunder.

6. Board Oversight

The Board of Directors of Sattva 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), if applicable.
- b) Qualifications in the Auditors' Report to the financial statements;
- c) Long term growth plans of the company;
- d) The company's cash flow position and future cash flow requirements; and
- e) Any other relevant factors and circumstances that the Board may consider appropriate.

The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in this policy and is in compliance with the Companies Act, 2013, and rules made thereunder.

7. Reporting System

Sattva shall report details of dividend declared during the financial year as per the format prescribed by the RBI, within a fortnight after the declaration of dividends, to the concerned Regional Office of the Department of Supervision of the Reserve Bank under whose jurisdiction it is registered.

8. Disclosure and Investor Protection

Sattva shall disclose this Dividend Policy on its website and in the annual report to promote transparency and protect the interests of investors.

9. Review and Amendments

This policy shall be reviewed annually by the Board of Directors of Sattva, and amendments, if any, shall be made to comply with the applicable RBI guidelines, Companies Act, 2013, and rules made thereunder, or any other statutory/regulatory requirements.