



ASSET RECONSTRUCTION COMPANY (INDIA) LIMITED

DIVIDEND DISTRIBUTION POLICY

(Approved in Board Meeting held on June 14, 2025)

Finance & Budgeting Group

Dividend Distribution Policy

1. Introduction and Objective:

One of the ways to reward a shareholder is by distributing a portion of company's earnings in the form of dividend. Besides capital appreciation, an investor expects a consistent cash inflow in the form of dividend.

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 from time to time and to strike proper balance between cash outflows by way of dividend distribution and retaining sufficient funds for future growth of the company.

2. Regulatory Framework:

The provisions with respect to payment of dividend are covered under Chapter VIII of the Companies Act, 2013. Further provisions of Regulation 43A of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), it is mandatory for top 1000 listed companies based on the market capitalization calculated as on March 31 of every financial year, to have Dividend Distribution Policy in place and to disclose the same on their website and provide its web-link in their Annual Report. Furthermore, this policy will also cover the directions issued by the Reserve Bank of India as amended from time to time.

3. Definitions:

The terms defined in this policy will have the same meaning as defined under the Companies Act, 2013 and rules made thereunder and under the Listing Regulations.

4. Scope:

The Policy covers the following:

a. Interim Dividend:

Interim dividend can be paid with the approval of the Board of Directors.

b. Final Dividend:

Final dividend is recommended by the Board of Directors usually in the Board Meeting held for approval of annual financial statements. The final dividend has to be approved by the Shareholders at the Annual General Meeting. Dividend would continue to be

declared on per share basis on the Ordinary Equity Shares of the Company. The Company currently has no other class of shares. Therefore, dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date.

Further as per RBI regulations, followings amounts to be reduced while calculating the amount available for payment of dividend, net of ECL and tax implications thereon if any:

- (a) Management fee recognised during the planning period that remains unrealised beyond 180 days from the date of expiry of the planning period.
- (b) Management fee recognised after the expiry of the planning period that remains unrealised beyond 180 days of such recognition.
- (c) Any unrealised management fees, notwithstanding the period for which it has remained unrealised, where the net asset value of the Security Receipts has fallen below 50 per cent of the face value.

5. Circumstances under which the Shareholders may or may not expect dividend

The Board of Directors of the Company may not declare or recommend dividend for a particular period if they are of the view that it would be prudent to conserve capital, or in the event of challenging circumstances such as changes in regulatory and financial environment.

The Board of Directors may decide not to recommend any dividend, if during the financial year the company has inadequate profits.

Further the Board of Directors shall not declare or recommend any dividend out of reserves unless reasons for the same are expressly laid down and reflected in the Annual Report and website of the Company.

6. Financial Parameters to be considered before declaring or recommending Dividend including internal and external factors

The Board of Directors of the Company, before declaring or recommending dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Companies Act, 2013 and relevant rules made thereunder.

The Board of the company shall consider the following internal factors viz, the financial performance of the Company, the past dividend trends, the liquidity position of the company, capital expenditure requirements, if any, business expansions if any, debt obligations, future earnings outlook, applicable taxes including tax on dividend, and external factors viz. , external market conditions, capital market conditions, dividend policy of competitors changes in government policy and laws specific to the industry, introduction of new changes in taxation and regulatory requirements impacting

company's operations significantly and any other relevant factors, material events etc, before considering the declaration of the dividend. When the performance of the company coupled with the market conditions are conducive/ favorable, the Board may consider declaring interim dividends as well.

7. Utilisation of retained earnings

The Company shall endeavor to utilise the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders, as permitted under the provisions of the Companies Act, 2013. The same shall be aligned to the objects of the Company in concurrence with long term growth plans, opportunities for strategic acquisitions and diversifications, if any.

8. Dividend Payout

Consistent with the above, effective from financial year FY 2021-22, in the medium term, the dividend pay-out ratio is expected to be about 20%- 50% of the Profit After Tax of the Company. In view of good and sustainable profitability, w.e.f. FY 25-26, the dividend pay-out ratio is expected to be in the range of 20-80% of the Profit After Tax or as may be as decided by the Board of Directors from time to time.

The dividend shall be paid to the shareholders entitled to receive dividend on the record date / book closure date as applicable.

The dividend shall be paid by the company within the time prescribed under the Companies Act, 2013 and relevant rules made thereunder, which is within 30 days from the declaration by the Board in case of an interim dividend and with 30 days from the declaration by the shareholders in Annual General Meeting in case of final dividend.

9. Provision regarding class of shares:

The Company has issued only Equity Shares. 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.

10. Review / Amendment:

In case of any subsequent changes in the provisions of the Companies Act or Regulations or Income Tax Act, 1961 or Listing Regulations or any other relevant regulations which makes any of the provisions of this Policy inconsistent with the Companies Act or such other regulations, then the provisions of the Companies Act or such other regulations would prevail over this Policy and the relevant provisions contained in this Policy would

be modified accordingly in due course to make it consistent with applicable laws and policy shall stand modified accordingly from the effective date as laid down under such changes.

The Board shall also annually review and amend the policy periodically as may be deemed necessary, keeping in view the business environment, the performance of the Company and other relevant external factors. This Policy shall be reviewed by the Board on the recommendation of Audit Committee on an annual basis. Any deviation from the policy shall be approved by the Board of Directors.

In case the Company proposes for amendment to the basis of parameters declaring dividend or change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its Annual Report and on its website.