DIVIDEND DISTRIBUTION POLICY

1. Preamble:

Dividend is the payment made by a company to its shareholders, usually in the form of distribution of its profits. The profits earned by a company can either be retained in business fully or partly for growth and expansion or it can be distributed to the shareholders. A company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to balance between these. This Dividend Policy ("Policy") of M/s Shriram City Union Finance Ltd ("Company") will guide dividend declaration and its pay-out by the Company in accordance with the provisions of Companies Act 2013 ("CA13"), Rules thereunder ("Rule") Secretarial Standard ("SS"), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR"),Reserve Bank of India ("RBI") and any other applicable rules and regulations. The objective of this policy aims at a regular dividend income and long term capital appreciation for the shareholders of the Company. The Board of Directors of the Company ("Board") will refer to the Policy for declaring/ recommending dividends. This Policy is framed as required under SEBI Circular No. SEBI/ LAD-NRO/GN/2016-17/008 dated July 8, 2016.

2. Applicability and Review:

It shall come into force with effect from April 1, 2021. Any change in applicable law, regulation shall prevail over this Policy. This policy shall be reviewed by the Board periodically for any changes or amendments. The Company has issued only Equity Shares and no Preference shares issued by the Company are outstanding.

3. Definitions:

i. Current Financial Year : The financial year for which the dividend is declared/ recommended
ii. Dividend : Distribution of any sums to Members out of Profits of the Company and included both interim and final dividend
iii. Dividend Payout Ratio: The percentage of dividend paid/recommended bears to Profit determined for Dividend purposes.
iv. Interim Dividend: Dividend declared by the Board
v. Final Dividend: Dividend recommended by the Board and declared by the Members at an Annual General Meeting of the Company.

4. Category (ies) of Dividend(s):

The dividend payable by the Company can be **Interim Dividend**, **Final Dividend** as defined under CA13 The Board shall have the absolute power to declare interim dividend during a financial year, as and when it considers fit .The Board may endeavor to declare an interim dividend one or more times in a financial year after finalization of quarterly/half yearly/yearly financial accounts based on the profits of the Company. The Final dividend shall be recommended to the shareholders/members of the Company by the Board after the annual financial statements are approved by the Board. The Board shall recommend the payment of Final Dividend to the shareholders/members for their approval as an ordinary business item of the Annual General Meeting.

5. Factors to be considered for declaring Dividend:

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The payment/recommendation of dividend involves the determination of the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board will endeavour to take a decision on payment of dividend with an objective to enhance shareholders wealth and market value of the shares .The Dividend payout is dependent on External Factors and Internal Factors as mentioned below.

External Factors:-**The following external factors may be considered by the Board before declaration of Dividend.**

State of Economy - in case of uncertain or recessionary economic and business conditions, the Board will endeavour to retain larger part of profits to build up reserves to absorb future shocks.

Capital Markets - when the markets are favourable, dividend pay-out can be liberal. However, in case of unfavourable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows.

Statutory and Contractual Restrictions- restrictions imposed under the Act ,regulations of the RBI and any other laws, restrictions put under Company's contractual obligations under any loan agreements / debenture trust deed/ other agreements

(i) Internal Factors: - The following internal factors may be considered by the Board before declaration of Dividend in addition to the matters mentioned in CA13, regulations

Profitability, cash flow, CAR, Net Non-Performing Assets, cost of funds, stability of dividend business growth/expansion/diversification/additional investments/acquisition of business, modernization and any other matter as may be decided by the Board from time to time. The Board considers a stable dividend to constitute an important element of the Company's investment attractiveness and shareholder return. The Retained earnings strengthen the Company's net owned funds. It will further help in maintaining Capital Adequacy Ratio (CAR) for the Company. The Board from time to time will decide utilization of the retained earnings for organic/inorganic growth, market competition, creating long term shareholder value etc. The Board will ensure judicious balancing of these factors in the interest of the Company and its stakeholders.

There may or may not be dividend for a financial year(s) in the circumstances of (a) challenging/sluggish market conditions, (b) tough liquidity position, (c) losses/no profits/inadequate profits. No dividend shall be declared/paid if there is default by the Company in redemption of debentures, payment of interest on debentures, creation of debenture redemption reserve, creation of capital redemption reserve, payment of dividend declared.

6. Quantum of Dividend:

Dividend shall be recommended/declared by the Board out of profits of the Current Financial Year of the Company. It shall not be recommended/paid out of Free Reserves or Profits of earlier financial years or both. Company shall declare/recommend and disclose the Dividend on per share basis only

Current financial year's profit is determined for the purpose of Dividend in terms of applicable provisions of CA13 including transfer to reserves as may be prescribed under the CA13, RBI regulation and other applicable regulation .The determination of dividend pay-out shall depend upon regulatory, internal and external factors .The Board may maintain a Dividend pay-out ratio (including the applicable dividend distribution tax) inthe range of 20 – 25% or such other range as may be decided by the Board from time to time of Profits after Tax ("PAT").

7. Reporting :

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The Company shall e report the details of Dividend declared with details like accounting period, Net profit for the accounting period ,Rate of dividend (percentage) ,dividend payout ratio ,amount of dividend to the RBI and other authorities as may be required .

8. Process Payment of Dividend:

The Company will give prior intimation of 2 working days (excluding the date of intimation and the date of the Board meeting) of date of Board Meeting in which the declaration / recommendation of dividend is considered to BSE Ltd ("BSE") and National Stock Exchange of India Ltd ("NSE").

The Company will inform about the decision taken by Board regarding dividend to BSE and NSE within 30 minutes of the closure of the Board Meeting.

The Company will fix **Record date** for the purpose of determination for list of shareholders eligible to receive dividend. Persons appearing as members in the register of members or BENPOSE of the Company shall be entitled for Dividend and intimate the fixation of record date to both NSE and BSE at least seven working days in advance (excluding the date of intimation and the record date).

Payment of Dividend shall be made through electronic mode or cheques or payable at par warrants. If dividend is payable by at par warrants or cheques they shall be sent by speed post, if it exceeds one thousand five hundred rupees. The Company shall be discharged of its responsibility of payment of Dividend on the amount debited to the Dividend Banking account of the Company with such dividend paying Bank.

The total amount of dividend payable as declared shall be deposited in a scheduled bank in a separate account within five days form the date of declaration of such dividend and shall be paid within 30 days of such declaration to the designated bank accounts of the shareholders appearing in shareholders register/BENPOSE on the record date.

9. Unclaimed/Unpaid Dividend :

Dividend declared by the Company remaining unpaid or unclaimed within 30 days from the date of declaration of Dividend, the Company shall within 7 days from the date of expiry of the said period of thirty days transfer to a special account to be opened by the Company in any Scheduled bank to be called the Unpaid Dividend Account. Subsequent claims for such dividend by entitled shareholder shall be paid out of the Unpaid Dividend Account. Any money transferred to the Unpaid Dividend Account of a Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company along with Interest accrued, if any, thereon to the Fund established by the Central Government called the Investor Education and Protection Fund ("IEPF").The entitled shareholders for such unpaid dividend with IEPF can claim from IEPF only by following the process mentioned under CA13.

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