



असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

A MAHARATNA COMPANY

REC Limited

Dividend

Distribution Policy

Table of Contents

1. Abbreviations and full form.....	2
2. Background.....	3
3. Objective	3
4. Factors considered while declaring Dividend.....	3
4.1 External Factors	3
4.1.1 Economic Environment	3
4.1.2 Capital Markets.....	3
4.1.3 Statutory Provisions and Guidelines	3
4.2 Internal Factors	4
4.2.1 Profit Earned during the year.....	4
4.2.2 Capital to Risk-weighted Assets Ratio	4
4.2.3 Financial Parameter.....	4
4.2.4 Minimum Prudential Requirements	4
5. Circumstances under which the shareholders of the Company may or may not expect dividend.....	5
6. Utilization of Retained Earnings	5
7. Parameters to be adopted with regard to various classes of shares	5
8. Modifications/ deviations to the policy.....	5

1. Abbreviations and full form

Abbreviation	Full Form
CRAR	Capital to Risk Weighted Assets Ratio
DIPAM	Department of Investment and Public Asset Management
DPE	Department of Public Enterprises
IFC	Infrastructure Finance Company
MoF	Ministry of Finance
NBFC	Non-Banking Financial Company
NSE/BSE	National Stock Exchange of India Limited/Bombay Stock Exchange of India Limited
PAT	Profit After Tax
RBI	Reserve Bank of India
REC	REC Limited
SEBI	Securities and Exchange Board of India
SEBI (LODR) Regulations	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Summary of Version History

<u>Policy approved by</u>	<u>Board of Directors</u>
<u>Policy drafted by</u>	<u>Finance Unit</u>
<u>Last Date of Formulation/Renewal of Policy</u>	<u>August 2016-V1</u>
<u>Current Revision Date/No</u>	<u>December 2025-V2</u>

2. Background

As per Regulation 43A of SEBI (LODR) Regulations, 2015, the top one thousand listed entities based on market capitalization shall formulate a dividend distribution policy which shall be disclosed on their website and a web-link shall also be provided in their annual reports.

3. Objective

The Objective of the policy is to broadly specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend, and other related matters. The policy has been framed broadly in line with the provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and also taking into consideration, guidelines/directions/circulars issued by MoF/ SEBI/ RBI/ DPE/ DIPAM or any other Statutory/Regulatory/Administrative Authorities, to the extent applicable. This policy will guide the process of consideration and declaration of dividend by the Company.

4. Factors considered while declaring Dividend

Company has been consistently paying dividends and is committed to deliver sustainable value to all stakeholders. Dividend is declared at the Annual General Meeting of the shareholders of the Company, based on the recommendations of the Board of Directors. The Board may also declare interim dividend. The decision regarding dividend pay-out is a crucial decision as it balances the amount of profit to be distributed among shareholders of the company with the requirement of deployment of internal accruals for its sustenance and growth plans.

The dividend pay-out decision of the Company depends upon the external and internal factors including the following -

4.1 External Factors

4.1.1 Economic Environment

In case of uncertain or recessionary economic and business conditions, the Company will endeavor to retain larger part of profits to build up reserves to absorb future shocks.

4.1.2 Capital Markets

In the times of favorable markets, dividend pay-out can be liberal. However, in case of unfavorable market conditions where the availability of credit is restricted, the Company may resort to a conservative dividend pay-out in order to conserve cash outflows.

4.1.3 Statutory Provisions and Guidelines

The Company will ensure adherence of restrictions imposed under Companies Act 2013, SEBI (LODR) Regulations, 2015 and guidelines/directions issued by RBI/ DPE/ DIPAM or any other Statutory/Regulatory/Administrative Authorities with regard to declaration of dividend.

4.2 Internal Factors

The Company considers various financial parameters before considering the declaration of dividend. as below:

4.2.1 Profit earned during the year

As per Section 123 of the Companies Act, 2013, no dividend shall be declared or paid by a company for any financial year except out of the profits of the company for that year or out of profits of the company for any previous financial year/years arrived at after providing for depreciation in accordance with the provisions of the Act.

4.2.2 Capital to Risk-weighted Assets Ratio

Being an NBFC-IFC, REC is required to maintain a CRAR as prescribed by RBI from time to time. Accordingly, the expected figure for CRAR is also taken into consideration while declaring dividend so that it does not breach the prescribed CRAR.

4.2.3 Dividend payments as per DIPAM Guidelines

Being a Central Public Sector Enterprise, the Company is required to comply with the guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by DIPAM, Government of India, from time to time. As per DIPAM Guidelines dated November 18, 2024, every CPSE would pay minimum annual dividend of 30% of PAT or 4% of the net-worth, whichever is higher subject to the limit, if any, under any extant legal provision. Financial sector CPSEs like NBFCs may pay minimum annual dividend of 30% of PAT subject to the limit, if any, under any extant legal provisions. Accordingly, REC being an NBFC, is required to pay minimum annual dividend of 30% of PAT subject to the limit, if any, under any extant legal provisions.

Further, CPSEs may consider paying interim dividend every quarter after quarterly results, or at least twice a year. Further, in case of not having possibility of dividend payout as per the minimum prescribed, the Company may consider paying interim dividend annually, with the declaration of second quarter (Q2) results. Further, all listed CPSEs should consider paying at least 90% of projected annual dividend, in one or more instalments, as interim dividend.

4.2.4 Minimum Prudential Requirements

In order to infuse greater transparency and uniformity in practice, RBI vide its direction Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025, has updated the guidelines on distribution of dividend by NBFCs. In terms of above guidelines, the Company shall comply with the following minimum prudential requirements to be eligible to declare dividend:

Parameter	Requirement
CRAR	The Company should have met the applicable regulatory capital requirement (including CRAR, Tier I capital, Tier II capital, as applicable) for each of the last three financial years including the financial year for which the dividend is proposed.

Net NPA	The net NPA ratio shall be less than 6 per cent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
Other Criteria	<p>i. Company shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934 and be compliant with prevailing regulations/ guidelines issued by the Reserve Bank.</p> <p>ii. Ceilings on Maximum Dividend Payout Ratio of 50%.</p>

The Company shall report to RBI in respect of dividend declared from time to time.

However, if the Company does not meet the applicable prudential requirements prescribed above for each of the last three financial years, the Company may be eligible to declare dividend, subject to a cap of ten per cent on the dividend payout ratio, provided the Company meets the applicable capital adequacy requirement (including CRAR, Tier I capital, Tier II capital, as applicable) as at the close of the financial year for which it proposes to pay dividend; and it has net NPA of less than four per cent as at the close of the financial year.

Apart from the above financial parameters, the Company may also consider various other internal factors, which inter alia include:

- Present & future capital requirements of the existing businesses;
- Additional investments in subsidiaries/associates of the Company;
- Any other factor as deemed fit.

5. Circumstances under which the shareholders of the Company may or may not expect dividend

The factors that may generally be considered by the Board before making any declaration/recommendations for the dividend include, but are not limited to, future capital expenditure plans, profits earned during the financial year, cost of raising funds from alternate sources, cash flow position and applicable taxes, subject to the extant regulations/guidelines as applicable from time to time.

6. Utilization of Retained Earnings

The Company is engaged into financing the Power & Infrastructure sector and the retained earnings are being majorly deployed in the long-term infrastructure loan assets. The profits being retained in the business shall be continued to be deployed in Power & Infrastructure sector loans and thus contributing in growth of business & operations of the Company. The Company stands committed to deliver sustainable value to all its stakeholders.

7. Parameters to be adopted with regard to various classes of shares

The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends. Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

8. Modifications/ deviations to the policy

In case of any subsequent changes in any Statutory Act, Rules, Regulations etc. which makes any of the provisions in this policy inconsistent with them, then the provisions of the Statutory Act, Rules, Regulations etc. would prevail over the policy

Any statutory amendment in the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and guidelines/directions/circulars issued by any Statutory/Regulatory/Administrative Authorities, if any, shall be deemed to be included in this policy. Pursuant to such an amendment, the Executive Director (Finance-Corporate Accounts) of the Company is authorized to carry out the necessary changes to this policy, as may be required.

Further, the Board of Directors of the Company is the Competent Authority to approve any other amendment in this policy.
