Dividend Distribution Policy

In terms of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
## Distribution List

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Approver (or) Reviewer</th>
<th>Sign off Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>Board Members</td>
<td>Approver</td>
<td></td>
</tr>
<tr>
<td>Bipin Gemani</td>
<td>Chief Financial Officer</td>
<td>Reviewer</td>
<td>May 24, 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Reviewed on</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>August 27, 2020</td>
</tr>
</tbody>
</table>

**Policy Owner**: Mr. Bipin Gemani (Chief Financial Officer)
Contents

1. Background: ........................................................................................................................................... 4
2. Need and Objective of Dividend Distribution Policy: ......................................................................................... 5
4. Provision regarding declaration of dividend in the case of absence or inadequate profits: .......... 5
5. Eligibility criteria for declaration of dividend: ........................................................................................................ 6
6. Circumstances under which shareholders may or may not expect dividend: ................................................. 6
7. Factors affecting the Company’s approach to Dividend payout ............................................................................. 7
8. Utilisation of retained earnings: ......................................................................................................................... 7
9. Parameters that will be adopted with regards to various classes of shares: ....................................................... 7
10. Various dividend approaches that are deliberated while finalizing dividend policy are: .................... 7
11. Periodicity: ................................................................................................................................................. 8
12. Procedure: .................................................................................................................................................. 8
13. Recommendations: ............................................................................................................................................ 9
14. Law relating to dividend distribution tax: ....................................................................................................... 9
15. Revision of policy: .......................................................................................................................................... 9
16. Availability of policy: ....................................................................................................................................... 9
17. Reporting system: .............................................................................................................................................. 9
1. **Background:**

This policy sets out principles to determine the amounts that can be distributed to equity shareholders as dividend. IDFC Limited proposes to have a dividend distribution policy that balances the dual objectives of appropriately rewarding shareholders through dividends and retaining capital in order to maintain a healthy capital adequacy to support its future capital requirement.

2. **Need and Objective of Dividend Distribution Policy:**

SEBI, vide its notification dated July 8, 2016, has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) by inserting regulation 43A and made it mandatory for the top 500 listed entities to formulate a Dividend Distribution Policy (“the Policy”) and disclose the Policy in their annual reports and on their website.

The dividend distribution policy is based on the following parameters:

a) the circumstances under which the shareholders may or may not expect dividend;

b) the financial parameters, internal and external factors considered while declaring dividend;

c) policy as to how the retained earnings will be utilized; and

d) parameters that will be adopted with regards to various classes of shares.

3. **Eligibility criteria for declaration of dividend as per RBI:**

- Every applicable NBFC shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15 percent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items.
- The Tier I capital in respect of applicable NBFCs (other than NBFC-MFI and IDF-NBFC), at any point of time, shall not be less than 10% by March 31, 2017.
- IDFC is subjected to statutory transfers u/s 45(IC) of RBI Act (20% of Profit after tax) before declaring dividend.
- The proposed dividend should be paid only out of current year’s profit.
- In case the Company does not meet any of the above criteria, then, it cannot declare any dividend for that particular year.

4. **Circumstances under which shareholders may or may not expect dividend:**
The Board may not recommend any dividend or may recommend a lower payout for a given financial year, if:
- The company has reported a net loss for the year
- Cash flow from operations is negative
- Capital adequacy metrics of the company is weak
- The company has been prohibited to declare dividends by any regulatory authority
- The company has implemented, or intends to implement, a share repurchase (buyback) scheme or any other alternative profit distribution measures
- Any other extraordinary circumstances

5. **Factors affecting the Company’s approach to dividend payout**

The Board will consider the following factors before making any recommendation for the dividend:
- Profits earned during the financial year
- Future capital requirement
- Cash flow position
- Amount available for distribution after setting aside regulatory transfers
- Past dividend trends
- Reinvestment opportunities

6. **Utilisation of retained earnings**

In any given financial year, the retained earnings of the company are expected to be used across the following activities:
- Future capital requirement
- Inorganic growth
- General corporate purposes, including contingencies

7. **Parameters that will be adopted with regards to various classes of shares.**

The company has only one class of equity shareholders. Therefore, dividend declared will be distributed equally among all shareholders, based on their shareholding on the record date.

11. **Procedure:**

- The Chief Financial Officer in consultation with the MD & CEO of the Company shall recommend any amount to be declared/recommended as dividend to the Board of Directors of the Company.
- The Agenda for the Board of Directors of the Company where dividend declaration or recommendation is proposed shall contain the rationale of the proposal.
Pursuant to the provisions of the applicable laws and this policy, interim dividend approved by the Board of Directors will be confirmed by the shareholders and final dividend, if any, recommended by Board of Directors, will be subject to shareholders approval, at the ensuing Annual General Meeting of the Company.

The Company shall ensure compliance of provisions of Applicable Laws and Policy in relation to dividend declared by the Company.

12. Recommendations:

The company being an Investment NBFC, its dividend payout will largely depend upon the dividends it receives from its subsidiaries.

The Company has a consistent dividend policy that balances the dual objective of appropriately rewarding shareholders through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support the future growth. It is recommended that the Company will pay between 70% to 100% of its distributable profits after transferring to statutory and other reserves and after setting aside cash for its business requirements, as dividend (inclusive of taxes). Special dividends, if any, will be declared in addition to the regular dividend payout.

13. Revision of policy:

This policy will be subject to an annual review by the Board of Directors of the Company.

14. Availability of policy:

This most recent version of the policy will be available on the Company’s website.