

AADHAR HOUSING FINANCE LIMITED

DIVIDEND DISTRIBUTION POLICY

(Revision Effective from August, 2020)

(Version: II)

I. PREAMBLE

As per the applicable provisions of Companies Act and other applicable rules, the Board of Directors of erstwhile Aadhar Housing Finance Ltd, has approved Dividend Distribution Policy at its meeting held on 27th December, 2010 and further reviewed at its meeting held on 17th July, 2012.

Further, pursuant to the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time [“**Listing Regulations**”], read with provisions of section 123, 124 of the Companies Act, 2013 and Companies (Declaration and Payment of Dividend) Rules, 2014 and Secretarial Standards notified and confirmed by Ministry of Corporate Affairs, the Dividend Distribution Policy [“**Policy**”] has been modified and amended policy is placed before the Board of Directors, at its meeting in August, 2020 for approval and adoption thereof.

Regulation 43A of the Listing Regulations makes it mandatory for the top five hundred listed entities based on their market capitalization calculated as on March 31 of every financial year to formulate Dividend Distribution Policy.

Although the Company does not fall in category of listed companies, in order to ensure a proper return on investment to the shareholders & to provide sufficient retained earnings to the Company to cater to its funds requirements for business purposes and for good Corporate Governance, it is pertinent to put in place, a Board approved Dividend Distribution Policy.

II. OBJECTIVE

This Policy aims to ensure that the Company makes rationale decision with regard to the amount to be distributed to the equity and preference shareholders, if any, as dividend after retaining sufficient funds for the Company’s growth, to meet its long-term objective and other purposes.

This Policy lays down various parameters which shall be considered by the Board of Directors of the Company before recommendation/ declaration of Dividend to its shareholders.

III. DEFINITIONS

- a. “Act” means the Companies Act, 2013 and rules made thereunder [including any amendments or re-enactments thereof]
- b. “Applicable laws” shall mean to include Companies Act 2013 and rules made thereunder, [including any amendments or re-enactments thereof], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as and when applicable, [including any amendments or re-enactments thereof], Rules/guidelines/notifications/circulars issued by National Housing Bank and any other regulation, rules, acts, guidelines as may be applicable to the distribution of dividend.

- c. “Board” or “Board of Directors” shall mean Board of Directors of the Company, as constituted from time to time.
- d. “Company” shall mean Aadhar Housing Finance Limited (“Dividend” includes any interim dividend; which is in conformity with Section 2(35) of the Companies Act, 2013 read with Companies (Declaration and Payment of Dividend) Rules, 2014.
- e. “Financial year” shall mean the period starting from 1st day of April and ending on the 31st day of March every year,
- f. “Free reserves” shall mean the free reserves as defined under Section 2 (43) of the Act.

IV. PARAMETERS GOVERNING THE DISTRIBUTION OF DIVIDEND

1. Factors for recommendation/ declaration of Dividend.

a. Internal factors (Financial Parameters)

The Board shall consider the below mentioned financial parameters for the purpose of recommendation/declaration of dividend:

- i. Current year’s net operating profit
- ii. Capital expenditure and working capital requirements
- iii. Financial commitments with respect to the outstanding borrowings and interest thereon.
- iv. Financial requirement for business expansion and/or diversification, acquisition, etc. of new businesses.
- v. Provisioning for financial implications arising out of unforeseen events and/or contingencies.
- vi. Past dividend trend
- vii. Capital adequacy ratio

b. External Factors

The Board shall also consider the below mentioned external factors at the time of taking a decision with respect to recommendation/declaration of dividend:

- i. Applicable laws and Regulations including taxation laws.
- ii. Economic conditions
- iii. Prevalent market practices
- iv. Dividend payout ratio and comparison of dividend payout by the competitors.

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

The decision to recommend/declare the dividend by the Board of Directors shall primarily depend on the factors listed out at point no. 1 above. However, the shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.
- ii. In the event of higher working capital requirement for business operations or otherwise.
- iii. In the event of inadequacy of cashflow available for distribution.
- iv. In the event of inadequacy or absence of profits.
- v. Under any other circumstances as may be specified by the Companies Act, 2013 or any other applicable regulatory provisions or as may be specified under any contractual obligation entered into with the lenders

3. Manner of utilisation of Retained Earnings.

The Board of Directors of the Company may recommend/declare dividend out of the profits of the Company or out of the profits for any previous year or years or out of Free Reserves available for distribution of dividend, as per the regulatory provisions after consideration of the factors as stated at point no. 1 above. The Company shall ensure compliance with the requirements in this respect as laid down under the provisions of Section 123 of the Act and other Applicable Rules/Provisions.

4. Manner of Declaration and Payment of Interim Dividend.

The Board of Directors of the Company may declare Interim Dividend during any financial year or at any time during the period from closure of financial year till the holding of the Annual General Meeting.

The Board shall consider the financial results of the Company for the period for which Interim Dividend is to be declared and shall be satisfied that the financial position of the Company justifies and supports the declaration of such Interim Dividend.

The financial results shall take into account the following-

- a. Depreciation for the full year;
- b. Tax on profits of the Company including deferred tax for full year;
- c. Other anticipated losses for the Financial Year;
- d. Dividend that would be required to be paid at the fixed rate on preference shares, if any ;
- e. The Losses incurred, if any, during the current financial year up to the end of the quarter, immediately preceding the date of declaration of Interim Dividend;

In case, where the Company has incurred losses during the current Financial Year up to the end of the quarter immediately preceding the date of declaration of Interim Dividend, such Dividend shall not be declared at a rate higher than average Dividend declared during the immediately preceding three financial years.

5. Declaration and payment of Dividend in case of inadequacy or absence of profits in any year :

The company may declare dividend out of free reserves subject to the fulfillment of the following conditions, namely:-

- (i) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year,
- (ii) The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
- (iii) The amount so drawn shall first be utilised to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.
- (iv) The balance of reserves after such withdrawal shall not fall below fifteen per cent of its paid up share capital as appearing in the latest audited financial statement

6. Other factors to be considered with regard to various classes of shares.

Presently, the issued share capital of the Company comprises only one class, i.e. equity shares, having face value of Rs. 10 each and there is no differential rights with respect to all its shareholders. In the event the Company issues preference shares in future, Equity dividend shall stand second in priority after payment of dividend to the Preference Shareholders.

V. GENERAL

- a. Pursuant to the provisions of Section 123 & 124 of the Act, Articles of Association of the Company and this Policy, the Board of Directors shall recommend the final dividend, which shall be declared by the Shareholders of the Company at the Annual General Meeting. The Board may also, from time to time, declare interim dividend which shall be subject to confirmation by the Shareholders at the Annual General Meeting.
- b. The Company shall ensure compliance with the Applicable laws with respect to payment of dividend to the shareholders. It shall ensure that the amount of the dividend, including interim dividend, is deposited by the Company in a Scheduled bank in a separate Bank account within five days from the date of declaration of such dividend.
- c. Due regard shall be given to the restrictions/covenants contained in any agreement entered into with the lenders of the Company or any other financial covenant as may be

specified under any other arrangement/ agreement, if any, before recommending or distributing dividend to the shareholders.

- d. Taxes as applicable on distribution of Dividend shall be paid by the company within the prescribed time.
- e. Dividend shall not be paid ~~in cash and not~~ in kind.
- f. A duplicate Dividend cheque or warrant or demand draft shall be issued only after obtaining requisite indemnity/ declaration from the concerned Member and after ascertaining the encashment status of the original Dividend cheque or warrant.

VI. Preservation of Dividend Cheques, Warrants and Demand Drafts

Where the company has given an undertaking to the Bank for preservation or safe keeping of for a specified period, the said instruments of unclaimed dividend, i.e. cheques/ warrants/ demand drafts, returned to the Company, shall be preserved for such specified period or eight years from the date of the instrument, whichever is longer.

The Dividend cheques or warrants or demand drafts so preserved shall be destroyed only with the approval of the Board or Committee thereof, considering the applicable provisions of law & provisions of this Policy.

VII. Unpaid and Unclaimed Dividend

- a. The amount of Dividend which remains unpaid or unclaimed after thirty days from the date of its declaration shall be transferred to a special bank account titled as '**Unpaid Dividend Account**' to be opened by the company in that behalf with any scheduled bank. Such transfer shall be made within seven days from the date of expiry of the thirty days period from the date of declaration of Dividend.
- b. Any amount in the Unpaid Dividend Account of the company which remains unpaid or unclaimed for a period of seven years from the date of transfer of such amount to the Unpaid Dividend Account, along with interest accrued, if any, shall be transferred to the Investor Education and Protection Fund (Fund).

Any transfer to the Investor Education and Protection Fund shall be made within thirty days from the expiry of seven years from the date of transfer of unpaid or unclaimed Dividend to the Unpaid Dividend Account.

- c. Before transferring any unclaimed or unpaid Dividend or the shares, corresponding thereof, to the Investor Education and Protection Fund, the company shall give an individual intimation to the Members in respect of whom such unclaimed Dividend is being transferred, at least three months before the due date of such transfer, along with all the required compliance formalities as per the applicable law.

- d. All shares in respect of which Dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the company in the name of Investor Education and Protection Fund.

In case any Dividend is paid or claimed, for any year during the said period of seven consecutive years, such shares shall not be transferred to the Investor Education and Protection Fund.

VII. DISCLOSURES

- a. Notes to Accounts forming part of the financial statements of the Company shall disclose the aggregate amount of Dividend proposed to be distributed to Shareholders for the financial year and the related amount of Dividend per share. Arrears of fixed cumulative Dividend on shares shall also be disclosed separately.
- b. The Balance Sheet of the company shall also disclose under the head 'Current Liabilities and Provisions', the amount lying in the Unpaid Dividend Account together with interest accrued thereon, if any.
- c. The amount of Interim Dividend, if any, paid during the financial year and final Dividend recommended by the Board of directors shall be disclosed in the Board's Report.
- d. The Annual Report of the company shall disclose the total amount lying in the Unpaid Dividend Account of the company in respect of the last seven years and when such unpaid Dividend is due for transfer to the Fund. The amount of Dividend, if any, transferred by the company to the Investor Education and Protection Fund during the year shall also be disclosed.

The Company shall make appropriate disclosures in compliance with the applicable provisions of the Companies Act, 2013 and rules made thereunder in particular the disclosures required to be made in the annual report and on the website (www.aadharhousing.com) of the Company.

VIII. REVIEW

The Board of Directors shall have the right to modify, amend or change any or all clauses of this Policy in accordance with the provisions of the Applicable laws/ Acts /Regulations or otherwise.

In case of any amendment(s), clarification(s), circular(s) etc. issued under any Applicable laws/ Regulations, which is not consistent with any of the provisions of this Policy, then such legislative amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall be deemed to be amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.
