



IDFC Limited

Dividend Distribution Policy

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



IDFC Limited

Distribution List			
Name	Role	Approver (or) Reviewer	Sign off Date
Board of Directors	Board Members	Approver	
Bipin Gemani	Chief Financial Officer	Reviewer	

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



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1. Background:

This policy sets out principles to determine the amount 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 requirements.

2. Need and Objective of Dividend Distribution Policy:

SEBI has 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. Utilisation of retained earnings

In any given financial year the retained earnings of the company are expected to be used for the following:

- ❖ Additional capital requirements
- ❖ Inorganic growth
- ❖ General corporate purposes, including contingencies

4. 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 the aggregate of its on-balance sheet risk weighted assets and the risk adjusted value of its 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 under section 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.
- ❖ If the Company does not meet all of the above criteria, it cannot declare any dividend for that particular year.



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5. Circumstances under which shareholders may not receive dividends or may receive reduced dividends:

The Board may choose not to 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
- ❖ The capital adequacy metrics of the company are weak
- ❖ The company has been prohibited from declaring dividends by any regulatory authority
- ❖ The company has implemented, or intends to implement, a share repurchase (buy-back) scheme or any other alternative profit distribution measures
- ❖ Any other extraordinary circumstances

6. 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 requirements
- ❖ Cash flow position
- ❖ Amount available for distribution after setting aside regulatory transfers
- ❖ Past dividend trends
- ❖ Reinvestment opportunities

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

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

8. 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 for the proposal.
- ❖ Pursuant to the provisions of the applicable laws and this Policy, the Board may declare interim dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company and any final dividend recommended by Board



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of Directors, will be subject to the shareholders' approval, at the ensuing Annual General Meeting of the Company.

- ❖ The Company shall ensure compliance of provisions of all applicable laws in relation to dividend declared by the Company.

9. **Recommendations:**

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

The Company shall maintain 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 out as dividends between 70% to 100% of its distributable profits after transferring to statutory and other reserves and after setting aside cash for its business requirements (inclusive of taxes). Special dividends, if any, will be declared in addition to the regular dividend payout.

10. **Revision of policy:**

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

11. **Availability of policy:**

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