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| Subject: Dividend Distribution Policy | Original Issue Date: 28.11.2019 | Version No.: 2.0 |
| | Last revision date: 24.01.2023 | |

HOME FIRST FINANCE COMPANY INDIA LIMITED
(‘Home First’)

DIVIDEND DISTRIBUTION POLICY

1. PREAMBLE

Pursuant to the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “Listing Regulations”), it is mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on the market capitalisation calculated as on March 31, every year.

The Board of Directors (the “Board”) of Home First Finance Company India Limited (the “Company”) has adopted and formulated Dividend Distribution Policy, in compliance with the Listing Regulations, and has uploaded the same on the Company’s website at www.homefirstindia.com

2. DEFINITIONS

- a. The terms referred to in this policy will have the same meaning as defined under the Companies Act, 2013 (the “Act”) and the rules made there under and the Listing Regulations.
- b. “Applicable laws” shall mean to include Act and rules made thereunder, [including any amendments or re-enactments thereof], Listing Regulations [including any amendments or re-enactments thereof], Rules/Guidelines/Notifications/Circulars issued by Reserve Bank of India (“RBI”)/ National Housing Bank (“NHB”) and any other Regulation, Rules, Acts, Guidelines as may be applicable to the distribution of dividend.
- c. “RBI Master Directions” shall mean Master Direction – Non-Banking Financial Company Housing Finance Company (Reserve Bank) Directions, 2021.
- d. “Financial year” shall mean the period starting from 1st day of April and ending on the 31st day of March every year.

3. EFFECTIVE DATE

The Policy will come into effect on its adoption by the Board.

4. OBJECT

The object of this Policy is to establish the parameters to be considered by the Board before declaring or recommending dividend. The Policy aims to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient funds are retained for the growth of the Company.

5. SCOPE

The Policy covers the following:

a. Dividend to Equity Shareholders of the Company:

At present the Company has only one class of equity shares and accordingly, the Dividend will be distributed equally among all the equity shareholders, based on their shareholding on the record date. Parameters for dividend payments in respect of any other class of shares will

be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue other classes of shares.

b. Interim Dividend:

Interim Dividend(s), if any, shall be declared by the Board. In case no final dividend is declared for any particular financial year, interim dividend paid during that year, if any shall be regarded as final dividend for the year in the Annual General Meeting (“AGM”).

c. Final Dividend:

Recommendation, if any, shall be made by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.

The dividend as recommended by the Board shall be approved/ declared in the AGM of the Company.

6. PARAMETERS TO BE CONSIDERED

The Board shall consider following parameters, factors, aspects and circumstances before declaring or recommending dividend:

a. Statutory Requirements:

The Board shall comply with the provisions of the Companies Act, 2013 & rules applicable there under and the provisions of Circular No # RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22 dated June 24, 2021 including minimum prudential requirements, quantum of dividend payable (as given in Annexure A) and reporting requirements (as given in Annexure B) while declaring dividends.

b. Internal Factors:

The Board shall consider following internal factors:

1. Company’s Liquidity position including its present and expected obligations.
2. Profits of the Company.
3. Future growth plans of the Company including organic / inorganic growth opportunities and capital commitments.
4. Financial commitments w.r.t. the outstanding borrowings and interest thereon.
5. Financial requirement for business expansion and/or diversification, acquisition etc of new businesses.
6. Past dividend trend of the Company and the Industry.
7. Cost of borrowings.
8. Other Corporate Action options (For ex. Bonus issue, Buy back of shares).
9. Provisioning for financial implications arising out of unforeseen events and/ or contingencies.
10. Supervisory findings of the NHB on divergence in classification and provisioning for Non-Performing Assets (NPAs).
11. Qualifications in the Auditors’ Report to the financial statements;
12. Restrictions/Covenants contained in any arrangement/ agreement with the lenders of the Company.

13. Any other relevant or material factor as may be deemed fit by the Board.

c. **External Factors:**

The Board shall consider following external factors:

1. State of economy and capital markets.
2. Applicable taxes and Regulations including taxation laws.
3. Regulatory Changes: Introduction of new or changes in existing tax or regulatory requirements having significant impact on the Company's operations or finances.
4. Any other relevant or material factor as may be deemed fit by the Board.

7. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY NOT EXPECT DIVIDEND

The Company may be restricted from declaring dividends in the following circumstances:

- a. Inadequate profits: If during any financial year, the profits of the Company are not adequate.
- b. Growth opportunity: If during any financial year, the Company is required to allocate a significant amount of capital towards business growth or to meet higher working capital requirement for business operations or otherwise.
- c. Dividend not to be declared out of reserves: As a rule, dividend for any particular financial year shall be recommended or paid out of the Profit of that financial year and the Board shall not declare or recommend any dividend out of the reserves, except for reasons to be expressly laid down. Any decision in this regard shall be reflected in the Annual Report and website of the Company while declaring/ recommending dividend.
- d. Under any other circumstances, as may be specified by Act or any other applicable regulatory provisions or as may be specified under any contractual obligation entered into with the lenders of the Company.

8. ENTITLEMENT AND TIMELINES FOR DIVIDEND PAYMENTS

- a. Entitlement: The dividend shall be paid to the shareholders entitled to receive dividend on the record date / book closure date as per applicable laws.
- b. Timelines: The payment of dividend shall be made within the time prescribed under the Act or the rules made there under. Presently, dividend is to be paid within 30 days from the date of declaration by the Board in case of Interim Dividend and within 30 days from the declaration by the shareholders in the AGM in case of Final Dividend.

9. MANNER OF UTILISATION OF RETAINED EARNINGS

The retained earnings shall be deployed in line with the objects of the Company as detailed in Memorandum of Association of the Company. The Company shall endeavour to utilize its retained earnings in a manner which shall be beneficial to the interest of the Company and also its shareholders. The decision of utilization of the retained earning shall be based on the factors like strategic and long-term plans of the Company, future equity acquisitions, diversification opportunities or any other criteria that may be considered relevant by the Board in this regard.

10. UNPAID AND UNCLAIMED DIVIDEND

- a. The amount of Dividend which remains unpaid or unclaimed after 30 days from the date of its declaration shall be transferred to a special bank account titled as ‘Unpaid Dividend Account – “Respective year interim or final dividend”’ to be opened by the company in that behalf with any scheduled bank. Such transfer shall be made within 7 days from the date of expiry of the 30 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 7 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.
Any transfer to the Investor Education and Protection Fund shall be made within 30 days from the expiry of 7 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 3 months before the due date of such transfer, along with all the required compliance formalities as per the applicable law.

11. PROCEDURE

- a. The dividend proposal placed before the Board for consideration shall be in terms of this policy.
- b. The Company shall ensure compliance of provisions of applicable Laws and this policy in relation to Dividend declared by the Company.

12. AMENDMENT

The Board may, from time to time, make amendment(s) to this Policy to the extent required due to change in applicable laws and / or regulations or as deemed fit on a review.

Annexure A

The table below enumerates the applicable requirements to be complied by Housing Finance Company (required by Circular No # RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22 dated June 24, 2021).

| Criteria | Detailed Requirement |
|------------------------------------|---|
| Eligibility criteria | <p>Capital Adequacy: Meet regulatory capital requirement **</p> <ul style="list-style-type: none"> - Tier-I and Tier-II capital > aggregate risk weighted assets and of risk adjusted value of off-balance sheet items <ul style="list-style-type: none"> o 13 % as on 31.03.20; o 14 % on or before 31.03.21; o 15 % on or before 31.03.22 and thereafter. - Tier-I capital, at any point of time > 10 %. - Tier-II capital, at any point of time, shall not exceed 100 % of Tier-I capital. <p>Net NPA: Net NPA < 6% **</p> |
| Other Criteria | <ul style="list-style-type: none"> i. The Company shall comply with the provisions of Section 29C of the National Housing Bank Act, 1987 and prevailing regulations/guidelines issued by RBI. ii. NHB shall not have placed any explicit restrictions on declaration dividend. |
| Quantum of Dividend Payable | <p>The Board after ensuring that the company meets the minimum prudential requirements as mentioned above, may declare dividend subject to the following:</p> <ul style="list-style-type: none"> i. The Maximum dividend Payout Ratio for the Company to declare dividend is 50%. The Dividend Payout Ratio is the ratio between the amount of the dividend payable in a year and the net profit as per the audited financial statements for the financial year for which the dividend is proposed. ii. Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares (if any) eligible for inclusion in Tier 1 Capital. iii. In case the net profit for the relevant period includes any exceptional and/or extra-ordinary profits/ income or the financial statements are qualified (including 'emphasis of matter') by the statutory auditor that indicates an overstatement of net profit, the same shall be reduced from net profits while determining the Dividend Payout Ratio. |

** for each of the last 3 consecutive financial year (including year of proposal)

Annexure B

Reporting format for Housing Finance Company declaring dividend

Details of dividend declared during the financial year

Name of the Company – Home First Finance Company India Limited

| Accounting period * | Net profit for the accounting period (Rs. in Crore) | Rate of dividend (%) | Amount of dividend (Rs. in Crore) | Dividend Pay out ratio (%) |
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* quarter or half year or year ended ----- as the case may be