

Bajaj Housing Finance Limited

Dividend Distribution Policy

June 2024 - Ver. 1.0

Dividend Distribution Policy

Sign of Sheet

APPROVED BY	Board of Directors	
RECOMMENDED BY	Atul Jain Managing Director	
PREPARED BY	Gaurav Kalani Chief Financial Officer	
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Description	Version	Approval Date
Dividend Distribution Policy	1.0	6 June 2024

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1. Introduction

Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, mandates framing of a dividend distribution policy by the top 1,000 listed companies, based on the market capitalization.

The Board of Directors of Bajaj Housing Finance Limited “Company” recognizes the need to lay down a broad framework with regard to distribution of dividend to its shareholders and utilization of the retained earnings. This Policy reflects the intent of the Company to reward its shareholders by declaring dividend and seeks to establish the parameters (including internal and external factors) to be considered by the board of the Company before declaring or recommending dividend.

2. Objective

The Policy, in the interest of providing transparency to the shareholders, sets out the circumstances and different factors for consideration by the Board at the time of deciding on distribution or retention of profits. The Company will strive to strike the right balance between the quantum of the dividend paid and amount of profits retained in the business for various purposes, and to maintain a consistent approach to dividend payout plans.

The Policy shall become effective from the date of its approval by the Board.

3. Omnibus Clause

Particulars	Directions
Version	1.0
Applicable RBI & SEBI directions / circulars / notifications	<ul style="list-style-type: none"> RBI Master Direction for Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 (‘RBI Master Direction’), as amended from time to time. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
Approval Authority	Board of Directors

4. Definitions

“Applicable Laws” in addition to the laws mentioned in the table above shall also mean the Companies Act, 2013 and Rules made thereunder, and such other act, rules or regulations which deal with the distribution of dividends.

“Board” or **“Board of Directors”** means the Board of the Directors of the Company.

“Company” means Bajaj Housing Finance Limited.

“Dividend” includes interim dividend.

“Financial Year” means the period of 12 months commencing on April 1 of the immediately preceding calendar year and ending on March 31 of that particular calendar year.

“Policy” shall mean this Dividend Distribution Policy of the Company.

Words and expressions used and not defined in this Policy but defined in the Companies Act or other Applicable Laws shall have the same meaning respectively assigned to them in those Applicable Laws.

5. Minimum Prudential Requirements for Declaration of Dividend

The Company shall comply with the following minimum prudential requirements to be eligible to declare dividend:

Capital Adequacy

The Company to meet the below capital requirement in each of the last three financial years including the financial year for which the dividend is proposed-

- i.) Minimum capital ratio on an ongoing basis consisting of Tier-I and Tier-II Capital which shall not be less than 15% of its aggregated risk weighted assets and of risk adjusted value of off-balance sheet items.
- ii.) At any point of time, Tier-I Capital shall not be less than 10%. The total of Tier-II capital, at any point of time, shall not exceed 100% of Tier-I capital.

In addition to the above, the Company shall be meeting the Capital requirements as stipulated under its ICAAP Framework.

Net NPA

The net NPA ratio shall be within the prescribed regulatory norms as amended from time to time 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

- i.) The Company shall comply with the provisions of Section 29 C of The National Housing Bank Act, 1987.
- ii.) The Company shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank or National Housing Bank. The Reserve Bank or the NHB shall not have placed any explicit restrictions on declaration of dividend.

Any other prudential criteria stipulated by SEBI, Companies Act, 2013 or IRDAI (in the capacity of an Insurance Intermediary) shall also be considered, if applicable.

6. Category of Dividends

The Companies Act provides for two forms of Dividend - final and interim. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the Financial Year, as and when they consider it fit.

Final Dividend

The final dividend is paid once for the Financial Year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of final dividend to the shareholders in a general meeting. The declaration of final dividend shall be included in the ordinary business items that are required to be transacted at the annual general meeting.

Interim Dividend

This form of dividend can be declared by the Board of Directors one or more times in a Financial Year as may be deemed fit by it. The Board of Directors of the Company would declare interim dividend, as and when considered appropriate, in line with the Companies Act and this Policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts.

7. Circumstances Under Which the Shareholders May or May Not Expect Dividend

The decision regarding dividend payout is an important decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in the business. Hence, the shareholders of the Company may expect dividend only if the Company is having adequate profits after complying with all other statutory requirements under the Applicable Laws.

The shareholders of the Company may not expect dividend in the following circumstances (list is indicative in nature), subject to the discretion of the Board of Directors:

- i.) In case of inadequacy of profits or whenever the Company has incurred losses;
- ii.) Whenever the Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- iii.) Whenever the Company undertakes any acquisitions or joint arrangements requiring significant allocation of capital;
- iv.) Significantly higher working capital requirement affecting free cash flow;
- v.) Whenever the Company proposes to utilize surplus cash for buy- back of securities or setting off of previous year losses or losses of its subsidiary/ies; and

- vi.) In case the Company is prohibited to recommend/declare dividend by any regulatory body.

The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the year and the Board reserves the right to depart from the Policy as and when circumstances so warrant.

Given the aforementioned uncertainties, investors are cautioned not to place undue reliance on any of the forward-looking statements in the Policy, if any.

8. Parameters to be Considered Before Recommending Dividend

The Board of Directors of the Company shall consider the following financial / internal parameters while declaring or recommending dividend to shareholders:

- i.) Profits earned and available for distribution;
- ii.) Accumulated Reserves including Retained Earnings;
- iii.) Earnings outlook for next three to five years;
- iv.) Expected future capital / expenditure requirements of the Company;
- v.) Organic/Inorganic growth plans / expansions;
- vi.) Long term investment proposed, capital restructuring, debt reduction;
- vii.) Cost of raising funds from alternate sources;
- viii.) Crystallization of contingent liabilities of the Company;
- ix.) Profit earned under Standalone / Consolidated Financial Statements;
- x.) Cash Flows;
- xi.) Current and projected cash balance;
- xii.) Capital requirement for growth in the loan portfolio;
- xiii.) Creation of contingency fund;
- xiv.) The Company's liquidity position and future cash flow needs;
- xv.) Trend of dividends paid in the past years by the Company;
- xvi.) Capital expenditure requirements considering the expansion and acquisition opportunities;
- xvii.) Income and profitability parameters – Net Interest Income (NII), Profit Before Tax (PBT) and Profit After Tax (PAT), Return on Assets (RoA), Return on Equity (RoE), Earnings Per Share (EPS), Profit growth targets and market expectations, etc;
- xviii.) Capitalization level parameters – Net Owned Funds (NOF), Capital Risk Adequacy Ratio (CRAR), Tier I capital and Tier II capital, Gross leverage and net leverage, etc;
- xix.) Portfolio quality parameters – Absolute values of gross NPA and net NPA, Gross NPA and net NPA as percentage of loan assets, Provisioning levels and provision coverage, Outlook on portfolio quality, etc; and
- xx.) Any other relevant factors and material events.

The Board of Directors of the Company shall consider the following external parameters while declaring or recommending dividend to shareholders:

- i.) Macro-economic environment - Significant changes in macro-economic environment materially affecting the business in which the Company is engaged in the geographies in which the Company operates.
- ii.) Regulatory changes - Introduction of new regulatory requirements or material changes in existing taxation or regulatory requirements, which significantly affect the business in which the Company is engaged.
- iii.) Technological changes which necessitate significant new investments in any of the businesses in which the Company is engaged.
- iv.) Outlook for the housing sector,
- v.) Government policies
- vi.) Other factors like statutory and contractual restrictions

Other Important parameters to be considered by the Board of Directors of the Company shall be:

- i.) Long term growth plans of the Company;
- ii.) Supervisory findings of the National Housing Bank (NHB) or Reserve Bank of India (RBI) on divergence in classification and provisioning for Non-Performing Assets (NPAs);
- iii.) Related Adverse findings from any other regulator such as IRDAI, SEBI, etc.
- iv.) Qualifications in the Auditors' Report to the financial statements;

9. Utilization of Retained Earnings

Retained earnings shall be utilized in a manner which is beneficial to the interests of the Company and also its shareholders subject to the relevant laws and regulations. The retained earnings may be utilized by the Company for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose, as approved by the Board of Directors of the Company. In the absence of any viable growth opportunity (organic / inorganic), Company shall utilize retained earnings for reducing its debt obligations. In the absence of the opportunity to utilize retained earnings in any of the above options, as an exception, the Board shall use the larger portion of profits to distribute amongst the shareholders as dividend.

10. Parameters that Shall be Adopted with Regard to Various Classes of Shares

The Company has issued only one class of equity shares with equal voting rights and therefore all Shareholders of the Company are entitled to receive the same amount of dividend per equity share. Parameters for dividend payments in respect of any other class of equity shares will be as per the respective terms of issue and in accordance with the Applicable Laws and will be determined, if and when the Company decides to issue other classes of equity shares / preference shares.

11. Quantum of Dividend Payable

It has always been the Company's endeavour to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business, to the shareholders, in the form of dividend. The Company would maintain a dividend payout as may be determined by the Board from time to time, considering the general business factors and other significant parameters specified in this Policy.

The dividend payout ratio shall be subject to a cap as prescribed under the regulatory norms as amended from time to time. In case the Company does not meet the applicable prudential requirements prescribed in Paragraph 5 above for each of the last three financial years, it may be eligible to declare dividend, subject to a cap of 10% on the dividend payout ratio, provided it meets the applicable capital adequacy requirement in the financial year for which it proposes to pay dividend and has net NPA of less than 4% as at the close of the financial year.

12. Conflict in Policy

In the event of any conflict between this Policy and the provisions contained in the Applicable Laws, the provisions of Applicable Laws shall prevail.

13. Review / Amendment

The Board of Directors can amend this Policy, as and when deemed fit. The Board shall review this Policy on an annual basis.

14. Disclosure

The Policy shall be disclosed on the website of the Company and a web-link shall also be provided in its annual report.

If Company proposes to declare dividend on the basis of parameters in addition to the ones listed in this Policy or proposes to change such additional parameters or the Policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

15. Reporting

The Company shall report to the National Housing Bank, the details of dividend declared during the financial year within a fortnight after declaration of dividend.