



LIC HOUSING FINANCE LIMITED

DIVIDEND DISTRIBUTION POLICY

<u>Owner Department of the Policy</u>	<u>Secretarial Department</u>
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<u>Routing Committee</u>	<u>Audit Committee of Board (ACB)</u>

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INTRODUCTION

Normally Companies do not distribute entire profit earned amongst the shareholders. Part of profit is ploughed back as retained earnings and only Part of the profit gets distributed to the shareholders. The part that is distributed is **dividend**. Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation of the Board of Directors of the Company.

Dividend policy of a company is the strategy followed to decide the amount of **dividends** and the timing of the payments. There are various factors that frame a dividend policy of the company. Availability of better investment opportunities, estimated volatility of future earnings, tax considerations, financial flexibility, legal restrictions, profitability, stability of dividend payout and retained earnings, liquidity and cash flows, investment variables and financial variables, financial leverage, last year/s dividend, regulations, industry growth rate and capital investment needs.

DIVIDEND DISTRIBUTION POLICY OF LIC HOUSING FINANCE LIMITED

The Board of Directors (the "Board") of LIC Housing Finance Limited (the "Company") has to adopt the Dividend Distribution Policy (the "Policy") of the Company as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations").

PURPOSE:

The Securities and Exchange Board of India ("SEBI") vide its Notification dated July 08, 2016 has amended the Listing Regulations by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place, by the top one thousand listed companies based on their market capitalization. The Company being one amongst the top one thousand listed companies as per the market capitalization, the Board of the Company recognizes the need to lay down a broad framework for considering decisions by the Board of the Company, with regard to distribution of dividend to its shareholders and/ or retaining or plough back of its profits. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the shareholders.

OBJECTIVES:

1. To define policy and procedures in relation to the calculation, declaration, and settlement of dividend and time period within which dividend payments would be made to its shareholders. There are various financial parameters, external and internal factors which are considered in forming the Dividend Distribution Policy for the Company.

2. To ensure that the Company has sufficient distributable profits and / or general reserves, as determined by a review of the Company's audited financial statements, prior to any declaration and / or payment of dividend.

Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element or the Policy will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board of Directors.

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years.

SCOPE, LAW AND REGULATIONS IN RESPECT OF DIVIDEND PAYMENT:

The declaration and payment of dividend shall be governed by various provisions of the Companies Act, 2013 and most importantly chapter - VIII i.e. from section 123 to 127 deals with "*Declaration and payment of dividend*", The Companies (Declaration and Payment of Dividend) Rules, 2014 ; Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001; Reserve Bank of India (Housing Finance Companies) Directions, 2025, Reserve Bank of India (Non-Banking Financial Companies Prudential Norms on Declaration of Dividends) Directions, 2025; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; section 27 of Security Contract Regulation Act, 1956; Income-tax Act, 1961; Secretarial Standards on Dividend (SS-3); NHB Guidelines / Circulars / Notifications, FEMA 1999, RBI and SEBI Guidelines / Circulars, etc. as amended from time to time and to the extent applicable.

The Company will adhere to the provisions of Law as stated in above para, as amended from time to time and to the extent applicable.

The policy set out herein generally relates to final Dividend, certain principles also apply to Interim Dividend declared by the Board of Directors, as stated hereinafter.

Trading Window: In terms of regulation 2(1)(n) of SEBI (Prohibition of Insider Trading) Regulations, 2015, declaration of dividends (interim or final) shall be treated as "Unpublished Price Sensitive Information" hence company shall comply with norms / compliances of trading window read with company's Insider Trading Policy viz. Code of internal procedures and conduct for regulating, monitoring and reporting of trading by insiders pursuant to regulation 9(1) and Schedule B of the SEBI (Prohibition of Insider Trading) Regulations, 2015.

Secretarial Standards: The Company will comply with Secretarial Standards as and when the Secretarial Standards are notified enforced by the Ministry of Corporate Affairs.

Right / Title to dividends: It shall be governed by Section 27 of Security Contract Regulation Act, 1956 and other applicable laws, rules and regulation as amended and enforced from time to time.

The Policy shall not apply to:

Determination and declaring dividend on preference shares if any, issued in future as the same will be as per the terms of issue approved by the shareholders;

Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;

Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

However, the Board reserves the right to modify this policy to accommodate the preference shares or make a separate policy for preference shares in accordance with applicable provisions of the law as stated in above para as and when it deems fit and necessary.

I. GENERAL TERMS

The general considerations of the Company for taking decisions with regard to dividend payout or retention of profits shall be as following:

The management would discuss and recommend to the Board on dividend payment, considering the circumstances or factors but not limited to the following:

- a) Future expansion plans;
- b) Profit earned during the current financial year;
- c) Overall financial conditions;
- d) Cost of raising funds from alternative sources;
- e) Applicable taxes; (including tax deductible at source on dividend (TDS) as the case may be)
- f) Money market conditions;
- g) Macro-economic situations, etc.
- h) Investor's expectation and other relevant factors.
- i) Carry forward losses, if any.

The dividends are declared at the Annual General Meeting of the Company, based on recommendations of the Board.

Free Reserves:

The word "Free reserves" has been defined under Section 2(43) of Companies Act, 2013 to mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend. However, the following shall not be treated as free reserves any amount representing unrealized gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves.

Clause 4.1.15 of the Master Direction Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 defines "Free reserves" to include the balance in the share premium account, capital and debenture redemption reserves and any other reserve shown or published in the balance sheet of the company and created through an allocation of profits, not being a reserve created for repayment of any future liability or for depreciation in assets or for bad debt or a reserve created by revaluation of the assets of the company;

Interim dividend:

The Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and/or out of profits of the financial year in which such interim dividend is sought to be declared. In case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years in terms of Section 123(3) of Companies Act, 2013.

Final Dividend:

It is declared by the members at an Annual General Meeting as "Ordinary Business" in terms of Section 102(2)(ii) of the Companies Act, 2013 only if recommended by the Board of Directors and at a rate not more than what is recommended by the directors in accordance with the Articles of Association of a company.

Powers to SEBI:

Since, the company is listed on the bourses, Section 24 of the Companies Act, 2013 confers on SEBI, the power of administration of the provisions pertaining to non-payment of dividend. In any other case, the powers remain vested in Central Government.

Dividend Payout Ratio:

The dividend payout ratio measures the percentage of Net Profit After Tax (PAT) that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits, the company decides to keep to fund operations and the portion of profits that is distributed amongst its shareholders. It is calculated by dividing the proposed dividend (excluding taxes on dividend) by the Profit after tax and depreciation.

II. MINIMUM PRUDENTIAL REQUIREMENTS TO BE ELIGIBLE TO DECLARE DIVIDEND

The Company shall comply with the following minimum prudential requirements to be eligible to declare dividend as provided in the Reserve Bank of India (Non-Banking Financial Companies Prudential Norms on Declaration of Dividends) Directions, 2025:

Sr. No.	Parameter	Requirement
(1)	Capital Adequacy	The Company should have met the applicable regulatory capital requirement (including CRAR, Tier I capital, Tier II capital, leverage ratio, and Annual Net-Worth, as applicable) as stipulated in the Reserve Bank of India (Housing Finance Companies) Directions, 2025 read with the relevant clauses of the Reserve Bank of India (Non-Banking Financial Companies Prudential Norms on Capital Adequacy) Directions , 2025, for each of the last three financial years including the financial year for which the dividend is proposed.
(2)	Net NPA	The NNPA ratio shall be less than six per cent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
(3)	Other criteria	<p>(i) The Company shall comply with the provisions of Section 29C of the National Housing Bank Act, 1987.</p> <p>(ii) The Company shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank or NHB. The Reserve Bank or NHB should not have placed any explicit restrictions on declaration of dividend.</p>

III. Regulatory Framework Governing Dividend Payout

The Company may declare dividend in a financial year only if it is eligible to do so under the applicable regulatory framework and in terms of the minimum prudential requirement to be met as mentioned in the Clause II of this Policy. The dividend proposed by the Company shall include dividend on equity shares as well as on compulsorily convertible preference shares that are eligible for inclusion in Tier I Capital or Owned Funds, as applicable. For the purpose of determining the dividend payout ratio, the net profit for the relevant financial year shall be adjusted by excluding any exceptional and/or extraordinary income or profits. Further, where the statutory auditor has issued any qualification or emphasis of matter indicating an overstatement of net profit, the impact of such overstatement shall be reduced from the reported net profit before computing the dividend payout ratio.

The Company shall ensure that the total dividend payout for any financial year does not exceed fifty per cent of the adjusted net profit for that year or such other ceiling as may be prescribed by the Reserve Bank of India or the National Housing Bank from time to time for Housing Finance Companies.

In cases where the Company does not meet the applicable prudential requirements prescribed under the regulatory guidelines and as stipulated in Clause II above, for each of the immediately preceding three financial years, the Company may still declare dividend subject to a maximum dividend payout ratio of ten per cent of the adjusted net profit for the relevant financial year, provided that the Company meets the applicable capital adequacy requirements, including CRAR, leverage ratio and Adjusted Net Worth, as applicable, as at the close of the financial year for which dividend is proposed, and further provided that the net non-performing assets of the Company are below four per cent as at the close of the said financial year.

Dividend declaration under this Policy shall at all times remain subject to the overall financial position, capital strength, asset quality and liquidity position of the Company, as well as continued compliance with all applicable prudential norms and regulatory instructions issued by the Reserve Bank of India or the National Housing Bank from time to time.

IV. PARAMETERS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND PAY-OUT

The Board shall consider the following, while taking decisions of a dividend payout during a particular year:

1. Dividend shall be declared or paid only out of:

I. Current period profit

a) after providing for depreciation in accordance with law;

b) after transferring to reserves such amount of profits as may prescribed under National Housing Bank Act, 1987, Companies Act, 2013 and the rules made thereunder, Income-tax Act, 1961 or under any other laws or statutes.

II. The profit from any previous financial year(s)

a) after providing for depreciation in accordance with law; and

b) out of the amount available for dividend that remains undistributed after prescribed appropriations have been made; or

III. Out of I or II or both

2. Before declaring any dividend, the losses, if any, of any previous year(s) must be set off against the profit of the Company for the current year or previous year.

3. In terms of third proviso of Section 123(1)(b) of the Companies Act, 2013 no dividend shall be declared or paid by a company from its reserves other than free reserves.

V. OTHER FINANCIAL PARAMETERS

In addition to the aforesaid parameters such as realized profits, the decision of dividend payout or retention of profits shall also be based on the following:

1. Income and profitability parameters:

I. Net Interest Income (NII);

II. Profit Before Tax (PBT) and Profit After Tax (PAT);

III. Return on Assets (RoA);

IV. Return on Equity (RoE);

V. Earnings Per Share (EPS);

VI. Profit growth targets and market expectations.

2. Capitalization level parameters:

I. Net Owned Funds (NOF);

II. Capital Risk Adequacy Ratio (CRAR), Tier I capital and Tier II capital;

III. Gross leverage and net leverage.

3. Portfolio quality parameters:

- I. Absolute values of gross NPA and net NPA
- II. Gross NPA and net NPA as percentage of loan assets
- III. Provisioning levels and provision coverage
- IV. Change in regulatory provisioning requirements
- V. Outlook on portfolio quality

VI. FACTORS THAT MAY AFFECT DIVIDEND PAYOUT

A. External Factors

Taxation and other regulatory concern

- The tax deduction at source as required by applicable tax regulations in India, as may be applicable at the time of declaration of dividend.
- Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

Product/ market expansion plan

The Company's growth oriented decision to conserve cash in the Company for future expansion plan impacts shareholders expectation for the long run, which shall have to be considered by the Board before taking dividend decision.

Macroeconomic conditions

Considering the state of economy in the country, the policy decisions that may be formulated by the Government / regulator and other similar conditions prevailing in the market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.

Various macroeconomic factors like GDP growth rate, inflation rate, government policies (especially related to housing), industry specific factors like demand for housing, real estate scenario, etc. would be considered by the Company in finalizing the dividend payment for the financial year.

B. Internal Factors

The Board and Management may decide to utilize its profit for

- i. Business expansion and growth;
- ii. Capital expenditure;
- iii. Up gradation of technology and physical infrastructure;
- iv. Creation of contingency fund;
- v. Acquisition of brands and businesses;

Growth outlook for the housing sector and competition intensity may result in margin pressures and result in need to shore up equity capital levels to strengthen operational leverage.

Present liquidity scenario and outlook for the same is the most important fact for any finance company. The Company being in the lending business, it relies on its ability to raise funds efficiently to undertake its lending activities. If the liquidity scenario is poor or if the outlook is adverse, then the Company may choose to hold back dividend pay-outs to shore up equity capital levels.

Being in financial sector, the Company is subject to operational risk, fraud risk, regulatory risk, and legal risk. Incidence of substantial loss from these risks may impact dividend pay-outs.

VII. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED

Subject to being eligible to declare on satisfying the minimum prudential requirements as stipulated in the Clause I of this policy, the Board shall consider the factors provided above under Para **II, III and IV**, before determination of any dividend payout after analyzing the prospective opportunities and threats, viability of the options of dividend payout or retention etc. The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

VIII. DECLARATION OF DIVIDEND IN THE EVENT OF INADEQUACY OR ABSENCE OF PROFITS IN ANY YEAR

Declaration of dividend out of accumulated profits: In terms of second proviso to section 123(1) of the Companies Act, 2013 where, owing to inadequacy or absence of profits in any financial year, any company proposes to declare dividend, out of the *accumulated profits* earned by it in previous years and transferred by the company to the reserves, such declaration of dividend shall not be made except in accordance with the Companies (Declaration and Payment of Dividend) Rules, 2014.

In terms of Rule 3 of the Companies (Declaration and Payment of Dividend) Rules, 2014 as amended from time to time, in the event 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:—

- (1) 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:

Provided that this sub-rule shall not apply to a company, which has not declared any dividend in each of the three preceding financial year.

- (2) 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.
- (3) 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.
- (4) 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.
- (5) No company shall declare dividend unless carried over previous losses and depreciation not provided in previous year are set off against profit of the company of the current year, the loss or depreciation, in previous years is set off against the profit of the company for the year for which dividend is declared or paid.

IX. MANNER OF DIVIDEND PAYOUT

The discussion below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations:

In case of final dividends

1. Recommendation, if any, shall be done 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.
2. The dividend as recommended by the Board shall be approved / declared at the annual general meeting of the Company.
3. The payment of dividends shall be made within 30 days from the date of declaration, to the shareholders entitled to receive the dividend as per the record date pursuant to the applicable law/regulations.
4. In terms of Regulations 29(1) and (2) of the Listing Regulations, an intimation of at least 2 working days (excluding the date of intimation and date of meeting of the Board) is required to be given to the stock exchanges, prior to the meeting of the Board at which the recommendation of final dividend is to be considered.
5. In terms of Regulation 30, of the Listing Regulations, the outcome of the meeting shall be intimated, online, immediately to the Stock Exchanges within 30 minutes of the closure of the board meeting and in case if the Board meeting closes after normal trading hours of that day but more than three hours before the beginning of the normal trading hours of the next trading day, the listed entity shall disclose the decision pertaining to the event or information, within three hours from the closure of the board meeting.

6. In terms of Regulation 43(1) of the Listing Regulations, the Company shall declare and disclose the dividend on per share basis only.
7. In terms of Section 123(5) of the Companies Act (**Dividend to be paid to Registered Shareholders**), no dividend shall be paid by a company in respect of any share therein except to the registered shareholder of such share or to his order or to his banker and shall not be payable except in cash. Provided that nothing in this sub-section shall be deemed to prohibit the capitalization of profits or reserves of a company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the company.
8. Any dividend payable by the Company shall be paid **only through electronic modes of payment** approved by the Reserve Bank of India, including but not limited to NECS, ECS, RTGS, NEFT, UPI or such other electronic mechanisms as may be permitted from time to time. Payment through physical instruments such as cheques, dividend warrants, demand drafts or pay orders shall be resorted to **only in exceptional cases where electronic payment is not feasible**, and strictly in accordance with applicable law.

For the purpose of dividend payment, the Company shall open and maintain a separate bank account in accordance with the provisions of the Companies Act, 2013, in respect of amounts transferred to the unpaid dividend account. The Company, through its Registrar and Share Transfer Agent, shall rely on bank account details of shareholders as made available by the depositories in respect of shares held in dematerialised form. In cases where valid bank account details are not available or electronic payment is unsuccessful, dividend shall be handled in the manner prescribed under applicable law.

9. Tax deductible at source on dividend will be deducted & paid as per the applicable laws, as amended from time to time.
10. Where applicable, and in accordance with Section 123(6) of the Companies Act, 2013, the Company shall not declare any dividend on its equity shares for so long as it is in default in complying with the provisions of Sections 73 or 74 of the Companies Act, 2013, as amended from time to time.
11. Right of dividend to be held in abeyance pending registration of transfer of shares, shall be governed in terms of Section 126(a) of the Companies Act, 2013 as amended from time to time.

12. The time gap between two record dates would be at least five working days in terms of Regulation 42(4) of the Listing Regulations.

In case of interim dividend

1. Interim dividend, if any, shall be declared by the Board.
2. Before declaring interim dividend, the Board shall consider the financial position of the Company that enables payment of such dividend.
3. The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on record date/book closure period pursuant to the applicable law.

All the other paras as provided above from para 4 for the final dividend shall also be applicable for the interim dividend.

IX. MANNER OF UTILISATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Market expansion plan;
- Diversification of business;
- Long term strategic plans;
- Other such criteria as the Board may deem fit from time to time.
- To maintain adequate liquidity levels, the Company may also invest a part of the retained earnings in liquid mutual funds, bonds, non-convertible debentures, pass through certificates and other securities.
- Up gradation and introduction of new technology.
- Regulatory requirement of maintaining / increasing Capital Adequacy Ratio.

X. PARAMETERS FOR VARIOUS CLASSES OF SHARES

1. The factors and parameters for declaration of dividend to different class of shares (**though at present there is only one**) of the Company shall be same as covered above.
2. The payment of dividend shall be based on the respective rights attached to each class of shares (**though at present there is only one**) as per their terms of issue.
3. The dividends shall be paid out of the Company's distributable profits and/or general reserves, and shall be allocated among shareholders on a pro-rata basis according to the number of each type and class of shares held.
4. Dividend when declared shall be first paid to the preference shareholders of the Company (**though at present there is none**) as per the terms and conditions of the issue.

XI. UNPAID OR UNCLAIMED DIVIDEND TO BE TRANSFERRED TO INVESTOR EDUCATION PROTECTION FUND (IEPF)

Any amount transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred to the Investor Education and Protection Fund ("IEPF") in accordance with the provisions of Sections 124 and 125 of the Companies Act, 2013 and the rules made thereunder, as amended from time to time.

All shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall also be transferred to the IEPF in the manner prescribed under applicable law. Shareholders claiming such shares and/or dividend may make an application to the IEPF Authority in accordance with the prescribed procedure.

The Company shall comply with the applicable disclosure, filing and record-maintenance requirements in relation to unpaid and unclaimed dividends and shares transferred to the IEPF, including disclosures on its website, as prescribed under the Companies Act, 2013, the rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In accordance with Regulation 43(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company shall not forfeit unclaimed dividends before the claim becomes barred by law.

XII. REVIEW & AMENDMENT

Dividend Policy shall be reviewed at least once in three years. The revised policy shall be put up to the Board for approval. In case of any contradiction between the provision(s) of this policy and statutory / regulatory provisions, the Statutory / Regulatory provisions shall prevail. Wherever there is/are any regulatory or statutory change(s) applicable in respect of the above policy, the same would automatically be effective and would become part of this policy with immediate effect.

XIII. SYNOPSIS

The management upon compliance to all the rules, guidelines, and regulations as applicable from time to time while recommending to the Board of Directors the rate of dividend (including tax deductible at source on dividend, as the case may be as per the Finance Act from time to time) would also take into account dividend declared during the three preceding years.

Nonetheless, the Board reserves the right not to declare dividend or decide any rate of dividend, for a particular year owing to certain regulatory restrictions, if any, during the year, capital conservation prudence, or other exigencies which shall be stated by the Board.

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