Dividend Distribution Policy

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Purpose & Scope

IIFL Finance Limited ("the Company") has in place a Board approved Dividend Distribution Policy covering the Company and the Subsidiaries as adopted on March 01, 2011. Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates that the top 1000 Companies (in terms of market capitalization) need to have a Dividend Distribution Policy in place.

Accordingly, this policy is to put into place the norms for the determination and declaration of dividend on equity capital by the Company and its subsidiaries. While considering distribution and payment of dividend, the Company will ensure compliance with all the applicable provisions of the law including provisions of the Companies Act, SEBI, RBI, NHB and Income Tax Rules and Regulations etc. related thereto.

A. Factors/ parameters that would be considered while declaring Dividend

I. The financial parameters that shall be considered while declaring dividend:

- While considering the total dividend at Holding Company and at each of the Subsidiaries the following will be taken into account:
  a. The business plan and actual performance, the capital requirements, free cash flow, debt equity ratio (considering new capital, ESOPs, retained earnings, minimum net worth requirements as per respective regulatory requirements etc.);
  b. Adequacy of profits including the accumulated balance in Profit & Loss account; and
  c. Taxes on dividend.

- The Board may consider a higher distribution with adequate justification or on special occasions.

II. The circumstances under which the shareholders:

i. **May expect dividend:**
   a. Surplus in Profit & loss (P&L) Statement
   b. Profits in any Financial Year are more than 10% of the equity capital of the Company
   c. Where preference shares with mandatory dividends have been issued to such shareholders

ii. **May not expect dividend:**
   a. If there are losses as per P&L Statement (including accumulated balance in P&L account)
   b. Profit in any Financial Year is less than 10% of the equity capital.
   c. If the total income from business/PAT from its ordinary activities in any Financial Year declines by more than 75% from the previous year.
   d. If the business is seriously affected and visibility is uncertain.
   e. If the Company has issued preference shares on which dividends remain unpaid as per the terms of issue.

III. Internal and external factors that shall be considered for declaration of dividend:

i. **Internal Factors:**
   a. Projected investment in business/new business
   b. Projected investments in Subsidiaries/Associates in the year and next year.
   c. Net worth/Capital adequacy as required under respective Regulatory requirements.

ii. **External Factors:**
   a. State of Economy/ Industry/ Business
   b. Statutory Taxes/ levies – Changes in income tax rates, DDT etc.

IV. Utilisation of Retained Earnings:

The Company would utilise the retained earnings in a manner which is beneficial to the interest of the company and its stakeholders, including, but not limited to:

i. Proposed Capital expenditure
ii. Investments/acquisitions
iii. General corporate purposes including contingencies
iv. Capital restructuring

V. Parameters that shall be adopted with regard to various classes of shares:

(i) Notwithstanding anything to the contrary contained in this Policy, and subject always to the limits and requirements prescribed under Applicable Law, the Company may agree to declare dividends (whether mandatory, cumulative or non-cumulative and/or participating) on preference shares in accordance with the terms of issue of such preference shares (including preferential rights to dividends and/or proceeds in liquidation/ liquidity events, etc.), as approved by the Board of the Company;

(ii) In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders;

(iii) To the fullest extent permitted under the Companies Act, 2013 and the applicable regulations and directions issued by the Reserve Bank of India ("**RBI**"), the Company shall duly and timely pay dividends on preference shares in accordance with their terms of issue.

Periodicity of distribution:

On a yearly basis, the Holding and Subsidiary Companies may distribute by way of Interim Dividend/s a substantial portion of the total dividend of the Company. The balance portion will be declared by way of final dividend considering the full year's accounts and will be paid after the approval of shareholders at the Annual General Meeting of the Company.

Disclosures:

a. This policy will be made available on the Company's website.
b. The policy will also be disclosed in the Company's annual report.

B. In addition to above parameters, the Company will ensure the compliance with reference to criteria prescribed in the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends) Directions, 2025 ("RBI Prudential Norms on Dividend Declaration").

I. The Board of Directors ("**Board**") of the Company shall, while considering the proposals for dividend, take into account each of the following aspects:
   a. Supervisory findings of the Reserve Bank on divergence in classification and provisioning for Non-Performing Assets (NPAs).
   b. Qualifications in the Auditors' Report to the financial statements; and
   c. Long term growth plans of the Company.

II. The Company shall declare dividend if it meets the following minimum prudential requirements:
   a. The Company shall have met the minimum capital requirements (refer **Annexure 1**) (including CRAR, Tier I capital, Tier II capital, leverage ratio and ANW, as applicable) prescribed under the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025 ("**RBI Prudential Norms on Capital Adequacy**") in each of the last three financial years including the financial year for which the dividend is proposed.
   b. The net NPA ratio shall be less than six percent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
   c. The Company shall comply with the provisions of section 45-IC of the RBI Act, 1934.
   d. The Company shall be compliant with the prevailing regulations/ guidelines issued by the

Reserve Bank. The Reserve Bank shall not have placed any explicit restrictions on declaration of dividend.

III. The Company shall be eligible to declare dividend subject to the terms of Paragraph C(9) of the RBI Prudential Norms on Dividend Declaration.

IV. If the Company meets the eligibility criteria specified in paragraph B.II above, the Company will declare dividend up to a dividend payout ratio of 50 percent. There will be no ceiling on dividend payout ratio for eligible NBFCs that do not accept public funds and have no customer interface.

V. If the Company does not meet the applicable prudential requirements prescribed in paragraph B.II for each of the last three financial years, the Company shall be eligible to declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided the Company complies with both the following conditions:
   a. meets the applicable minimum capital requirement (including CRAR, Tier I capital, Tier II capital, leverage ratio, ANW as applicable), as at the close of the financial year for which it proposes to pay dividend, and
   b. has net NPA of less than four percent as at the close of the said financial year.

VI. The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in these guidelines. The Reserve Bank shall not entertain any request for ad-hoc dispensation on declaration of dividend.

VII. The prudential treatment of reversal of excess provision, dividend payment by the Company on reversal of such provisions and unrealized profits arising on account of transfer of loans and Security Receipts guaranteed by the Government of India shall be guided by the instructions contained in Reserve Bank of India (Non–Banking Financial Companies – Transfer and Distribution of Credit Risk) Directions, 2025.

VIII. The Company shall report details of dividend declared during the financial year as per the format prescribed in **Annexure 2**. The report shall be furnished within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank, under whose jurisdiction it is registered.

Amendments to the Policy

The Board shall review and amend this Policy as and when required. Any subsequent amendment/ modification in the regulation and/or other applicable laws in this regard shall automatically apply to this policy.

Annexure 1

Capital Requirement pursuant to Master Direction – Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025.

a. NBFCs shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15 percent of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items.

b. Tier I capital in respect of NBFC (except NBFC-MFI and NBFC primarily engaged in lending against gold jewellery), at any point of time, shall not be less than 10 percent.

   For NBFCs primarily engaged in lending against gold jewellery *(with such loans comprising 50 percent or more of their financial assets)*, Tier I capital shall be minimum of 12 percent.

Annexure 2: Reporting format for an NBFC declaring dividend

(Refer paragraph B.VII of policy, to be furnished within a fortnight after declaration of dividend to the regional Office of the Department of Supervision of the Reserve Bank under whose jurisdiction the NBFC is registered.)

- Details of dividend declared during the financial year beginning on April 1, 20_____
- Name of the NBFC – _____

Accounting period*	Net profit for the Accounting Period (in ₹ crore)	Rate of Dividend (in %)	Amount of Dividend (₹ crore)	Dividend Payout Ratio (in %)

** Quarter or half year or year ended as the case may be.*