



# DIVIDEND DISTRIBUTION POLICY



**Document approvals**

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## I. OBJECTIVE:

Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called "SEBI LODR") issued by the Securities and Exchange Board of India (SEBI) has mandated the formulation of a Dividend Distribution Policy for the top 1000 listed entities based on their market capitalization calculated as on March 31, every year.

It is mandatory for the Company to frame the Dividend Distribution Policy, as it falls within the top 1000 listed entities as on March 31, 2024, in terms of market capitalization. The board of directors (the "**Board**") of Fedbank Financial Services Limited (the "**Company**") has adopted and formulated Dividend Distribution Policy, in compliance with SEBI LODR Pursuant to the provisions of Regulation 43A of SEBI (LODR) Regulations, 2015 inserted vide SEBI Notification No. SEBI/ LAD-NRO/GN/2016-17/008 dated July 08, 2016 through SEBI (LODR) (Second Amendment) Regulations, 2016 and other applicable RBI guidelines. The objective of Dividend Distribution Policy ("DDP") is to act as a guiding parameter before declaration/recommendation of dividend in addition to applicable provisions of the Companies Act, 2013, rules made thereunder (Companies Act) and SEBI LODR.

## II. POLICY:

### 1. General Principles of the Company regarding distribution of dividend

The Company focusses on enhancement of long term shareholder value without compromising on ethical and governance standards. The intent of the Company is to reward the shareholders of the Company by sharing a portion of the profits, while also ensuring that sufficient funds are retained for growth of the Company. The dividend for each year would be declared by the Board at its discretion upon recommendation by Audit Committee within the prescribed guidelines issued by Ministry of Corporate Affairs ("MCA"), Reserve Bank of India ("RBI") and after considering the financial performance of the Company, its future plans, internal and external factors, Compliance with SEBI (LODR), Companies Act 2013 and its rules, statutory restrictions, etc., for approval by the shareholders in the General Meeting.

### 2. Category of Dividend

#### a. Final Dividend:

The final dividend is paid once for a financial year after annual financial statements are adopted. The Board has power to recommend the payment of final dividend subject to approval of the shareholders of the Company.

The dividend as recommended by the Board shall be approved/declared included in the ordinary business items in the Annual General Meeting of the Company.

b. Interim Dividend:

Interim Dividend(s), if any, shall be declared by the Board. This form of dividend can be declared by the Board one or more times in a financial year as may be deemed fit by them. The Board would declare an interim dividend, as and when considered appropriate, in line with this Policy and in accordance with Applicable Laws.

**3. Eligibility criteria for declaration of dividend**

Any dividend declared by the Company shall be in accordance with Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 ('RBI Master Direction').

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

Sl. No.	Parameter	Requirement
1.	Capital Adequacy	<ul style="list-style-type: none"> <li>• The Company shall have to meet the following applicable regulatory capital requirement for each of the last three financial years including the financial year for which the dividend is proposed:</li> <li>• The Company 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 or</li> <li>• as prescribed by Internal Capital Adequacy Assessment Process (ICAAP) Policy, whichever is higher.</li> </ul>
2.	Leverage Ratio	<p>The leverage ratio after the recommended dividend should not exceed</p> <ol style="list-style-type: none"> <li>a. The lowest leverage ratio permitted by various lender covenants or</li> <li>b. such leverage ratio as stipulated by Credit rating agencies for sustaining the Credit rating;</li> </ol> <p>whichever is lower</p>
2.	Net NPA	<p>The net NPA ratio shall be less than or equal to 4 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.</p>
3.	Other criteria	<ol style="list-style-type: none"> <li>(a) The Company shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934.</li> <li>(b) 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.</li> </ol>

#### **4. Board oversight**

The Board of Directors of the Company shall, while considering the proposals for dividend, take into account 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.
- c. Long term growth plans of the Company.
- d. The interim dividend paid, if any.
- e. The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in these guidelines.

#### **5. Other parameters in terms of Regulation 43A of SEBI (LODR) Regulations:**

##### **a. The circumstances under which the shareholders of the listed entities may or may not expect dividend**

- (i) The Board of the Company may not recommend any dividend in the event of inadequacy of profits or whenever the Company has incurred losses or if the eligibility criteria for recommendation of dividend has not been met by the Company, including any regulatory restriction placed on the Company on declaration of dividend or if the Board strongly believes the need to conserve capital for growth or for other exigencies such as liquidity management related requirements, market sentiments, temporary shortage of funds for significant capital expansion plans, 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, etc. and any other extraordinary circumstances.
- (ii) The 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.

##### **b. The financial parameters that shall be considered while declaring dividend**

The Board of Directors of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders:

- Any interim dividend paid.
- Standalone / net operating profit after tax.
- Operating cash flow of the Company for the year
- Liquidity position including present and expected obligations, aggregate Debt of the Company, debt service coverage position
- Loan repayment and Working capital requirements
- Present and Future Capital expenditure requirements;

- Resources required for funding new businesses and expansion of existing businesses
- Internal capital planning framework / policy
- Dividend payout trends (the dividend payout ratio will be calculated as a percentage of dividend (excluding dividend tax, if any) recommended for the year to the net profit for that year)
- Tax implications if any, on distribution of dividends
- Cost of raising funds from alternate sources of capital
- Regulatory (and growth requirement of) Solvency and Capital Adequacy Requirement
- Trend of dividends paid by the Company and Industry in the past years
- Any windfall, extra-ordinary or abnormal gains made by the Company.
- Such other factors and/or material events which the Company's Board may consider relevant.

**c. Internal and external factors that shall be considered for declaration of dividend**

Board will consider various internal factors, such as business growth plans, future capital requirements, other corporate action options (For ex. Bonus issue, Buy back of shares) etc. and any other relevant or material factor as may be deemed fit by the Board. The decision of the Board regarding dividend shall be final.

The dividend payout decision of the Company will also depend on certain external factors such as the state of the economy of the country, compliance with Companies Act 2013 and its rules, other statutory and regulatory provisions, regulatory changes shareholder's expectations including individual shareholders, tax regulations including the treatment of deferred tax assets, dividend distribution tax etc. and any other relevant or material factor as may be deemed fit by the Board.

as may be applicable at the time of declaration of the dividend.

**d. Policy as to how the retained earnings shall be utilized**

The retained earnings shall be utilised in a manner beneficial to the interests of the Company and its shareholders. The retained earnings will mainly be utilized for the purpose of the Company's growth and expansion plans, improvement in CRAR and such other purposes as per the guidelines issued by RBI and Government of India from time to time.

**e. Parameters that shall be adopted with regard to various classes of shares**

Presently paid up share capital of the Company comprises of one class of shares i.e Equity Shares only. As and when the Company issues other kind/class of shares, the Board of Directors may suitably amend this Policy.

**6. 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.

**7. Unpaid and Unclaimed Dividend**

The provisions with respect to amount of Dividend unpaid and unclaimed, Investor Education and Protection Fund shall be followed in compliance with the prescribed procedure and timelines in the Companies Act and SEBI LODR.

**8. Amendments / Modifications**

The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy. To the extent any change/amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the policy. Any subsequent amendment/modification in Applicable Law in this regard shall automatically apply to this Policy. In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

**9. Review of Policy**

The Board of Directors of the Company will review the policy as and when it deems necessary. If the Board proposes to declare dividend based on any criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the Company's website and in the Annual Report.

**10. Disclosures**

The policy will be available on the Company's website and a web-link will be provided in the Company's Annual Report. Information on dividends paid in the last five years including dividend yield and payout ratio will be made available on the Company's website.