

DIVIDEND DISTRIBUTION POLICY

Nido Home Finance Limited (Formerly known as Edelweiss Housing Finance Limited)

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INDEX

Contents

Introduction:.....	3
Purpose and Scope:.....	3
Definitions:.....	3
Sources of funds for Payment of Dividend.....	4
Parameters for Dividend Payout.....	4
Dividend Pay-out out of accumulated profits.....	6
Entitlement of Dividend.....	6
Reporting Requirements.....	6
Disclosures.....	6
Review and Amendments.....	6

Dividend Distribution Policy

I. Introduction:

In accordance with provisions of The Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as applicable and various regulatory guidelines, notifications issued by Reserve Bank of India (“RBI”) on Declaration of dividends by HFCs from time to time and any other applicable regulations, the Company has framed the Dividend Distribution Policy.

II. Purpose and Scope:

The objective of this Policy is to lay out the Dividend Distribution Framework for the stakeholders of the Company. The Board of Directors shall declare interim dividend and/or recommend final Dividend in compliance with the applicable legal provisions and this Policy. This Policy shall lay down the parameters to be complied with by the Board of Directors of the Company for recommendation or declaration of Dividend to the Shareholders and also declaration of final dividend.

III. Definitions:

In this Policy, unless the text otherwise requires:

- “**Act**” shall mean Companies Act, 2013 and the rules made thereunder, including any modifications or amendments thereof.
- “**Board**” of Directors or Board shall mean Board of Directors of Nido Home Finance Limited.
- “**Company**” shall mean Nido Home Finance Limited
- “**Dividend**” is the part of profit that is distributed by the Company to its Shareholders in proportion to the amount paid up by the Shares held by them. It shall carry the same meaning as defined under Section 2(35) of the Companies Act. The term dividend used elsewhere in the context, shall include both Final and Interim Dividend.
- “**Final Dividend**” means the dividend approved by the Shareholders at the **Annual General Meeting** of the Company for the Financial Year. Dividend is considered as the ordinary business of the Company. It may be declared once in a Financial Year based on the recommendation of the Board.
- “**Interim Dividend**” means the Dividend declared by the Board during the Financial Year at the Board Meeting, as and when they consider fit to so declare. It can be declared one or more times in a Financial Year.
- “**Financial Year**” shall mean the period beginning from 1st April every year to 31st March of the succeeding year.

- “Policy” shall mean this Dividend Distribution Policy.

IV. Sources of funds for Payment of Dividend.

Subject to provision of Companies Act, the Company shall recommend or declare or pay dividend out of the following sources only:

- a) Any portion of profits for the current financial year, arrived after providing for depreciation in accordance with the Act
- b) Any portion of profit for the previous financial year(s) arrived after providing for depreciation in accordance with the Act or in combination of (a) & (b)
- c) Money given by Central or State Government, specifically for the purpose of payment of dividend.

**For the purpose of computing profits, the Company cannot take into account non-cash profits, i.e., unrealized gains, notional gains, revaluation of assets and any change in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value.*

V. Parameters for Dividend Payout

a. The circumstances under which the Company may or may not expect dividend

The Board may not recommend any dividend if one or more of the criterion for recommendation of dividend is not fulfilled by the Company, including any regulatory restriction placed on the Company on declaration of dividend by RBI/NHB, or if the Board is of the opinion that it would be prudent to conserve capital for growth or other exigencies, which shall be stated by the Board.

The Board of Directors shall, while considering the proposals for dividend, take into account the following aspects:

- (a) Supervisory findings of the Reserve Bank (National Housing Bank (NHB) for HFCs) 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 HFC.

The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in these guidelines.

b. Parameters that shall be considered while declaring dividend

As mandated by RBI Guidelines on Declaration of dividends by HFCs, the Board shall recommend dividend if the Company meets the following minimum prudential requirements:

1. Capital Adequacy Ratio (CRAR): The Company should have met the applicable regulatory capital requirements for each of the last three financial years including the financial year for which the dividend is proposed.

The CRAR of the Company, consisting of Tier 1 & Tier 2 capital shall not be less than 15% of its aggregated risk weighted assets and of risk adjusted value of off-balance sheet items.

Tier 1 Capital is not less than 10% and Tier 2 Capital does not exceed 100% of Tier 1 Capital

2. Net NPA: The net NPA ratio is less than 6% in each of the last 3 years, including as at the close of the financial year for which dividend is proposed to be declared.
3. The Company should be in compliance with the provisions of Section 29C of the National Housing Bank Act, 1987.

The dividend payout ratio shall be subject to a limit of 50%.

The above dividend payout ratio shall be calculated as 'Dividend payable in a year' to 'net profit as per the audited financial statements for the financial year for which the dividend is proposed'.

While calculating the 'net profit', the Company shall adjust the net profit by the amount determined as impact on net profit, in case of qualification including emphasis of matter by statutory auditors that indicates an over statement of profit. Also, the net profit shall exclude any exceptional and /or extra-ordinary profits/ income.

In case the Company does not meet the applicable prudential requirements prescribed by the RBI Guidelines on Declaration of dividends by NBFCs for each of the three financial years, the Company may be eligible to declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided the Company complies with the following conditions:

- (a) meets the applicable capital adequacy requirement in the financial year for which it proposes to pay dividend; and
- (b) has net NPA of less than 4 per cent as at the close of the financial year.

In addition to the aforesaid, the Board of Directors shall inter alia consider the following financial/internal factors while recommendation/declaration of dividend but not limited to:

- Financial Performance of the Company
- Retained Earnings
- Capital Adequacy
- Past dividend payout trends followed by the Company

The Board of Directors should also consider the following external factors while recommendation/declaration of dividend but not limited to:

- Changes in regulatory provisions/Guidelines applicable to the Company
- Shareholder expectation
- Taxation provisions.

c. Policy as to how the retained earnings shall be utilized

The retained earnings shall be utilized by the Board of Directors in such a manner which would be beneficial for the interest of Company and maximize the value of Shareholders. It may be utilized in accordance with the regulatory requirements for the purpose of re-investment, expansion of business, meeting the expenses for fund raising activities, distribution of dividend and/or any other purpose as approved by the Board of Directors.

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

The Company has only one class of shares, viz., equity shares. In the event of the Company issuing any other class(es) of shares, the Board shall consider and specify the other parameters to be adopted with respect to such class(es) of shares.

VI. Dividend out of accumulated profits

If circumstances require, the Board may also declare dividend out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.

VII. Entitlement of Dividend

Dividend shall be paid only to registered holders of shares whose names appear as beneficial owners/ members in the Register of Members as on record date.

VIII. Reporting Requirements

The Company shall furnish details of dividend declared during the financial year as per the prescribed format in Annex IVA of the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 (as amended time to time) within a fortnight after declaration of dividend to National Housing Bank.

IX. Disclosures

The Policy will be displayed on the website of the Company and web-link shall be provided in the Annual Report.

X. Review and Amendments

The Policy shall be reviewed by the Board on an annual basis. The Policy can be modified/amended/replaced in order to align with the changes or amendments made in various provisions of Companies Act, 2013, SEBI (Listing and Disclosure Requirements) Regulations, 2015, regulatory guidelines issued by RBI or any other applicable law for time being in force.