

AAVAS FINANCIERS LIMITED



Dividend Distribution Policy

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I. PREAMBLE

Pursuant to the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, [**"Listing Regulations"**] vide circular no. SEBI/LAD- NRO/GN/2016-17/008 dated 8th July, 2016; the Board of Directors of the Company at its meeting held on June 08, 2018 have approved and adopted the Dividend Distribution Policy [**"Policy"**] of the Company.

II. OBJECTIVE

This Policy aims to ensure that the Company makes rationale decision with regard to the amount to be distributed to the equity shareholders as dividend after retaining sufficient funds for the Company's growth, to meet its long-term objective and other purposes.

This Policy lays down various parameters which shall be considered by the Board of Directors of the Company before recommendation/ declaration of Dividend to its shareholders.

III. DEFINITIONS

- a. "Act" means the Companies Act, 2013 and rules made thereunder [including any amendments or re-enactments thereof]
- b. "Applicable laws" shall mean to include Act and rules made thereunder, [including any amendments or re-enactments thereof], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, [including any amendments or re-enactments thereof], Rules/guidelines/notifications/circulars issued by Reserve Bank of India (RBI)/National Housing Bank (NHB) and any other regulation, rules, acts, guidelines as may be applicable to the distribution of dividend.
- c. RBI Directions means- Reserve Bank of India (Non-Banking Financial Companies- Prudential Norms on Declaration of Dividends) Directions, 2025
- d. "Board" or "Board of Directors" shall mean Board of Directors of the Company, as constituted from time to time.
- e. "Company" shall mean Aavas Financiers Limited.
- f. "Dividend" includes any interim dividend; which is in conformity with Section 2(35) of the Companies Act, 2013 read with Companies (Declaration and Payment of Dividend) Rules, 2014.
- g. "Financial year" shall mean the period starting from 1st day of April and ending on the 31st day of March every year,
- h. "Free reserves" shall mean the free reserves as defined under Section 2 (43) of the Act.

IV. PARAMETERS GOVERNING THE DISTRIBUTION OF DIVIDEND

1. Factors for recommendation/ declaration of Dividend.

a. Internal factors (Financial Parameters)

The Board shall consider the below mentioned financial parameters for the purpose of recommendation/declaration of dividend:

- i. Current year's net operating profit
- ii. Capital expenditure and working capital requirements
- iii. Financial commitments w.r.t. the outstanding borrowings and interest thereon.
- iv. Supervisory findings of the NHB on divergence in classification and provisioning for Non-Performing Assets (NPAs).
- v. Qualifications in the Auditors' Report to the financial statements; and
- vi. Long term growth plans of the Company.
- vii. Financial requirement for business expansion and/or diversification, acquisition of new businesses.
- viii. Provisioning for financial implications arising out of unforeseen events and/or contingencies.
- ix. Past dividend trend
- x. Cost of borrowings
- xi. Other Corporate Action options (For ex. Bonus issue, Buy back of shares)
- xii. Any other factor as deemed fit by the Board

b. External Factors

The Board shall also consider the below mentioned external factors at the time of taking a decision w.r.t recommendation/declaration of dividend:

- i. Applicable laws and Regulations including taxation laws;
- ii. Economic conditions;
- iii. Prevalent market practices of dividend payment in similar industry.

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

c. Minimum prudential requirements prescribed by the RBI

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

Sr. No	Parameter	Requirement
1	Capital Adequacy	The Company have met the applicable regulatory capital requirement as defined under Paragraph 8 of RBI Directions for each of the last three financial years including the financial year for which the dividend is proposed.
2	Net NPA	The net NPA ratio is less than 6 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	<ol style="list-style-type: none">i. The Company is complied with the provisions of Section 29 C of The National Housing Bank Act, 1987.ii. The Company is complied with the prevailing regulations/ guidelines issued by the Reserve Bank/NHB.iii. The NHB has not placed any explicit restrictions on declaration of dividend.

d. Quantum of Dividend Payable

The Company eligible to declare dividend as per paragraph c above, may pay dividend, subject to the following:

- a. The Dividend Payout Ratio is the ratio between the amount of the dividend payable in a year and the net profit as per the audited financial statements for the financial year for which the dividend is proposed.
- b. Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital.
- c. In case the net profit for the relevant period includes any exceptional and/or extra-ordinary profits/ income or the financial statements are qualified (including 'emphasis of matter') by the statutory auditor that indicates an overstatement of net profit, the same shall be reduced from net profits while determining the Dividend Payout Ratio.
- d. The Maximum dividend payout ratios for the Company to declare dividend is 50%.

2. Circumstances under which the shareholders of the Company may or may not expect dividend.

The decision to recommend/declare the dividend by the Board of Directors shall primarily depend on the factors listed out at point no. 1 above. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. However, the shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.
- ii. In the event of higher working capital requirement for business operations or otherwise.
- iii. In the event of inadequacy of cash flow available for distribution.
- iv. In the event of inadequacy or absence of profits.
- v. Under any other circumstances as may be specified by the Companies Act, 2013 or any other applicable regulatory provisions or as may be specified under any contractual obligation entered into with the lenders.
- vi. any other circumstances as may be decided by the Board depending upon the situation at that time.

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

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

3. Manner of utilization of Retained Earnings

The Board of Directors of the Company may recommend/declare dividend out of the profits of the Company or out of the profits for any previous financial year or years or out of free reserves available for distribution of dividend, as per the regulatory provisions after consideration of the factors as stated at point no. 1 above. 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.

4. Manner of Declaration and Payment of Dividend

4.1 Process for approval of Payment of Final Dividend:

Board to recommend quantum of final dividend payable to shareholders in its meeting in line with applicable laws and rules prescribed thereof, based on the profits arrived at as per the audited financial statements and post Shareholders approval for Dividend in the Annual General Meeting, the same shall be paid to the eligible shareholders within stipulated timelines as per applicable laws.

4.2 Process for approval of Payment of Interim Dividend:

Board may declare Interim Dividend, one or more times in a financial year, at its complete discretion in line with applicable laws and rules prescribed thereof, out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

The Board shall consider the financial results of the Company for the period for which Interim Dividend is to be declared and shall be satisfied that the financial position of the Company justifies and supports the declaration of such Dividend.

The financial results shall take into account the following-

- a) Depreciation for the full year;
- b) Tax on profits of the Company including deferred tax for full year;
- c) Other anticipated losses for the Financial Year;
- d) Dividend that would be required to be paid at the fixed rate on preference shares;
- e) The Losses incurred, if any, during the current financial year up to the end of the quarter, immediately preceding the date of declaration of Interim Dividend;

The declaration of interim dividend is subject to the compliance of condition mentioned in Clause IV- Parameters governing the distribution of dividend.

5. Other factors to be considered with regard to various classes of shares.

Since the company has only one class of equity shareholders, the dividend declared will be distributed equally among all the equity shareholders, based on their shareholding on the record date.

V. GENERAL

- i. Pursuant to the provisions of Section 123 of the Act, Articles of Association of the Company and this Policy, the Board of Directors shall recommend the final dividend, which shall be declared by the Shareholders of the Company at the Annual General Meeting. The Board may also, from time to time, declare interim dividend which shall be subject to confirmation by the Shareholders at the Annual General Meeting.

- ii. The Company shall ensure compliance with the Applicable laws w.r.t. payment of dividend to the shareholders. It shall ensure that the amount of the dividend, including interim dividend, is deposited by the Company in a Scheduled bank in a separate account within five days from the date of declaration of such dividend.
- iii. Due regard shall be given to the restrictions/covenants contained in any agreement entered into with the lenders of the Company or any other financial covenant as may be specified under any other arrangement/ agreement, if any, before recommending or distributing dividend to the shareholders.

VI. REPORTING SYSTEM

The Company on declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in Annexure I. The report shall be furnished within a fortnight after declaration of dividend to the Department of Supervision of NHB.

VII. DISCLOSURES

The Company shall make appropriate disclosures in compliance with the provisions of the Listing Regulations, in particular the disclosures required to be made in the annual report and on the website (www.aavas.in) of the Company.

In case, the Company proposes to declare dividend on the basis of the parameters in addition to those as specified in this Policy and/or proposes to change any of the parameters, the Company shall disclose such changes along with the rationale in the annual report and on its website.

VIII. REVIEW AND UPDATES

This Policy will be reviewed periodically as and when required and annually by the Board of the company, further the Board of Directors shall have the right to modify, amend or change any or all clauses of this Policy in accordance with the provisions of the Applicable laws/ Acts /Regulations or otherwise.

In case of any amendment(s), clarification(s), circular(s) etc. issued under any Applicable laws/ Regulations, which is not consistent with any of the provisions of this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall be deemed to be amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Date of approval by the Board: **June 08, 2018**

Date of last review by the Board: **February 05, 2026**

Version: **0.8**

Annexure I: Reporting format for NBFCs/HFCs declaring dividend

Details of dividend declared during the financial year beginning from April 01, 20__

Name of the Company – ____

Accounting period *	Net profit for the accounting period (₹ crore)	Rate of dividend (%)	Amount of dividend (₹ crore)	Dividend Pay out ratio (%)
1	2	3	4	5

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