

Indiabulls

Indiabulls Housing Finance Limited

INDIABULLS HOUSING FINANCE LIMITED

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DIVIDEND DISTRIBUTION POLICY

SCOPE AND PURPOSE

The Securities Exchange Board of India (SEBI) on July 8, 2016 has notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (Regulations).

Vide these Regulations, SEBI has inserted Regulation 43A after Regulation 43 of SEBI (LODR) Regulations, 2015, which requires the Company to frame and adopt a Dividend Distribution Policy, which shall be disclosed in its Annual Report and on its website.

Accordingly, this Dividend Distribution Policy has been approved and adopted by the Management Committee of the Board of Directors of the Company at its meeting held on August 8, 2016.

KEY PARAMETERS TO BE CONSIDERED WHILE DECLARING THE DIVIDEND

(a) The circumstances under which the shareholders of the Company may or may not expect dividend:

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. The Board shall avoid the practice of declaration of dividend out of reserves.

(b) The following financial parameters shall be considered before declaration of dividend:

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

(c) Internal and external factors that shall be considered for declaration of dividend;

1. 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

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

3. Present liquidity scenario and outlook for the same. The Company is in the lending business and 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 payouts to shore up equity capital levels.
4. 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 payouts.

(d) Policy as to how the retained earnings shall be utilized:

The retained earnings shall be utilized towards the main objective of the Company which is mortgage-backed lending to various entities like person, body of individuals, companies, institutions, firm and builders. To maintain adequate liquidity levels, we may also invest a part of the retained earnings in liquid mutual funds, bonds, non-convertible debentures, pass through certificates and other securities. Technology remains one of our key focus areas and retained earnings may be utilized for up gradation and introduction of new technology.

(e) Parameters that shall be adopted with regard to various classes of share

Company does not have different classes of shares and follows the 'one share, one vote' principle.