DIVIDEND DISTRIBUTION POLICY

of

HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED

[Pursuant to Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

(Effective from 22nd January, 2025)

I. BACKGROUND

As per Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the top one thousand listed entities based on market capitalization shall formulate a dividend distribution policy which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports. The Regulation further provides that the dividend distribution policy shall include the following parameters:

a) The circumstances under which the shareholders of the listed entities may or may not expect dividend;
b) The financial parameters that shall be considered while declaring dividend;
c) Internal and external factors that shall be considered for declaration of dividend;
d) Policy as to how the retained earnings shall be utilized; and
e) Parameters that shall be adopted with regard to various classes of shares.

The Regulation also provides that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) above or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its Annual Report and on its website.

The equity shares of Housing and Urban Development Corporation Limited (HUDCO) got listed on National Stock Exchange of India Limited (NSE) and BSE Ltd. on 19th May, 2017. The Company has framed the Dividend Distribution Policy in compliance of Regulation 43A of SEBI (LODR) Regulations, 2015.

II. OBJECTIVE

The objective of this Policy is to enhance the value of the Company and its shareholders through regular dividend payout after balancing the requirement of immediate payout from profits, future growth plans and sustenance.

III. POLICY FRAMEWORK

The Policy has been formulated in line with the provisions of the Companies Act, 2013, SEBI Regulations, Guidelines on Capital Restructuring of Central Public-Sector Enterprises issued by Department of Investment and Public Asset Management (DIPAM), Guidelines issued by Ministry of Finance/Ministry of Corporate Affairs, RBI Directions/Guidelines, and other guidelines, to the extent applicable on the Company. Any subsequent amendments in these provisions would, ipso-facto, apply to this Policy. The Policy is not an alternative to the decision taken by the Board regarding declaration/recommendation of dividend after considering the various relevant factors.

IV. DIVIDEND

The Company may declare dividend/ interim dividend to its shareholders out of the profits arrived at in accordance with the provisions as contained in the Companies Act, 2013 and with rules made thereunder.

The Board of Directors of the Company may declare interim dividend during the financial year. The Company may declare final dividend, only once in a financial year, after preparation of Annual Financial Statements in the Annual General Meeting. In case no

final dividend is declared by the Company, the interim dividend, if any, paid during the year, shall be considered as final dividend in the Annual General Meeting.

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

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. 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.

The Company has been consistently paying out dividends to its shareholders and it can be reasonably expected to continue declaring in future as well, unless the Company is restrained to declare dividends due to insufficient profits or non- availability of sufficient capital to meet the minimum capital requirements or any internal or external factors.

VI. Internal and External Factors / Financial Parameters to be considered by the Board for recommending/ declaring dividend

a) Internal Factors

(i) **Profit Earned during the year:**

As per Section 123 of the Companies Act, 2013, no dividend shall be declared or paid by a company for any financial year except out of the profits of the company for that year or out of profits of the company for any previous financial year/years arrived at after providing for depreciation in accordance with the provisions of the Act.

(ii) **Capital to Risk-weighted Assets Ratio:**

HUDCO, being a Non-Banking Financial Company–Infrastructure Finance Company, is required to maintain a Capital to Risk-weighted Assets Ratio (CRAR) at a certain level as per applicable guidelines issued by the Reserve Bank of India from time to time. Accordingly, the expected figure for CRAR is also taken into consideration while declaring dividend so that it does not breach the prescribed figure.

(iii) **Net NPA ratio:**

The net NPA ratio, while considering payment of dividend shall be the percentage, as prescribed in the Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as amended from time to time.

(iv) **Profit After Tax and Net Worth**:

As per the extant guidelines issued by DIPAM, Government of India, every CPSE would pay a minimum annual dividend of 30% of Profit After Tax (PAT) or 4% of the net-worth, whichever is higher subject to the maximum dividend permissible under the extant legal provisions. Further, financial sector CPSEs like NBFCs may pay minimum annual dividend of 30% of PAT subject to the limit, if any,

under any extant legal provisions. Being a Government Company, HUDCO is also required to comply with these guidelines or any subsequent modification thereto as may be issued from time to time.

Apart from the above, the Company may also consider various other financial parameters, which may inter alia include:

1) Net profit earned by the Company during the financial year;
2) Existing borrowings, capacity to further borrow and cost of borrowings;
3) Tax on profits including dividend tax rate and outgo;
4) Transfer to Statutory/ other Reserves and provisions created for meeting future liabilities;
5) Capex requirements with due leveraging;
6) Cash reserves and net worth;
7) Supervisory findings of the RBI on divergence in classification and provisioning for Non-Performing Assets (NPAs);
8) Qualifications in the Auditors' Report to the financial statements;
9) Long term growth plans of the Company; and
10) Any other parameter, as the Board may consider fit.

b) External Factors

(i) **Economic Environment**:

In case of uncertain or recessionary economic and business conditions, the Company may retain part of its profits to build up reserves to meet these uncertainties/recessionary trends in the economy.

(ii) **Market Conditions/Government Policies:**

Market conditions with respect to availability of funds and its lending, cost of funds, Taxation provisions, Government policies and industry specific rulings & other regulatory provisions, etc. are to be considered while recommending dividend.

(iii) **Statutory Provisions and Guidelines:**

- The Company, being an NBFC, is required to adhere to the RBI's Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time.
- The Company will keep in mind the restrictions imposed by the Companies Act, 2013 with regard to declaration of dividend. Further HUDCO, being a Government Company, it shall also consider the guidelines in force in respect of dividend declaration as issued by DIPAM or by any other government authorities from time to time.
- The Company shall comply with the provisions of Section 45-IC of the Reserve Bank of India Act, 1934.
- The Company shall be compliant with the other prevailing regulations/ guidelines issued by the Reserve Bank.

Any other factor as may be considered fit by the Board.

VII. Utilization of Retained Earnings

The retained earnings shall be utilized in line with the objects of the Company as mentioned in the Memorandum of Association of the Company, thus contributing to the growth of the business and operations of the Company.

VIII. Parameters to be adopted with regard to various classes of shares

The Policy would provide the guiding principle for the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated above or other factors as may be decided as relevant by the Board. However, declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element of the Policy, in the interest of the Company, will be disclosed in the Annual Report as well as on the website of the Company.

HUDCO has presently only one class of shares, i.e., equity shares. As and when it proposes to issue any other class of shares, the Policy shall be modified accordingly.

IX. Reporting

The Company shall report details of dividend declared during the accounting year as per the pro forma prescribed under Annex IX of Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time.

X. Modifications/Amendments

The Chairman & Managing Director is authorized to make such alterations to this Policy as considered appropriate, subject, however, to the condition that such alterations shall be in consonance with the provisions of the Regulation and other applicable laws.

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