



**DIVIDEND DISTRIBUTION
POLICY**

OF

TFCI



DIVIDEND DISTRIBUTION POLICY

1. Objective

The objective of Dividend Distribution Policy (henceforth called Policy) is to establish the principle and criteria to be considered by the Board of Directors prior to recommending dividend to equity shareholders of Tourism Finance Corporation of India Limited (TFCI).

The Policy is framed as per the requirement of Section 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 as amended on 5th May 2021 and the Reserve Bank of India (RBI) Circular no. RBI/2021-22/59/DOR.ACC.REC.No.23/21.02.067/2021-22 dated 24th June 2021 listing out guidelines on distribution of dividend by NBFCs.

TFCI, over the years, has had a consistent dividend payment track record and has strived to judiciously utilize its profits to reward shareholders by means of dividend payouts, whilst supporting future growth and long-term interests of the Company and its stakeholders.

2. Regulatory Framework

The Securities and Exchange Board of India (the "SEBI") vide its Notification dated May 5, 2021 has amended Regulation 43A(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015 making it mandatory for top 1000 listed companies based on market capitalization to formulate a Dividend Distribution Policy. As per market capitalisation, TFCI falls within top 1000 listed entities as on 31st March, 2021 mandating it to have a Board approved Dividend Distribution Policy.

Reserve Bank of India vide circular no. RBI/2021-22/59/DOR.ACC.REC.No.23/21.02.067/2021-22 dated June 24, 2021 has prescribed guidelines on distribution of dividend by NBFCs, to infuse greater transparency and uniformity in practice.

3. Effective Date

The Policy, on its adoption by the Board of Directors, shall come into effect from FY 2021-22 onwards.

4. Approval Process

TFCI shall declare dividend after ensuring compliance with requisite regulations & provisions of the Companies Act, 2013 and the rules made thereunder, the SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, Reserve Bank of India (RBI) guidelines on distribution of dividend by NBFCs prescribed vide circular dated RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22 dated June 24, 2021 and such other regulation(s)/guidelines as may be applicable from time-to-time.



The Board of Directors of TFCI might consider the following aspects while deciding on the proposal for declaration of dividend out of profits of the financial year:

(i) Internal Factors

- Financial Parameters:
- Profitability and Financial position,
- Key Profitability & Financial ratios,
- Growth in the loan/investment portfolio and asset base,
- Borrowing requirement and Repayment obligations,
- Leverage ratio,
- Capital position & Accumulated Free Reserves,
- Growth Plan and estimated future capital/liquidity requirements.

- Other Parameters:
- Qualifications in Auditor's report, if any,
- Supervisory findings of RBI on divergence in classification and provisioning of NPAs, if any,
- Compliance with covenants contained in loan/debenture agreement entered with its lenders/debenture trustees,
- Any other factor and/or material events that Board may deem fit.

(ii) External Factors

- Macro-economic conditions,
- Government policies related to the business,
- Shareholder's expectations,
- Taxation provisions.

(iii) Regulatory Requirements of RBI:

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

| S. No. | Parameter | Requirement |
|---------------|------------------|---|
| 1. | Capital Adequacy | <p>TFCI shall have met the applicable regulatory capital requirement for each of the last three financial years including the financial year for which the dividend is proposed.</p> <p>The minimum capital requirement consisting of Tier I & Tier II capital 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. Further, the Tier I capital, at any point of time shall not be less than 10 percent.</p> |



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| 2. | Net NPA | The net NPA ratio shall be less than 6 per cent in each of the last three financial years, including as at the close of the financial year for which dividend is proposed to be declared. |
| 3. | Other criteria | (a) TFCI shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934. (b) TFCI shall be compliant with the prevailing regulations/guidelines issued by the RBI. Further, RBI shall not have placed any explicit restrictions on declaration of dividend by TFCI. |

5. Quantum of Dividend Payable

(i) TFCI may pay dividend, subject to the maximum Dividend Payout Ratio ceiling of **50 percent**, as prescribed by RBI. Where, 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.

(ii) In case the net profit of TFCI for the relevant period includes any exceptional and/or extra-ordinary profit/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 profit while determining the Dividend Payout Ratio.

(iii) If, TFCI does not meet the minimum prudential requirements as prescribed in para-4 above for each of the last three financial years, it may be eligible to declare dividend, subject to a cap of **10 percent** on the dividend payout ratio, on compliance of 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.

The Board of TFCI, as a general practice, might limit dividend payment ratio upto a ceiling of 30% of net profit/profit after tax. This, however, may not consider circumstances such as one-off exceptional income or unforeseen financial disruptions which could impact the net profit of TFCI and would need conservation of capital. Therefore, the Board of Directors may not recommend any dividend, if the eligibility criteria for recommendation of dividend have not been achieved, including any regulatory restriction, if any, or if the Board is of opinion that it would be prudent to conserve capital for growth or other exigencies.

6. Utilisation of Retained Earnings:

TFCI would utilize the retained earnings for general corporate purposes, including organic and inorganic growth, investments in subsidiaries/associates and/or appropriations/ drawdowns as



per the regulatory framework. The Board of Directors may decide to employ the retained earnings in ensuring maintenance of an optimal level of capital adequacy, meeting the company's future growth/expansion plans, other strategic purposes and/or distribution to shareholders, subject to applicable statutory regulations/guidelines.

7. Dividend and Classes of Shares

The Board may declare interim or recommend final/or special dividend as may be permitted under the Companies Act, 2013 or any amendments, modification, variation or re-enactments thereof.

At present, TFCI does not have any other class of shares (including shares with differential voting rights) other than equity shares. In absence of any other class of shares and/or shares with differential voting right, the entire distributable profit for the purpose of declaration of dividend is considered for equity shareholders.

8. Conflict in Policy

In the event of the Policy being inconsistent with any of regulatory provision, both present and in future, then such regulatory provision shall prevail over existing Policy.

9. Review of Policy

The Board may, from time to time, make amendment(s) to this Policy to the extent required due to change in applicable laws and/or regulations, guidelines or as deemed fit. This Policy shall remain valid unless amended by adoption of new policy by the Board to drafted in consistent with applicable laws and regulatory provision(s).

10. Disclosure of Dividend & Policy

TFCI shall report details of dividend declared during the financial year in the prescribed format within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank at New Delhi.

The Dividend Distribution Policy shall be disclosed on Company's website at www.tfcilt.com and a web-link shall be provided in Annual Report, in compliance of SEBI (LODR) Regulation, 2015.
