

ANNEXURE 1

Dividend Distribution Policy

1. Preamble

- 1.1 The Dividend Distribution Policy (hereinafter referred to as the '**Policy**') has been developed in accordance with the extant provisions of the Companies Act, 2013 and SEBI regulations.
- 1.2 The Board of Directors (the '**Board**') of Tata Steel Limited (the '**Company**') has adopted the Policy of the Company as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the '**Listing Regulations**') at its meeting held on April 20, 2017.
- 1.3 Under Section 2(35) of the Companies Act, 2013, 'Dividend' includes any interim dividend. In common parlance, 'dividend' means the profit of a company, which is not retained in the business and is distributed among the shareholders in proportion to the amount paid-up on the shares held by them. In case of listed companies, Section 24 of the Companies Act, 2013 confers on SEBI, the power of administration of the provisions pertaining to non-payment of dividend.

2. Effective Date

The Policy shall become effective from the date of its adoption by the Board i.e. April 20, 2017.

3. Purpose, Objectives and Scope

- 3.1 The Securities and Exchange Board of India ('**SEBI**') vide its Gazette Notification dated July 8, 2016 has amended the Listing Regulations by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalisation calculated as on the 31st day of March of every year.
- 3.2 As the Company is one of the top five hundred companies as on March 31, 2016, the Board has laid down a broad framework for distribution of dividend to its shareholders and/or retaining or plough back of its profits. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the shareholders.
- 3.3 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 will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board.

- 3.4 The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years.

4. Parameters to be considered while declaring Dividends

4.1 Financial Parameters

- a) **Magnitude of current year's earnings of the Company:** Since dividend is directly linked with the availability of earning over the long haul, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.
- b) **Operating cash flow of the Company:** If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.
- c) **Return on invested capital:** The efficiency with which the Company uses its capital.
- d) **Cost of borrowings:** The Board will analyse the requirement of necessary funds considering the long-term or short-term projects proposed to be undertaken by the Company and the viability of the raising funds from alternative sources vis-a-vis plough back its own funds.
- e) **Obligations to lenders:** The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.
- f) **Inadequacy of profits:** If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.
- g) **Post dividend EPS:** The post dividend EPS can have strong impact on the funds of the Company, thus, impacting the overall operations on day-to-day basis and therefore, affects the profits and can impact the decision for dividend declaration during a particular year.

4.2 Proposals for major capital expenditures

The Board may also take into consideration the need for replacement of capital assets, expansion and modernisation or augmentation of capital asset including any major sustenance, improvement and growth proposals.

4.3 Agreements with lending institutions/Bondholders/Debenture Trustees

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the agreements as may be entered into with the lenders of the Company from time to time.

4.4 Statutory requirements

The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve etc. as provided in the Companies Act, 2013, which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

5. Factors that may affect Dividend Payout

5.1 External Factors

- **Macroeconomic conditions:** Considering the current and future outlook of the economy of the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the global market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to meet the exigency during unforeseen circumstances.
- **Cost of raising funds from alternative sources:** If the cost of raising funds to pursue its planned growth and expansion plans is significantly higher, the management may consider retaining a larger part of the profits to have sufficient funds to meet the capital expenditure plan.
- **Taxation and other regulatory provisions:** Dividend distribution tax or any tax deduction at source as required by applicable tax regulations in India, as may be applicable at the time of declaration of dividend. Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

5.2 Internal Factors

- The Company's long term growth strategy which requires to conserve cash in the Company to execute the growth plan.
- The liquidity position of the Company including its working capital requirements and debt servicing obligations.
- The trend of the performance/reputation of the Company that has been during the past years determine the expectation of the shareholders.

6. Target Dividend

- 6.1 The Company has adopted a progressive dividend policy, intending to maintain or grow the dividend each year.
- 6.2 The Company targets to pay dividend up to 50% of profit after tax of the Company subject to the applicable rules and regulations.

7. Circumstances under which the Shareholders can or cannot expect Dividend

- 7.1 The Board shall consider the factors provided under Clause 4 and 5 above, before determination of any dividend payout after analysing the prospective opportunities and threats, viability of the options of dividend payout or retention, etc.
- 7.2 The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

8. Manner of Dividend Payout

- 8.1 Given below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations
- 8.2 In case of final dividends:
 - a) Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.
 - b) The dividend as recommended by the Board shall be approved/declared at the annual general meeting of the Company.
 - c) The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date/book closure period as per the applicable law.
- 8.3 In case of interim dividend:
 - a) Interim dividend, if any, shall be declared by the Board.
 - b) Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
 - c) The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws.
 - d) In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the annual general meeting.

9. Policy as to how the Retained Earnings will be Utilised

- 9.1** 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.
- 9.2** The decision of utilisation of the retained earnings of the Company shall be based on the following factors:
- Long term strategic plans
 - Augmentation/Increase in production capacity
 - Market expansion plan
 - Product expansion plan
 - Modernisation plan
 - Diversification of business
 - Replacement of capital assets
 - Balancing the Capital Structure by de-leveraging the Company
 - Other such criteria as the Board may deem fit from time to time.

10. Provisions in regard to various classes of shares

- 10.1** The Company has only one class of equity shareholders and does not have any issued preference share capital. However, in case Company issue different class of equity shares any point in time, the factors and parameters for declaration of dividend to different class of shares of the Company shall be same as covered above.
- 10.2** The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.
- 10.3** The dividends shall be paid out of the Company's distributable profits and/or general reserves, and shall be allocated among shareholders on a pro-rata basis according to the number of each type and class of shares held.

- 10.4** Dividend when declared shall be first paid to the preference shareholders of the Company, if any as per the terms and conditions of their issue.

11. Applicability of the Policy

- 11.1** The Policy shall not apply to:

- Determination and declaring dividend on preference shares as the same will be as per the terms of issue approved by the shareholders;
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law
- Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares

12. Reporting and Disclosure

As prescribed by Regulation 43A of the Listing Regulation, this Policy shall be disclosed on the Company's website and the Annual report.

13. Review of the Policy

- 13.1** This Policy shall be subject to review as may be deemed necessary as per any regulatory amendments.
- 13.2** Such amended Policy shall be periodically placed before the Board for adoption immediately after such changes.

14. Compliance Responsibility

Compliance of this Policy shall be the responsibility of the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.