

TATA COFFEE LIMITED

DIVIDEND DISTRIBUTION POLICY

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Scope and Purpose

This Policy will regulate the process of dividend declaration and its pay-out by the Company in accordance with the provisions of Companies Act, 2013 read with the applicable Rules framed thereunder, as may be in force for the time being ("Companies Act") and the Notification dated 8th July 2016 of Securities and Exchange Board of India (SEBI), which has mandated the top 500 listed companies (by way of market capitalisation as on March 31) to formulate Dividend Distribution Policy, which shall be disclosed in the Annual Report and on the website of companies. Accordingly, this Dividend Distribution Policy has been adopted by the Company.

Objective

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The profits earned by the Company can either be retained in business or used for acquisitions, expansion, modernisation or diversification, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

The objective of this policy is to ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the Company. The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will refer to the policy while declaring/recommending dividends on behalf of the Company. Through this policy, the Company would endeavour to maintain a consistent approach to dividend pay-out plans.

The Company believes that it operates in the high potential and fast growing beverage industry. This offers huge investment opportunities. Therefore, the retention of surplus funds for future growth will over-ride considerations of returning cash to the shareholders. However, considering the consistent and impressive generation of profits year on year, there is a need to provide greater clarity on the dividend pay-out philosophy of the Company.

Category of Dividends

The Companies Act provides for two forms of Dividend- Final & Interim. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

Final Dividend

The Final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of Final Dividend to the shareholders, for approval in a general meeting.

Process for approval of Payment of Final Dividend

The Board shall recommend the quantum of final dividend payable to the shareholders in its meeting, in line with this Policy. The payment of dividend is based on the profits arrived at as per the audited financial statements and subject to approval of shareholders in the Annual General Meeting and is paid once in a financial year.

Interim Dividend

This form of dividend can be declared by the Board of Directors one or more times in a financial year as may be deemed fit by it. The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with this policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts. This would be in order to supplement the annual dividend or in exceptional circumstances.

Process for approval of Payment of Interim Dividend

The Board may declare Interim Dividend at its complete discretion in line with this Policy. The payment of interim dividend may be one or more times during the financial year and is based on the profits arrived at as per quarterly (or half-yearly) financial statements including exceptional items. No Interim Dividend can be declared or paid unless depreciation for the full year has been provided for. It is thus an extra dividend paid during the year requiring no approval of the Annual General Meeting.

Declaration of Dividend

Subject to the provisions of the Companies Act, Dividend shall be declared or paid only out of-

- i) Current financial year's profit:
 - a) after providing for depreciation in accordance with law;
 - b) after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion.

- ii) The profits for any previous financial year(s):
 - a) after providing for depreciation in accordance with law;
 - b) remaining undistributed; or

- iii) out of i) & ii) both.

In computing the above, the Board may at its discretion, subject to provisions of the law, exclude any or all of (i) extraordinary charges (ii) exceptional charges (iii) one off charges on account of change in law or rules or accounting policies or accounting standards (iv) provisions or write offs on account of impairment in investments (long term or short term) (v) non-cash charges pertaining to amortisation or resulting from change in accounting policies or accounting standards.

Factors to be considered while declaring Dividend

The decision regarding dividend pay-out is a crucial as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Retained profit plays an important role in the future growth and expansion of the Company because these are internal sources of financing and do not involve floatation costs and legal formalities. As such, the Company will adopt the policy of residual or passive distribution; so far it can profitably invest its retained earnings as a source of internal financing. The term residual distribution here means the declaration of dividend out of the profit remaining left after internal financing of the company. The Board of Directors will endeavour to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, any optimal policy in this regard may be far from obvious.

The Dividend pay-out decision of any company depends upon certain external and internal factors-

External Factors:-

- State of Economy- In case of uncertain or recessionary economic and business conditions, Board will endeavour to retain larger part of profits to build up reserves to absorb future shocks.
- Capital Markets - When the markets are favourable, dividend pay-out can be liberal. However, in case of unfavourable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows.
- Statutory Restrictions – Prevailing legal requirements, regulatory conditions or restrictions laid down under applicable laws including tax laws with regard to declaration of dividend.

Internal Factors:-

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring Dividend, which inter alia will include-

- Profits earned during the year;
- Present & future Capital requirements of the existing businesses;
- Business Acquisitions; Expansion/ Modernization of existing businesses;
- Additional investments in subsidiaries/associates of the Company;
- Cash flow required to meet contingencies
- Outstanding borrowings
- Past dividend trends
- Any other factor as deemed fit by the Board.

Dividend Range

The Company stands committed to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the shareholders, in the form of dividend. As explained in the earlier part of this Policy, determining the

dividend pay-out is dependent upon several factors, both internal to a business and external to it.

Taking into consideration the aforementioned factors, the Board will endeavour to maintain a dividend pay-out at an appropriate percentage of profits after tax on the standalone financial. Further, the Board may amend the pay-out range, whenever considered appropriate by it, keeping in mind the aforesaid factors having a bearing on the dividend pay-out decision.

Effective Date

The Policy shall become effective from the date of its adoption by the Board i.e., 9th March, 2017.

Disclosure

The Company shall make appropriate disclosures as required under the SEBI Regulations.

General

This Policy would be subject to revision / amendment in accordance with the guidelines as may be issued by the Ministry of Corporate Affairs, Securities and Exchange Board of India or such other regulatory authority as may be authorised, from time to time, on the subject matter.

The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.

In case of any amendment(s), clarification(s), circular(s) etc., issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendments, clarification(s), circular(s) etc., shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.
