DIVIDEND DISTRIBUTION POLICY

[Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

1. Scope and Objective

This Policy seeks to lay down a broad framework for the distribution of dividend by the Company whilst appropriately balancing the need of the Company to retain resources for the Company's growth & sustainability. Through this policy, the Company also endeavors to maintain fairness and consistency while considering distributing dividend to the shareholders.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking a decision on distribution or retention of profits, in the interest of providing transparency to the shareholders.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered relevant by the Board.

The Policy is being recommended for adoption by the Board of Directors of all the companies in the Tata Motors Group i.e. by all its subsidiaries and to the extent possible, the joint ventures after discussions with its partners.

2. Statutory Requirements

The declaration and distribution of dividend shall, at all times, be in accordance with the provisions of the Companies Act, 2013, read with applicable rules framed thereunder, as may be in force for the time being ("Act") in particular Sections 2(35), 24, 51, 134(3)(k), 123, 124, 125, 126 and 127 of the Act and the Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), such other applicable provisions of law and the Articles of Association of the Company as amended.

3. Parameters to be considered while recommending/declaring dividend

The Board while declaring or recommending dividend to the shareholders, will consider following financial/ internal and external factors:

Financial/Internal Factors:

- Profits earned and available for distribution during the financial year
- Accumulated reserves, including retained earnings
- Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- Earning Stability
- Future Capital Expenditure requirement of the Company
- Growth plans, both organic and inorganic
- Capital restructuring, debt reduction, capitalisation of shares

• Profit earned under the Consolidated Financial Statement
• Cash Flows
• Current and projected Cash Balance and Company's working capital requirements.
• Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.

External Factors:

• Economic environment, both domestic and global.
• Unfavorable market conditions
• Changes in Government policies and regulatory provisions
• Cost of raising funds from alternate sources
• Inflation rates
• Sense of shareholders' expectations
• Cost of external financing

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

The decision regarding dividend payout is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Hence, the shareholders of the Company *may expect dividend* only if the Company is having surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the Applicable Laws.

The shareholders of the Company *may not expect dividend* in the following circumstances, subject to the discretion of the Board of Directors:

• the Company has inadequacy of profits or incurs losses for the Financial Year;
• the Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
• the Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.
• the Company has significantly higher working capital requirement affecting free cash flow.
• the Company proposes to utilize surplus cash for buy- back of securities;
• the Company is prohibited to recommend/declare dividend by any regulatory body.

The Board may also not recommend a dividend on considering any compelling factors/parameters mentioned in point 3 above.

5. Policy as to how the retained earnings will be utilized

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. The decision of utilization 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
• Modernization plan
• Diversification of business
• Replacement of capital assets

• Balancing the Capital Structure by de-leveraging the Company

• Payment of Dividend or issue of Bonus Shares
• Other such criteria as the Board may deem fit from time to time.

6. Quantum and manner of dividend payout

Subject to the circumstances and scenarios mentioned above, the Company shall endeavor to maintain a total dividend pay-out ratio in the range of 25% to 40% of the annual standalone profits after tax (PAT) of the Company. Under the applicable provisions of the Act, the Company's ability to declare and pay dividends is based on the standalone Financial Statements only. In future should the regulations be amended permitting the Company to pay dividend based on its Consolidated Profits, the Board would consider such a payout ratio on its Consolidated Profits. Till such time, The Company will endeavor to have a policy on dividend distribution with a similar payout ratio across its subsidiaries and to the extent possible, in its joint ventures after discussions with its partners.

The Company may declare dividends for a year, usually payable for a financial year at the time when the Board considers and recommends the Annual Financial Statements, which is called final dividend. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the Annual General Meeting of the Company.

The Board of Directors may also declare interim dividend during the financial year, between two Annual General Meetings as and when they consider it fit.

7. Specific clause with regard to dividend on shares with differential voting rights

The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.

The Company has two classes of shares - Ordinary shares and 'A' Ordinary shares (shares with differential rights as to voting and dividend). As per the Company's Articles of Association and terms of issue of 'A' Ordinary Shares, the holders of 'A' Ordinary shares shall be entitled to receive dividend for each financial year at five percentage points more than the aggregate rate of dividend, declared if any, on Ordinary shares for that financial year.

8. Disclosures

The Policy shall be disclosed in the Annual report and on the website of the Company i.e. at www.tatamotors.com.

9. Policy review and amendments

The Policy will be reviewed periodically by the Board. This revised policy has been adopted by the Board of Directors of the Company at its meeting held on May 20, 2019, being the effective date of this Policy.

10. Disclaimer

a) The Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend policy. The

statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the year and the Board reserves the right to depart from the policy as and when circumstances so warrant.

b) Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward- looking statements in the Policy.