

Tamil Nadu Newsprint and Papers Limited
DIVIDEND DISTRIBUTION POLICY

This Policy will regulate the process of dividend declaration and its pay-out by the Company in accordance with the provisions of Companies Act, read with the applicable Rules framed there under, as may be in force for the time being ("Companies Act").

Preamble:

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 expansion 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.

The dividend pay-out of a Company is driven by several factors. Some Companies pay a lower dividend. The idea is to retain profits and invest it for part financing the modernization. On the other hand, some companies prefer paying higher dividend. In such cases the Companies will have to look for mobilization of funds from new investments.

The objective of this policy is to ensure a regular dividend income and long term capital appreciation for the shareholders. The Company has to ensure right balance between the dividend paid and amount of profits retained in the business for various purposes.

The Company manufactures Printing & Writing Paper and Paper Board. The Company commissioned its operations in 1984 with an initial capacity of 90,000 tons per annum. Since then the Company has enhanced the paper production capacity to 400,000 tons per annum in 4 phases. Further, the company has set up a state-of-the-art Multilayer Double Coated Board Plant with a capacity of 200,000 MT per annum. The Company has been paying dividends regularly and also ploughing back a part of its profit for

modernization and expansion plans. The company has achieved the growth largely due to investing the surplus funds in the business.

Category of Dividends

The Companies Act provides for two forms of Dividend - Interim & Final.

Interim Dividend

The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

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. The Board of Directors of the Company can declare interim dividend, as and when considered appropriate, in line with this policy. Normally, the Board could consider declaring interim dividend after finalization of quarterly (or half yearly) financial accounts including exceptional items.

Final Dividend

The Final dividend is announced 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 in a general meeting. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

The Board has to recommend the quantum of final dividend payable to shareholders in its meeting in line with this Policy based on the profits arrived at as per the audited financial statements. The shareholders have to approve the dividend payment in Annual General Meeting. Final dividend can be declared only once after the end of the financial year.

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) or resulting from change in accounting policies or accounting standards.

The Board may, at its discretion, declare a Special Dividend under certain circumstances such as extraordinary profits from sale of investments.

Factors to be considered while declaring Dividend

The decision regarding dividend pay-out 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. The Board of Directors will endeavor 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 endeavor to retain larger part of profits to build up reserves to absorb future shocks.

Statutory Restrictions -The Board will keep in mind the restrictions imposed by Companies Act with regard to declaration of dividend.

Financial/Internal Factors:-

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

- i) Profits earned during the year;
- ii) Present and future Capital requirements of the existing businesses;
- iii) Expansion/ Modernization of existing businesses;
- iv) Brand/ Business Acquisitions;
- v) Cash flow position of the company;
- vi) Cost of raising funds from alternate sources;
- vii) Additional investments in subsidiaries/associates of the Company;
- viii) Fresh investments into external businesses;
- ix) Repayment of loan;
- x) Restrictions in debt agreements.
- xi) Any other factor as deemed fit by the Board.

Circumstances under which the shareholders may or may not expect Dividend:

The shareholders of the Company may not expect Dividend under the following circumstances:

- a. Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;

- b. Significantly higher working capital requirements adversely impacting free cash flow;
- c. Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;
- d. Whenever it proposes to utilise surplus cash for buy-back of securities; or
- e. In the event of inadequacy of profits or whenever the Company has incurred losses.
- f. In case of extraordinary circumstances / events.

Utilization of retained earnings:

The decision on utilization of the retained earnings of the Company shall be based on the following factors:

- a) Increase the production capacity
- b) Implementing new projects
- c) Modernization of existing plant
- d) Long term strategic plans
- e) Replacement of capital assets
- f) Borrowed funds- outstanding, requirements & cost
- g) Dividend payment
- h) Such other criteria's as the Board may deem fit from time to time.

Parameters adopted with regard to various classes of shares:

Presently, the Authorised Share Capital of the Company is divided into equity share of Rs. 10 each. The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends. Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

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 in its business and investing activity, with the shareholders, in the form of dividend. As discussed in the earlier part of this Policy, the dividend pay-out is dependent upon several factors, both internal and external to the business. Taking into consideration the aforementioned factors, the Board will endeavor to maintain Dividend pay-out in the range of 15% - 30% of profits after tax (PAT).

Further, the Board may amend the pay-out range, whenever considered appropriate by it, keeping in mind the various factors having a bearing on the dividend pay-out decision including declaring a Special Dividend under certain circumstances.

Progressive & consistent Dividend Policy of TNPL:

The Board of TNPL has adopted a progressive Dividend Policy, intending to maintain consistency in dividend payment and growth. The Company will endeavor to continue this progressive Dividend Policy in future also. However, while taking decision on quantum of the dividend, the Board will strive to make a balance between the interest of the business, financial creditors and the shareholders. The Board will also keep under review the opportunity to return any excess cash to the shareholders in the form of the dividend.

Disclosure

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company shall disclose the Dividend Distribution Policy in its Annual Report and on the website of the company.

General

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

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

- c) 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 amendment(s), 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.
