

Scope for increasing dividend payout, says proxy advisory firm IiAS

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If Indian companies can't deploy their surplus cash productively, should they not be liberal in paying dividends to shareholders? That's the question proxy advisory firm Institutional Investor Advisory Services (IiAS) is posing to India Inc.

The firm says, based on its study of FY2015 results of companies, at least 73 of the 500 companies that form part of the S&P BSE 500 universe can "double the amount of dividends".

The firm claims that a similar study conducted by it on 77 companies in the BSE 500 category, using their FY2014 financial results and put out in public domain resulted in "increased dividend payouts".

"Median dividend payout ratios increased to 24% in FY15 from 21% in FY10. Dividends, in absolute amounts, have grown at a CAGR of 14%, while profits have grown at a more modest 7% CAGR between FY10 and FY15," the firm says in its January 2016 update.

It also recommends that companies should disclose a policy on how much money they plan to retain in the business and the reasons for it.

The key conclusions of its latest study (of 73 companies) are:

- Incremental dividend payout from the 73 companies could aggregate Rs.213 bn, equivalent to the amount these 73 companies actually paid out in FY15 (Rs.213 bn).
- ISGEC Heavy Engineering Ltd, Bosch Ltd and Eicher Motors Ltd - can pay dividends of over Rs.100 per share without any liquidity stress.
- Five companies - Bharat Electronics Ltd, Force Motors Ltd, HCL Technologies Ltd, Maruti Suzuki India Ltd and Shree Cement Ltd can pay dividend between Rs.50 and Rs.100 per share.
- Despite being profitable, Whirlpool of India Limited (Whirlpool) has not paid dividend in the past three years.

Whirlpool's cash accumulation must be seen in light of the fact that it pays out royalty to its parent Whirlpool Corp, USA and that the parent company does pay dividend to its own shareholders.

