India Inc's dividend payout rises 11% to record ₹5 trn in FY25

But payouts to shareholders grew slowest in five years

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Companies paid more as dividend to shareholders despite muted growth in revenue and earnings last financial year (FY25).

The combined dividend payout by India's top listed companies was up 10.8 per cent year-on-year (Y-o-Y) to a record high of around ₹5 trillion, from ₹4.52 trillion for FY24.

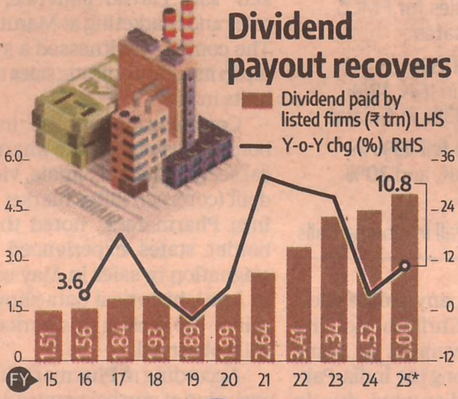
For comparison, these companies' combined net profits (adjusted for exceptional gains and losses) were up 5.2 per cent to ₹16 trillion in FY25 from ₹15.21 trillion a year before.

Their combined net sales (gross interest income in the case of lenders) were up 7.5 per cent Y-o-Y to ₹166.4 trillion in FY25 from ₹154.83 trillion a year earlier.

The analysis is based on a sample of 1,218 companies that are part of the BSE 500, BSE MidCap, and BSE SmallCap indices.

However, the payout, including share buyback, by companies to shareholders was up just 1.2 per cent Y-o-Y to ₹5.08 trillion for FY25 from ₹5.03 trillion, growing at the slowest pace in five years.

There was a sharp decline in share buyback last financial year to ₹8,034 crore from ₹5.07 trillion in FY24, according to the data from Prime Database. As a result, the dividend payout ratio increased to 31.3 per cent in FY25 from a decade-low of 29.7 per cent in FY24. Turn to Page 6



*Dividend paid or proposed by listed firms

Top 10 dividend payers

Company	Dividend (₹ crore)	Y-o-Y chg (%)
TCS	45,612.0	72.6
ITC	17,957.7	4.6
Infosys	17,827.8	-6.4
Vedanta	17,008.5	55.0
HDFC Bank	16,834.8	13.6
Coal India	16,331.2	3.9
HCLTech	16,290.0	15.4
ONGC	15,410.8	0.0
SBI	14,190.1	16.1
HUL	12,455.0	26.2

Based on a common sample of 1,218 listed companies from BSE 500, BSE MidCap, and BSE SmallCap indices
Source: Capitaline, Compiled by BS Research Bureau

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Listed firms' annual spend on share buyback lowest in 9 yrs

However, it remains lower than the 10-year average of 35 per cent. However, the overall payout ratio declined to 31.8 per cent in FY25 from 33 per cent a year earlier due to a decline in share buyback.

In the last 10 years, companies have paid around 40 per cent of their annual net profits by way of dividend and share buyback.

Analysts attribute the decline in the payout ratio to the virtual end of buyback by information-technology (IT) services majors and companies' tendency to conserve cash.

"The boom in share buyback by the IT sector is over now and companies have no incentive to compensate for it through a higher dividend payout. In other sectors companies are retaining profits either for capex or to tide over the slowdown in revenue and profits," said G Chokkalingam, founder and chief executive officer, Equinomics Research & Advisory.

Muted growth in payout for the second consecutive year in FY25 signals the end of the post-pandemic boom in shareholder income.

For example, companies' dividend payment went up at a compound annual growth rate (CAGR) of 29.6 per cent between FY20 and FY23, while the total payout (including share buyback) expanded at a CAGR of 28 per cent in the period.

This closely tracked the 29.5 per cent CAGR growth in corporate earnings in the period.

In the last two years, however, the dividend payout by companies grew at a CAGR of just 7.4 per cent while the overall payout has grown at a CAGR of 5.7 per cent.

This is much slower than the underlying growth in corporate profits during the period. The combined net profits of companies in the *Business Standard* sample grew at a CAGR of 15.9 per cent in the last two years.

Listed companies' annual expenditure on share buyback in FY25 was the lowest in the last nine years.

At its peak in FY18, share buyback accounted for 21.6 per cent all cash payout. This declined to 1.6 per cent in FY25. According to analysts, this suggests that top cash-rich companies, especially in IT services, are pivoting back to equity dividend for rewarding their shareholders from their earlier preference for share buyback.

The pivot is attributed to recent changes in tax on share buyback, bringing it on a par with tax on dividend income.

Tata Consultancy Services (TCS) was the top dividend payer for the second consecutive year with ₹45,612 crore for FY25, up 72.6 per cent from the previous year. However there was no share buyback by the company in FY25 unlike in FY24.

TCS was followed by ITC at ₹17,958 crore and Infosys at ₹17,828 crore.

Other companies in top 10 are Vedanta, HDFC Bank, Coal India, HCL Technologies, Oil and Natural Gas Corporation, State Bank of India, and Hindustan Unilever.

The top 10 together paid ₹1.9 trillion for FY25, accounting for 38 per cent of all payout for the sample.

These companies on Friday had a combined market capitalisation of ₹425.08 trillion, accounting for 94.2 per cent of the combined market capitalisation of all BSE companies on the day.

The equity dividend data is calculated on the basis of final dividend per share paid/proposed by companies for FY25 and their outstanding equity shares at the end of the financial year as captured by the Capitaline database.

The amount spent on share buyback has been sourced from Prime Database.