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India Inc pays Rs 36,000 crore as dividend before tax kicks in

BY RAJESH MASCARENHAS, ET BUREAU | APR 02, 2020, 09.08 AM IST

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Mumbai: Private Indian companies paid Rs 36,000 crore as dividends between February 1 and March 31 to avoid extra tax following the change in dividend tax treatment.

The payouts may have helped many promoters to boost cash flows or ensure cover for pledged shares through the unprecedented market mayhem. About 480 companies including PSUs have declared a total dividend of Rs 76,000 crore after the budget.

Of this, Rs 40,000 crore was declared by the public sector companies whereas the remaining Rs 36,000 crore was by non-government public companies. The government received nearly Rs 25,000 crore by way of dividend, while promoters of non-PSU companies got Rs 20,000 crore.

Payback Time	
Total Dividends Paid Until March 31	
Category	₹ Crore
PSUs	40,300
Paid to Government	24,800
Non-PSU Companies	35,500
Promoter's Share	19,800

Although most promoters are already leveraged and unable to raise additional leverage given the market conditions... Interim dividends gave them some cash flows
SANJIV BHASIN
 Director, IIFL

Various companies with high promoter holding announced interim dividends in the last two months as the new budget proposal, which makes dividend income taxable up to 43% in the hands of the recipient, takes effect from April 1.

The rush to pay dividends to shareholders before the new budget proposal helped several promoters of smaller companies as well as some of the affluent investors to increase their stake or to give additional margin for their pledged shares, said market participants.

"Although most promoters are already leveraged and unable to raise additional leverage given the current market conditions and lack of liquidity in the financial markets, interim dividends gave them some cash flows," said Sanjiv Bhasin, director, IIFL. "A few have increased their stake while some managed to maintain their ownership by providing additional margins."



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Since March 1, promoters of over a dozen companies have been forced to let go of their shares that were pledged as many of them struggled to raise money in time to top up the value of their collateral in the recent market crash.

Lenders have invoked promoters' shares in companies such as Future Retail, Future Consumer, Just Dial, Asian Hotels (North), Reliance Capital, Eveready Industries, Reliance Home Finance, and Mandhana Retail in the past one month. However, promoters of more than 50 companies managed to bring in fresh shares to make up for the decline in collateral.

“The flurry of interim dividends has provided cash flows to promoters to restructure their shareholdings,” said Mehul Savla, partner, Ripplewave Equity Advisors.

Since March 1, promoters of nearly 300 companies have increased their stake by buying from the open market through stock exchanges.

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