

Economic Times ND 27.11.07

# Market laggards keep investors happy with huge dividends

Vijay Gurav & Ramanatha Pai  
MUMBAI

INVESTMENTS in many companies have fetched poor or negative returns for shareholders despite the prolonged bull run in the equity market. Still, investors can take solace from the fact that some of these companies have offered them decent returns by maintaining a good dividend payments track record.

Interestingly, dividend payouts of these companies amounted to much higher than the growth in market capitalisation during the past 3-4 years as the Sensex kept soaring to unprecedented levels.

Oil PSUs Indian Oil Corporation (IOC), HPCL, BPCL and pharma majors Ranbaxy Laboratories and Novartis India are a few notable examples of this category.

These are the blue-chip companies whose stocks have significantly underperformed the broader market though they continued to reward their shareholders by forking out generous dividends. IOC has topped the list with a total payout of Rs 6,200 crore during the past three-and-a-half years (March 31 2005 to September 30

COMFORT ZONE		
	DIVIDEND	MCAP FALL
HPCL	1,405	-8,719
IOC	6,208	-3,030
Ranbaxy Labs	1,176	-2,172
BPCL	1,200	-1,826
TVS Motor	93	-437
Novartis India	128	-231
Bongaigaon Refinery & Petro	416	-229
Indo Rama Synth	121	-148
Biocon	86	-110
OBC	351	-15

(Figures in Rs Crore)

SOURCE: ETG Database

2007). Its market cap, however, fell by Rs 3,030 crore, or 5%, to Rs 56,095 crore during April 1 2004 to September 30 2007 when the Sensex recorded an eye-popping 200% jump to 17,291.

HPCL and BPCL are two other major examples where dividend payouts amounted to Rs 1,405 crore and Rs 1,200 crore respectively. Their market cap declined by Rs

8,700 crore, or 50%, and Rs 1,826 crore, or 12%, respectively during the period. The government, which holds a majority stake in these companies, has been the biggest beneficiary of dividend payouts.

The fortunes of state-owned oil marketing players are inversely linked to the trend in global crude oil prices. While crude prices — now on the threshold of the \$100 per barrel mark — have been climbing steadily, political compulsions are holding back the government from raising fuel prices at the retail level. Consequently, there is a severe pressure on the operating margins of these companies.

Pharma majors Ranbaxy and Novartis India have also underperformed the market. But they have tried to keep their shareholders in good humour by consistent dividend payouts. The two companies distributed dividends of Rs 1,176 crore and Rs 128 crore respectively while their market cap declined by Rs 2,172 crore and Rs 231 crore.

The list of firms, which paid a higher dividend than market cap rise, include TVS, Bongaigaon Refinery, Indo Rama Synthetic, Biocon and Oriental Bank of Commerce.

vijay.gurav@timesgroup.com