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Dividends from CPSEs likely to surpass RE, but lowest in 4 years

INCHING CLOSER. Govt receives ₹53,755 cr with Revised Estimates for FY25 at ₹55,000 cr

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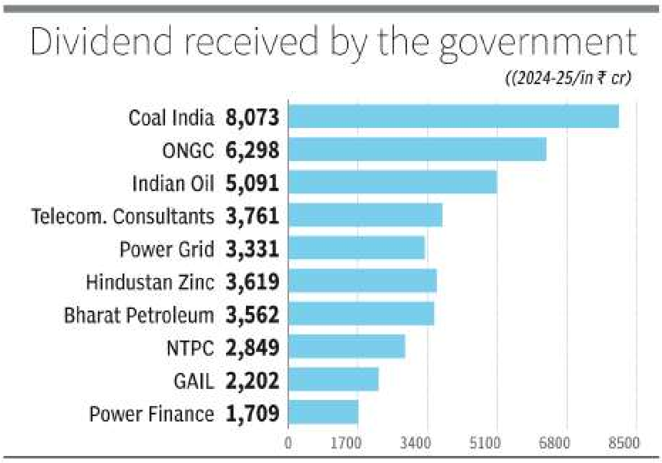
Dividends received by the government from Central Public Sector Enterprises (CPSEs) and private companies with minority stake holding by the government is expected to exceed revised estimates during the current fiscal, that is, 2024-25 (FY25). Still, it is likely to be the lowest in four years.

Data from DIPAM (Department of Investment and Public Asset Management) showed that as on date, a total of ₹53,755 crore has been received by the government. The Revised Estimates for the current fiscal are ₹55,000 crore, lower than the Budget Estimates of ₹56,200 crore. The Revised Estimates are the lowest in four years (2021-22 to 2024-25).



Source: DIPAM

SURVEY SHOWS

According to the Public Enterprises Survey, there are 272 operating CPSEs, out of which 212 reported a net profit of ₹3.43 lakh crore in FY 2023-24, which is around 48 per cent higher than ₹2.18 lakh crore during FY23. Dividends declared by operating CPSEs in FY 2023-24 stood at ₹1.23 lakh crore against ₹1.05 lakh crore in FY 2022-23, showing an increase of over 16 per cent. Since there are just 66 CPSEs listed on stock exchanges, entire dividend of large number of CPSEs goes to the government only.

CPSEs belonging to three sectors – oil, coal and power – are expected to continue as top contributors in dividend payout. Oil companies have had a relatively better year this fiscal, as there has been no reduction in petrol and diesel retail prices. At the same time, the removal of windfall levies on export-bound petroleum products are also expected to boost profitability. Also, long season of higher temperatures has benefited both power and coal companies.

Late last year, the government revised the dividend policy for CPSEs.According to that, It has been stipulated that each CPSE would pay a minimum annual dividend of 30 per cent of profit after tax or 4 per cent of the net worth, whichever is higher subject to the limit, if any, under any extant legal provision.

REVISED POLICY

Financial sector CPSES like NBFCs may pay a minimum annual dividend of 30 per cent of PAT subject to the limit, if any, under any extant legal provisions.

"The minimum dividend as indicated above is only a minimum benchmark. CPSEs are advised to strive to pay higher dividends taking into account relevant factors such as profitability, capex requirements with due leveraging, cash reserves and net worth," new guidelines said.

For cash and free reserves with the CPSE , accordingly, a special dividend would have to be paid to the government as a return for its equity investments.