# Presentation on Dividends

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# Disclaimer

- All examples, stocks and cases discussed in this presentation are only for educational purpose.
- These are not BUY or SELL recommendations.
- Readers must do their own research and run their calculations before investing.
- I have made best efforts to ensure accuracy of contents in this presentation. However, errors could creep in beyond my best effort. Kindly bring to my notice and the same shall be rectified.
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# Topics for discussion

## INTRODUCTION

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# What are dividends?

- The distribution of a company's earnings/profits to the share holders is dividend.
- However the entire earning/profit cannot be distributed as dividend to share holders. This is because company needs cash to fund future growth and expansion.
- The board of directors of the company evaluate the current year earnings, future growth plans and the amount of money required to meet the planned growth.
- Based on this evaluation the board of directors decide the amount of profit that can be distributed to share holders as dividends.

***How does a company calculate the dividend to pay its shareholders?***

- There is no formula or a standard method to calculate the dividend
- The dividend amount to be paid is purely the decision of directors
- The future growth requirements (i.e. Replacing machinery, opening a new factory etc.,) of the company would be the primary factor in deciding the amount of dividend that can be paid out to the share holders

# Frequency of Dividends

The frequency of Dividend payment varies between different companies.

- ❑ Yearly / One time dividends: The dividend is paid after the financial year with shareholders approval. This one time dividend is called ‘final dividend’.
- ❑ Interim Dividends: The dividends paid before the financial year is called interim dividends, which do not need shareholders approval.
    - Half Yearly – Paid after 6 months of the financial year.
    - Quarterly Dividends – Paid every quarter.

- Investors view payment of quarterly dividend as a positive sign, as it is a crude indicator of healthy cash flow to the company.
- But, investors need to check, if the company sets aside sufficient amount for the future growth of the company as well. High dividends paid today may compromise on future growth.
- Another flag is that there is no assurance of quarterly payment of dividends in future.
- When a company paying regular quarterly dividends does not pay one quarter, then it has a adverse impact on the share price. This is because the stock loses flavor with investors due to inconsistency.
- **Here there are not right or wrong answers. But a investor must keep these aspects in mind.**

# Frequency of Dividends (Contd.)

- Companies could pay interim dividends and fall short of paying final dividend.
  - One reason is that interim dividends do not need shareholders approval, but final dividends need shareholders approval.
  - In such cases the dividend for the year is the sum of all interim dividends.
- Some companies pay interim and final dividend.
  - The dividend for the year is the sum of all interim dividends and the final dividend.

***Can the dividends used to buy additional shares within the same company? Would that be any added benefit to the existing share holders?***

- This idea could be prevailing in the minds of people who are familiar with Mutual Funds, where there is a option to re-invest the dividend to buy additional units of the fund. This is called ‘Dividend Re-investment’.
- No such option exists for dividends paid by a company.
- However once the dividend is credited to their account, an investor may use this amount to buy additional shares of the same company.
- This idea is called Dividend Compounding: Buying shares of the same company using the dividend paid by the company

# Important dates related to Dividends

<u>Date of Declaration:</u>

- This is the date of announcement of dividend by the directors. The announcement could be by a signed statement to the stock exchange and (or) declaration through media.
- The declaration statement includes the amount of dividend, the date of record and the payment date.
- Whether a investor holds stock on this day or not, does not matter for receiving the dividend.

<u>Ex-Dividend Date:</u>

- This is used to identify which stockholders qualify to receive the declared dividend.
- If an investor purchases a stock on or after the ex-dividend date, the investor will not receive the declared cash dividend; instead, the seller of the stock will be entitled to that dividend.
- Investors who purchase the stock before the ex-dividend date will receive the dividend.

# Important dates related to Dividends (Contd.)

Record Date:

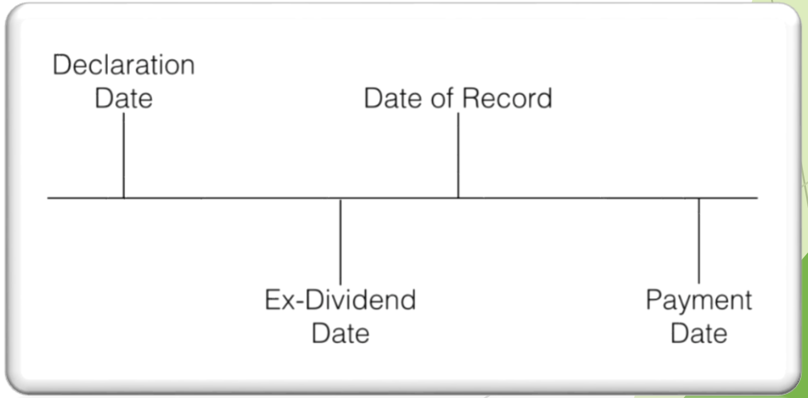
- ❑ Once a company announces a dividend, it sets a date of record on or before which you must be on the *company's books* in order to receive the declared dividend.
- ❑ On the date of record, the company will determine its shareholders, who will receive dividend.

Payment Date:

- ❑ It is the day Shareholders will see the dividend appearing in their account, according to the amount of shares they own and the distributed amount per share.

***What is company's books?***

- It is a ledger or record with details of share holders of the company.
- The details include name of Shareholders, the number of shares held by them and details related to bank/demat account numbers.
- With these details a company pays the dividend amount to shareholder's account in proportion to the number of shares held by them.




**A simple visualization of the timelines**

# The Importance of Dividends

- A company must make sufficient profits to cover its future growth and pay dividends for current year.
- Dividends are the simplest way for companies to communicate the financial well being.
- Dividends paying companies command a positive sentiment in the market.
- Is Dividend a factor in analysis of stock?
  1. Dividend must be factored in *stock selection* to gauge the health of the company. Because dividends are true cash outflows and hence a reflection on the quality of earnings.
  2. Dividend can to a extend be used in *valuation* (i.e Use of Dividend Yield). A high dividend yield serves as a cushion in falling markets.
  3. But dividend <u>cannot be the only or primary factor</u> for stock selection or valuation.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# Dividend Metrics

Dividend Yield

Dividend Payout Ratio

Dividend Payback Period

Dividend Coverage Ratio

Special Dividends

Dividend History

Dividend Distribution Policy

# Dividend Yield

Dividend Yield is ratio of the amount that a company pays as dividend relative to its share price. Dividend Yield is expressed in % and is calculated by the below formula:

$$Dividend\ Yield(\%) = \frac{Dividend\ Per\ Share}{Market\ price\ of\ a\ Share}$$

E.g. Consider a stock XYZ. The Market price of is Rs.120 and has declared a dividend of Rs.6. The Dividend yield is 5% (6/120 x 100)

INFERENCE
Lower the market price, higher the dividend yield and higher the market price lower the dividend yield.

For a income investor, this dividend yield is one of the important factors for stock selection/screening and in valuation. But for a growth investor this dividend yield is of little or no importance.

# Dividend Payout Ratio

It is the fraction of net income that a firm pays to its stockholders as dividends. It could be expressed as Ratio or Percentage.

$$Dividend\ Payout\ Ratio(\%) = \frac{Dividend\ Per\ Share}{Earnings\ Per\ Share}$$

- Consider Stock ABC, having EPS of 30 and dividend of 3. The Dividend Payout Ratio is 10% (i.e 3 / 30)
- This ratio indicates the percentage of earnings (net income) paid as dividend to shareholders.
- The part of the earnings not paid to investors is left with the company for re-investing which help in future earnings growth.
- What does high and low values of this ratio mean?
  - **High Dividend Payout Ratio** suggest that most of the profit is distributed as dividend with less profits retained for future growth.
  - **Low dividend payout ratio** indicates that most of the profit is used for future growth and less distributed as dividend.

# Dividend Payback Period

This metric calculates the number of years it will take a dividend growth stock to ‘pay back’ the initial purchase price. The dividend payback period can be calculated with:

(1) Stock price, (2) Expected growth rate and (3) Annual dividend payment



The lower the dividend payback period, the better. As an example, say you bought a Rs.50 stock that pays Rs.1 in dividends annually. It would take 50 years to recover your original investment through dividends alone. That's assuming the dividend doesn't change. But if the dividend grows every year, it will take less than 50 years for the stock to pay back its original price.

There is a assumption (i.e. Expected Dividend Growth) involved in this calculation.

A excel is required to calculate this metric. One such excel can be downloaded from https://www.suredividend.com/wp-content/uploads/2015/10/Dividend-Payback-Period-Calculator.xlsx

# Dividend Coverage Ratio

- Dividend Coverage Ratios allow analysts to evaluate the safety of a company's dividend.
- Investors concentrate on the dividend yield but don't give sufficient attention to the safety of that dividend.
- Apart from paying Dividends, companies in the long run must create enough cash flow to pay expenses, invest in the future (capital expenditures) and service their debt (if any).
- The following Dividend Coverage Ratios metrics are some measures:
  - Earnings  Dividend Coverage Ratio
  - CFO (Cash Flow from Operations) Dividend Coverage Ratio
  - FCF (Free Cash Flow) Dividend Coverage Ratio



Note: I am covering these above three ratios in the next few slides. However a detailed write up of these three ratios can be read at [http://www.arborinvestmentplanner.com/dividend-coverage-ratios-safe-dividend/](http://www.arborinvestmentplanner.com/dividend-coverage-ratios-safe-dividend/)

# Dividend Coverage Ratio (Contd.)

<u>EARNINGS DIVIDEND COVERAGE RATIO</u>

This is a financial metric that measures the number of times that a company can pay dividends to its shareholders from its earnings

$$Dividend\ Coverage\ Ratio = \frac{Net\ Income}{Dividend\ Paid}$$

E.g. Consider a stock Abc. The Net Income is Rs.200 Crores and has declared dividend of Rs.40 Crores. The Dividend Coverage Ratio is 5 (200 Crores / 40 Crores)

INFERENCE

- Dividend coverage ratio is greater than 1, indicates that the earnings generated by the company are enough to serve shareholders with their dividends.
- Ratio above 2 is considered a healthy ratio / Ratio below 1.5 may be a cause for concern.
- This ratio uses net income, which is not actual cash flow. Therefore, even a high net income does not guarantee adequate cash flows to fund dividend payments.
- Net income can vary greatly from year to year, so looking at a company's historical ratio is not a definitive measure of future dividend risk.

# Dividend Coverage Ratio (Contd.)

CFO DIVIDEND COVERAGE RATIO

- The earnings based coverage ratio use ‘Net Income’, which does not represent true earnings.
- The earnings indicated in ‘Profit & Loss statement’ could be manipulated, but not so easily the ‘Cash Flow from Operations’.
- This metric tells you whether the company is creating enough cash flow from its core business operations to support the payment of dividend.
- This ratio helps to know how much cash the company operations is generating compared to the dividend.

$$CFO\ Dividend\ Coverage\ Ratio = \frac{Cash\ Flow\ from\ Operations}{Dividend\ Paid}$$

INFERENCE

- Ratio of 4 or more is considered good. Higher the number, greater the safety.
- Ratio below 2 may be a concern, as CAPEx is also important like dividends.
- A ratio below 1 mean the company is not producing enough cash to even pay the dividend.

# Dividend Coverage Ratio (Contd.)

FCF DIVIDEND COVERAGE RATIO

- Free Cash Flow = Cash Flow From Operations (CFO) – Capital Expenditures
- This metric tells you whether the company is creating enough cash flow from its core business operations to support the dividend.
- In other words, how much cash is left from operations after capital expenditures are made.

$$FCF\ Dividend\ Coverage\ Ratio = \frac{Free\ Cash\ Flow}{Dividend\ Paid}$$

INFERENCE

- Ratio of 2.5 or more is considered good. Higher the number, greater the safety.
- Ratio below 1.4 may be a concern, as there is lesser margin of safety after CAPEx
- A ratio below 1.0 would indicate the company was having to find other resources (savings, borrowing, etc.) in order to pay the dividend. That would indicate the dividend could be in jeopardy of being reduced or cut because the company would have to use other resources to pay the dividend.

# Special Dividends

A company may sometimes pay special dividends. It could be due to some special occasion or any reasons like…

1. Successful completion of a milestone i.e. 25 Years (Silver Jubilee), 50 Years (Golden Jubilee) et
2. Huge cash reserves without any available investment options
3. Distribute cash received from sale of Assets (i.e. Land)

Investor to note…

- These special dividends are neither predictable nor repeatable.
- An investor must check and eliminate any special dividends while calculating the Dividend Yield metric.
- Considering such one time special dividends may give a temporary high dividend yield, which is not sustainable in future.

# Dividend History

This is not a metric as such, but its analysis gives some insights which is important:

- How many years has the company paid dividend without break?
  - More the number of years is better
  - This may give a indication of business performed during different cycles and how was the dividend payout during favorable and unfavorable times
- Is the Dividend amount constant, growing or erratic?
  - Constant – Not great, as growing dividends is the expectation
  - Growing – A healthy sign
  - Erratic – Not a health sign, as predictability of dividend is a challenge
- Is the Dividend Payout Ratio constant?
  - Near constant Dividend Payout Ratio is preferable
  - A fluctuating Dividend Payout Ratio introduces another level of uncertainty in predicting future dividends

# Dividend Distribution Policy

- Indian markets regulator SEBI has made it mandatory for the top 500 listed firms to have a 'dividend distribution policy'.
- This helps investors get some visibility on returns from their investments in listed firms and also identify stocks matching their investment objectives.
- Companies will have to inform the shareholders on their plans to utilise extra profits and the parameters/rationale behind the dividend pay-out ratio
- Such a policy brings down some uncertainty related to Dividend pay-out
- Check if your company has such a policy in their website/recent Annual report, which will share their views on utilizing profits, expected pay-out etc, which become handy for investment decisions.
- The policy may give some hidden pointers for future growth!

# Checklist with Dividend Metrics


Checklist: It is a good idea to create some sort of checklist covering all dividend related metrics:

- Dividend Yield
- Dividend Payout Ratio
- Dividend Coverage Ratio
- Special Dividends
- Trend of past 5-10 years (increasing, decreasing or erratic)


One reference sample given below.

| DIVIDEND ANALYSIS | 2011 | 2012 | 2013 | 2014 | 2015 | Trend line |
|---|---|---|---|---|---|---|
| Dividend per share | 6.5 | 7.5 | 10.5 | 13 | 15 | |
| Dividend Payout (%) | 60.87 | 60.23 | 59.81 | 72.70 | 75.20 | |
| Is CFO > Dividend? | YES | YES | YES | YES | NO | |
| **REMARKS** | | | | | | |
| Dividend Yield | | | | | | |
| Has the dividend been paid in the past 10 years? | | | | | | |
| Is there any Special dividend payout? | | Yes, In 2013 a special dividend of Rs.8 | | | | |
| Has the dividend been increasing? | | | | | | |
| Is their policy fixed dividend or fixed DPR? | | | | | | |

REPRESENTATIVE SAMPLE ONLY. NOT EXHAUSTIVE TO COVER ALL RATIOS. READERS TO PREPARE A DETAILED CHECKLIST ON THEIR OWN.

# Dividend in Investment decisions

# Dividend Yield – Income Investor

**How a Income investor could use Dividend Yield?**

- Investors in "Income" camp, choose and invest in stocks with high dividend yield, preferably where post-tax yield is higher post-tax fixed deposit returns.
- Stock selection: For these investors, the amount of Dividend paid could be the only criteria for selecting a stock with some additional weightage to:
  - Consistent payment of dividend in the past 5-10 years
  - Increase in the amount of dividend paid every year would be preferable
  - A reasonable increase in earnings and
  - Company in the hands of a good management



- Valuation: The valuation (Price) of the selected stock is based on dividend yield. The income investor prefers stock having higher dividend yield.
- Investors who are risk averse or retired investors, who treat dividend as a source of income prefer investing in stocks with high dividend yield.

# Dividend Yield – Growth Investor

**How a Growth investor could use Dividend Yield?**

- For growth investors dividend is not the selection factor.
- Growth investors prefer to invest in companies which do not pay dividends (or pay less dividends). These investors want the company to re-invest the profit for future growth of the company.
- Stock selection: For growth investors, dividend is not a significant factor in stock selection.
- Valuation: Growth investors find no use of this ratio, in their valuation.
- Growth investors reap benefits in future, in the form of high stock prices, leading to huge capital gains. [Provided the company did grow successfully from the re-invested profits.!]

# Factoring dividends in Investment decisions

- **Dividends may not be sustainable**
  1. Investors must remember that there is no guarantee for dividend payment in future.
  2. If there is a bad business cycle or need of cash for growth, the company may pay less or no dividend. [This is a risk to investor]
  3. Income investors must factor this uncertainty in their investment decisions.
- **Eliminate Special Dividends**
  1. A investor must check and eliminate any special dividends in the past while calculating the dividend Yield.
  2. Without ignoring the presence of special dividends, dividend yield would be high for the year.
  3. If the investor anchors his decision, based on this high dividend yield, he will have disappointment in the next year, when the special dividend is not declared and his dividend yield goes low.
- **Dividend History**
  1. Check if dividend was not paid anytime in the past 10 years history. If not paid, find out the reason from the Annual report.

# Factoring dividends in Investment decisions

- **Consistency of dividend payment and amount**
  1. Check if the dividend trend for the past 5-10 years is erratic.
     - E.g. Year 1 – Rs.5, Year 2 – Rs.10, Year 3 – Rs.2, Year 4 – Rs.7
  2. Erratic dividend add a additional inconsistency on our stock valuation! In which case it would be safe to ignore the dividend factor.
- **Consider average of dividends**
  1. Do not consider the dividend of the latest year alone for your decisions.
  2. Make a average of 3-5 years of dividend to calculate the dividend yield. This way the up/down of business cycle can be factored.
- **Do dividends grow?**

  A good company must have its earnings growth (YoY) through its retained earnings. This translates to a gradual increase in the dividend amount paid
  1. *Growing dividends* indicate a favorable situation, as dividend yield for our invested price increases.
  2. *Stable dividends* may indicate that the company is not growing much.
  3. *Decreasing dividends* is a flag for investors to check, if earnings are dropping year on year.

# Factoring dividends in Investment decisions

- **Holistic approach to Dividend analysis**
  1. Analysis to include other facets i.e. earnings cover, free cash flow cover, operating margin, Return on Equity, dividend track record.
- **Common Mistakes**
  1. To much focus on Dividend Yield.
  2. Relying too much on a company's dividend track record rather than, what the company's capable of paying in the future.
  3. Not considering the current entry valuation.

# High or Low Payouts? Which is better?

Shared below are extracts from an insightful 2003 paper by Robert Arnott and Clifford Asness. The full paper can be found at: https://www.researchaffiliates.com/documents/FAJ_Jan_Feb_2003_Surprise_Higher_Dividends_Higher_Earnings_Growth.pdf

Thanks Mr. Gautam Baid (@Gautam__Baid) for sharing his notes.

- Contrary to popular belief, companies with higher dividend payout ratios (i.e. they pay out more of their earnings) produce the highest expected earnings growth.
- Among other hypotheses, the authors put forth an explanation that "**high payout ratios** lead to more carefully chosen projects," while "**low payout ratios** lead to, or come with, inefficient empire building and the funding of less-than-ideal projects and investments."
- In other words, if management's "bladder" of capital is too large, they'll likely misuse it. Dividends reduce the size of that bladder and lead to greater discipline in capital allocation.

# High or Low Payouts? Which is better? (Contd.)

- It makes good business sense for companies to return cash they can't reinvest at high rates of return.
- With that cash in hand, shareholders can then decide for themselves the best place to reinvest.
- Companies can also return cash via buybacks. But there's no implied "commitment" from management to maintain a certain level of buybacks each year.
- This is usually not the case with cash dividends, as most dividend-paying companies have a progressive dividend policy in which they aim to pay at least as much the prior year.
- As such, buybacks provide less protection against management "empire building."
- Further, management teams have broadly been inclined to buy back shares when the market's good and then turn off the tap when the market is down. As investors, we know this is not wise capital allocation.

# Taxation on Dividends

# Taxation on Dividends

The Scenario discussed is purely in Indian context based on the tax laws in India applicable form April 1, 2020

- Dividend was tax free in the hands of the investors till the Financial Year 2019-2020
- However from Financial Year 2020-2021 (Effective April 1, 2020) onwards Dividends are taxable in the hands of the investors as per their applicable slab rates, i.e. Someone in 30% slab will pay 30% tax on dividend received
- In continuation to the above, the Government also abolished:
  - Dividend Distribution Tax (DDT) at the effective rate of 20.36 percent (15 percent tax plus surcharge and cess), which is now abolished
  - Additional 10% tax on dividend income in excess of 10 Lakhs (for the amount that is over INR 10 Lakhs). This was applicable from 2017-2018.

# Taxation on Dividends (Contd.)

- In case of dividend paid is more than INR 5000, TDS is applicable with rates varying based on PAN being updated:
  - PAN updated: 7.5% TDS
  - PAN not updated: 20% TDS
- If TDS is not applicable to the investor then they can furnish declaration in Form 15G/ Form 15H

Common FAQ:

Dividend was tax free till March 2020. Now it is taxable, how to avoid this tax liability?

# Taxation on Dividends (Contd.)

My thoughts on recent Tax liability:

- Tax on Dividend is on everyone, be it the owner of RIL, WIPRO or small retail investors
- Few things all need to keep in mind...
  - Earlier also taxes was there…On the dividends paid, companies paid Dividend Distribution Tax (DDT)
  - Now the DDT is removed and is taxed on the hand of investors, of course the rates of DDT and investors present slab are different and based on investors slab, it could be higher than DDT
  - Otherwise Tax was there before and now also
- There is no way to avoid this ☺
- Theoretically with DDT abolished, companies should pay more dividends
- Equally correct is the view that based on taxation status of wealthy promoters, companies may pay less dividends
- Bear in mind, that your Stock investment decisions must not be based on this taxation

# What gurus said?

# Benjamin Graham

Benjamin Graham had given a detailed view of Dividends in his book "Security Analysis". Below are the highlights.

- Dividend policies so arbitrarily managed, which introduce an additional uncertainty in the analysis of a common stock
- Dividend policies are selfishly determined from the standpoint of the taxable status of the large stockholders who control the directorate
- By paying lesser dividend they are perfectly willing to leave their share of the earnings in the corporate treasury, since the latter is under their control.
- A successful company is one that can pay dividends regularly and presumably increase the rate as time goes on

**Note: Read Chapter 29 of Security Analysis for all details.**

# Benjamin Graham

- The price paid for an investment common stock would be determined chiefly by the amount of the dividend
- Consider a hypothetical situation of two companies in the same general position and with the same earning power, the one paying the larger dividend will always command a higher price
- It stands to reason that, if a business paid out only a small part of its earnings in dividends, the value of the stock should increase over a period of years, but it is by no means so certain that this increase will compensate the stockholders for the dividends withheld from them, particularly if interest on these amounts is compounded.

Note: Read Chapter 29 of Security Analysis for all details.

# Warren Buffett

- Warren Buffett loves getting dividends from the stocks he invests in. But his own company Berkshire Hathaway has not distributed any dividends, all these years.
- Buffett himself said in his 2012 letter to Berkshire shareholders, "It puzzles them [some of Berkshire's shareholders] that we relish the dividends we receive from most of the stocks Berkshire owns, but pay out nothing ourselves.”
- In 2012, the iconic investor explained, “A profitable company can allocate its earnings in various ways (which are not mutually exclusive). A company’s management should first examine reinvestment possibilities offered by its current business — projects to become more efficient, expand territorially, extend and improve product lines or to otherwise widen the economic moat separating the company from its competitors.”
- Buffett notes there are two disadvantages: 1) different investors may desire different levels of payouts, and 2) a dividend received is taxed as income, which long-term investors may not want.



**Note: Compiled from various interviews**

# Philip Fisher

Philip Fisher has expressed the below views in his book "Common Stocks and Uncommon Profits":

- Actually dividend considerations should be given the least, not the most, weight by those desiring to select outstanding stocks.
- Perhaps the most peculiar aspect of this much-discussed subject of dividends is that those giving them the least consideration usually end up getting the best dividend return.
- Worthy of repetition here is that over a span of five to ten years, the best dividend results will come not from the high-yield stocks but from those with the relatively low yield.
- So profitable are the results of the ventures opened up by exceptional managements that while they still continue the policy of paying out a low proportion of current earnings, the actual number of dollars paid out progressively exceed what could have been obtained from high-yield shares.

# Basant Maheshwari

Basant Maheshwari author of “The Thoughtful Investor” has expressed the below views in his books and frequently in his interviews.

- Dividend is the only tangible benefit that a investor receives from owning shares.
- Dividend and Tax are true cash out flows from a company. A company cannot pay dividends from bogus profits.
- The dividend reflects on the quality of earnings. Dividend the only sure outcome from a stock.
- Reflects on business model, management quality, predictability of earnings and growth potential of the company
- A cyclical company is more prone to abandoning a set pattern of dividend payment, when compared to dividends from a secular growth business

# Basant Maheshwari (Contd.)

- A company that pays dividends even, while its CFO is consistently negative is a time bomb waiting to explode
- A company that has a stated pay-out policy gets better recognition from the market in terms of valuation from another whose policy remains unstated
- A growth stock with rising dividend pay-out represents a potent investing combination, as the rising yield protects the downside where as the growth helps in generating the upside
- High dividend yield acts as a cushion from falling stock price. E.g. A company pays dividend of Rs.70. At this dividend the stock finds cushion at a price of around 1750, which equates to a dividend yield of 4%, below which the stock price may not go down.

# Basant Maheshwari (Contd.)

- The negative aspect of a company declaring regular generous dividend is that a strong dividend pay-out theoretically restricts the ability of a company to grow at higher rates, as the other wise paid out dividends could be used to generate further growth.
- Companies that report a high RoE should therefore be retain their cash to augment their growth plans when compared to their Low RoE peers.
- The counter argument is that no company gives our dividend at the risk of growth, but instead distributes only that part of its income which it cannot use for further growth because it does not foresee itself growing at higher rates due to non availability of growth opportunities

# References & additional materials

## BOOKS

| Book Name | Author | Chapter |
|---|---|---|
| Security Analysis | Benjamin Graham | 29 |
| The Thoughtful Investor | Basant Maheshwari | 21 |
| Common Stocks and Uncommon Profits | Philip Fisher | 7 |

## VIDEOS

| Speaker | Video Topic | Video Link |
|---|---|---|
| Tim Bennett | What is a dividend yield? - MoneyWeek Investment Tutorials | https://www.youtube.com/watch?v=uUebPHQTfwg |
| Tim Bennett | Big dividends: good or bad news? | https://www.youtube.com/watch?v=us62l_He3cg |

# References & additional materials

**BLOGS**

Readers to refer to the article "Magic of Dividends" in a blog by 'Fundamental Investor'. Dividend compounding is a idea, not many could have imagined. Enjoy the read at [http://www.fundamental-investor.com/2018/06/magic-of-dividends.html](http://www.fundamental-investor.com/2018/06/magic-of-dividends.html)

Magic of Dividends – The Real Return !!!

What are Dividends? Are Dividends Useful? Are Dividends Significant? What Impact do they have? Can they, over a period of time, cover Basic Expenses? Can Dividends Compound? Read on...

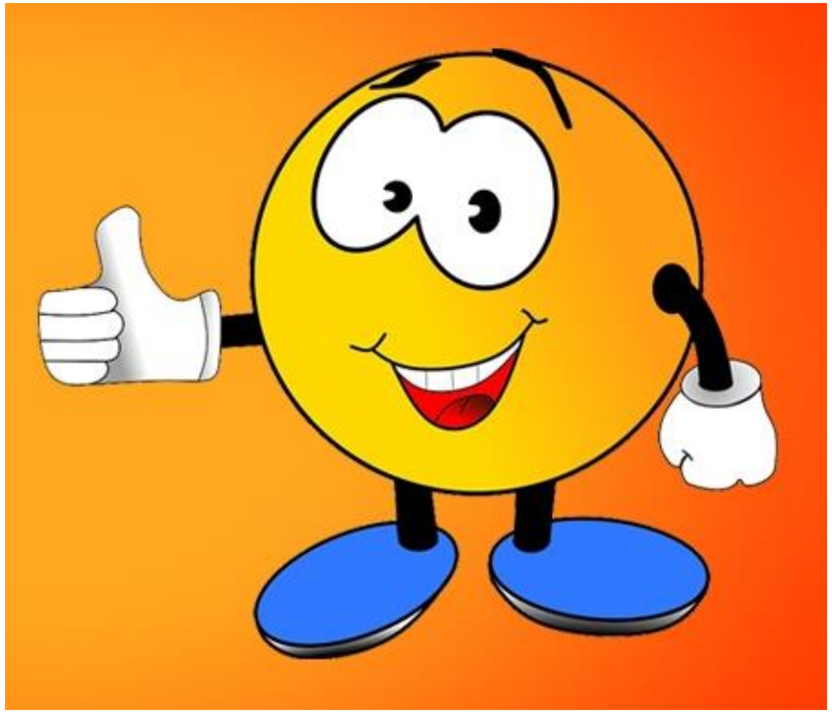
Dearest investors & friends,

Hope you are all doing well. It's been months since I wrote my thoughts on your site. I have been pretty active on Twitter - @FI_InvestIndia and very happy to connect to thousands instantly there.


Today, I am going to write about a concept which is very close to my heart. And of course, something I am lucky to experience.

**Fundamental Investor** @FI_InvestIndia · Feb 8
When we Enter Stock Market, Aim should be to Systematically, Over a Long Period of time, Create a Portfolio where **Dividends** Take care of Monthly Expenditure.

Trust me, its very much Possible. #BeenThere #DoneThat



# Good Luck in your reading & Investment Journey

Please visit my webpage https://mysuccessproject.in/resources/ for more such presentations, notes and compilations on topics related to Personal finance and Value Investing.