



FINANCIAL RATIOS

EPS and dividend yield

What a company earns for each share, what it pays out, and what that payout is worth against the share price

Index figures as on 31 August 2026

For training and education only. Not investment advice.

EPS says how much profit each share earned. Dividend yield says how much cash each rupee of price received.

A company keeps part of its profit to run and grow the business, and may pay part out as dividends. These two ratios look at each side.

Four terms, one share



EPS

Earnings per share:
profit after tax for
shareholders $\div$
weighted average
number of shares in
the year.



Dividend

Dividend per share:
the cash paid out for
each share in a year.
The company decides
the amount each
time.



Payout ratio

Dividend per share $\div$
EPS. The share of
profit paid out. The
rest is kept in the
business.



Dividend yield

Dividend per share $\div$
share price $\times 100$. The
cash received for
each ₹100 of today's
share price.

Source for the EPS definition: Ind AS 33, Earnings per Share, paragraphs 10 and 19.

Working out EPS

ONE COMPANY

Profit after tax for the year: ₹120 crore.

Shares: 40 crore at the start of the year. The company issues 8 crore new shares exactly halfway through the year.

- 1 The new shares were in issue for half the year, so they count as $8 \times 6 \div 12 = 4$ crore.
- 2 Weighted average number of shares: $40 + 4 = 44$ crore.
- 3 $\text{EPS} = 120 \div 44 = ₹2.73$ a share (rounded).
- 4 Using the year-end count of 48 crore would give ₹2.50, though the new money was in the business for only half the year.

EPS divides profit by the average number of shares during the year, not the count on the last day.

Illustration with an invented company and assumed figures.

A '40% dividend' is not a 40% return

ONE SHARE

Face value ₹10. Share price ₹200.
Earnings per share ₹10.

The company announces a dividend of 40%, meaning 40% of the face value.

- 1 Dividend per share: 40% of ₹10 = ₹4.
- 2 Dividend yield: $4 \div 200 \times 100 = 2\%$. The '40% dividend' is 2% of what the share costs today.
- 3 Payout ratio: $4 \div 10 = 40\%$ of profit paid out. ₹6 a share stays in the business.
- 4 If the price rises to ₹250 and the dividend stays ₹4, the yield falls to $4 \div 250 \times 100 = 1.6\%$.

Quote the yield on the share price, not the dividend as a per cent of face value.

Illustration with assumed figures. Not a view on any company.

What moves EPS when profit does not

Event	Shares	Effect on EPS
Buyback	Fewer shares	Rises with profit unchanged. A rise in EPS is not always a rise in profit.
New shares issued for cash	More shares	Falls, unless profit rises enough to match the new shares.
Bonus issue or split	More shares, no new money	Falls in proportion. Earlier years' EPS is restated on the new count, so the years stay comparable.
Options, warrants, convertibles	May become shares later	Diluted EPS assumes the dilutive ones do. Companies report basic and diluted EPS side by side.

Source: Ind AS 33, Earnings per Share, paragraphs 64 (bonus issues and splits) and 66 (basic and diluted EPS shown together).

Reading a dividend yield



It moves with price

With the same dividend, a lower share price means a higher yield. A high yield can follow a fall in price, or a payout that may not be repeated.



It looks back

It is usually worked out from dividends already paid, such as those of the last twelve months. The next one is for the company to decide.



Kept profit counts too

Profit not paid out stays in the business. A low yield can mean a company is reinvesting, not that it is earning little.

Total return to a shareholder is dividends received plus the change in the share price.

Source for the twelve-month basis: NSE Indices, Methodology Document for Equity Indices, September 2026 (Nifty Dividend Opportunities 50).

Where the Nifty 50 stands

Index-level figures as on 31 August 2026.

NIFTY 50 YIELD

1.17%

The index's dividend yield as published by NSE Indices.

EARNINGS YIELD

4.91%

$1 \div$ the Nifty 50 P/E of 20.36: earnings as a share of the price.

DIV OPPS 50 YIELD

2.19%

Nifty Dividend Opportunities 50: 50 firms chosen on yield and stability.

NIFTY 50 CLOSE

24,080

Closing level on 31 August 2026: 24,080.40.

Sources: NSE Indices, daily index close file for 31 Aug 2026; NSE Indices, Methodology Document for Equity Indices, September 2026.

If you learnt this from older material

What older decks say

- Dividends are tax-free for most investors; the company pays dividend distribution tax.
- TDS on an individual's dividends above ₹5,000 a year (the rule from 2020 to 2025).
- Dividend yield funds need at least 65% in equity (the earlier SEBI rule).

What holds now

- Dividends from 1 April 2020 are taxed in the investor's hands (individuals: slab rate).
- 10% TDS; none for an individual up to ₹10,000 a year from a company (from 1 Apr 2025).
- At least 80% in equity, under SEBI's revised categories of 26 February 2026.

Sources: Finance Bill 2020 and Finance Bill 2025, memoranda (indiabudget.gov.in); SEBI Master Circular for Mutual Funds, 20 Mar 2026.

Four things people get wrong



'Higher EPS means a more valuable share.'

EPS depends on how many shares exist. An EPS of ₹50 or ₹5 says nothing about value until it is set against the price.



'A 40% dividend is a 40% return.'

It is 40% of face value. On a ₹200 share with a ₹10 face value, that is a 2% yield.



'A dividend is free money.'

It is paid out of the company's own cash, so the company holds that much less afterwards. For an individual it is taxed at slab rate.



'EPS rose, so profit rose.'

A buyback can lift EPS while profit stays flat. Check the profit figure itself.

Four questions to ask of EPS or a yield

1

Basic or diluted?

And standalone or consolidated. The figures can differ for the same company and year.

2

Which period?

A full year, the last four quarters, or one quarter. A quarter's EPS is not a year's.

3

Anything unusual?

A one-off gain, a buyback, a bonus issue or a split can move the number.

4

Regular or special?

Is the dividend paid most years, or a one-off payment that may not recur?

We explain these ratios. We do not use them to tell a client what to buy.

Check yourself

Q1

A company earns ₹90 crore after tax. It has 30 crore shares for the first half of the year and 20 crore after a buyback at mid-year (assumed). What is its EPS?

Q2

A share costs ₹400, pays a dividend of ₹6 a year and has EPS of ₹20 (assumed). What are its dividend yield and payout ratio?

Q3

A resident individual client receives ₹15,000 of dividends in a year from one company. How is it taxed?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- EPS on weighted average shares; restatement for bonus and split; basic and diluted EPS: Ind AS 33, Earnings per Share, paragraphs 10, 19, 64 and 66.
- Nifty 50 dividend yield 1.17%, P/E 20.36, close 24,080.40; Nifty Dividend Opportunities 50 yield 2.19%: NSE Indices, daily index close file, 31 Aug 2026.
- Nifty Dividend Opportunities 50 design and twelve-month dividend basis: NSE Indices, Methodology Document for Equity Indices, September 2026.
- Dividends taxable for the recipient from 1 Apr 2020: Budget Speech and Memorandum to the Finance Bill 2020. ₹10,000 limit: Finance Bill 2025 memo; Income-tax Act 2025, s.393.
- Dividend Yield Fund, at least 80% in equity: SEBI Master Circular for Mutual Funds, 20 Mar 2026. Revision date and earlier 65%: Trustner verified facts file.
- All companies, shares and quiz figures are invented for illustration. They do not refer to any real company.

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