

MNCs and royalty: Me Before You?

Over the past few years, investors in MNCs have been concerned about some decisions being taken by the global parent. Not being listed in other regions, most MNCs fail to recognize that their own needs may not align with all stakeholders, especially the company's Indian shareholders: from setting up competing businesses in fellow-subsidaries to the level of royalty paid by these companies, to paying out dividends rather than conserving cash to tide the COVID-19 uncertainties.



Multi-national companies (MNCs) did not all list in India voluntarily, many were compelled to do so with the late-1970s FERA regulations requiring them to dilute ownership. While some MNCs decided to leave India, others stayed the course and decided to list themselves rather than get a domestic partner. As a consequence, for most MNCs, India is one of the few geographies where these companies have listed subsidiaries – several MNCs are otherwise unlisted or listed only in their home country. This poses a unique challenge for MNCs and prioritizing the needs of Indian stakeholders tends to be driven by how critical the listed subsidiary is.

MNCs have found a way to reduce the criticality of the listed Indian subsidiary – by creating a separate wholly-owned company in the Indian market. This structure

holds true for many MNCs, be it Suzuki, Proctor & Gamble, GE, or Linde. The creation of the 100% subsidiaries allows the MNCs to take on the more profitable products or strategic initiatives in the 100% owned entity, leaving the listed company somewhat febrile. These decisions irk shareholders who show their displeasure while voting (Exhibits 1 and 2).

Exhibit 1: Linde India Limited 2021 AGM

Resolution defeated: Approve related party transactions with Praxair India Private Limited (fellow subsidiary) and Linde South Asia Services Private Ltd. (JV with Praxair India Private Limited) for three years from 1 January 2021 aggregating to Rs. 9.5 bn per annum

	No of shares held	Votes polled	Votes in favour	Votes against	% FOR	% AGAINST
Promoters	6,39,63,167	-	-	-	-	-
Institutional Investors	1,03,15,587	91,37,156	7,90,237	83,46,919	8.6%	91.4%
Other shareholders	1,10,05,469	44,94,299	34,655	44,59,644	0.8%	99.2%
Total	8,52,84,223	1,36,31,455	8,24,892	1,28,06,563	6.1%	93.9%

Source: www.iiasadrian.com

Exhibit 2: GE T&D India Limited 2021 AGM

Resolution defeated: Sell the Global Engineering Operations Division (GEOD) to GE India Industrial Private Limited (GEIPL) on a slump sale basis for a consideration of Rs. 873 mn

	No of shares held	Votes polled	Votes in favour	Votes against	% FOR	% AGAINST
Promoters	19,20,34,901	-	-	-	-	-
Institutional Investors	4,03,18,228	3,50,51,918	1,52,62,766	1,97,89,152	43.5%	56.5%
Other shareholders	2,36,93,406	27,72,556	27,70,743	1,813	99.9%	0.1%
Total	25,60,46,535	3,78,24,474	1,80,33,509	1,97,90,965	47.7%	52.3%

Source: www.iiasadrian.com

Royalty payments

Royalty payments have been another area of concern for investors. Top five MNCs account for almost 80% of the aggregate royalty paid by the MNCs in this research (Annexure 1). These five companies have dominated the conversation on royalty for the past several years.

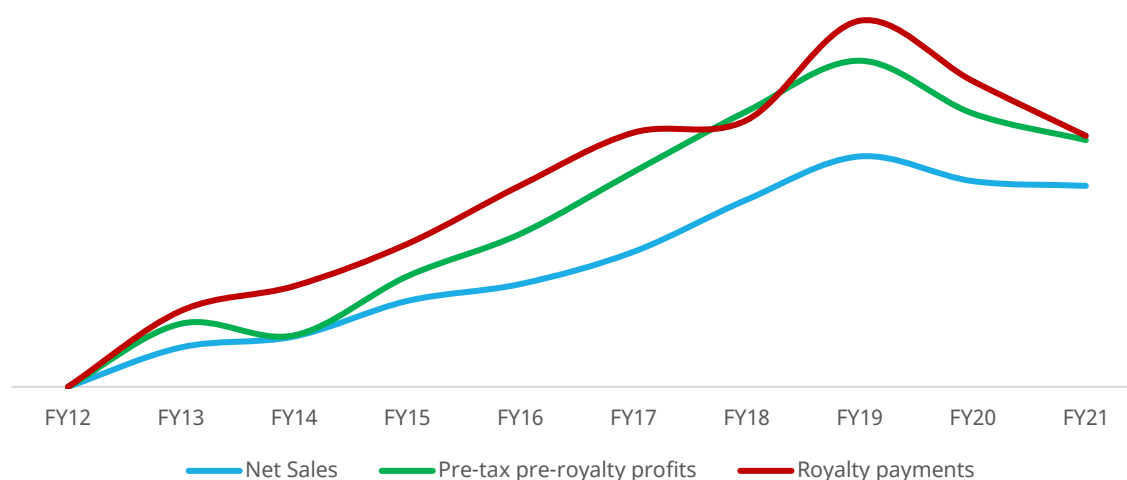
Exhibit 3: Concentration of royalty payments made by MNCs

	Net sales (Rs. Bn.)	Royalty related fees (Rs. Bn.)	Pre-tax profits (Rs. Bn.)	PAT (Rs. Bn.)	Net sales annual growth	Royalty annual growth	PBT annual growth	Dividend Payout Ratio
FY21 and 2020								
MARUTI	703.3	34.5	51.6	42.3	-7%	-17%	-27%	32%
HINDUNILVR	460.0	7.4	104.9	79.5	19%	6%	15%	120%
NESTLEIND	135.0	5.9	28.1	20.8	10%	8%	5%	93%
BOSCHLTD	89.6	3.0	5.7	4.8	0%	59%	-38%	70%
ABB	58.2	5.6	2.9	2.2	-29%	-20%	-35%	48%
Total	1,446.1	56.5	193.2	149.7				
FY20 and 2019								
MARUTI	756.1	41.5	70.6	56.5	-12%	-13%	-32%	39%
HINDUNILVR	387.9	7.0	90.9	67.4	1%	-2%	6%	87%
NESTLEIND	123.0	5.5	26.7	19.7	10%	11%	10%	202%
BOSCHLTD	89.4	1.9	9.2	6.5	-23%	-14%	-61%	48%
ABB	82.1	7.0	4.5	3.0	-24%	-21%	-44%	34%
Total	1,438.4	62.9	202.0	153.1				

Source: Annual Reports, IiAS Research

For several years, royalty payments had little correlation to profits or revenues – they outpaced one or the other if not both across several years. However, over the past three years, royalty payments of MNCs have tempered and show an improved alignment to revenues and profits.

Exhibit 4: Ten years of royalty payments



Source: Annual reports, IiAS Research; data is normalized and rebased to FY12

Another aspect of royalty is its form and shape. Pay-outs to the parent company as technical and knowhow fees, operations support, and cost of expatriates are additional forms of charges levied on the Indian arm of global companies. This does not come under the ambit of royalty from a regulatory perspective, but IiAS (usually) factors this into its assessment of royalty pay-outs.

Exhibit 5: Some other forms of charges levied by global parent companies



Source: IiAS Research

Note: This is not an exhaustive list.

Exhibit 6: IiAS list of MNCs for the purpose of this study

The company must:

- have a foreign promoter shareholding of at least 25%, and the foreign parent must be in control. Companies that have foreign promoter shareholding with an Indian partner in operating control have been excluded.
- be part of S&P BSE 500
- royalty must have been paid in at least three of the past five years and must aggregate at least Rs. 60 mn.

Exhibit 7: Growth in aggregate royalty vis-à-vis pre-royalty pre-tax profits of 30 MNCs

Year	YoY growth in pre-royalty pre-tax profits	YoY growth in royalty
2020-2021	-4.9%	-9.6%
2019-2020	-8.9%	-9.5%
2018-2019	9.3%	18.6%
2017-2018	12.6%	2.4%
2016-2017	14.7%	11.3%

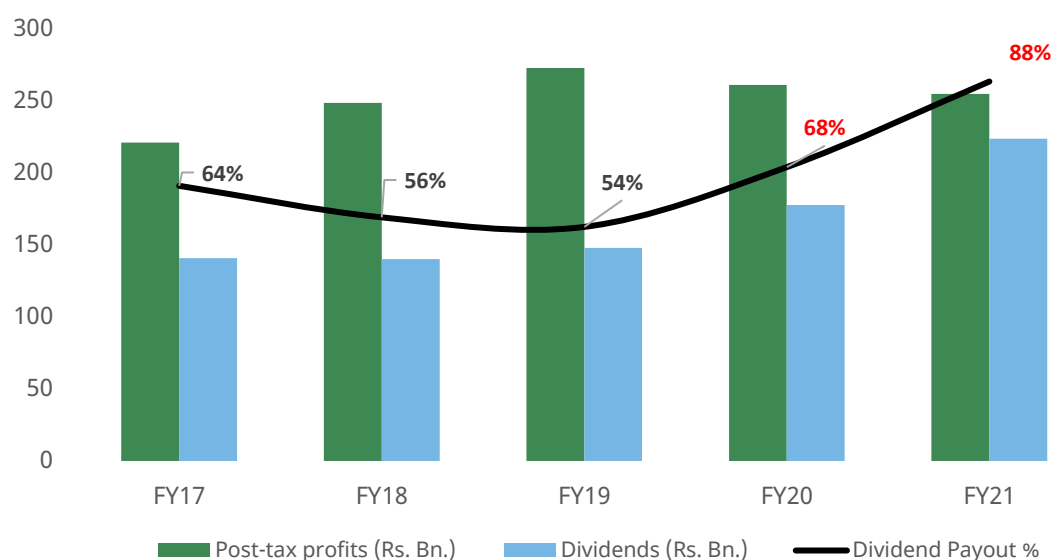
Source: Company filings, IiAS Research

Identifying the level of royalty payments as a concern and based on the Kotak Committee's recommendations, in 2019 SEBI brought in the requirement of a shareholder approval by majority of minority vote for royalty payments in excess of 5% of revenues. This could perhaps be a possible explaining for the tempering of tempering of royalty payments – forbearance; to avoid putting the transaction to a shareholder vote and possibly any further potentially prescriptive regulation (Annexure 2).

Covid, conserving cash and dividends

During the COVID, companies decided to conserve cash and not dividend this out. While many Indian-owned companies and MNCs did so, MNCs did this at the parent level. Consequently, several MNCs listed in India paid out extraordinarily high dividends, almost emptying their coffers. Yes, COVID-19 was the proverbial 'rainy day', but MNCs put the needs of their parent companies ahead of their domestic business. MNCs argue that these high dividends help non-controlling shareholders as well, in the times of the crisis. While this is a legitimate argument, the global parents tend to be the biggest beneficiaries of such (timely) largesse, given their high shareholding in the Indian arm.

Exhibit 8: MNCs step up dividends despite muted profits during COVID-19



Source: Annual reports, IiAS Research

Boards of MNCs deal with much of the same tug-of-war between the needs of the controlling shareholder and those of the company's stakeholders. While these may not always be at odds, priorities can differ. The difference, in this case, is that the controlling shareholder is another company with well-established processes, practices, and risk management practices. Therefore, mirroring the decisions to

how these have been taken in other markets makes some of these issues more comparable.

Investors too recognize that on a relative scale, the risk of bad behaviour at MNCs tends to be lower and overall governance tends to be better. This is also reflected in IiAS' annual assessment of S&P BSE 100 companies on the [Indian Corporate Governance Scorecard](#): Median scores for MNCs tend to be higher than those of family-controlled companies and state-owned enterprises, trailing just a little behind the scores of widely-held companies.

While MNCs continue to trade at higher multiples than comparable domestic peers, the discord with some of these decisions is increasing. Boards of these MNCs need to stop playing second fiddle to the global parent and prioritize the needs of their investors.

Related research/comments:

- Royalty: Too early to take your eyes off; Feb 2020

<https://www.iiasadvisory.com/institutional-eye/royalty-payments-too-early-to-take-your-eyes-off>

- Royalty payments: Establishing its legitimacy, March 2019

<https://www.iiasadvisory.com/institutional-eye/royalty-payment-establishing-its-legitimacy>

- Royalty payments: At last, the dog wags its tail

<https://www.iiasadvisory.com/institutional-eye/iias-royalty-payments-at-last-the-dog-wags-its-tail>

Other and older research: [Link](#)

Annexure 1: Royalty and Dividend Payouts of MNCs over the past five years

Company	Year	Net sales (Rs. Bn.)	Royalty related fees (Rs. Bn.)	Pre-tax profits or PBT (Rs. Bn.)	PAT (Rs. Bn.)	Dividend Paid (Rs. Bn.)	Net sales annual growth	Royalty annual growth	PBT annual growth	Dividend Payout Ratio	Royalty growth > Revenue growth	Royalty growth > PBT growth
3MINDIA	FY21	24.2	1.3	2.0	1.5	-	-12%	-15%	-37%	0%	NO	YES
3MINDIA	FY20	27.6	1.6	3.2	2.2	-	0%	-12%	-36%	0%	NO	YES
3MINDIA	FY19	27.7	1.8	5.0	3.2	-	8%	33%	4%	0%	YES	YES
3MINDIA	FY18	25.6	1.3	4.8	3.1	-	8%	7%	30%	0%	NO	NO
3MINDIA	FY17	23.6	1.2	3.7	2.4	-	10%	48%	22%	0%	YES	YES
ABB	2020	58.2	5.6	2.9	2.2	1.1	-29%	-20%	-35%	48%	YES	YES
ABB	2019	82.1	7.0	4.5	3.0	1.0	-24%	-21%	-44%	34%	YES	YES
ABB	2018	108.6	8.9	7.9	5.1	1.2	20%	25%	28%	23%	YES	NO
ABB	2017	90.9	7.1	6.2	4.2	1.1	5%	9%	8%	27%	YES	YES
ABB	2016	86.5	6.5	5.8	3.8	1.0	6%	21%	21%	27%	YES	NO
ACC	2020	137.8	1.3	16.9	14.1	2.6	-10%	-13%	-17%	19%	NO	YES
ACC	2019	153.4	1.5	20.3	13.6	3.2	6%	5%	36%	23%	NO	NO
ACC	2018	144.8	1.4	14.9	15.1	3.2	12%	13%	15%	21%	YES	NO
ACC	2017	129.1	1.3	13.0	9.2	5.9	16%	19%	61%	64%	YES	NO
ACC	2016	111.6	1.1	8.1	6.5	3.8	-5%	-4%	3%	59%	YES	NO
AKZOINDIA	FY21	24.2	0.8	2.8	2.1	2.3	-9%	4%	-14%	110%	YES	YES
AKZOINDIA	FY20	26.6	0.8	3.2	2.4	0.6	-9%	-9%	2%	27%	NO	NO
AKZOINDIA	FY19	29.2	0.9	3.2	2.1	1.3	-2%	4%	-42%	62%	YES	YES
AKZOINDIA	FY18	29.7	0.8	5.4	4.0	1.2	5%	11%	58%	31%	YES	NO
AKZOINDIA	FY17	28.2	0.8	3.4	2.5	1.2	7%	5%	9%	50%	NO	NO

Company	Year	Net sales (Rs. Bn.)	Royalty related fees (Rs. Bn.)	Pre-tax profits or PBT (Rs. Bn.)	PAT (Rs. Bn.)	Dividend Paid (Rs. Bn.)	Net sales annual growth	Royalty annual growth	PBT annual growth	Dividend Payout Ratio	Royalty growth > Revenue growth	Royalty growth > PBT growth
AMBUJACEM	2020	113.7	1.1	24.1	17.9	35.7	0%	-4%	24%	200%	NO	NO
AMBUJACEM	2019	113.5	1.1	19.5	15.3	3.0	3%	3%	19%	19%	NO	NO
AMBUJACEM	2018	109.8	1.1	16.4	14.9	3.3	7%	6%	1%	22%	NO	YES
AMBUJACEM	2017	102.4	1.0	16.2	12.5	8.6	12%	13%	21%	69%	YES	NO
AMBUJACEM	2016	91.2	0.9	13.4	9.3	7.3	-4%	-2%	14%	79%	YES	NO
BASF	FY21	95.4	0.4	8.4	5.5	0.4	26%	-22%	8384%	8%	NO	NO
BASF	FY20	75.5	0.5	0.1	0.2	0.1	25%	-12%	-86%	57%	NO	YES
BASF	FY19	60.3	0.5	0.7	0.8	0.3	12%	5%	-72%	32%	NO	YES
BASF	FY18	53.6	0.5	2.6	2.5	0.2	5%	13%	-2193%	6%	YES	YES
BASF	FY17	50.8	0.4	-0.1	-0.1	0.1	7%	-7%	-59%	-37%	NO	YES
BATAINDIA	FY21	17.1	0.2	-1.2	-0.9	0.5	-44%	-57%	-124%	-57%	NO	YES
BATAINDIA	FY20	30.5	0.4	4.9	3.3	0.5	4%	42%	1%	16%	YES	YES
BATAINDIA	FY19	29.3	0.3	4.8	3.3	1.0	11%	12%	41%	29%	YES	NO
BATAINDIA	FY18	26.3	0.3	3.4	2.2	0.6	7%	-1%	46%	28%	NO	NO
BATAINDIA	FY17	24.7	0.3	2.3	1.6	0.5	2%	5%	-21%	34%	YES	YES
BAYERCROP	FY21	41.4	0.1	7.9	4.9	5.2	18%	2%	36%	105%	NO	NO
BAYERCROP	FY20 ¹	35.2	0.1	5.8	4.7	1.1	15%	72%	21%	24%	YES	YES
BAYERCROP	FY19	30.7	0.1	4.8	3.4	1.0	13%	750%	19%	31%	YES	YES
BAYERCROP	FY18	27.1	0.0	4.0	3.0	0.8	-3%	67%	-10%	28%	YES	YES
BAYERCROP	FY17	28.0	0.0	4.5	2.9	0.6	1%	0%	-7%	21%	NO	YES

¹ Monsanto India Limited merged with BAYERCROP in September 2019

Company	Year	Net sales (Rs. Bn.)	Royalty related fees (Rs. Bn.)	Pre-tax profits or PBT (Rs. Bn.)	PAT (Rs. Bn.)	Dividend Paid (Rs. Bn.)	Net sales annual growth	Royalty annual growth	PBT annual growth	Dividend Payout Ratio	Royalty growth > Revenue growth	Royalty growth > PBT growth
BAYERCROP	FY16	27.7	0.0	4.8	3.2	0.6	-24%	0%	-16%	20%	YES	YES
BOSCHLTD	FY21	89.6	3.0	5.7	4.8	3.4	0%	59%	-38%	70%	YES	YES
BOSCHLTD	FY20	89.4	1.9	9.2	6.5	3.1	-23%	-14%	-61%	48%	YES	YES
BOSCHLTD	FY19	116.2	2.2	23.3	16.0	3.7	4%	4%	14%	23%	YES	NO
BOSCHLTD	FY18	112.1	2.1	20.4	13.7	3.7	10%	29%	-3%	27%	YES	YES
BOSCHLTD	FY17	101.8	1.6	20.9	17.4	6.1	10%	3%	1%	35%	NO	YES
CASTROLIND	2020	30.0	0.8	7.9	5.8	5.4	-23%	-29%	-32%	93%	NO	YES
CASTROLIND	2019	38.8	1.1	11.5	8.3	6.5	-1%	1%	4%	79%	YES	NO
CASTROLIND	2018	39.0	1.1	11.0	7.1	6.0	9%	5%	3%	85%	NO	YES
CASTROLIND	2017	35.8	1.1	10.7	6.9	5.7	6%	2%	2%	82%	NO	NO
CASTROLIND	2016	33.7	1.0	10.5	6.7	6.5	2%	12%	10%	97%	YES	YES
COLPAL	FY21	48.4	2.1	13.5	10.4	10.3	8%	9%	29%	100%	YES	NO
COLPAL	FY20	44.9	2.0	10.4	8.2	9.2	1%	0%	-9%	112%	NO	YES
COLPAL	FY19	44.3	2.0	11.4	7.8	7.5	6%	6%	16%	97%	YES	NO
COLPAL	FY18	41.9	1.8	9.8	6.7	7.9	5%	-1%	15%	117%	NO	NO
COLPAL	FY17	39.8	1.9	8.5	5.8	3.3	3%	-6%	2%	57%	NO	NO
COLPAL	FY16	38.7	2.0	8.4	5.8	3.3	-3%	5%	7%	56%	YES	NO
CUMMINSIND	FY21	43.3	0.1	8.1	6.2	4.2	-9%	-76%	6%	67%	NO	NO
CUMMINSIND	FY20	47.8	0.5	7.6	6.3	4.3	-9%	3%	-26%	68%	YES	YES
CUMMINSIND	FY19	52.5	0.5	10.3	7.2	5.7	3%	-4%	13%	79%	NO	NO
CUMMINSIND	FY18	50.8	0.5	9.1	7.1	5.0	0%	3%	0%	71%	YES	YES
CUMMINSIND	FY17	50.8	0.5	9.1	7.3	4.7	8%	15%	0%	64%	YES	YES

Company	Year	Net sales (Rs. Bn.)	Royalty related fees (Rs. Bn.)	Pre-tax profits or PBT (Rs. Bn.)	PAT (Rs. Bn.)	Dividend Paid (Rs. Bn.)	Net sales annual growth	Royalty annual growth	PBT annual growth	Dividend Payout Ratio	Royalty growth > Revenue growth	Royalty growth > PBT growth
ESABINDIA	FY21	6.4	0.1	0.8	0.6	0.7	-3%	-7%	-17%	114%	NO	YES
ESABINDIA	FY20	6.7	0.1	1.0	0.7	1.1	4%	-1%	16%	151%	NO	NO
ESABINDIA	FY19	6.4	0.1	0.8	0.6	1.7	24%	24%	60%	290%	YES	NO
ESABINDIA	FY18	5.2	0.1	0.5	0.4	0.0	5%	3%	40%	5%	NO	NO
ESABINDIA	FY17	4.9	0.1	0.4	0.3	0.0	13%	3%	-8%	7%	NO	YES
GILLETTE ²	FY21	20.1	0.2	4.3	3.1	3.9	20%	53%	37%	125%	YES	YES
GILLETTE ²	FY20	16.8	0.1	3.1	2.3	1.6	-10%	-13%	-7%	69%	NO	NO
GILLETTE ²	FY19	18.6	0.1	3.4	2.5	1.7	11%	38%	-2%	68%	YES	YES
GILLETTE ²	FY18	16.8	0.1	3.4	2.3	0.9	-3%	-9%	-8%	39%	NO	NO
GILLETTE ²	FY17	17.3	0.1	3.7	2.5	6.4	-1%	-8%	23%	254%	NO	NO
GRINDWELL	FY21	16.3	0.3	3.2	2.4	1.1	5%	4%	34%	43%	NO	NO
GRINDWELL	FY20	15.5	0.3	2.4	1.8	0.8	-1%	-5%	-5%	45%	NO	YES
GRINDWELL	FY19	15.7	0.3	2.5	1.6	0.8	11%	5%	14%	49%	NO	NO
GRINDWELL	FY18	14.1	0.3	2.2	1.5	0.7	21%	54%	29%	45%	YES	YES
GRINDWELL	FY17	11.6	0.2	1.7	1.2	0.5	3%	40%	11%	46%	YES	YES
GRINDWELL	FY16	11.3	0.1	1.6	1.0	0.4	1%	40%	4%	42%	YES	YES
GULFOILLUB	FY21	16.5	0.2	2.7	2.0	0.8	1%	-20%	2%	40%	NO	NO
GULFOILLUB	FY20	16.4	0.3	2.6	2.0	0.8	-4%	7%	-4%	38%	YES	YES
GULFOILLUB	FY19	17.1	0.3	2.8	1.8	0.5	28%	17%	13%	28%	NO	YES
GULFOILLUB	FY18	13.3	0.2	2.4	1.6	0.6	18%	21%	31%	40%	YES	NO

² GILLETTE closes its financial year on June 30th

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GULFOILLUB	FY17	11.3	0.2	1.8	1.2	0.5	12%	15%	21%	42%	YES	NO
GULFOILLUB	FY16	10.1	0.2	1.5	1.0	0.4	5%	23%	32%	42%	YES	NO
HEIDELBERG	FY21	21.2	0.1	3.9	3.1	1.8	-2%	16%	-2%	58%	YES	YES
HEIDELBERG	FY20	21.7	0.1	4.0	2.7	1.8	2%	16%	17%	66%	YES	NO
HEIDELBERG	FY19	21.3	0.1	3.4	2.2	1.1	13%	-36%	65%	50%	NO	NO
HEIDELBERG	FY18	18.9	0.2	2.1	1.3	0.7	10%	0%	83%	51%	NO	NO
HEIDELBERG	FY17	17.2	0.2	1.1	0.8	0.5	4%	0%	150%	72%	NO	NO
HEIDELBERG	FY16	16.5	0.2	0.5	0.4	-	1%	0%	-53%	0%	NO	YES
HINDUNILVR	FY21 ³	460.0	7.4	104.9	79.5	95.2	19%	6%	15%	120%	NO	NO
HINDUNILVR	FY20	387.9	7.0	90.9	67.4	58.8	1%	-2%	6%	87%	NO	NO
HINDUNILVR	FY19	382.2	7.1	85.5	60.4	57.2	11%	2%	17%	95%	NO	NO
HINDUNILVR	FY18	345.3	7.0	72.9	52.4	52.1	8%	-2%	14%	99%	NO	NO
HINDUNILVR	FY17	318.9	7.1	64.0	44.9	43.9	3%	-20%	8%	98%	NO	NO
JCHAC	FY21	16.5	0.3	0.4	0.3	-	-25%	-32%	-63%	0%	NO	YES
JCHAC	FY20	21.9	0.4	1.2	0.8	-	5%	-7%	-11%	0%	NO	YES
JCHAC	FY19	20.8	0.5	1.3	0.9	0.0	-5%	-7%	-12%	6%	NO	YES
JCHAC	FY18	21.9	0.5	1.5	1.0	0.0	11%	7%	28%	5%	NO	NO
JCHAC	FY17	19.7	0.5	1.2	0.8	0.0	20%	6%	71%	6%	NO	NO
KANSAINER	FY21	46.9	0.1	7.1	5.3	2.8	-5%	-3%	5%	53%	YES	NO
KANSAINER	FY20	49.4	0.1	6.8	5.4	1.7	-4%	-33%	-4%	32%	NO	NO

³ GlaxoSmithKlein Consumer Healthcare Limited merged with HINDUNILVR in April 2020.

Company	Year	Net sales (Rs. Bn.)	Royalty related fees (Rs. Bn.)	Pre-tax profits or PBT (Rs. Bn.)	PAT (Rs. Bn.)	Dividend Paid (Rs. Bn.)	Net sales annual growth	Royalty annual growth	PBT annual growth	Dividend Payout Ratio	Royalty growth > Revenue growth	Royalty growth > PBT growth
KANSAINER	FY19	51.7	0.2	7.1	4.7	1.7	13%	8%	-9%	36%	NO	YES
KANSAINER	FY18	45.9	0.2	7.9	5.2	1.7	15%	9%	4%	33%	NO	YES
KANSAINER	FY17	40.0	0.2	7.6	5.1	2.0	7%	14%	-29%	39%	YES	YES
KANSAINER	FY16	37.4	0.1	10.7	9.0	2.0	6%	11%	169%	22%	YES	NO
KSB	2020	11.9	0.2	1.5	1.0	0.3	-7%	-6%	13%	30%	YES	NO
KSB	2019	12.7	0.2	1.4	1.0	0.3	21%	29%	23%	34%	YES	YES
KSB	2018	10.5	0.1	1.1	0.7	0.3	11%	46%	7%	34%	YES	YES
KSB	2017	9.4	0.1	1.0	0.7	0.3	14%	0%	6%	37%	NO	NO
KSB	2016	8.2	0.1	1.0	0.7	0.2	1%	14%	-6%	35%	YES	YES
LINDE	2020	14.7	0.8	2.4	1.6	0.3	-16%	52%	-77%	16%	YES	YES
LINDE	2019	17.6	0.6	10.1	7.3	0.9	-20%	25%	2047%	12%	YES	NO
LINDE	2018	21.9	0.4	0.5	0.3	0.2	4%	-12%	192%	46%	NO	NO
LINDE	2017	21.1	0.5	0.2	0.2	0.1	15%	30%	217%	54%	YES	NO
LINDE	2016	18.4	0.4	0.1	0.1	0.1	17%	16%	817%	82%	NO	NO
MARUTI	FY21	703.3	34.5	51.6	42.3	13.6	-7%	-17%	-27%	32%	NO	YES
MARUTI	FY20	756.1	41.5	70.6	56.5	21.8	-12%	-13%	-32%	39%	NO	YES
MARUTI	FY19 ⁴	860.2	47.7	104.7	75.0	29.1	8%	25%	-5%	39%	YES	YES
MARUTI	FY18	797.6	38.2	110.0	77.2	29.1	17%	-4%	11%	38%	NO	NO
MARUTI	FY17	680.3	39.7	99.4	73.4	27.3	18%	19%	34%	37%	YES	NO

⁴ In FY20, MARUTI changed its accounting of royalty and included the royalty paid by Suzuki Motor Gujarat Private Limited separately as royalty payments. Earlier, this expense was classified as part of cost of goods purchased. As a result, royalty expenses for FY19 were restated to Rs. 44.98 bn against the earlier reported Rs. 37.93bn, an increase of Rs. 7.1 bn

Company	Year	Net sales (Rs. Bn.)	Royalty related fees (Rs. Bn.)	Pre-tax profits or PBT (Rs. Bn.)	PAT (Rs. Bn.)	Dividend Paid (Rs. Bn.)	Net sales annual growth	Royalty annual growth	PBT annual growth	Dividend Payout Ratio	Royalty growth > Revenue growth	Royalty growth > PBT growth
NESTLEIND	2020	135.0	5.9	28.1	20.8	19.3	10%	8%	5%	93%	NO	YES
NESTLEIND	2019	123.0	5.5	26.7	19.7	39.7	10%	11%	10%	202%	YES	YES
NESTLEIND	2018	112.2	4.9	24.3	16.1	13.4	13%	18%	32%	83%	YES	NO
NESTLEIND	2017	99.5	4.2	18.4	12.3	10.0	9%	15%	28%	81%	YES	NO
NESTLEIND	2016	91.6	3.6	14.4	9.3	7.3	13%	19%	77%	79%	YES	NO
PGHH ⁵	FY21	35.7	1.6	8.7	6.5	10.2	19%	10%	46%	157%	NO	NO
PGHH ⁵	FY20	30.0	1.5	5.9	4.3	3.4	2%	3%	-2%	79%	YES	YES
PGHH ⁵	FY19	29.5	1.4	6.1	4.2	3.4	20%	20%	4%	82%	NO	YES
PGHH ⁵	FY18	24.6	1.2	5.8	3.7	1.6	6%	21%	-13%	42%	YES	YES
PGHH ⁵	FY17	23.2	1.0	6.7	4.3	15.2	2%	-8%	6%	351%	NO	NO
SCHAEFFLER	2020	37.6	1.1	4.0	2.9	1.2	-12%	-3%	-26%	41%	YES	YES
SCHAEFFLER	2019	42.9	1.1	5.3	3.7	1.1	-4%	-14%	-15%	30%	NO	YES
SCHAEFFLER	2018	45.0	1.3	6.3	4.2	0.9	11%	15%	7%	22%	YES	YES
SCHAEFFLER	2017	40.4	1.1	5.9	3.9	0.3	126%	183%	97%	9%	YES	YES
SCHAEFFLER	2016	17.9	0.4	3.0	1.9	0.2	5%	11%	2%	12%	YES	YES
SKFINDIA	FY21	26.7	0.7	4.0	3.0	0.7	-6%	-2%	2%	24%	YES	NO
SKFINDIA	FY20	28.4	0.7	3.9	2.9	6.4	-4%	-11%	-26%	222%	NO	YES
SKFINDIA	FY19	29.6	0.8	5.2	3.6	0.7	8%	2%	15%	20%	NO	NO
SKFINDIA	FY18	27.5	0.8	4.6	3.0	0.7	5%	15%	21%	25%	YES	NO
SKFINDIA	FY17	26.3	0.7	3.8	2.4	0.6	10%	9%	19%	25%	NO	NO

⁵ PGHH closes its financial year on June 30th

Company	Year	Net sales (Rs. Bn.)	Royalty related fees (Rs. Bn.)	Pre-tax profits or PBT (Rs. Bn.)	PAT (Rs. Bn.)	Dividend Paid (Rs. Bn.)	Net sales annual growth	Royalty annual growth	PBT annual growth	Dividend Payout Ratio	Royalty growth > Revenue growth	Royalty growth > PBT growth
TIMKEN	FY21	14.1	0.3	2.0	1.4	0.1	-13%	3%	-36%	8%	YES	YES
TIMKEN	FY20	16.2	0.3	3.1	2.5	3.8	1%	-4%	37%	153%	NO	NO
TIMKEN	FY19	15.9	0.3	2.2	1.5	0.1	29%	20%	60%	6%	NO	NO
TIMKEN	FY18	12.3	0.3	1.4	0.9	0.1	17%	18%	1%	9%	YES	YES
TIMKEN	FY17	10.6	0.2	1.4	1.0	0.1	1%	-13%	-2%	8%	NO	NO
WABCOINDIA	FY21	18.6	0.4	1.5	1.0	0.2	-3%	-12%	-32%	20%	NO	YES
WABCOINDIA	FY20	19.3	0.5	2.2	1.6	0.2	-32%	-39%	-46%	14%	NO	YES
WABCOINDIA	FY19	28.5	0.7	4.1	2.8	0.2	11%	-2%	8%	7%	NO	NO
WABCOINDIA	FY18	25.7	0.8	3.8	2.7	0.2	24%	-4%	27%	7%	NO	NO
WABCOINDIA	FY17	20.7	0.8	3.0	2.1	0.2	13%	167%	11%	8%	YES	YES
WABCOINDIA	FY16	18.3	0.3	2.7	2.0	0.1	36%	110%	53%	7%	YES	YES
WHIRLPOOL	FY21	59.0	0.3	4.5	3.3	0.6	-2%	5%	-31%	19%	YES	YES
WHIRLPOOL	FY20	59.9	0.3	6.5	4.8	0.6	11%	26%	4%	13%	YES	YES
WHIRLPOOL	FY19	54.0	0.2	6.3	4.1	0.8	12%	16%	16%	19%	YES	YES
WHIRLPOOL	FY18	48.3	0.2	5.4	3.5	0.6	23%	-46%	15%	17%	NO	NO
WHIRLPOOL	FY17	39.4	0.4	4.7	3.1	0.5	15%	-13%	32%	15%	NO	NO

Source: Annual reports, IiAS Research

Note: Companies (like Page Industries) that pay royalty on account of franchisee agreements have also not been considered.

Annexure 2: Voting results of resolutions pertaining to royalty payments

SKF India Limited's 2020 AGM resolution for Approval of payment of royalty to Aktiebolaget SKF, promoter entity, upto 5% of net sales in perpetuity

Promoter/Public	No. of shares held	No. of votes polled	No. of votes in favour	No. of votes against	% of votes in favour	% of votes against
Promoter Group	25,992,059	-	-	-	-	-
Institutional holders	17,491,547	15,674,296	1,922,245	13,752,051	12.26	87.74
Others	5,954,357	247,733	12,719	235,014	5.13	94.87
Total	49,437,963	15,922,029	1,934,964	13,987,065	12.15	87.85

Source: www.iiasadrian.com; company filings

Clariant Chemicals (India) Limited's 2020 AGM resolution for Entering into a two-year Licence Agreement beginning 1 January 2020 with Colorants International AG under which royalty at 5% of net external sales will be paid

Promoter/Public	No. of shares held	No. of votes polled	No. of votes in favour	No. of votes against	% of votes in favour	% of votes against
Promoter Group	11,772,050	-	-	-	-	-
Institutional holders	1,209,164	840,529	840,529	0	100.00	-
Others	10,100,584	5,179	4,628	551	89.36	10.64
Total	23,081,798	845,708	845,157	551	99.94	0.06

Source: www.iiasadrian.com; company filings

3M India Limited's 2020 AGM resolution for Approval for related party transactions with 3M Company, USA and its group companies for three years from 1 April 2020

Promoter/Public	No. of shares held	No. of votes polled	No. of votes in favour	No. of votes against	% of votes in favour	% of votes against
Promoter Group	8,448,802	-	-	-	-	-
Institutional holders	1,257,693	1,062,156	1,010,118	52,038	95.10	4.90
Others	1,558,575	21,378	20,956	422	98.03	1.97
Total	11,265,070	1,083,534	1,031,074	52,460	95.16	4.84

Source: www.iiasadrian.com; company filings

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This article is a general study on royalty payments made by Indian listed companies for the stated period.

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