

# Dividend Stock Analysis with Reference to Specific Sectors of Nifty-50 Companies in India: A Study on the Dividend Payout and Dividend Yield of these Companies

**Dr. Raghu G Anand**

Jain University- Center for Management Studies, Bangalore, India

## Abstract

Financial services are the base of economic development for any economy. It facilitates the establishment of any type of business, whether large or small and the expansion of such businesses after establishment. Financial services also help in creation of employment and starting up of new ventures that help in making profit and earnings in the economy. Stock exchange is a market or a platform for buying or selling of shares or debentures or any other stocks or bonds; it is a secondary market for stocks and bonds. Nifty is the indicator of the performance of the companies listed in national stock exchange situated in Delhi. The Nifty 50 covers the major sectors of the Indian economy. Every company listed in the stock exchange gets the ownership funds through the shares issued by it. Every shareholder is an owner of the company and thus, the company is liable to pay returns on investment made through the profits. Each company follows a different policy for payment of profits to shareholders, which is known as the "Dividends", which can be paid partly or fully. This research intends to analyse the performance of the selected sectors of Nifty 50 companies in terms of dividends payout and dividend yield ratio, which would help an investor in taking rational investment decisions.

## Keywords

Nifty, Dividend payout, Dividend yield, Investor, Capital Market, Market Index

## I. Introduction

NIFTY stands for National Stock Exchange's 50. The companies which form index of NIFTY may vary from time to time considered by NSE. NIFTY is for NSE similarly SENSEX is for BSE. Nifty is an index or an indicator of the performance of the companies listed in national stock exchange situated in Delhi. Nifty constitutes of 50 companies and the change in the Nifty index (Up or down) indicates the trend in the majority of the stocks. Some mutual funds use NIFTY index as a benchmark meaning the mutual funds performance is compared against the performance of NIFTY. It includes 50 companies listed on the NSE, captures approximately 65% of its float adjusted market capitalization. The Nifty 50 covers major sectors of the Indian economy. The Index has been trading since April 1996 and is well suited for benchmarking, index funds and index-based derivatives.

A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. Dividends can be issued as cash payments, as shares of stock, or other property.

## II. Research Methodology

### A. Objectives of the Study

- To study and analyze the performance of companies listed under Nifty.
- To analyze dividends pay out and Dividend yield ratio of the Nifty 50 companies.

- To gain practical knowledge of fundamental analysis.
- To know how an investor can take rational Investment decisions by the study of dividend pay-out and dividend yield pattern.

### B. Scope of the Study

The success and failures of an organization depends on the efficiency with which it works and achieves its objectives, which calls for a need to evaluate the performance of any firm. This research intends to study the Dividend decision of Indian companies, listed on National Stock Exchange (NSE) during 2011-2012 to 2015-2016, using the data published by the Money control.

### C. Tools for Analysis

Dividend payout ratio and Dividend Yield

### D. Data Collection Method

Secondary data has been used for the research, collected from the company websites, financial websites, and company's reports available in periodicals, journals and books.

### E. Sampling Technique and Size

The sample required for the study has been selected through descriptive and random sampling method. Keeping in view the true representative character, 20 companies included in four sectors i.e. Cigarettes, pharmaceuticals, information technology and financial services of nifty have been taken a sample for the study. The raw data collected were converted in to the ratios and classified according to the requirement of the study. Two dependent variables viz., Dividend payout and Dividend yield have been used to determine the factors that determine the dividend decision.

### F. Plan of Study

The data collected have been represented in the form of table and graphs for the purpose of Analysis. The data has been collected from the various Secondary Sources. Inferences were drawn and suggestions have been given based on findings.

### G. Reference Period

Data of the nifty 20 companies for a period of 5 years, between 2011-2012 and 2015-2016, has been collected and analyzed for the purpose of the research.

## III. Data Analysis and Interpretation

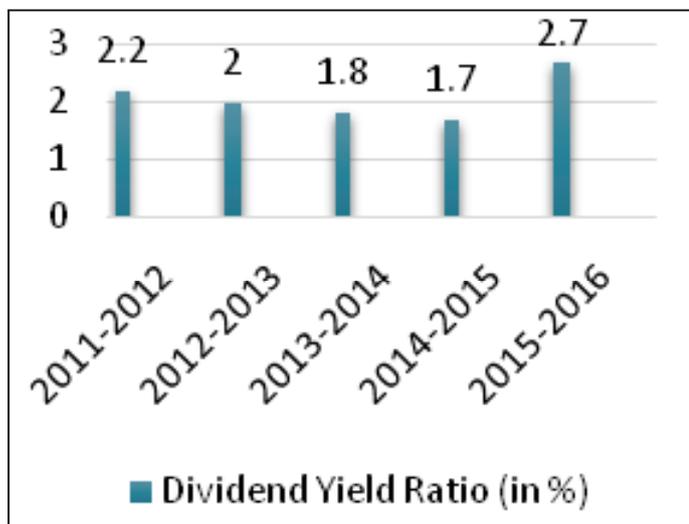
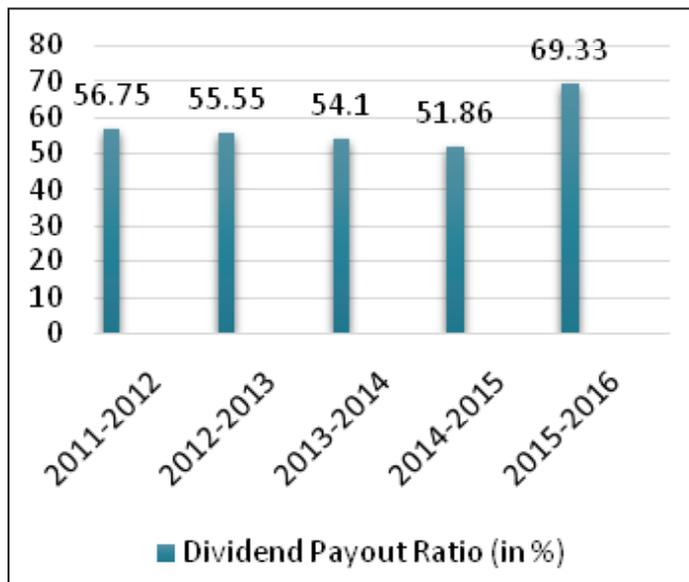
### A. Sector: Cigarettes

#### 1. ITC Limited

Dividend payout and Dividend Yield ratio of ITC

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	4.5/7.93 =56.75	5.25/9.45 =55.55	6/11.09 =54.10	6.25/12.05 =51.86	8.5/12.26 =69.33
Dividend yield	2.2	2	1.8	1.7	2.7

**Analysis:** From the above table, it can be understood that the Dividend Pay-out Ratio of ITC has decreased with slight variations from 2011-2012 to 2014-2015, after which it has increased from 51.86% to 69.33% in the FY 2015-2016. The amount of cash dividend distributed to common shareholders relative to market value per share got increased to 2.7% in the year 2015-2016.



**Interpretation:** In comparison to the face value of Rs.1/ share the EPS of ITC is very good, which indicates that the company has good profitability position. The Dividend Pay-out Ratio was on the higher side in the last year, which means that ITC was not focusing on retaining its earnings. The company has maintained an average dividend yield of 2.8%.

**B. Sector: Pharmaceuticals**

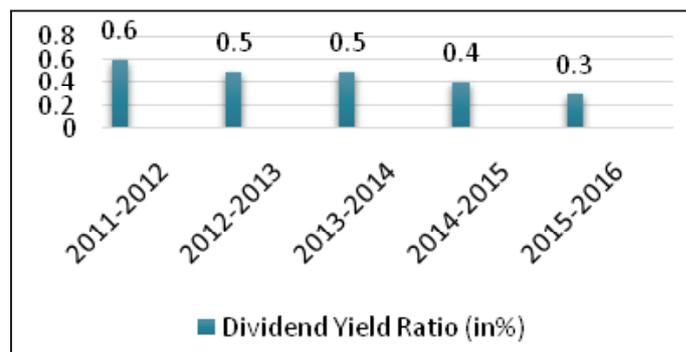
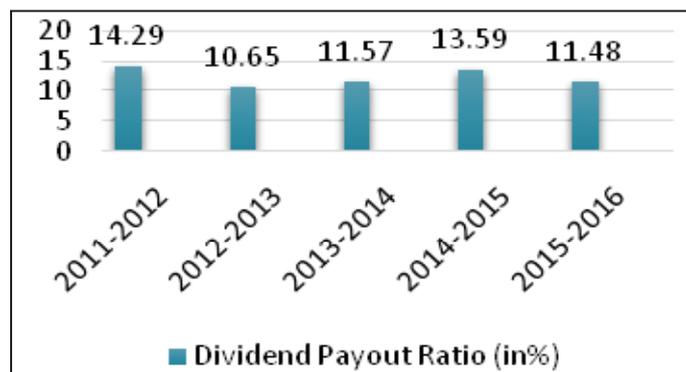
**2. CIPLA**

Dividend payout and Dividend Yield ratio of CIPLA

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	2/14 =14.29	2/18.77 =10.65	2/17.29 =11.57	2/14.71 =13.59	2/17.41 =11.48
Dividend yield	0.6	0.5	0.5	0.4	0.3

**Analysis:** It can be inferred that the company's Dividend Pay-out Ratio has declined in the FY 2012-2013 when compared to the

previous FY but has shown an increasing trend in the following years. The Dividend Per Share can be seen to be constant throughout the 5 FY's at Rs.2/ share. CIPLA's average Dividend Yield Ratio is 0.5% for the 5 FY's.



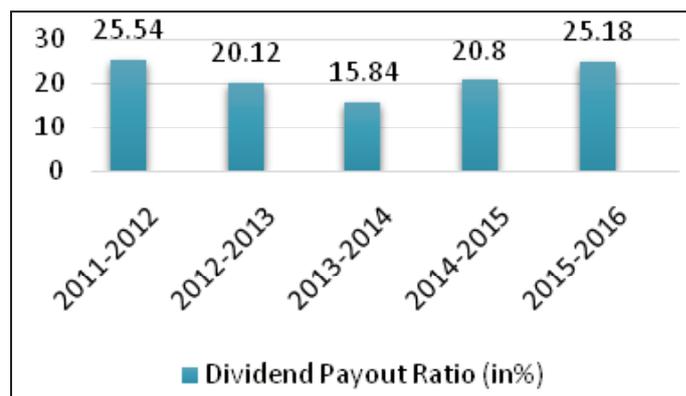
**Interpretation:** CIPLA Ltd. sells very expensive Cancer and heart disease medicines and which still has huge demand in the market. Thus its earnings due to these two variants are the best. An investor looking for constant returns can invest in the shares of CIPLA, as it is a well-known and trusted brand in India.

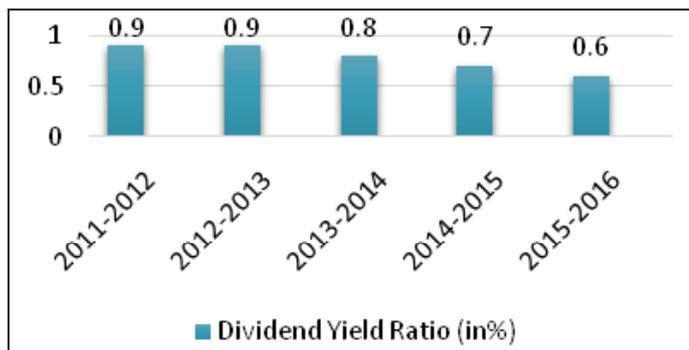
**3. Dr. REDDY'S LAB**

Dividend payout and Dividend Yield ratio of Dr. REDDY'S LAB

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	13.75/53.83 =25.54	15/74.54 =20.12	18/113.67 =15.84	20/98.6 =20.8	20/79.42 =25.18
Dividend yield	0.9	0.9	0.8	0.7	0.6

**Analysis:** From the above chart, we can see that but the percentage of dividend declared by the company is above average. The ratio was high in the FY'S 2011-2012 and 2015-2016 i.e., 25.54% and 25.18% respectively and very low in the FY 2013-2014 i.e., 15.84%. The company has maintained an average dividend yield of 0.7% over the 5 financial years.





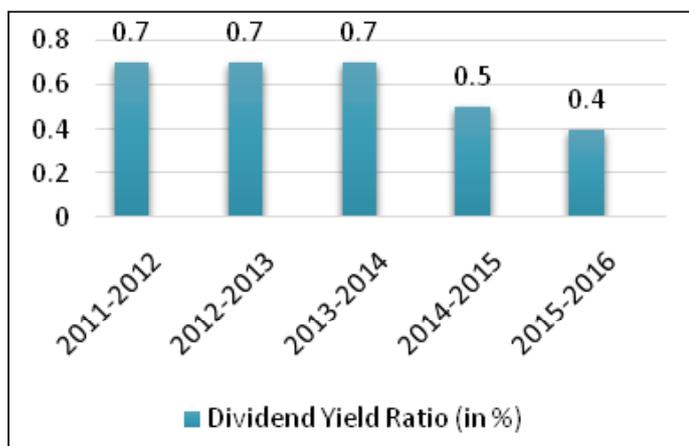
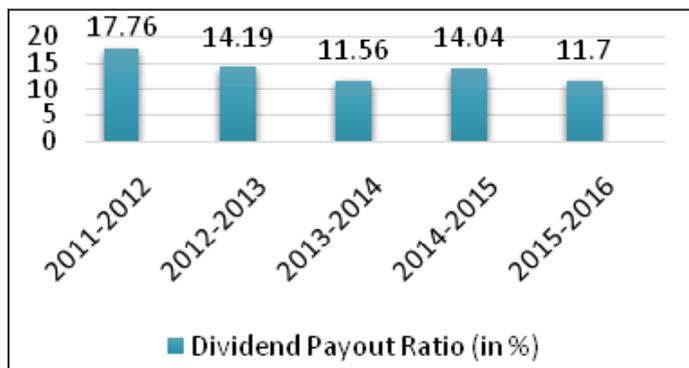
**Interpretation:** The Company has a good track report and has consistently declared dividends, which is a good sign for the investors. Compared to other Pharmaceutical companies Dr. Reddy has paid more dividends even though the dividend payout is low.

**4. LUPIN**

Dividend payout and Dividend Yield ratio of LUPIN

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	3.2/18.02 =17.76	4/28.19 =14.19	6/51.88 =11.56	7.5/53.41 =14.04	7.5/64.1 =11.7
Dividend yield	0.7	0.7	0.7	0.5	0.4

**Analysis:** From the above chart we can see that the payout ratio has decreased in the FY 2012-2013, 2013-2014, 2014-2015, & 2015-2016 when compared to 2011-2012 by 3.57%, 6.2%, 3.72%, 6.06%. The company has maintained an average dividend yield of 0.6% over the 5 FY's.



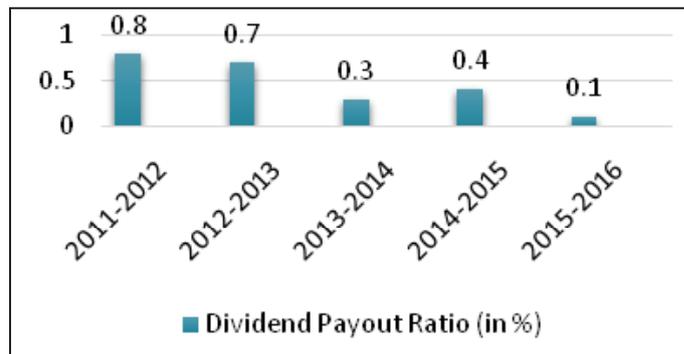
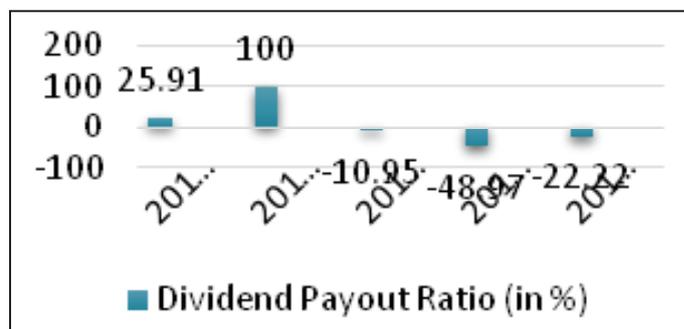
**Interpretation:** LUPIN has outperformed in terms of declaring the percentage of dividend to be paid to the shareholders. The stock is investor friendly and looks promising from long term equity investor's perspective.

**5. Sun Pharmaceuticals**

Dividend payout and Dividend Yield ratio of SUN PHARMACEUTICALS

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	4.25/16.4 =25.91	5/5=100	1.5/-13.7 =-10.95	3/-6.1 =-48.97	1/-4.5 =-22.22
Dividend yield	0.8	0.7	0.3	0.4	0.1

**Analysis:** The Pay-out Ratio of the stock has shown a positive result in the FY 2011-2012 and 2012-2013 but it has fallen gradually in the FY 2013-2014, 2014-2015, & 2015-2016. EPS of the stock is the main reason for the fluctuation in company's Dividend Pay-out ratio. The average dividend yield of the company is 0.56% over the 5 financial years.



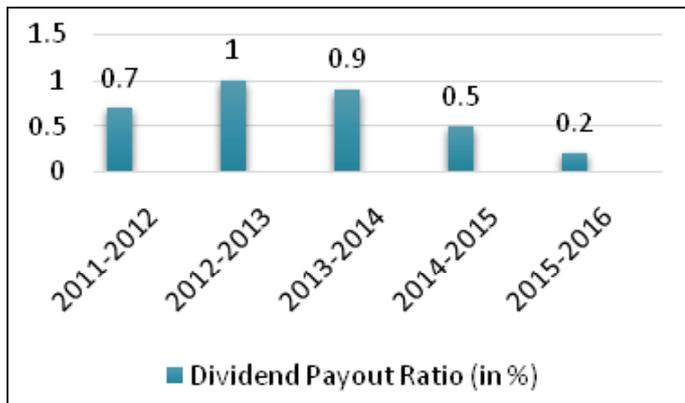
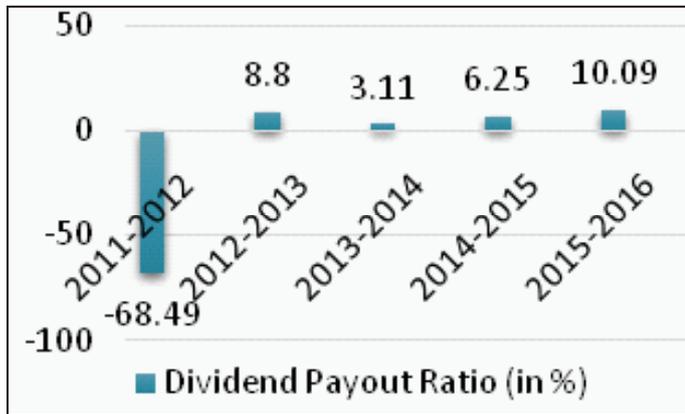
**Interpretation:** For an investor, SUN PHARMACEUTICALS is a good long term bet rather than the buyback arbitrage which offers a low yield on account of lower acceptance. The stability and improvement in the base business as well as the improvement in the margins, is one of the factors that the company should look into.

**6. AUROBINDO PHARMA**

Dividend payout and Dividend Yield ratio of AUROBINDO PHARMA

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	1/-1.46 =-68.49	1.5/17.04 =8.8	1.25/40.24 =3.11	3.25/52.0 =6.25	2.8/27.73 =10.09
Dividend yield	0.7	1	0.9	0.5	0.2

**Analysis:** The company has shown an improvement in terms of payout ratio from the FY 2011-2012 to 2012-2013 i.e., from -68.49% to 8.8%. Dividend payment grew to 160% in the FY 2014-2015 but has fallen down drastically in the FY 2015-2016 to the extent of -13.85%. The company has maintained an average dividend yield of 0.6% over the 5 financial years.



**Interpretation:** There is a big potential in this stock for those with a long term view. As this sector falls into the generic category which is all time in demand, the percentage of dividend declared per share has risen year on year which is a good sign for the investors to invest in this stock.

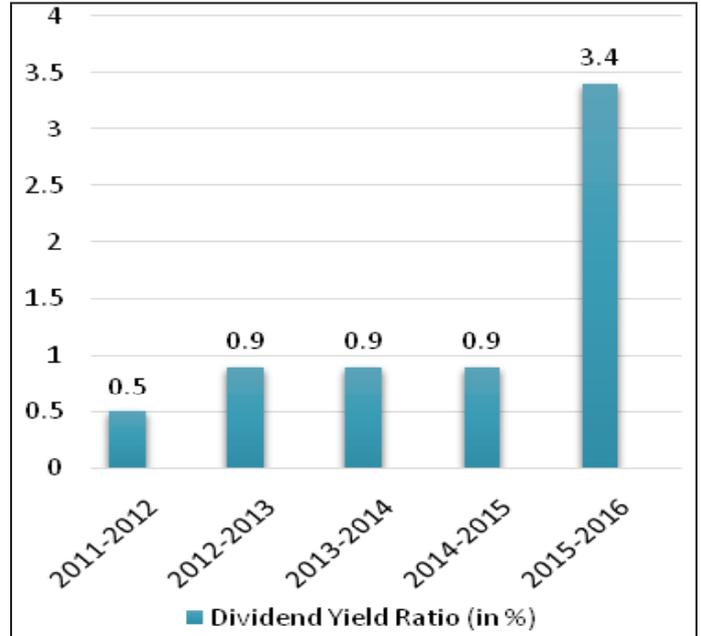
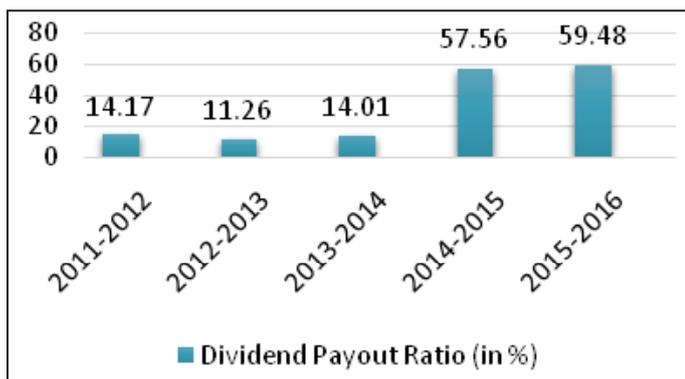
**C. Sector: information Technology (IT)**

**7. HCL Technologies**

Dividend payout and Dividend Yield ratio of HCL Technologies

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	4/28.23 =14.17	6/53.32 =11.26	12/85.66 =14.01	26/45.17 =57.56	20/33.62 =59.48
Dividend yield	0.5	0.9	0.9	0.9	3.4

**Analysis:** Companies in the IT sector generally pay low dividend per share but the percentage of dividend paid per share is high i.e., 200%, 300%, 600%, 1300%, & 1000% of the face value of the share for the 5 years. The average dividend yield of the Company is 1.32% over the 5 FY.



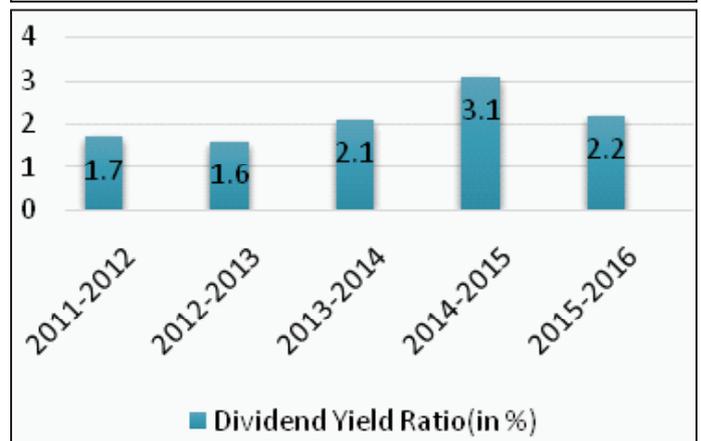
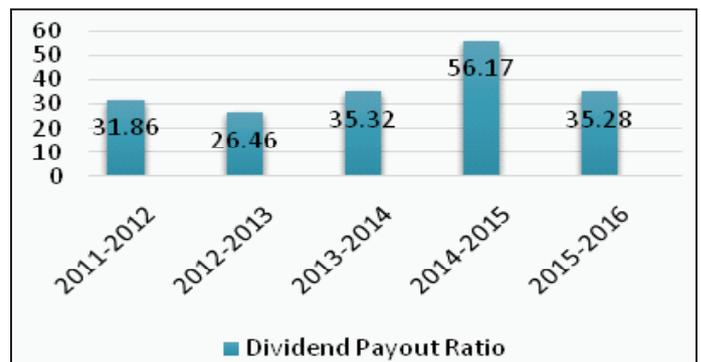
**Interpretation:** The stock is not doing well in the market; it is the cheapest stock among the top five Indian IT service companies. The growth of the stock is volatile and if the investor wants to buy the stock should hold for a long time.

**8. INFOSYS**

Dividend payout and Dividend Yield ratio of INFOSYS

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	47/147.51 =31.86	42/158.76 =26.46	63/178.39 =35.32	59.5/105.91 =56.17	24.25/68.73 =35.28
Dividend yield	1.7	1.6	2.1	3.1	2.2

**Analysis:** The Pay-out Ratio of the company is 31.86%, 26.46%, 35.32%, 59.5%, & 35.28%. The dividend growth rate has only increased in the year 2013-2014 in the 5 years. The average dividend yield of the company is 2.14% over the 5 financial years.



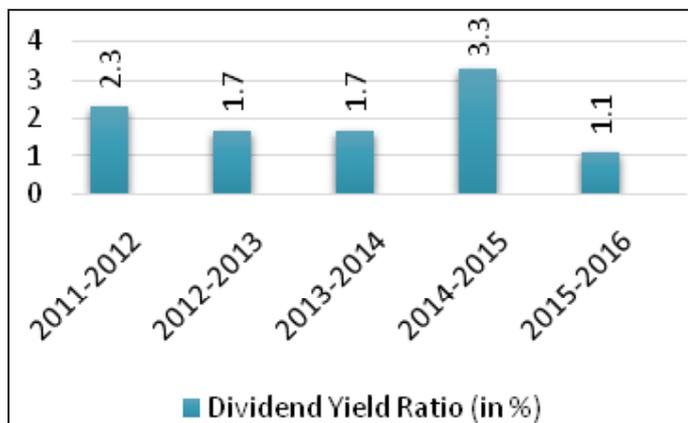
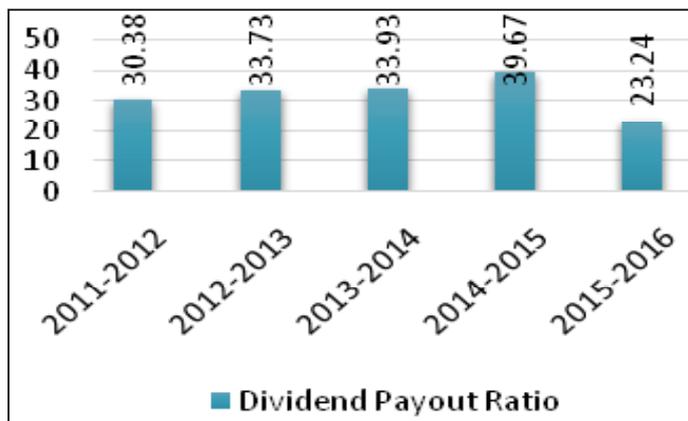
Interpretation: The current dividend policy of Infosys is to distribute 50% of the PAT as dividend which was 40% earlier. So the investors looking for constant returns can buy the stock of Infosys.

**9. TCS**

Dividend payout and Dividend Yield Ratio of TCS

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	17/55.95 =30.38	22/65.22 =33.73	32/94.15 =33.99	39/98.31 =39.67	27/116.13 =23.24
Dividend yield	2.3	1.7	1.7	3.3	1.1

Analysis: The Dividend Pay-out Ratio shows positive change since FY 2011-2012 to 2014-2015 which is a good sign for the investors. It has generated Growth Rate of 29.41%, 45.45%, 21.8%, & 11.54% in the past few years which is within the acceptable range. The company has maintained an average dividend yield of 2.02% over the 5 financial years.



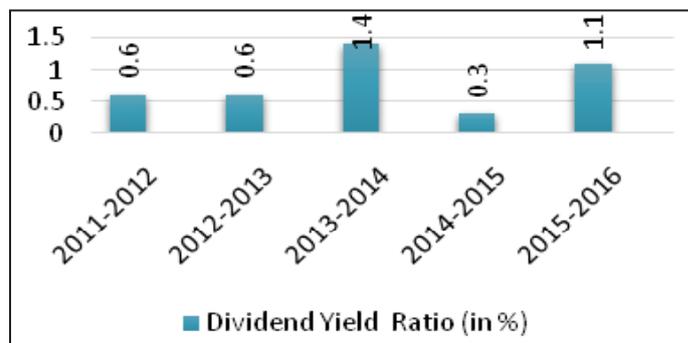
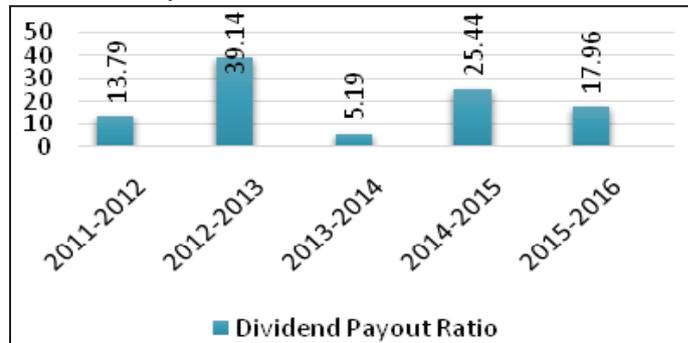
Interpretation: TCS has a strong revenue potential and it can ensure its investors consistent dividend payment but it looks likely that there might be cut in the next financial year (2016-17) and beyond -seeing the performance in FY 15-16. One of the main competitors is Infosys which is yielding 3.8% based on Dividend per Share distribution in the FY 2014-2015.

**10. Tech Mahindra**

Dividend payout and Dividend Yield ratio of TECH MAHINDRA

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	5/36.27 =13.79	20/51.1 =39.14	6/115.49 =5.19	6/23.58 =25.44	6/33.4 =17.96
Dividend yield	0.6	0.6	1.4	0.3	1.1

**Analysis:** From the above chart we can conclude that the company has paid dividend of 13.79%, 39.14%, 5.19%, 25.44%, & 17.96% of the EPS in the past 5 FY. The growth rate of dividend on an increasing trend for the FY 2012-2013 & 2013-2014 and falls down in the FY 2014-2015, & rises again in 2015-2016. The company has maintained an average dividend yield of 0.8% over the 5 financial years.



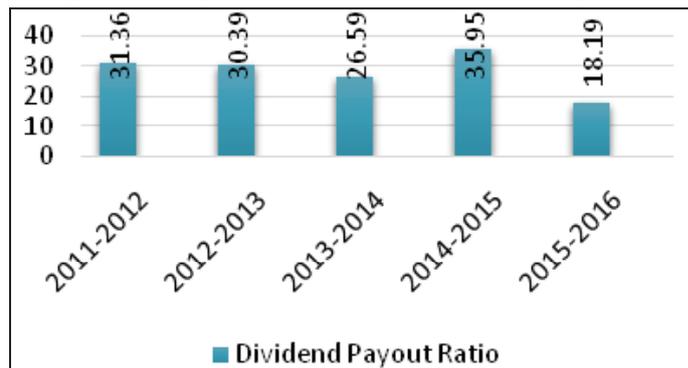
**Interpretation:** The dividend pay-out ratio of the company is lower than the company's peer average although Tech Mahindra has sufficient cash to pay out the dividends. Also, the dividend yield of the company is lower than the standards.

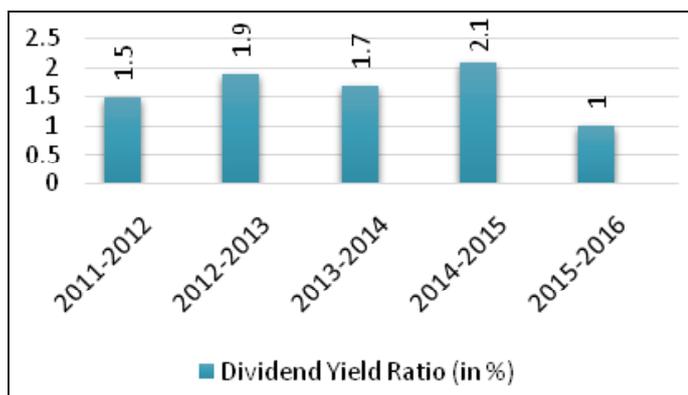
**11. Wipro**

Dividend payout and Dividend Yield ratio of WIPRO

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	6/19.13 =31.36	7/23.03 =30.39	8/30.09 =26.59	12/33.38 =35.95	6/32.97 =18.19
Dividend yield	1.5	1.9	1.7	2.1	1

**Analysis:** It can be inferred that the payout ratio was 31.36% in the FY 2011-2012 and then decreased by .97% in the year 2012-2013. The ratio again has shown a decline of 3.8% in the FY 2013-2014 when compared to FY 2012-2013 but has increased to 35.95% in the FY 2014-2015. In the FY 2015-2016 the ratio of has fallen majorly to 18.19%. The company has maintained an average dividend yield of 1.64% over the 5 financial years.





**Interpretation:** The percentage of the dividend declared by Wipro gives an average of 250%, but we cannot go by the mere percentage of dividend declared since dividends are paid at face value of stock. Wipro’s face value being Rs.2 indicates that the amount of dividend declared is just Rs.5.

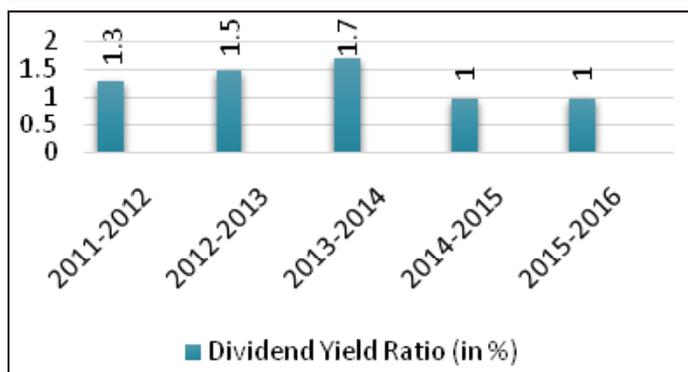
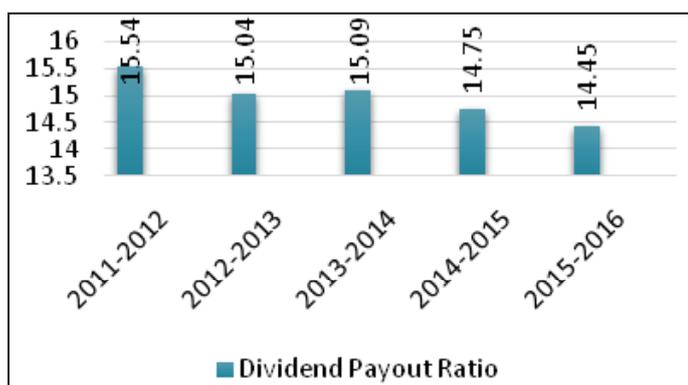
**D. Sector: Financial Services**

**12. AXIS Bank**

Dividend payout and Dividend Yield ratio of AXIS Bank

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	16/102.94 =15.54	18/119.67 =15.04	20/132.56 =15.09	4.6/31.18 =14.75	5/34.59 =14.45
Dividend yield	1.3	1.5	1.7	1	1

**Analysis:** From the above chart we can see that the company’s pay-out ratio has shown decrease every year when compared to 2011-2012 and has reached to 15.04%, 15.09%, 14.75%, & 14.45% respectively in FY 12-13, 13-14, 14-215, & 15-16. The company has maintained an average dividend yield of 1.3% over the 5 FY’s.



**Interpretation:** The Company’s pay-out ratio is not very satisfactory as it is decreasing year by year. Earnings per share

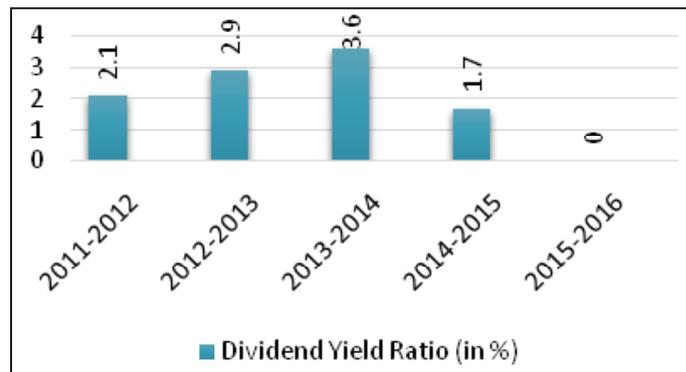
has shown a growing trend for the first 3 FY’s in the study but dropped in the last 2 FY’s. Axis Bank has an average performance in terms of the yield ratio which is majorly because of the low dividend pay-out by the firm.

**13. Bank of Baroda**

Dividend payout and Dividend Yield ratio of Bank of Baroda

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	17/127.84 =13.3	21.5/108.84 =19.75	21.5/107.38 =20.02	3.2/15.83 =20.21	0/-23.89 =0
Dividend yield	2.1	2.9	3.6	1.7	0

**Analysis:** From the above chart we can see that Bank of Baroda has shown a positive trend in terms of the payout ratio which can be noted to be 13.3%, 19.75%, 20.02%, 20.21% in the latter few FY’s. The company has maintained an average dividend yield of 2.06% over the 5 FY’s.



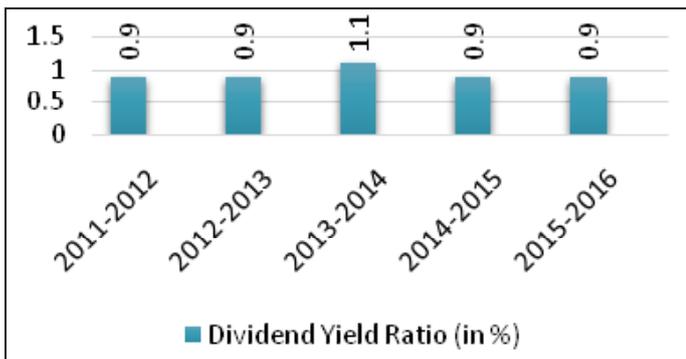
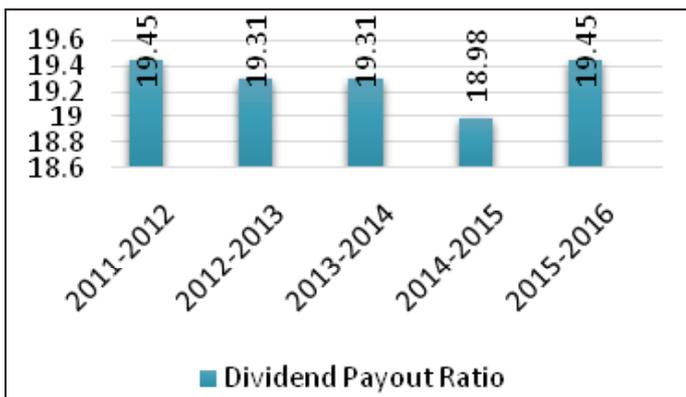
**Interpretation:** Bank of Baroda didn’t declare dividend in FY 2015-2016 and the earnings per share has also touched a negative of 23% which indicates that the company has not earned much of profits or might have faced losses. The average of dividend yield has met the standards due to good performance in the other 4 FY’s.

**14. HDFC Bank**

Dividend payout and Dividend Yield ratio of HDFC Bank

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	4.3/22.11 =19.45	5.5/28.49 =19.31	6.85/35.47 =19.31	8/42.15 =18.98	9.5/48.84 =19.45
Dividend yield	0.9	0.9	1.1	0.9	0.9

**Analysis:** It is observed that HDFC Bank has maintained its dividend pay-out ratio at a consistent rate of 19.45%, 19.31%, 19.31%, 18.98%, & 19.45% in FY 2011-2012, 2012-2013, 2013-2014, 2014-2015, & 2015-2016 respectively. The company has maintained an average dividend yield of 0.94% over the 5 FY’s.



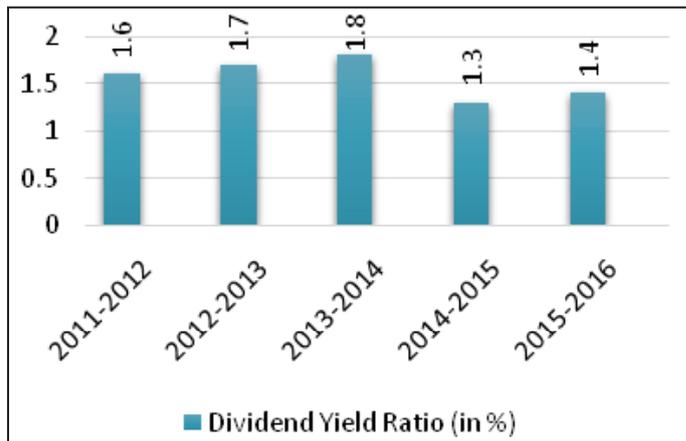
**Interpretation:** HDFC Bank has paid a consistent amount of dividend every year. The constant pay-out ratio gives investor a hope of safe investment in the stock of HDFC Bank. The dividend yield ratio is below the required standard, thus it is not very pleasing for the investors.

**15. HDFC**

Dividend payout and Dividend Yield ratio of HDFC

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	11/27.97 =47.89	12.5/31.84 =39.26	14/34.89 =40.13	15/38.13 =39.34	17/44.43 =38.26
Dividend yield	1.6	1.7	1.8	1.3	1.4

**Analysis:** It can be inferred that in the FY 2011-2012, the pay-out ratio of the company was 47.89% after which it came down to 39.26% in the FY 2012-2013. The ratio has then increased slightly to 40.13% and then again decreased to 39.34% and 38.26% in the FY 2014-2015 and 2015-2016 when compared to FY 2013-2014. The company has maintained an average dividend yield of 1.5% over the 5 FY's.



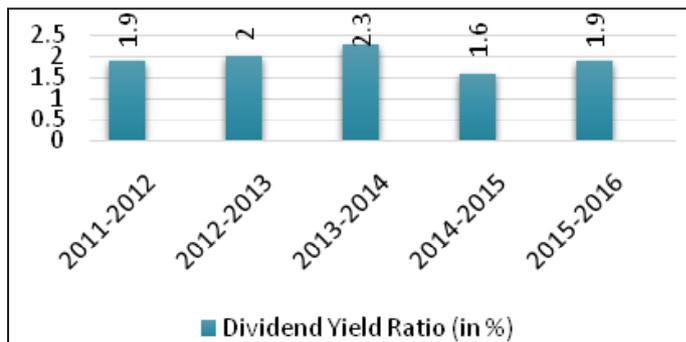
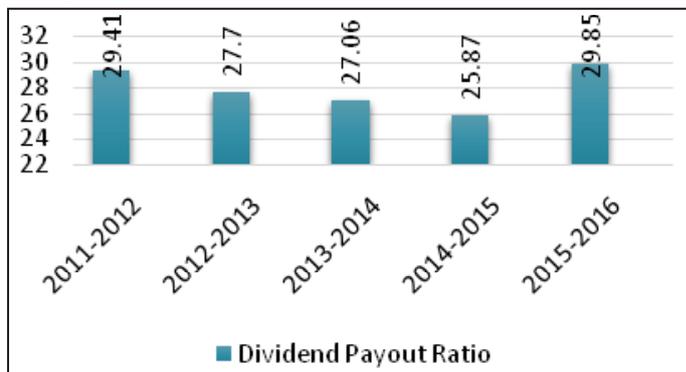
**Interpretation:** The ratio though fluctuates a little, has given good amount of returns to the shareholders and also met the standards of dividend yield ratio.

**16. ICICI Bank**

Dividend payout and Dividend Yield ratio of ICICI Bank

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	16.5/56.11 =29.41	20/72.2 =27.7	23/84.99 =27.06	5/19.32 =25.87	5/16.75 =29.85
Dividend yield	1.9	2	2.3	1.6	1.9

**Analysis:** It is understood that ICICI Bank's Dividend Payout Ratio was 29.41% in the FY 2011-2012 and in the very next year it came down to 27.7%. Thereafter it decreased continuously for the next two years and then showed an increment and reached to 29.85% in the FY 2015-2016. The company has maintained an average dividend yield of 1.94% over the 5 FY's.



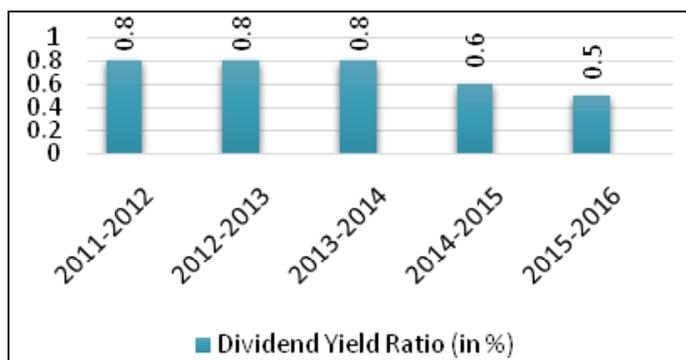
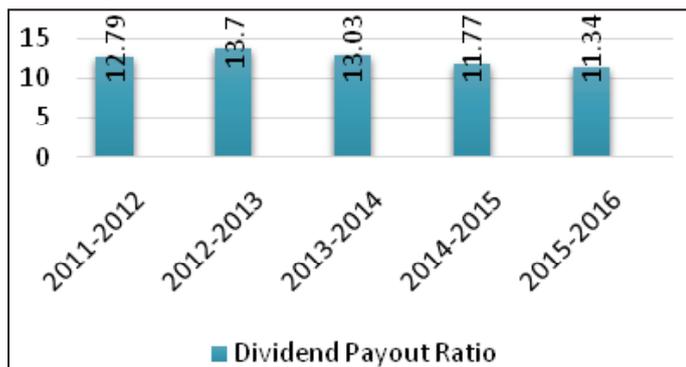
**Interpretation:** ICICI bank is returning more money to its shareholders when compared to other banks. Also, the performance of the bank in terms of maintaining dividend yield ratio has reached above the standards.

**17. INDUSIND Bank**

Dividend payout and Dividend Yield ratio of IndusInd Bank

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	2.2/17.2 =12.79	3/21.83 =13.7	3.5/26.85 =13.03	4/33.99 =11.77	4.5/39.68 =11.34
Dividend yield	0.8	0.8	0.8	0.6	0.5

**Analysis:** It is found that the pay-out ratio of IndusInd Bank was 12.79% initially after which it increased to 13.7% and ever since then it has shown a decreasing trend and has reached to 11.34% in the FY 2015-2016. The company has maintained an average dividend yield of 0.7 % over the 5 FY's.



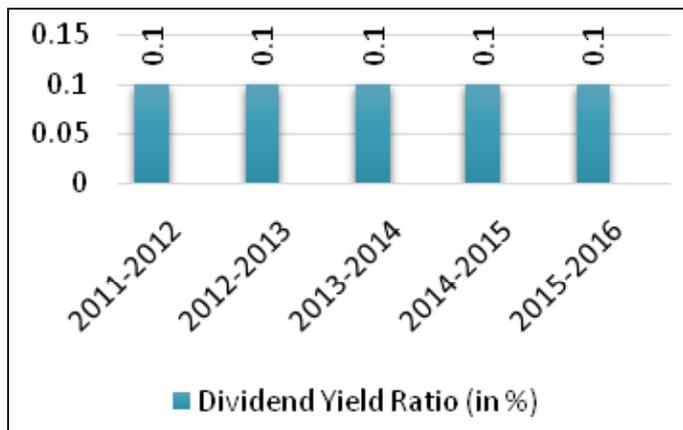
**Interpretation:** IndusInd bank has low pay-out ratio and yield ratio when compared to other banks. It is a less attractive stock.

**18. Kotak Mahindra Bank**

Dividend payout and Dividend Yield ratio of Kotak Mahindra Bank

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	0.6/14.69 =4.08	0.7/18.31 =3.82	0.8/19.62 =4.08	0.9/24.2 =3.72	0.5/11.42 =4.37
Dividend yield	0.1	0.1	0.1	0.1	0.1

**Analysis:** It can be inferred that Kotak Mahindra Bank has a consistent trend in terms of pay-out ratio and has ranged from 4.08% in the FY 2011-2012 to 4.37% in the FY 2015-2016. The change in the ratio is very minimal and is not of much significance. The company has maintained an average dividend yield of 0.1 % over the 5 FY's.



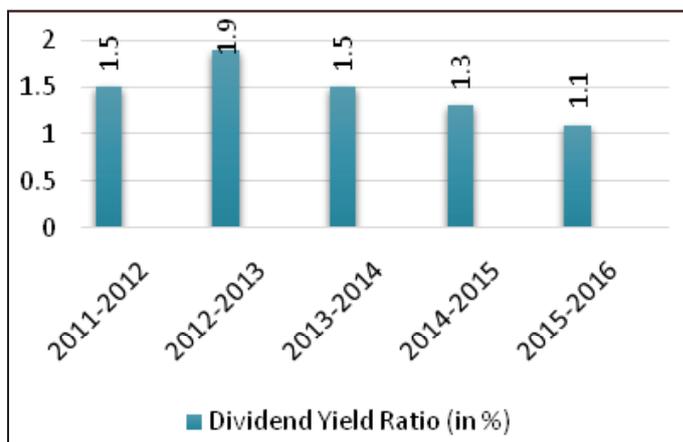
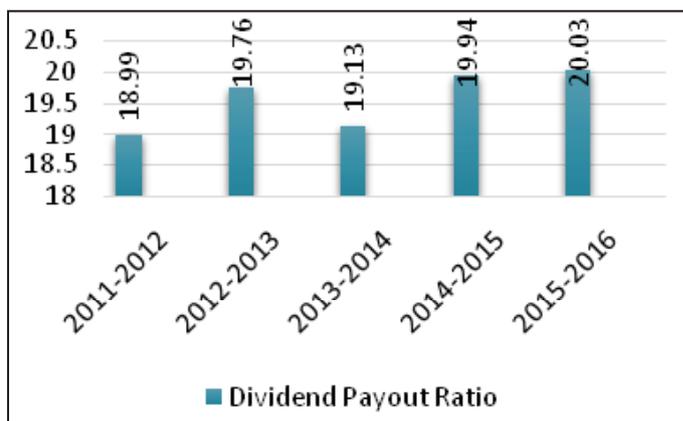
**Interpretation:** Kotak Mahindra bank has not performed the least both in terms of Earnings per Share and Dividends per Share. This comes to a conclusion that if the firm doesn't improve the performance, investors might start withdrawing their money.

**19. State bank of India (SBI)**

Dividend payout and Dividend Yield ratio of SBI

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	35/184.31 =18.99	41.5/210.06 =19.7	30/156.76 =19.13	3.5/17.55 =19.94	2.6/12.98 =20.03
Dividend yield	1.5	1.9	1.5	1.3	1.1

**Analysis:** State of Bank of India has paid 18.99%, 19.76%, 19.14%, 19.94%, & 20.03% of the Earnings Per share as dividend to the shareholders. It can be observed that though the EPS has dropped drastically in the FY 2014-2015 and 2015-2016. The company has maintained an average dividend yield of 1.66 % over the 5 FY's.



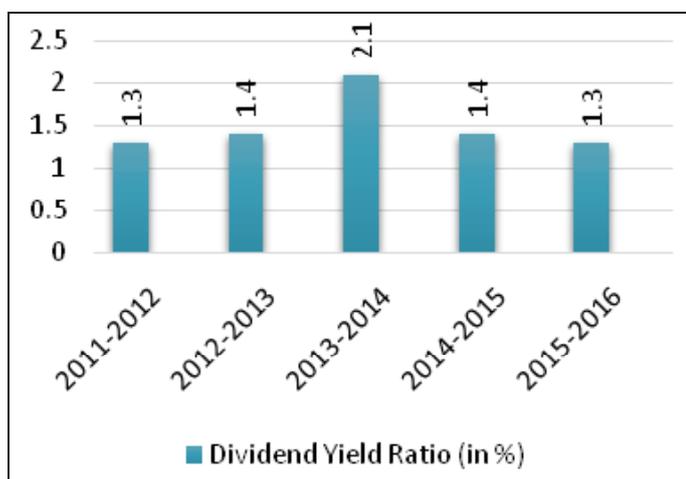
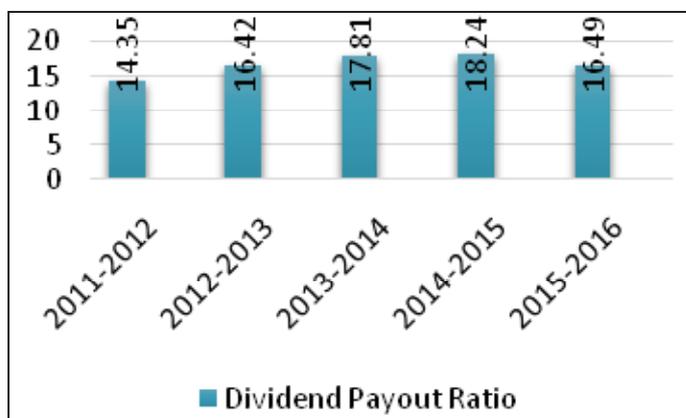
**Interpretation:** There is a high jump in the EPS of SBI from FY 2013-2014 to 2015-2016 but the dividend payout ratio has been consistent through the 5 years. This shows that the company has a huge potential to come out with huge profits even in poor conditions.

## 20. YES Bank

Dividend payout and Dividend Yield ratio of YES Bank

Years	2011-12	2012-13	2013-14	2014-15	2015-16
Dividend payout	4/27.87 =14.35	6/36.53 =16.42	8/44.92 =17.81	9/49.34 =18.24	10/60.62 =16.49
Dividend yield	1.3	1.4	2.1	1.4	1.3

**Analysis:** Yes Bank's pay-out ratio shows an increasing trend till the FY 2014-2015 after which it decreases in the FY 2015-2016 to 16.49%. It can be observed that there is a positive change in both Dividend per share and Earnings per share of the company. The company has maintained an average dividend yield of 1.5 % over the 5 FY's.



**Interpretation:** Yes Bank is fastest growing bank in India. No doubts there. But in case of banks and NBFC's, fastest growth does not mean fastest growth in stock price. A lender growing fast should be monitored carefully. It has shown an increasing trend in terms of return which states that Yes Bank has better visibility than even the larger banks.

## IV. Recommendations

- **Cigarettes Sector:** The pay-out ratio of ITC is considerably higher than industry average and peers. The Dividend Pay-out Ratio was on the higher side in the last year, which means that ITC was not focusing on retaining its earnings.

- **Pharmaceutical Sector:** Dr. Reddy's lab is a stock for those investors who want good amount of returns and not just nominal and constant return as provided by CIPLA. An investor looking for constant returns can invest in the shares of CIPLA, as it is a well-known and trusted brand in India. From the long term perspective an investor can invest in LUPIN, Sun Pharmaceuticals, or Aurobindo Pharma.
- **Information Technology (IT) Sector:** The growth of the stock is volatile and if the investor wants to buy the stock of HCL Technologies should hold for a long time. The investors looking for constant returns can buy the stock of Infosys. TCS has a strong revenue potential and it can ensure its investors consistent dividend payment.
- **Financial services Sector:** Investors looking for investment in the banking sector should invest in the stocks of HDFC BANK which has outperformed the banks in the industry. Other stocks in the industry have almost the same returns; investment in them should be done on the basis of other factors like market share, growth rate.

## V. Conclusion

Dividend decision is a crucial decision for a firm because it trade-off between requirement of fund for long term commitments and shareholders expectations. A liberal dividend decision brings satisfaction to the shareholders who expect a fat and regular income but at the other hand, the firm's financing decision is affected when the firm finds an opportunity to reinvest its surplus. As because retained earnings do not involve any explicit cost, finance managers prefer retained earnings as a mode of financing towards its investment decision.

The companies selected are observed to have continuous dividend payment records and general trend shows that the dividends have either remained constant or increased however instances of decline in dividend have been very rare.

It also reveals that each firms though belonging to the same industry and facing same business environment has its own and unique dividend policy which is due to company-specific needs and factors. As per theory, profitability and dividend pay-out should have positive relation. The study reveals that dividend pay-out does not go hand in hand with profitability in many companies. It reflects that in most of the companies, profitability has weak influence on dividend pay-out and in some of the companies; profitability has strong influence on dividend pay-out.

Fisher Black had said, "The harder we look at the dividend picture, the more it seems like a puzzle, with pieces that just don't fit together". The same situation is observed in this study too; hence a fair, clear and complete picture of the dividend decision is still not made.

## References

### Websites:

- [1] [Online] Available: <http://www.moneyworks4me.com>IndianStocks>
- [2] [Online] Available: <http://www.nseindia.com/products/content/equities/indices/nifty>
- [3] [Online] Available: <http://www.moneycontrol.com/stocks/marketstats/nse-gainer/nifty-50>
- [4] [Online] Available: <http://www.valueresearchonline.com/stocks/stockselector>
- [5] [Online] Available: <http://www.economicstimes.indiatimes.com > Markets > Stocks>
- [6] [Online] Available: <http://www.m.moneycontrol.com > india>

- > cigarettes
- [7] [Online] Available: <http://www.equitymaster.com>nse-it-market>
- [8] [Online] Available: <https://m.in.investing.com>cnx-finance>
- [9] [Online] Available: <http://www.m.moneycontrol.com>MARKETS>
- [10] [Online] Available: [http://www.shodhganga.inflibnet.ac.in/bitstream/10603/117786/6/06\\_chapter%202.pdf](http://www.shodhganga.inflibnet.ac.in/bitstream/10603/117786/6/06_chapter%202.pdf) (literature review)
- [11] [Online] Available: [http://www.nseindia.com/products/content/equities/indices/nifty\\_50.htm](http://www.nseindia.com/products/content/equities/indices/nifty_50.htm)
- [12] [Online] Available: [http://en.wikipedia.org/wiki/NIFTY\\_50](http://en.wikipedia.org/wiki/NIFTY_50)

### **Bibliography:**

- [13] “Financial management Theory and Practice”, Tata McGraw-Hill Publishing Company Limited by Prasanna Chandra (6th Edition), pp. 575-607.
- [14] “Financial Management Theory and Practice” Kalyani Publishers by R.K.Sharma and Shashi.K.Gupta, pp. 22.1-22.14
- [15] “Financial Management”, Kalyani Publishers by R.K.Sharma, Shashi.K.Gupta and Neeti Gupta, pp. 9.1-9.39



Dr. Raghu G Anand received his B.Com degree in Accounting and Taxation from MES College, Bangalore University in 1993, the M.Com degree in Costing and Taxation from Bangalore University in 1993, and the Ph.D. in Computerization of SME and the challenges in the dynamic scenario, from Golden State University UK/ USA in 2005. He is the head of value addition department of Jain University – Center for Management Studies,

Bangalore, where he is the interface for several international/chartered programs. His research interests include computerization of accounting, challenges faced, SAP and IFRS, stock and commodity markets.