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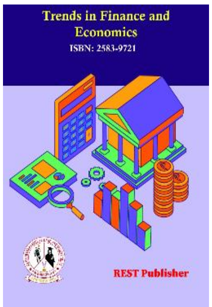

A Study on Dividend Policies with Reference to Ultra Tech Cement

***Gangilla Ragini, G. Swetha**

Aristotle PG College, Hyderabad, Telangana, India.

*Corresponding Author Email: srraginireddy@gmali.com

Abstract. The principal objective of corporate financial management is to maximize the market value of equity shares. Hence the key question of interest to us in this study is, "What is the relationship between dividend policy and market price of equity shares? Most of the discussion on dividend of dividend policy and firm value assumes that the investment decision of a firm is independent of its dividend decision. The need for this study arises from the above raised question and the most controversial and unresolved doubts about the relevance of irrelevance of the dividend policy.

Keywords: Dividend policy, Dividend decisions, equity shares

1. INTRODUCTION

The term dividend refers to that part of the profits of a company which is distributed amongst its shareholders. It may therefore be defined as the return that a shareholder gets from the company, out of its profits, on his share holdings. "According to the Institute of Charted Accounts of India" dividend is a "Distribution to shareholder out of profits or reserves available for this purpose" The Dividend policy has the effect of dividing its net earnings into two Parts: Retained earnings and dividends. The retained earnings provide funds to finance the long-term growth. It is the most significant source of financing a firm's investment in practice. A firm, which intends to pay dividends and needs funds to finance its investment opportunities, will have to use external sources of finance. Dividend policy of the firm. Thus has its effect on both the long-term financing and the wealth of shareholders. The Moderate view asserts that because of the information value of dividends, some dividends should be pa-id as it may have favorable effect on the value of the share.

2. REVIEW OF LITERATURE

Dividend Policy: A Review of Theories and Empirical Evidence

The literature on dividend policy has produced a large body of theoretical and empirical research, especially following the publication of the dividend irrelevance hypothesis of Miller and Modigliani (1961). No consensus has yet emerged after several decades of investigation, and scholars can often disagree even about the same empirical evidence. This paper aims at providing the reader with a comprehensive understanding of dividends and dividend policy by reviewing the main theories and explanations of dividend policy including dividend irrelevance hypothesis of Miller and Modigliani, bird-in-the-hand, tax-preference, clientele effects, signaling, and agency costs hypotheses. The paper also attempts to present the main empirical studies on corporate dividend policy. However, due to the enduring nature and extensive range of the debate about dividend policy which has spawned a vast amount of literature that grows by the day, a full review of all debates is not feasible. The paper reaches at a conclusion that the famous statement of **Fisher Black** about dividend policy "the harder we look at the dividends picture, the more it seems like a puzzle, with pieces that just do not fit together" (Black, 1976, p. 5) is still valid.

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3. OBJECTIVES OF THE STUDY

1. To study the impact of ‘dividend’ on the price and volume before and after such dividend is announced.
2. To check whether abnormality exists in the price and volume of the share as the ‘dividend’ is announced.
3. To find out the room for leakage of any insider information about ‘dividend policy’ of a company
4. To check whether any insider information plays any part in abnormal trading effect and abnormal price effect in a script.
5. To measure the cumulative impact of ‘corporate dividend policy’ and try to conceive a general trend based on it.

4. LIMITATIONS OF THE STUDY

The data collected is of a secondary nature and hence it is difficult to ascertain the reliability of the data.

1. The scope of the study has been limited to the impact of the dividend on the market value of the firm's equity. Other factors affecting the firm's market value have been assumed to have remained unchanged.
2. The period of the study has been limited to only five years.
3. The method of sampling used is judgment sampling' hence the Choice of the sample has been left entirely to the choice of the Researcher. This has led to some amount bias being introduced into the research process.

5. DATA ANALYSIS AND INTERPRETATION

Comparison of Dividend per Share of the UltraTech Cements

Year	Dividend Pershare
2018-19	2.50
2019-20	3.00
2020-21	4.00
2021-22	2.25
2022-23	3.25

Interpretation: The dividend Per Share of UltraTech Cement ltd., is Rs 2.50 in the year of 2018-19. The dividend per share for the next two financial years is 3.00 and 4.00 respectively. When compared with the year 2018-19 the dividend per share in the year 2018-19 it is increased at the rate of 20% and 30% in the year of 2019-2020.

Comparison of Earning Per Share of the Firm for the Last Five Years

Year	Earnings per share
2018-19	58.08
2019-20	83.80
2020-21	82.80
2021-22	51.88
2022-23	-45.95

Interpretation: The Earning per share of the firm is moderate in the year 2018-19. The Earning per share fluctuated slightly during the financial years2018-19, 2019-20 and 2020-21. However, there is massive decrease reported (about 200% of 2018-19 in the year 2022-23).

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Comparison of Profit after Tax of the Ultra tech Cements

YEAR	PAT IN (RS)
2018-19	265.68
2019-20	383.35
2020-21	378.74
2021-22	237.34
2022-23	210.21

Interpretation: The profit after tax of Ultra tech cement limited had moderate at 2018-19 and next year was increased. After 2019-20 increased highly. That is 383.35 and then decreases continuously till 2020-21 i.e. to 378.74.

Comparison of Net Worth of The UltraTech Cement

YEAR	PAT IN (RS)
2017-18	654.46
2018-19	981.92
2019-20	1330.10
2020-21	1540.24
2021-22	1300.25

Interpretation: There is a gradual increase in the net worth of the firm subject to 2018-19 up to 2019-20 then a gradual decrease till 2022-23.

6. DECLARATION OF DIVIDENDS

Announcement Date	Effective Date	Dividend Type	Dividend (%)
10/04/2023	17/06/2021	Final	32.5%
10/04/2022	24/11/2020	Interim	22.5%
28/04/2021	17/06/2019	Final	32.5%
10/11/2020	24/11/2018	Interim	22.5%
29/04/2019	14/06/2017	Final	32.5%
03/11/2018	16/11/2016	Interim	22.5%
04/05/2017	09/06/2016	Final	55%
03/11/2016	17/11/2015	Interim	40%
05/05/2015	09/06/2015	Final	30%

Findings

1. Regarding the dividend per share of the UltraTech Cement, it has observed that it has been increased.
2. Regarding the earning per year of the firm, it has observers that it has been increased massively.
3. Regarding the return per share of the firm, it has observed that it has been increased.
4. Regarding the profit after tax of the firm, it has observed that it has been increased highly in the financial year 2018-19.
5. Regarding the Net worth of the firm, it has observed that there is a gradual increased in the net worth of the firm subject to very high in the financial year 2018-19.

Suggestions

The following Suggestions are being provided to the UltraTech cement industry.

1. The investor always prefers the dividend payment for the capital appreciation hence some amount of dividend must be paid regularly.
2. The industry should follow stable dividend policy.
3. The industry must improve and maintain high ratio.
4. When the industry gets the price earning highly, that industry will Grow.

5. The industry Net worth is very good. The industry ¬must maintain this type of Net worth.

7. CONCLUSION

Efficient market with no taxes and no transaction costs the free cash flow model of the dividend decision would prevail, and firms would simply pay as a dividend any excess cash available. The observed behaviors of firm differ markedly from such a pattern Most firms pay a dividend that is relatively constant over time. This pattern of behavior is likely explained by the existence of clienteles for certain dividend policies and the information effects of announcements of changes to dividends. The dividend decision is usually taken by considering at least the three questions of how much excess cash is available. What do our investors prefer? And what will be the effect on our stock price of announcing the amount of the dividend. The result or most firms tends to be a payment that steadily increases over time, as opposed to varying wildly with year-to-year changes in free cash flow. Investors in aggregate cannot be shown to uniformly prefer either high or low dividends. Individual investors, however, have strong dividend preferences and will tend to invest in companies whose dividend policies match their preferences. Regardless of the payout ratio, investors prefer a stable, predictable dividend policy.

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