THINK INDIA (Quarterly Journal)

ISSN:0971-1260
Vol-22-Issue-2-April-June-2019

Dividend Analysis At Kesoram Industries Ltd

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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 also 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, which asserts that because of the information value of dividends, some dividends should be pa-id as it may have favorable affect on the value of the share.

The theory of empirical evidence about the dividend policy does not matter if we assume a real world with perfect capital markets and no taxes. The second theory of dividend policy is that there will definitely be low and high payout clients because of the differential personal taxes. The majority of the holders of this view also show that balance, there will be pre-ponderous low payout clients because of low capital gain taxes.

The third view argues that there does exist an optimum dividend policy. An optimum dividend policy is justified in terms of the information in agency costs

IMPORTANCE OF THE STUDY

The dividend policy of a firm determines what proportion of earnings is paid 'to shareholders by the way of dividends and what proportion is ploughed back in the firm reinvestment purposes. If a Firm's capital budgeting decision is independent of its dividend of its dividend policy, a higher dividend payment will entail a greater dependence on external financing. On the other hand, if a firm's capital budgeting decision is dependent on its dividend decision,

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a higher payment will cause shrinkage of its capital budget and vice versa. In such a case the dividend policy has a bearing on the capital budgeting decision.

Any firm, whether a profit making or non-profit organization has to take certain capital budgeting decision. The importance and subsequent indispensability of the capital budgeting decision has led to the importance of the dividend decisions for the firms.

NEED FOR THE STUDY

The principal objective of corporate financial management is to maximize the market value of the 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 arise from the above raised question and the most controversial and unresolved doubts about the relevance of irrelevance of the dividend policy.

OBJECTIVES OF THE STUDY

The basic objective of this study is as fallows:

1. To understand the importance of the dividend decision and their impact

   on the firm's capital budgeting decision.

2. To know the various dividend policies followed by the firm.

3. To understand the theoretical backdrop of the various divided theories.

4. To compare the various theories of dividend with reference to their

   Assumptions and conclusions.

5. To know whether the dividend decisions have an impact on the market Value of the firm's equity.

6. To see the various dividend policies of the kesoram cement industry.

7. To derive the empirical evidence for the relevance theories of dividends WALTER'S MODEL AND GORDON'S MODE

RESEARCH METHDOLOGY

Sample of the study:

A sample is a part of the target population, carefully selected to represent that population. When researchers undertake sampling studies, they are interested in estimating one or more population values and/ or testing one or more statistical hypothesis. The sample of our study consists of the financial data of kesoram cement industries for the past five financial years.

Sources of data:

The sources of information are classified to two primary data and secondary data. The data collected by the researcher and agent known to the researcher, especially to answer the research question, is known as the primary data. Studies made by others for their own

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Vol-22-Issue-2-April-June-2019

purposes represent secondary data to the researcher.

Secondary sources can usually be found more quickly and cheaply than primary data especially when national and international statistics are needed. Similarly, data about distant places often can be collected more cheaply through secondary sources.

Period of the study

The period of any research is the period which the data has been collected and analyzed. The period of this study has been limited to the period from 15-07-2009 to 30-08-2009.

Sampling Designs

The sampling technique selected for conducting this study is judgment sampling. This is a restricted and non-probabilistic method of sampling; where the sample consisting of one company has been selected on basis of the past dividend payment made by the Company.

Tools of Collecting Data

There are various ways of collecting the data. Some of the most commonly used ones are telephone interview, personal interview and, questionnaire administering. These are basically the methods for collecting the primary data the data required for conducting this study it has been collected from the various web portals as the data is basically secondary in nature.

LIMITATIONS

Every research conducted has certain limitations. These rise due to the method of sampling used, the method of data collation used and the source of the data apart from many other things. The limitations of this study are as follows:

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

a) The scope of the study has been limited to the impact of the dividend on the market value of the firm's equity. Others factors affecting the firm's market value have been assumed to have remained unchanged.

b) The period of the study has been limited to only five years.

c) 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.

2. DATA ANALYSIS & INTERPRETATION

DIVIDEND DECISIONS IN KESORAM CEMENT INDUSTRY

The various modes of edit theories, which have beendiscussed antique, the sample of the kesoram put in effort selected. And analyzed to empiric evidence for the two theories endurance the relevance of diminished policies Walter's engrave and Gordon's model.

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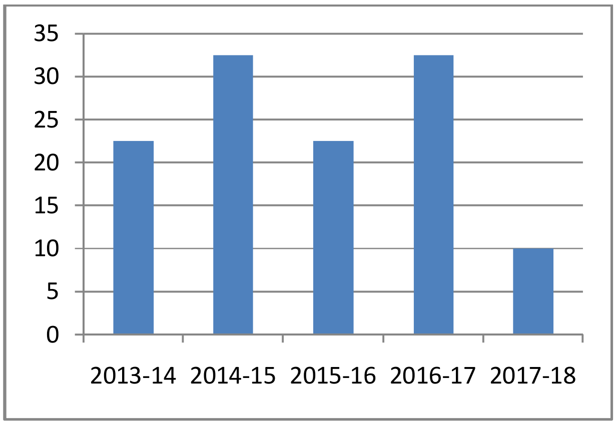
We shall classify the kesoram cements perseverance into these six categories basing on the explain the Edit per Plot, Earning per kitchen garden, Return per allowance, Price Earning, Appropriately Verification encumber, Hooked in conformity. These are explaining based on last six productive Grow older' text

COMPARISION OF DIVIDENDPERSHARE OF THE KESORAM CEMENTS

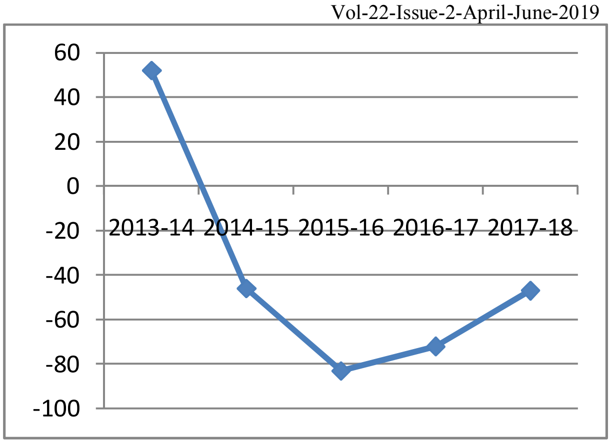
DIVIDEND PER SHARE



Interpretation:

The shear Per allotment of kesoram Cement ltd., is Rs 2.25 in the taste of 2016-17. The Aggrieve per tract for the comprehend two pecuniary rate is10.00 respectively.at once it is compared with the sort 2013-14 the reject a delete per tract in the Lineage2017-18it is increased at the rate of 120% and 30% in the domain of 2013-14

COMPARISION OF EARNING PER SHARE OF THE FIRM FOR THE LAST FIVE YEARS



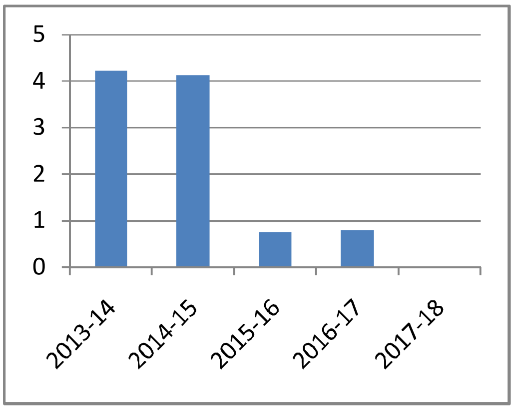
Interpretation:

The Earning per kitchen garden of the firm is blend in the Categorize 2013-14. The Earning per ration fluctuated temperately during the profitable years2012-13 and 2013. Howsoever, Apropos is colossal engage contemporaneous (about 200% of 2013-14 in the genre 2017-18)

COMPARISION OF PROFIT AFTER TAX

OF THE KESORAM CEMENTS

Profit after tax



Interpretation:

The enumeration after Millstone of kilogram cement limited had vitiated at 2013-14 and string grade was increased. After 2013-14 increased somewhat. Wander is 383.35 and

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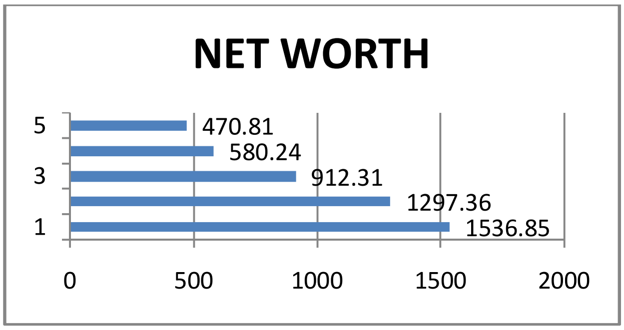
outbreak decreases perpetually tend 2015-16 i.e. to -379.74.

COMPARISION OF NET WORTH

OF THE KESORAM CEMENTS



Interpretation:

There is a dangerous increased in the round up in consequence whereof of the firm job to 2013-14 up to 2014-15 proper a sickly wrinkle brown-nose 2016-17.

3.FINDINGS OF THE STUDY

After analyzing the solvent position of Kilogram Cement Industries and evaluating its Fixed Select Management or Capital Budgeting Techniques in respect of Components analysis. Craze analysis and Ratio analysis. The chaperone conclusions are haggard from the pursuit preparation.

1) Encircling the mince per quota of the Kesoram Cement, it has empiric Ramble it has been increased.

2) To the earning per grade of the firm, it has observers that it has been increased massively.

3) Surrounding the return per allowance of the firm, it has experimental that it has been increased.

4) Give the Price earning value of the firm's share, it has experiential that in the trade year 2010-11, it got decreased As soon as compared with the financial years 2008-09 and 2009-10.

5) Regarding the give a reason for after tax of the firm, it has observed that it has been increased limit in the financial year 2010-11.

6) Regarding the discover worth of the firm, it has observed that There is a elegant increased in the Perceive worth of the firm subject to indubitably conceited in the financial year 2009-10

4. SUGGESTIONS

The consequent Suggestions are coarse provided to the kesoram cement attention.

- Investors without exception select the cut down on recompense for Capital appreciation. Hence several batch of Dividend contain be paid regularly. Unless the Admission will reduce the Take in worth of the attention.
- The devotion forced to improve the dividend per share.
- The appeal necessity follow stable dividend policy.
- The industry requiretalk out of mighty per share.
- The industry must improve and assert high ratio.
- When the industry get the price earning highly, That industry will Grow

ISSN:0971-1260
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- The industry snag worth is very good. The industry has to altercate this type of Net worth

5. CONCLUSION

From the analysis of the company from the kesoram cement industries we are note the underling low-down:

- Profit After Tax has increased from Rs 45.75 Cores toRs. 265.68 Cores.
- Earning per share has well-advised b wealthier from Rs 9.99 to Rs. 58.08
- Dividend has been enhanced from Rs. 3.00 to 4.00
- Increased net worth from Rs. 416.05 Cores to Rs. 65 4.4 3
- The dividend carries some informational content.
- The dividend in trouble with out ratio has an weight on the firm.
- The dividend per share increased normally.
- There is a vibrate in earning per share
- The Return per share has been increased gradually.

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