



Analysis of dividend payouts of selected pharmaceutical companies in India

Vicky¹, Mool Chand²

¹ Research Scholar, M.D. University Rohtak, Haryana, India

² Associate Professor, Dronacharya Govt. College, Gurugram, Haryana, India

Abstract

Dividend payment play an important role in the market value of firm. As per Walter and Gordon model market value is affected by dividend policy of the company. In India pharmaceutical industry is growing industry in which companies has huge opportunities. The present study focus on dividend trends of pharmaceutical companies. The main objective of the study was to analyze the dividend trends of selected pharmaceutical companies. The study based on secondary data collected from 7 pharmaceutical companies through annual reports and Centre of Monitoring Indian Economy (CMIE). The time period of the study was 15 years from 2006 to 2020. For the analysis of dividend trends mean and coefficient of variation (CV) were applied. The study found that pharmaceutical companies paid low dividend to shareholders and most of the part of profits were retained. The study also found that there were fluctuations among dividend payments made by the companies. The study concluded that during study period dividend payouts of the companies were low and inconsistent and vary company to company.

Keywords: dividend payouts, dividend per share, earnings per share etc

Introduction

Globally Indian pharmaceutical industry stood 3rd as far as volume is considered and is 13th in terms of value (ibef.org). Highlighting remarkable growth in infrastructure expansion, innovation base creation and a wide scope of items, the Indian pharmaceutical industry has built up its quality and assurance to thrive in the evolving condition. Pharmaceutical industry has demonstrated rapid growth over the last decade in global market but the geographic extend of this development is very imbalanced. An exclusive feature of Indian pharmaceutical market is that it has headed branded generic (86%) and remaining (14%) generic-generic drugs market (Yes Bank Report, 2009). Moreover, has maximum number of USFDA approved plant (119 plants) outside US. It is proud to examine that India's pharmaceutical exports have increased since the 1990s. Such an export has increased our trade balance from \$200 million in 1990 to \$4.3 billion in 2008. India ranked 17th net exporter in the global...regardless of such noteworthy export development rates, India's pharmaceutical does not show much growth. Further, according to WHO study, India depict near about 1/3 of world's spurious drugs market. But if we evaluate per capita drug expenditure with other developed nation it is very low \$3 even in USA it is \$222. Near about 95% of local demand is met buy Indian pharma industries. Pharmaceutical industry represents about 2.91% of entire FDI into the nation. The FDI in Pharmaceutical area is assessed to have reached US\$ 245 million. Out of overall investments, near about 82% of the FDI in Pharmaceutical industries was from five nations Mauritius, Singapore, USA, UAE and Canada (ibef.org). As per pharmaceutical department the aggregate turnover of pharmaceutical industry from the year 2008 to 2009 was 21.4 billion U.S. dollars. India is one of the quickest developing pharmaceutical markets in the world and has recognized itself as a worldwide manufacturing and research hub. A huge raw material base and the accessibility of a trained human resource give the sector a clear comparatively upper hand. India is nowadays one of the best-developing markets inside the international pharmaceutical scene. The main reasons for development of this sector are expanding sales of generic medicines, constant development in chronic therapies and major saturation in rural markets. The growth rate for the Indian pharmaceutical market has backed off constantly more than the last five quarters—from 12-15 % in the year 2015 to 5-6 % in 2017. The market development is driven to a great extent by volume (3-4% in 2016-17) with a normal cost increment of 1-2 %.

Review of Literature

1. Dinesh et al. (2018) carried a research based on 10 pharmaceutical companies to analyze the trend of dividend payment in pharma industry. The research was based on secondary data and research found that dividend trends were affected by many factors and during study period dividend trends were fluctuating.
2. Sheth (2016) conducted a research to analyze the pattern of dividend trends of pharma industry on the basis of 5 companies. With the help of correlation research found that all companies' dividend trends were different and affected by various factors.

Research Methodology

Objectives of the study

1. To measure the dividend payouts of selected pharmaceutical companies.
2. To analyze the dividend trends of the selected pharmaceutical companies.

Sample of the study

The study based on 7 pharmaceutical companies which were selected through non-probability convenience sampling.

Time period of the study

The present research based on a time period of 15 years from 2006 to 2020.

Data types and collection

The study was based on secondary data collected through annual reports of the companies, PROWESS CMIE etc.

Tools and Techniques applied for data analysis

For the data analysis research, percentage, arithmetic mean, standard deviation (SD) and coefficient of variation (CV) applied. The CV applied to measure the consistency in dividend payouts.

Analysis and Interpretation

Table 1: Equity Dividend as % of PAT of Sample Companies

Years	Bliss G V S Pharma Ltd.	Dr. Reddy'S Laboratories Ltd.	Ipca Laboratories Ltd.	Lupin Ltd.	Piramal Enterprises Ltd.	Torrent Pharmaceuticals Ltd.	Unichem Laboratories Ltd.
2006	30.51	18.17	21.49	14.58	36.81	32.13	21.99
2007	17.97	5.35	15.34	13.48	38.86	22.47	20.00
2008	1.93	13.30	14.20	18.64	29.12	19.05	23.19
2009	4.14	18.79	30.25	24.83	31.89	18.13	23.12
2010	12.34	22.47	16.74	18.67	25.46	24.48	26.93
2011	15.21	78.20	15.75	16.55	1.56	23.27	33.27
2012	14.65	25.58	14.38	17.77	231.02	23.11	32.90
2013	12.74	20.15	15.23	14.21	0.00	35.62	31.41
2014	9.57	15.86	13.22	11.43	0.00	22.20	40.97
2015	12.03	20.31	4.93	14.06	92.59	30.55	28.18
2016	7.86	29.64	13.64	11.92	64.99	40.05	43.51
2017	8.73	24.23	0.00	10.77	0.00	19.81	0.00
2018	10.86	70.42	5.41	25.20	69.89	45.64	1.07
2019	16.67	25.99	2.78	14.69	0.00	40.86	481.82
2020	13.44	11.28	15.49	31.10	384.38	64.91	0.00
Mean	12.577	26.649	13.257	17.193	67.105	30.819	53.891
SD	6.619	20.368	7.592	5.786	105.774	12.856	119.167
CV	52.63%	76.43%	57.27%	33.65%	157.63%	41.72%	221.13%

Source: Researcher's Calculations

Table no. 1 shows the dividend payout ratio of the sample companies during study period from 2006 to 2020. The table shows that from 2006 to 2020 dividend payout ratio of all companies were fluctuating. Bliss G V S ltd.'s dividend payout ratio was fluctuating during study period. It was highest in 2006 with 30.51 and minimum in 2008 with 1.93. The company's mean of dividend payouts was 12.577 with SD 6.619 and CV was 52.63 which shows the less consistency in the payment of dividend.

Dr. Reddy's Laboratories dividend payouts ratios also fluctuating during study period. It was highest in 2011 with 78.20 and minimum in 2007 with 5.35. Company's mean value of dividend payouts was 26.649 with SD 20.368 and CV was 76.43 which was huge amount of variations. It shows that company was not consistent in the payment of dividend.

Ipca laboratories ltd. Dividend payouts ratios were also fluctuating during study period. In year 2009 company paid highest dividend from profits which was 30.25 and no dividend paid in 2017. Company's mean value of dividend payments was 13.257 with SD 7.592 and CV was 57.27. The value of CV shows that company was also not paid dividend with consistency.

Lupin ltd was more consistent in the payment of dividend as compare to other companies in the sample. Company paid highest amount of dividend in the year 2020 with 31.10 and minimum payment of dividend in the year 2014 with 11.43. The CV value was 33.65 and it shows more consistency in the payment of dividend.

Piramal enterprises ltd was a company which not paid the dividend in 04 years during study period. Company paid highest dividend in year 2020 with 384.38 and no dividend paid in year 2013, 2014, 2017 and 2019. The mean value of dividend was 67.105 with SD 105.774 and CV was 157.63 which shows huge deviations in the payment of dividend.

Torrent pharmaceutical ltd was a company paid dividend regularly and maximum payout ratio in 2020 with 64.91 and minimum in year 2008 with 19.05. The mean value of dividend payouts was 30.819 wit SD 12.856. The CV was 41.72 which shows stability in the payment in dividend.

Unichem laboratories ltd was a company which not paid the dividend in 02 years during study period. Company paid highest dividend in year 2019 with 481.82 and no dividend paid in years 2017 and 2020. The mean value of dividend was 53.891 with SD 119.167and CV was 221.13 which shows huge deviations in the payment of dividend. The CV value was highest in the sample companies and show less consistency in the payment of dividend.

Conclusion

Consistency in dividend play an important role in market value of firm. Dividend trends of the all companies are fluctuating and there is lack of consistency in the payment of dividend. Different company of pharma industry follow different pattern of dividend payment due to different opportunities and industry's growth rate is also high. So study concluded that companies were paid low dividend to shareholders and most of the funds were retained by the companies.

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