PREFACE

Shareholders are supposed to be the owners of the Company as they provide capital to the Company and expect to get reward for it. The management must satisfy the shareholders by offering them a fair return on their investment in the form of dividend. Majority of shareholders expect high and quick return for their investment and it is a commitment on the part of the management to ensure the financial stability of the corporation and to make the corporation financially sound.

Among various decisions taken by management one of the crucial decisions is regarding distribution of profit i.e. whether profit should be distributed as dividend or to keep as retained earnings. Retained earnings are the principal internal source of financing for the growth of the corporation, while dividends are desirable from the shareholders point of view as it tends to increase their wealth. Thus, the two objectives of the dividend policy – distribution of dividends and restoration of earnings for growth, though desirable, are in conflict. In practice, every corporation follows specific type of a dividend policy, for which two mutually conflicting objectives are necessary to be kept in mind. Selection of a suitable dividend policy is a task itself. A number of factors have to be evaluated and analyzed to frame dividend policy. So it is prime duty of
the Management to balance the desire/expectations of shareholders and
the need of the company.

The pharmaceutical industry has unique dividend function as compared to
the rest of the industries in India. Though many studies have been
conducted in analysing dividend policy of various industries including
pharmaceutical industry in India, the present study would help to
understand financial variables’ pattern and structure of leading
pharmaceutical companies in India. Therefore, the present study is
undertaken with a view to give an insight into the performance of selected
private pharmaceutical units from India with a view to covering gaps in
the earlier studies.

The study in general aims at studying the impact of dividend policy on
shareholders’ wealth of selected major pharmaceutical units in India. This
study covers eleven companies viz., Alembic Chemicals, Cadila
Healthcare, Cipla, Dr. Reddy’s, Lupin Labs, Nicholas Piramal, Ranbaxy
Labs, Orchid Chemical and Pharmaceuticals, Sun Pharmaceuticals,
Torrent Pharma and Unichem Labs. The period covered under the study
extends over eight years from 2001-02 to 2008-09. The data for the study
were taken from Annual reports of the company, Further information has
been collected from “PROWESS” database of CMIE, RBI bulletin,
Annual Survey of Industries, Reports of Association of companies,
Institute of Chartered Financial Analyst, Institute of Financial Management and Research, Libraries of various Institutions, various magazines, journals, research publications, dailies and periodicals such as Economic Times, Applied Finance, Financial express, Fortune India, Investment Today, Capital Market, Dalal Street, Business Today, Business World, Business India, Finance India, web site of organizations, consultants’ reports etc.

It employed various accounting techniques such as trend analysis and determinants of shareholders’ wealth. With a view to accomplishing the objectives of the study, various statistical tools such as mean, co-efficient of variation, regression analysis, analysis of variance and Kruskal-Wallis test etc. have been employed.

The study has been systematized into following seven chapters. Each of the chapter has been dedicated to some aspect of the study entitled “The impact of dividend policy on shareholders’ wealth of selected major pharmaceutical units in India.”

The chapter I deals with the introduction of the study, concept of dividend policy, determinants of dividend payment decision, shareholders’ wealth and its linkages with dividend policy decisions, dividend policy and agency problem and dividend policy and asymmetric information. The Chapter II deals with the survey of existing literature of
empirical research work done on dividend decision and its impact on shareholders’ wealth of selected major pharmaceutical units in India. The chapter III deals with selection of the industry, significance of the study, objectives of the study, hypotheses of the study, research methodology, limitations of the study, and chapter scheme. The chapter IV deals with the dividend payout trends of the companies under the study and analyzes dividend policy adopted by the companies. The chapter V deals with the net worth trends of the companies under the study and assesses wealth of the shareholders. The chapter VI deals with study of impact of various determinants on shareholders’ wealth of the companies under the study. The chapter VII summarizes the findings of the study on the impact of dividend policy on shareholders’ wealth of pharmaceutical industry in India and suggestions for triumphant endurance of pharmaceutical industry in India.

As new theoretical and practical knowledge would be added to the breathing stockpile of knowledge and acquaintance, the study has academic significance and relevance and will act as a magnum opus on the subject for further research and development as far as pharmaceutical industry in India is concerned. The study is expected to help various stakeholders i.e. management, moneylenders & creditors, owners & investors, employees & trade union, government etc. in decision making
process at their own. It would facilitate shareholders, investors, prospective investors, investment and financial analysts to spot the determinants of performance of the company and industry. It would also endow with penetrating understanding to financial institutions, money lenders, banks to understand financial position and debt repaying capabilities of the companies. It would also divulge new panorama to the industry association and the government in understanding characteristics of the companies for inter and intra firm comparison. It would also give different perspective of the analysis to the academic researchers, financial analysts, securities researchers, company and industry.

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