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GRT ANALYSIS OF DIVIDEND POLICY OF RELIANCE INDUSTRIES LIMITED

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Abstract:- The present study is confined to the dividend distribution of Reliance Industry Limited which are mainly engaged in manufacturing, processing and producing social and scientific activities to maximize his profits and owners wealth. The present study attempts to know the dividend policy of RIL in India. The study analyzed RIL's dividend policy for investment purpose. The study is an empirical one and it covers a period of five years ranging from 2009-2010 to 2013-2014 by using secondary data. The secondary data have been gathered from published annual reports and other such records for the relevant period of RIL and found that company's overall position is very good. The company has a good dividend track report and has consistently declared dividends for the last 5 years. In total profitability position of RIL is getting good remarks which may help the company in form of capturing lion's share in the stock market.

Keywords: Dividend policy, manufacturing, profitability,

INTRODUCTION

Reliance Group founded by Dhirubhai H. Ambani, are now India's largest private sector company with businesses across the energy and materials value chain. Reliance made beginning in 1982, with the commissioning of 10,000 tons per year polyester plant at Patalganga. From this small beginning and on the nine core of strength, Reliance has journeyed rapidly over the last 32 years. RIL is the first private sector company from India to feature in Fortune Global 500 list of 'World's Largest Corporations' for the last ten consecutive years. RIL ranked 107th in terms of revenues and 128th in terms of profits in 2013. RIL is 5th Largest producer of Paraxylene (PX) and Polypropylene (PP), 8th Largest producer of Mono Ethylene Glycol (MEG), 9th Largest producer of Purified Terephthalic Acid (PTA), globally. RIL has 1,691 Retail stores across India. RIL has more than eighty major products and brands across energy and service sectors. RIL maintained its position as India's largest exporter, reflecting its global competitiveness and the international quality of its products. RIL emerged as India's most admired company and has rated first in the poll on the basis of financial performance, return to shareholder's, growth prospects and ethics, and at second place on Management Quality. RIL is focused on enhancing shareholders value by optimizing asset utilization and investing in improving cost competitiveness and growth opportunities, while maintaining a conservative financial profile. Energy is key to progress. Energy is opportunity and fundamental to the quest for a better life. RIL has invested itself with energy and passion to address opportunities in India's economic landscape, both in the energy value chain and the growing consumer services industry. RIL, value is delivered through a consistent focus on quality across all business verticals. The experience and expertise of people, application of advanced technology and the ability to build strong relationships across the stakeholder's fraternity helps RIL foster sustainable value. RIL is largest producer of polyester fibre and yarn and retailer in India by revenue.

DIVIDEND POLICY

Dividend refers to the portion of net income paid out to shareholders. In India it is paid in the form of cash. A dividend policy is a company's approach to distributing its profits back to its owners. Company may decide that it will not pay dividend, but re-invest its profits in the business as retained earnings, if a company is in a growth mode.

Established companies pay dividend on a fixed rate. Sometimes they declare interim dividend also. The payment of dividends impacts the perception of a company in financial markets, and it may also have a direct impact on its stock price.

REVIEW OF LITERATURE

Bansal (1996) analyzed the behavior and determinants of equity prices in India during 1987-95 and found that book value, dividend per share and earnings per share and dividend coverage contributed the most in determining equity share prices followed by price earnings ratio in the firms.

Beaver (1966) found that various financial ratios may be useful as predictors to know the failure of an organization.

Fama and French (2002) have analyzed that the firm's value is negatively correlated to dividend and positively correlated to debts.

Malla (2009) analyzed that dividend policy decision is one of the three decisions of financial management because it affects the financial structure, the flow of funds, corporate liquidating and investors' attitudes. The main aspect of dividend policy is to determine the amount of earning to be distributed the shareholder and the amount to be retained in the firm. Dividend policy involves the decision to pay out earning versus retaining them for reinvestment in the firm. The relationship between dividend and the value of the share is not clear cut. The financial manager must understand the various conflicting factors which influence the dividend policy before deciding the allocation of its company's earnings into dividends and retain earnings.

Al-Malkawi, et. al. (2010) concluded that 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 general 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.

Joshi, et al., (2011) observed that the growth of financial market attracted attention towards investors and their behavior. The behavioral finance is nothing but psychological and sociological issues that affected the decision-making process of individuals, groups, and organizations. For the study, the equity investors were selected from city of Ahmadabad and Khambhat (Gujarat). The data were collected through questionnaire. The statistical tools like Likert scale and Chi Square were applied. The study found that the most influencing factors in investment decisions were "financial performance of company, long term performance of stock, sentiment for the stock market, expected results of the company (cash dividend, bonus share, buyback of shares), reputation of firm, FII movement in stock market, affordability of share price" and less influencing factors were coverage in print media, company's ratio analysis, CSR of the company, traded in multiple stock exchanges.

OBJECTIVES

The objectives of the study are to know the dividend distribution in last five years ranging from 2009-2010 to 2013-2014 of Reliance Industries Limited in India.

RESEARCH DESIGN

The present study used descriptive design of research.

DATA COLLECTION

Data have obtained from secondary source. Secondary data have been gathered from published annual reports and other such records including books, research papers, newspapers, magazines, and websites for the relevant period of RIL.

DATA ANALYSIS

The data have been analyzed by applying statistical techniques e.g. mean.

ANALYSIS AND INTERPRETATION

Dividend declared by RIL is helpful in determining the market price of the company. Table 1 shows the dividend declared by RIL.

Table 1 Dividend Declared by RIL in Last Five Years

Period	Dividend Type	Dividend (%)
2013-2014	Final	95
2012-2013	Final	90
2011-2012	Final	85
2010-2011	Final	80
2009-2010	Final	70
Average		84

Source: [http://economictimes.indiatimes.com/reliance-industries-ltd/infocompanydividends/ companyid-13215.cms](http://economictimes.indiatimes.com/reliance-industries-ltd/infocompanydividends/companyid-13215.cms)

Table 1 showing that dividend declared by RIL in last five years has an increasing phase during 2011-2012 to 2013-2014 by 70 percent to 95 percent. The average of this ratio is 84 percent. From this ratio it may be observed that the company is giving satisfactory return to its shareholders during this period. It indicates the sound position of RIL in the market. RIL is fulfilling the investor's desires for current income by giving an increasing rate of dividend to new shareholders and there would be no uncertainty in the mind of its investors and share price will not fall. It also attract to more investors for investing in the company.

CONCLUSION

In total profitability position of RIL is getting good remarks which may help the company in form of capturing lion's share in the stock market. For the year ending March 2014, Reliance Industries has declared an equity dividend of 95.00% amounting to Rs 9.5 per share. Its dividend payout is consistently increased in the last 22 consecutive years.

The company has a good dividend track report and has consistently declared dividends for the last 5 years. RIL's leadership position in India is also reflected in its all round contribution to the national economy. Reliance group emerges as India's largest wealth creator in the private sector.

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