

A Comprehensive Study on Top Five Dividend Paying Stocks In National Stock Exchange of India

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Abstract- This paper presents the study on top 5 dividend paying stocks in the National Stock Exchange of India (NSE). NSE is the benchmarking Index of Indian stock market where trading volume is very high. It is based on the dividend yield that an investor could calculate the dividend offered by various companies. Dividend plays a key role when it comes to individual investments are concerned. Many number of Mutual Fund schemes having an option of Dividend Pay-out method will consider stocks which pay more dividend throughout the years. We will also calculate the dividend yield of those top 5 companies.

Keywords- Dividend, Dividend Yield, Index, Mutual Funds National Stock Exchange,

I. INTRODUCTION

Investment in stock markets plays an important role when it comes to long term wealth creation. It also makes an investor to accumulate wealth. There are two major reasons for investing in capital market. (1) Capital appreciation – Which talks about increase in value of shares (2) Dividend Income – Companies pay a certain amount of dividend to its shareholders. Therefore these two are the major reasons for investing in stock market.

A dividend is a distribution portion of companies' earnings paid to the equity share holders (Owners of the company) which can be a mode of cash payments, stock or any other property form.

Companies would pay various types of dividend including Interim Dividend and Final Dividend. Most of the companies pay final dividend which is paid out annually. Companies making huge or multifold profits will pay interim dividend too.

II. METHODS

I) Objectives of the Study:

1. To analyze the dividend payout and dividend yield of those 5 stocks for the past 5 years
2. To identify the best stock for constant dividend payout
3. To identify the best stock for capital appreciation

II) Scope of the Study:

This study mainly focuses on the dividend payout for those 5 top dividend paying companies in the National Stock Exchange. It also underlies a scope for giving information to the investors to invest in the companies which have strong ground roots for maximizing the long term profitability.

III) Tools for Analysis:

1. Dividend payout ratio
2. Dividend Yield

IV) Data Collection method:

Secondary data has been used for analysis. The details are collected from corporate websites and company reports taken from periodic journals and other websites

V) Sampling techniques & Sample size:

The method used here is Judgment sampling where the researcher knows about the sample to be taken i.e. Top 5 dividend paying stocks for 2019-20. The sample size is obviously limited to 5.

Sl. No.	Stock
1.	Nestle India
2.	Eicher Motors
3.	Bosch Ltd.
4.	GSK Ltd.
5.	Bajaj Auto Ltd.

Figure 1: Top 5 Dividend paying stocks of 2019-20

VI) Data Analysis & Interpretation:

i) Nestle India Ltd.

Table 1: Dividend Yield for Nestle Ind. Ltd.

Year	Annual Dividend	Current Stock Price	Dividend Yield (Annual Dividend/Current Stock Price)
2015	48.50	7035.4	0.69
2016	63.00	5056.85	1.25
2017	86.00	6173.6	1.39
2018	115.00	7260.1	1.58
2019	281.00	10611.55	2.65

Table 2: Dividend Payout Ratio for Nestle Ind. Ltd.

Year	Dividend Per share	Earnings Per Share (Basic EPS)	Dividend payout ratio (DPS/EPS)
2015	48.50	58.42	0.83
2016	63.00	96.1	0.66
2017	86.00	127.07	0.68
2018	115.00	166.67	0.69
2019	281.00	204.28	1.38

Interpretation:

The dividend yield for Nestle India Ltd. has been consistently increasing from 2015 which shows a positive momentum for investors. The ideal dividend yield for any stock is around 1.5 to 2 which is consistently maintained by Nestle India.

When it comes to Dividend Payout Ratio, Nestle India shows its strength here too. A company like Nestle which is a market leader distributes more than half of its income as dividends to its shareholders. Since earnings is boosting, so as dividend payout. In 2019, dividend payout crossed its 100% threshold.

ii) Eicher Motors Ltd.

Table 1: Dividend Yield for Eicher Motors Ltd.

Year	Annual Dividend	Current Stock Price	Dividend Yield (Annual Dividend/Current Stock Price)
2015	50	16045	0.31
2016	100	18227	0.55
2017	100	30040	0.33
2018	110	26990	0.41
2019	125	16381	0.76

Table 2: Dividend Payout Ratio for Eicher Motors Ltd.

Year	Dividend Per share	Earnings Per Share (Basic EPS)	Dividend payout ratio (DPS/EPS)
2015	50	342.25	0.15
2016	100	482.45	0.21
2017	100	573.75	0.17
2018	110	629.07	0.17
2019	125	753.37	0.17

Interpretation:

Eicher motor generally gives a reduced percentage of its income in form of dividend. We can see only a minor increase in dividend yield for Eicher Motors Ltd. One of the reasons could be retaining its profits with the company to strengthen its financial position. As an investor, one could expect only capital appreciation from this kind of stock.

iii) Bosch Ltd.

Table 1: Dividend Yield for Bosch Ltd.

Year	Annual Dividend	Current Stock Price	Dividend Yield (Annual Dividend/Current Stock Price)
2015	85	25902	0.33
2016	85	25886	0.33
2017	165	24189	0.68
2018	100	18959	0.53
2019	105	13371	0.79

Table 2: Dividend Payout Ratio for Bosch Ltd.

Year	Dividend Per share	Earnings Per Share (Basic EPS)	Dividend payout ratio (DPS/EPS)
2015	85	426	0.20
2016	85	488	0.17
2017	165	561	0.29
2018	100	449	0.22
2019	105	525	0.20

Interpretation:

Bosch Ltd. also limits its payment in the form of dividend to strengthen its financial position. When we take the price of the stock, it has been considerably increasing over the years. One of the reasons for it could be due to limiting the payments of dividend.

iv) GSK Ltd.

Table 1: Dividend Yield for GSK Ltd.

Year	Annual Dividend	Current Stock Price	Dividend Yield (Annual Dividend/Current Stock Price)
2015	55	6185.1	0.89
2016	70	6276.9	1.12
2017	70	5426.35	1.29
2018	75	6485.15	1.16
2019	105	7444.05	1.41

Table 2: Dividend Payout Ratio for GSK Ltd.

Year	Dividend Per share	Earnings Per Share (Basic EPS)	Dividend payout ratio (DPS/EPS)
2015	55	138.77	0.40
2016	70	163.34	0.43
2017	70	156.15	0.45
2018	75	166.47	0.45
2019	105	233.69	0.45

Interpretation:

GSK consumers' ltd. pays a decent percentage of its income as dividend to its shareholders. From 2016-19, the yield exceeds 100 % which talks about additional income to the investors. The dividend payout ratio also seems to be attractive for the investors when their motto is to make additional income by way of getting dividend.

v) Bajaj Auto Ltd.

Table 1: Dividend Yield for Bajaj Auto Ltd.

Year	Annual Dividend	Current Stock Price	Dividend Yield (Annual Dividend/Current Stock Price)
2015	50	2513.95	1.99
2016	55	2661.55	2.07
2017	55	2729.60	2.01
2018	60	2969.80	2.02
2019	60	2711.65	2.21

Table 2: Dividend Payout Ratio for Bajaj Auto Ltd.

Year	Dividend Per share	Earnings Per Share (Basic EPS)	Dividend payout ratio (DPS/EPS)
2015	50	97.2	0.51
2016	55	135.8	0.41
2017	55	132.3	0.42
2018	60	140.6	0.43
2019	60	161.6	0.37

Interpretation:

The table clearly shows that Bajaj Auto Ltd. has a high dividend payout as well as yield. It is around 200 % which clearly states that the company distributes its profit to its shareholders. The valuation of the company also seems to be strong enough when it comes to capital appreciation. An investor seeking a regular source of income can invest in Bajaj Auto Ltd.

III. DISCUSSION

Based on the results of a comprehensive analysis of the five stocks we could understand the following:

- The companies who pay dividend very high could not maintain the capital appreciation of the stock. (Nestle India, Bajaj Auto Ltd.)
- The companies whose dividend payout is less could increase the value of the stocks. (Eicher Motors, GSK & Bosch)
- The stocks taken for analysis were market leaders in their respective segments
- Dividend yield was way high for Bajaj Auto Ltd. & least for Eicher Motors
- The study also showed that investment in those 5 stocks were linked to the objective of an investor

IV. CONCLUSION

In our opinion, the share price is linked to dividend yield and dividend payout ratio. The relationship is as follows:

- The companies paying fewer dividends by retaining the profits back could take up the price of the stocks to a greater height. It is mainly due to investing and expanding their business so as to strengthen their financial position.
- The companies' whose dividend payout ratio is high could not increase the price of their shares.

The companies who distribute their dividend very less could expand their business like Eicher Motors, Bosch by reinvesting or diversifying their business. So an investor looking for a capital appreciation in a long time horizon could invest in these stocks. They may not seek any regular income like dividend during the course of time.

But investors especially who require an additional income need to invest in companies like Nestle India, GSK & Bajaj Auto so as to earn a regular source of income in the form of dividend.

Therefore investing in stocks of various companies can be linked to the objective of an investor which include capital appreciation and regular source of income.

Apart from that, the investor needs to find out and understand the fundamental strength of a company including its market position.

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