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A paper prepared on: A Study on Dividend Policy and Its Impact on Behaviour of Listed Manufacturing Companies In India:

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Abstract:

This study explores the dividend policies of listed manufacturing companies in India, focusing on their influence on market value and enterprise value (EV). It addresses the gap in existing literature, which often neglects the industry-specific dynamics of dividend practices. Using stratified systematic sampling, data from 50 companies across five manufacturing industries—automobile, iron and steel, pharmaceuticals, FMCG, and durable consumer goods (DCG)—spanning FY 2014–2021 were analyzed. Statistical tools such as ANOVA and multiple regression models were employed to uncover significant relationships between financial metrics, including revenue, net profit, and dividends, with market valuation. The study also aims to design an optimal dividend policy model tailored to the manufacturing sector.

The DCG industry demonstrates a strong correlation between financial metrics and market valuation, with revenue growth and profitability emerging as critical determinants of EV and market capitalization (MC). Companies like Blue Star Ltd. and Whirlpool India Ltd. exemplify the benefits of strategic retention and balanced dividend policies in driving value creation. Blue Star's 77% cash earnings retention ratio supported an EV CAGR of 19%, while Whirlpool's balanced 40% dividend payout resulted in a 21% EV CAGR. Regression analysis highlights revenue and net profit as the strongest determinants of market valuation, with dividends playing a smaller but positive role. Firms like Jaipon Industries, however, face profitability challenges, limiting value creation despite high retention ratios.

In the automobile sector, companies such as Bajaj Auto Ltd. and TVS Motor Company Ltd. highlight the critical role of revenue growth and dividend payouts in driving EV and MC. Bajaj Auto's EV CAGR of 7% and TVS Motor's 31% reflect the significance of consistent dividend strategies coupled with stable retention ratios. Regression models confirm revenue from operations as a key driver of valuation metrics, while long-term liabilities negatively impact them. Firms like Tata Motors Ltd. and Ashok Leyland Ltd. must optimize debt management, while companies like Mahindra and Mahindra Ltd., with retention ratios above 80%, should reinvest earnings into R&D and market expansion for sustainable growth.

The iron and steel industry reflects diverse financial strategies and outcomes among key players. Companies like Godawari Power & Ispat Ltd. and APL Apollo Tubes Ltd. achieved robust EV and MC growth through high retention ratios and reinvestment strategies. In contrast, Tata Steel Long Products Ltd. struggles with high profit variability, undermining investor confidence. Regression analysis underscores the positive impact

of strategic dividend payouts on market capitalization, while long-term liabilities and inefficiencies in revenue management present significant challenges. Firms with high liabilities, like Usha Martin Ltd., have successfully reduced debt to enhance EV, highlighting the importance of effective liability management in the sector.

The pharmaceutical industry demonstrates the significant influence of profitability and dividend payouts on market valuation. Companies like JB Chemicals and Divis Laboratories Ltd. achieved strong EV and MC growth through robust operational strategies and consistent dividends.

The FMCG sector illustrates the interplay between financial metrics and value creation, where companies like Nestlé and Britannia demonstrate how reinvestment and efficient operations fuel growth. Even with modest revenue increases, these firms achieved substantial EV and MC growth by aligning profitability with strategic shareholder rewards.

Within the DCG industry, examples like Voltas Ltd. and Bajaj Electricals Ltd. showcase the benefits of reinvestment-focused strategies and well-calibrated dividend policies. Voltas achieved a 32% EV CAGR by prioritizing reinvestment, while Bajaj Electricals, with a remarkable EV CAGR of 68%, must address profit variability to sustain investor trust.

Overall, the study highlights the critical role of aligning dividend policies with financial strategies to maximize market valuation in the manufacturing sector. Across industries, the findings underscore the importance of managing long-term liabilities, optimizing revenue growth, and leveraging profitability to enhance EV and MC.

Review of Literature:

1. **(Brahmaiah Bezawada, 2017):** The relevance of dividend policies has been extensively researched, but the findings have produced little consensus. There are numerous factors that influence a given firm's dividend policy that can be found in the literature, such as the firm's risk, cash flow situation, agency costs, and so on. According to Bhattacharya (1979), a firm's dividend decision can be viewed as a source of signal, indicating that profitable firms with good project investment opportunities will pay higher dividends to differentiate themselves from other firms with projects with lower profits.
2. **(Geetanjali Pinto, 2019):** The purpose of this research is to determine whether a company's dividends are influenced by the industry to which it belongs. This paper also investigates the explanatory factors for dividends in India's various sectors. From 2006 to 2017, this longitudinal study used balanced data from companies listed on India's National Stock Exchange.

Objectives of the study:

- 1) To examine dividend policy followed by the Indian manufacturing sector in terms of retention & distribution of profit.
- 2) To examine the difference in the dividend policy adopted by the different industry of the manufacturing sector.
- 3) To analyse the trends in Market Value of the chosen companies in the manufacturing sector
- 4) To examine the impact of dividend policy on the Market Value of the chosen companies in the manufacturing sector.
- 5) Designing the appropriate model to the chosen industries across the manufacturing sector with respect to ideal dividend policy to be followed.

Hypotheses:

The researcher has set the following hypotheses to fulfil the objectives of the current study.

H₀₁: There is No Significant Variance in the Dividend Pay-out across the Companies & year in chosen Industry for the study.

H₀₂: There is No Significant Relationship of Financial Metrics such as Revenue from Operations, Net Profit, Dividend, Dividend Pay-out Ratio, Cash Earnings Retention Ratio, and Long-Term Liabilities on market capitalisation in the chosen Industry for the study.

H₀₃: There is No Significant Relationship of Financial Metrics such as Revenue from Operations, Net Profit, Dividend, Dividend Payout Ratio, Cash Earnings Retention Ratio, and Long-Term Liabilities on Enterprise Value in the in the chosen Industry for the study.

Research Methodology:

The study follows “Analytical and Descriptive research” methodology Descriptive research is a quantitative research method that attempts to collect quantifiable information for statistical analysis of the population sample. It is a popular research tool that allows us to collect and describe the phenomena. Analytical research is a specific type of research that involves critical thinking skills and. the evaluation of facts and information relative to the research being conducted.

In the current study Descriptive research is used to describe the dividend distribution pattern followed by different companies under different manufacturing industries. Uniformity or diversity in the dividend distribution & retention proportion of the companies in the industries are explained through descriptive research.

The study is also analytical in nature, hence it examines causal relationship between dividend policy, enterprise value & market capitalization. Incline or decline in the market capitalization is examined throughout the business cycle for a given change in the dividend distribution.

Industry wise analysis

Dividend policy plays a crucial role in shaping the financial decisions of companies, especially in the Indian manufacturing sector. This study aims to explore various dimensions of dividend policy, including its retention and distribution of profits, differences across industries, and its impact on market value.

The first objective is to examine the dividend policy followed by Indian manufacturing companies with a focus on how profits are retained or distributed. This will provide insights into the strategies employed by companies to allocate profits, balancing reinvestment and shareholder returns.

The second objective is to analyze the differences in dividend policies adopted by various industries within the manufacturing sector. This will help in understanding sector-specific practices and whether certain industries emphasize dividend payments over reinvestment or vice versa.

Thirdly, the study aims to analyze trends in market value of selected companies within the manufacturing sector. By evaluating these trends, we can assess how market perceptions of companies evolve in relation to their dividend policies.

Additionally, the impact of dividend policy on the market value of these companies is examined. This analysis will provide a deeper understanding of how dividend decisions influence market valuations, highlighting the interplay between corporate finance strategies and investor sentiment.

Finally, the study will aim to design an appropriate model for ideal dividend policy implementation across different industries within the manufacturing sector. This model will incorporate key factors such as profitability, industry dynamics, and shareholder expectations to guide companies in formulating effective dividend policies that align with their long-term objectives.

By addressing these objectives, the study seeks to offer a comprehensive view of the dividend practices within the Indian manufacturing sector and their implications for both corporate governance and market performance.

Hypothesis Testing and Comparative analysis across the companies in a Industry

H_{01} (a): There is No Significant Variance in the Dividend Pay-out across the Companies & year in Automobile Industry

Table 01: Showing Dividend Pay-out Ratio among the Automobile Companies

year	Bajaj Auto mobiles	Atul Auto mobiles	TVS Motor company Ltd	Maruti Suzuki india Ltd.	Hero Motocorp Ltd.	Eicher Motors Ltd.	Mahindra and Mahindra Ltd.	Ashok Leyland Ltd.	Tata Motors Ltd.	Force Motors Ltd.
Mar-13	39.12	39.12	15.24	42.85	56.56	29.11	23.8	36.8	213.77	27.68
Mar-14	37.13	37.13	55.53	36.09	61.59	24.24	22.94	36.8	193.87	5.08
Mar-15	102.12	102.12	40.03	32.21	50.22	24.24	22.44	38.25	213.77	6.49
Mar-16	102.12	102.12	65.59	42.76	45.89	35.76	26.42	39.56	193.87	7.34
Mar-17	80.71	80.71	15.24	42.85	51.44	35.76	23.08	26.6	213.77	7.34
Mar-18	39.12	39.12	55.53	36.09	45.91	18.51	21.24	31.98	193.87	8.96
Mar-19	37.13	37.13	40.03	32.21	56.05	14.59	19.43	43.35	213.77	8.95
Mar-20	102.12	102.12	65.59	42.76	53.32	35.84	89.23	530.32	193.87	22.64
Mar-21	102.12	102.12	15.24	42.85	64.02	35.84	108.74	32.5	213.77	-11.78
Mar-22	80.71	80.71	55.53	36.09	76.75	29.29	22.04	32.5	193.87	8.83

Anova: Two-Factor Without Replication				
SUMMARY	Count	Sum	Average	Variance
Mar-13	10	524.05	52.405	3344.132183
Mar-14	10	510.4	51.04	2773.922156
Mar-15	10	631.89	63.189	3820.483521
Mar-16	10	661.43	66.143	2947.291357
Mar-17	10	577.5	57.75	3629.172156
Mar-18	10	490.33	49.033	2777.170179
Mar-19	10	502.64	50.264	3502.377249
Mar-20	10	1237.8	123.781	22799.67385
Mar-21	10	705.42	70.542	4140.412907
Mar-22	10	616.32	61.632	2820.362996
Bajaj Auto mobiles	10	722.4	72.24	930.4480444
Atul Auto mobiles	10	722.4	72.24	930.4480444
TVS Motor company Ltd	10	423.55	42.355	424.1059167
Maruti Suzuki india Ltd.	10	386.76	38.676	21.03393778
Hero Motocorp Ltd.	10	561.75	56.175	87.94949444
Eicher Motors Ltd.	10	283.18	28.318	60.37941778
Mahindra and Mahindra Ltd.	10	379.36	37.936	1059.593738
Ashok Leyland Ltd.	10	848.66	84.866	24519.49576
Tata Motors Ltd.	10	2038.2	203.82	110.0027778
Force Motors Ltd.	10	91.53	9.153	110.4196678

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Rows	43782.40545	9	4864.711717	1.87190972	0.067947	1.997609
Columns	262492.5013	9	29165.83347	11.22282477	3.44E-11	1.997609
Error	210502.4857	81	2598.79612			
Total	516777.3925	99				

Upon examining the dividend payout ratios across various automobile companies, it is evident that there is significant variance in their dividend policies. This leads to the rejection of Hypothesis H01(a): "There is No Significant Variance in the Dividend Pay-out across the Companies & year in the Automobile Industry." The data from Table 51 highlights the differences in dividend payout ratios, showing substantial fluctuations year over year and among different companies.

For instance, Tata Motors Ltd. consistently demonstrates the highest dividend payout ratios, particularly evident in Mar-20 with a payout ratio of 203.82%, and an average of 110.00 over the observed period. This high variance reflects the company's aggressive dividend distribution strategy, contributing significantly to the overall variance in the industry. Similarly, Ashok Leyland Ltd. shows substantial volatility, peaking at 84.866% in Mar-20, further accentuating the wide range of dividend policies among automobile firms.

On the contrary, companies like TVS Motor Company Ltd. and Eicher Motors Ltd. exhibit lower dividend payouts, averaging around 42.355% and 28.318% respectively, indicating a more conservative approach to dividend distribution. These lower ratios contribute to a much smaller standard deviation of 424.10 and 60.38, respectively.

Force Motors Ltd., on the other hand, has the lowest dividend payout at 9.153% in Mar-21, highlighting a stark contrast with companies like Tata Motors and Ashok Leyland. This divergence illustrates the differing financial strategies adopted by these firms, further supporting the rejection of H01(a).

Hypothesis H01(a) is rejected, highlighting the variability in dividend payout ratios across the automobile industry.

H02(a): There is No Significant Relationship of Financial Metrics such as Revenue from Operations, Net Profit, Dividend, Dividend Payout Ratio, Cash Earnings Retention Ratio, and Long-Term Liabilities on market capitalisation in the Automobile Industry.

<i>Regression Statistics</i>	
Multiple R	0.887344284
R Square	0.787379879
Adjusted R Square	0.777008166
Standard Error	28789.99968
Observations	100

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	6	3.77545E+11	6.2924E+10	75.91608658	5.51332E-39
Residual	123	1.0195E+11	828864082		
Total	129	4.79495E+11			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-3478.626	8463.005	-0.411	0.682
Revenue from operation	2.451	0.199	12.322	0.000
Net Profit	-3.534	2.196	-1.609	0.110
Dividend	5.954	4.358	1.366	0.174
Dividend Payout Ratio Net Profit	38.463	50.458	0.762	0.447
Cash Earnings Retention Ratio	58.600	106.513	0.550	0.583
Long Term Laibilites	-2.242	0.139	-16.118	0.000

The regression analysis provides insights into the relationship between financial metrics and market capitalisation in the automobile industry.

H_{03(a)}: There is No Significant Relationship of Financial Metrics such as Revenue from Operations, Net Profit, Dividend, Dividend Payout Ratio, Cash Earnings Retention Ratio, and Long-Term Liabilities on Enterprise Value in the Automobile Industry.

Regression Statistics	
Multiple R	0.861580177
R Square	0.742320402
Adjusted R Square	0.729750665
Standard Error	28789.99968
Observations	130

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	6	2.93697E+11	4.895E+10	59.05616256	6.68424E-34
Residual	123	1.0195E+11	828864082		
Total	129	3.95647E+11			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-3478.626432	8463.005361	-0.4110391	0.681759083
Revenue from operation	2.451166338	0.198930975	12.3216927	3.23209E-23
NET PROFIT	-3.534416856	2.196138843	-1.6093777	0.110097409
Dividend	5.954107756	4.357706817	1.36633968	0.174325064
Dividend Payout Ratio Net Profit	38.46322955	50.45776675	0.76228561	0.447348874
Cash Earnings Retention Ratio	58.59964451	106.513165	0.5501634	0.583205012
Long Term Laibilites	-1.241803049	0.139084601	-8.9284007	5.11769E-15

The regression analysis evaluates the relationship between financial metrics (Revenue from Operations, Net Profit, Dividend, Dividend Payout Ratio, Cash Earnings Retention Ratio, and Long-Term Liabilities) and Enterprise Value in the automobile industry. The model demonstrates a strong fit, with an **R Square of 0.7423**, indicating that approximately 74.23% of the variability in Enterprise Value is explained by these metrics. The adjusted R Square of 0.7298 further reinforces the model's robustness after accounting for the number of predictors. The low **Significance F (6.68E-34)** confirms the overall statistical significance of the regression model, suggesting that the financial metrics collectively impact Enterprise Value.

Other variables, including **Net Profit, Dividend, Dividend Payout Ratio, and Cash Earnings Retention Ratio**, do not demonstrate statistically significant relationships with Enterprise Value. While these metrics are essential for other aspects of financial analysis and corporate health, they appear to have limited direct influence on Enterprise Value in this context. This lack of significance implies that their role may be secondary or moderated by other factors in shaping market perceptions and valuations.

H₀₁ (b): There is No Significant Variance in the Dividend Pay-out across the Companies & year in Iron and Steel Industry

Table 02: Showing Dividend Pay-out Ratio among the Iron & Steel Companies.

Year	Godawari Power	Tata Steel Long Product	Kalyani	Tata Steel Ltd	APL Apollo Tubes Ltd	JSW Steel Ltd	Usha martin Ltd	Kiocl Ltd Ltd	Mukunda Ltd	Jindal Stainless Hisar Ltd
13-Mar	6.59	14.42	27.43	15.34	32.20	12.38	64.82	7.91	11.57	0.00
14-Mar	14.59	15.22	22.35	15.14	44.75	21.55	64.82	7.91	11.57	0.00
15-Mar	5.27	16.75	18.99	12.06	44.71	12.27	64.82	7.91	11.57	0.00
16-Mar	6.59	49.95	16.52	15.85	76.02	9.06	64.82	7.91	11.57	0.00
17-Mar	14.63	26.21	31.83	30.28	26.53	6.09	64.82	14.56	11.57	0.00
18-Mar	5.27	12.02	18.99	29.67	25.12	14.16	64.82	21.02	11.57	0.00
19-Mar	6.59	24.77	16.52	10.87	26.28	11.18	64.82	44.81	11.57	0.00
20-Mar	14.63	3.72	31.83	22.08	26.53	22.49	64.82	190.25	11.57	0.00
21-Mar	5.27	3.58	13.47	6.70	25.12	5.75	64.82	14.45	11.57	0.00
22-Mar	4.82	3.58	13.47	9.10	26.28	9.40	64.82	50.80	11.57	0.00

Anova: Single Factor				
SUMMARY				
Groups	Count	Sum	Average	Variance
Godawari Power & Ispat Ltd	10	450025	42.5	9.166666667
Tata Steel Long Products Ltd	10	84.25	8.425	18.66345
Kalyani Steel Ltd	10	170.22	17.022	200.2370622
Tata Steel Long Products Ltd	10	211.4	21.14	48.79688889
APL Apollo Tubes Ltd	10	167.09	16.709	66.65167667
JSW Steel Ltd	10	353.54	35.354	263.26236
Usha martin Ltd	10	124.33	12.433	32.70191222
KIOCL Ltd.	10	648.2	64.82	2.24387E-28

Mukunda ltd	10	367.53	36.753	3154.301934
Jindal Stainless Hisar ltd	10	115.7	11.57	3.50605E-30

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1.8393E+10	10	1839282571	5332965.505	6.1E-279	1.927679
Within Groups	34144.0376	99	344.8892683			
Total	1.8393E+10	109				

The ANOVA analysis aimed to examine the variance in dividend payout across companies and years within the Iron and Steel Industry. The results highlight significant differences in dividend payout behavior across the studied entities. The calculated F-statistic of 5,332,965.505 far exceeds the critical value of 1.927679, providing strong evidence against the null hypothesis, which states that there is no significant variance in dividend payouts across companies and years. This outcome is further substantiated by the exceptionally small p-value (6.1E-279), which is far below any conventional threshold for significance, such as 0.05 or 0.01.

In conclusion, the rejection of the null hypothesis confirms that dividend payout behaviors are not uniform across the industry. These results underscore the importance of considering company-specific and temporal factors when analyzing financial metrics like dividend payouts. Understanding these variations can provide valuable insights for stakeholders, including investors and policymakers, as they assess the financial health and strategic approaches of companies within this critical industrial sector.

H₀₁ (c): There is No Significant Variance in the Dividend Pay-out across the Companies & year in

Findings, Suggestions & Conclusions

Auto Mobile Industry

1. The analysis of Bajaj Auto Ltd.'s dividend policy components reveals notable insights into its impact on market capitalization and enterprise value over the years. Revenue from operations and net profit demonstrated consistent growth, with compound annual growth rates (CAGR) of 5% and 6%, respectively. The average dividend payout ratio was 72.24%, **highlighting a balanced approach to profit distribution and retention. Despite fluctuations**, market capitalization and enterprise value showed a steady upward trend, supported by a 7% CAGR. Interestingly, while the retention ratio averaged 45.55%, it showed significant variability (CV of 66%), indicating dynamic financial strategies. The year 2021 recorded the highest enterprise value of ₹105,720.62 crore, aligning with high dividends but low

retention. Conversely, years with modest dividends and higher retention saw stable, yet lower market capitalization. These findings underscore the nuanced relationship between dividend policies and financial performance, suggesting that a tailored strategy is pivotal for maximizing shareholder value and enterprise growth.

2. The analysis of **Atul Auto Mobiles' dividend policy** and its impact on enterprise value reveals significant findings. Revenue from operations averaged ₹471.00 crore with a standard deviation of ₹127.19 crore, while net profit averaged ₹36.78 crore, showcasing moderate variability (CV of 27% and 38%, respectively). Dividend payouts averaged ₹9.33 crore, with a maximum of ₹11.52 crore and a minimum of ₹6.03 crore, resulting in a consistent payout ratio averaging 17.31%.

3. Findings from the Analysis of Iron and Steel Industry

The analysis of dividend policy components and their impact on Godawari Power & Ispat Ltd.'s enterprise value reveals significant trends and insights. Revenue and net profit exhibited notable growth, with a CAGR of 10% and 27%, respectively, reflecting strong operational performance despite occasional losses in earlier years. The company maintained a high cash earnings retention ratio (average 95.39%), emphasizing a preference for reinvestment over profit distribution, though dividend payouts increased significantly in later years, peaking at ₹65.19 crores in FY 2022. Market capitalization grew at a CAGR of 26%, reaching ₹4,708.59 crores, indicating positive investor sentiment aligned with profitability improvements. Enterprise value also increased consistently, achieving a CAGR of 16%. Despite fluctuations in net profit and dividend payouts, the stability of retention ratios and payout strategies underscores the company's focus on long-term growth. Reduced long-term liabilities post-FY 2018 highlight improved financial management. Overall, the study confirms that a balanced dividend policy, coupled with reinvestment and efficient operations, significantly drives enterprise value and market performance.

Suggestions from Empirical Data Analysis

Based on the findings of the study, several suggestions can be made for companies within the Indian manufacturing sector to optimize their dividend policies. The study provided valuable insights into the balance between profit retention and distribution, as well as the variations in dividend policies across different industries. These findings emphasize the importance of aligning dividend strategies with industry trends, market expectations, and organizational goals. Additionally, the study highlighted the significant impact of dividend payout and retention ratios on market capitalization, indicating that companies should carefully assess these factors to enhance their market value. Furthermore, the presence or absence of homoscedasticity in dividend distribution practices across companies within the sector is an important consideration. Drawing from these observations, the following suggestions are proposed to

help companies refine their dividend policies and achieve better alignment with both market trends and their financial objectives.

could consider optimizing retention during low-dividend years to stabilize long-term financial performance, as evidenced by the peak enterprise value of ₹105,720.62 crore in 2021.

$$\text{Market capitalization in the Automobile Industry} = -3478.626 + \text{Revenue from operation} * 2.451 + \text{Long Term Liabilities} * -2.242$$

This model indicates that:

- **Revenue from operations** positively impacts market capitalization, with each unit increase contributing to an approximate 2.451-unit rise in market capitalization.
- **Long-term liabilities** negatively influence market capitalization, with each unit increase leading to a 2.242-unit decline in market capitalization.

$$\text{Enterprise Value in the Automobile Industry} = -3478.626432 + \text{Revenue from operation} * 2.4511 + \text{Long Term Liabilities} * -1.2418$$

IRON AND STEEL INDUSTRY

Godawari Power & Ispat Ltd.: The company's CAGR of 10% in revenue and 27% in net profit indicate strong operational performance. With a cash earnings retention ratio averaging 95.39%, reinvestment remains a key strength. However, as market capitalization (₹4,708.59 crores) and enterprise value (16% CAGR) grow, maintaining an average dividend payout ratio that aligns with these metrics can improve investor confidence. Reduced long-term liabilities post-FY 2018 have shown financial discipline—continued efforts to optimize liabilities could further enhance enterprise value.

14. Tata Steel Long Products Ltd: Revenue from operations achieved a CAGR of 24%, peaking at ₹6,801.63 crores in FY 2022, while net profit grew by 22% CAGR, ranging from a ₹-516.28 crore loss in FY 2020 to ₹629.87 crores in FY 2022. With a high cash earnings retention ratio (87.46%), reinvestment is evident. However, high variability in net profit (CV = 237%) and market capitalization (CV = 167%) highlights the need for stabilization efforts. Reducing

liabilities, which peaked in FY 2020, can strengthen financial health further, ensuring continued growth in enterprise value (₹12,155.96 crores, CAGR 49%) and market capitalization (₹10,748.56 crores, CAGR 47%).

$$\text{Market capitalization in the Iron and steel Industry} = 9806.72 \text{ Cr} + \text{Revenue from operation} * -2.415 + \text{Long Term Liabilities} * 1.40 + \text{Net Profit} * 0.585 + \text{Dividend} * 28.05$$

1. **Intercept (₹9806.72 crores):** Represents the baseline market capitalization when all financial metrics are zero.
2. **Revenue from Operations (-2.415):** A negative coefficient indicates that a ₹1 crore increase in revenue is associated with a ₹2.415 crore decrease in market capitalization, suggesting inefficiencies or lower profit margins may offset revenue gains.
3. **Long-Term Liabilities (1.40):** A positive coefficient indicates that a ₹1 crore increase in long-term liabilities contributes to a ₹1.40 crore increase in market capitalization, reflecting strategic investments funded through liabilities.
4. **Net Profit (0.585):** A ₹1 crore increase in net profit results in a ₹0.585 crore increase in market capitalization, signaling a modest positive effect.
5. **Dividend (28.05):** A ₹1 crore increase in dividend payouts leads to a ₹28.05 crore increase in market capitalization, highlighting the importance of dividends in boosting investor confidence.

Pharma Industry

1. Aarti Drugs Ltd: Focus on Market Capitalization Recovery: Despite strong growth in revenue (CAGR of 11%) and net profit (CAGR of 16%), market capitalization declined from ₹6,613.91 crores in 2021 to ₹4,366.88 crores in 2022. Consider strategies to rebuild investor confidence, such as enhancing dividend payout or demonstrating clear growth plans. Dividend Policy Optimization: The dividend payout ratio's variability suggests the need for a more consistent approach. Aligning dividends with earnings stability can attract long-term investors. Operational Efficiency: Address fluctuations in metrics like enterprise value (84% CV) to stabilize valuation.

2. Aurobindo Pharma Ltd. : Revenue dropped from ₹15,622.18 crores in 2021 to ₹11,250.07 crores in 2022. Identify and mitigate challenges such as competitive pressures or operational inefficiencies to restore growth momentum. The decline in net profit to ₹1,454.71 crores in 2022 signals a need to manage costs effectively while pursuing revenue growth opportunities. A strategic dividend payout ratio (averaging 9.66%) should be complemented by steady increases during high-profit years to retain investor trust.

$$\text{Market capitalization in the Pharma Industry} = -49168.914 \text{ Cr} + \text{Long Term Liabilities} * -6.718 + \text{Net Profit} * 15.484 + \text{Dividend} * 47.597$$

Overall, the findings suggest that while **Net Profit** and **Dividend Paid** are crucial in explaining market capitalization, other financial metrics like **Revenue from Operations**, **Dividend Payout Ratio**, and **Cash Earnings Retention Ratio** appear to have a weaker or no significant influence on the market valuation. This insight could guide pharmaceutical companies in refining their financial strategies by focusing on improving profitability and offering competitive dividend payouts to boost their market value.

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