

**ASSOCHAM**  
**FINANCIAL**  
**PULSE**  
**STUDY**

***“Bi-annual trend in corporate dividend activity”***

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## EXECUTIVE SUMMARY

- A 29.09 per cent year-on-year rise in the number of companies announcing final dividend during April-September 2008 with an increase of 8.7 per cent in the average rate of dividend.
- An increase in total number of companies announcing final dividend from 1076 during April-September 07-08 to 1389 during April-September 08-09.
- During April-June 08-09, the final dividend announcements rose 32.6 per cent while the average rate of dividend increased by 11.16 per cent year-on-year.
- In the second quarter, the number of final dividend announcements grew by 21.88 per cent whereas the average rate of final dividend registering a growth of meek 2.12 per cent.
- During April-June 08-09, the interim dividend announcements step up by 50 per cent while the average rate of dividend shot up by 7.73 per cent.
- Q2 FY 08-09 witnessed a decline of 18.92 per cent in the number of announcements from 37 in Q2, FY 07-08 to 30, even as the average rate of announced interim dividend rose by 13.92 per cent.
- The average rate of interim dividend in the manufacturing companies shot up by 8.68 per cent in H1 FY 08-09 while the number of announcements grew from 30 during April-September 07-08 to 36 during the corresponding period in the current fiscal.

## INTRODUCTION

### TIME PERIOD

The ASSOCHAM Financial Pulse (AFP) Study has taken corporate dividend announced by the companies during the first and second quarter of the fiscal 2008-09. The Study includes the companies that have announced their dividend between 1<sup>st</sup> April and 31<sup>st</sup> September 2007-08 and 2008-09.

### DATA SOURCE

The Study is based on the data posted on moneycontrol.com for dividend announcements by the Indian corporate sector.

### POPULATION SIZE

The AFP has taken the total number of announcements for both forms of dividends as shown below:

No. of Dividend Announcements:	2007-08			2008-09		
	Q1	Q2	H1	Q1	Q2	H1
Interim	22	37	59	33	30	63
Final	724	352	1076	960	429	1389

### PARAMETERS

The AFP analysis of the dividend announcement by the corporate sector is based on two broad parameters relating to number of announcements and the average rate of both forms of dividend viz interim and final.

## **METHODOLOGY**

Quarterly and Half-yearly change in growth rate for two parameters of interim and final dividend has been taken to analyze the trend in corporate dividend activity.

Simple average of the rate of dividend announced by the companies during the first and second quarter is taken to arrive at the average rate of interim and final dividend which has been taken for the comparative analysis.

An analysis of the interim dividend announcement by the manufacturing companies during the first half of the fiscal is also based on the two parameters, namely, number of announcements and the average rate of dividend. Simple average of the latter has been taken for the comparative analysis.

## India Inc buoyant with rise in corporate dividends: AFP

If corporate dividend announcement is an indication of the financial health of India Inc, the Indian corporate sector has buck the trend of worsening economic sentiments with a significant rise of 29 per cent in the number of companies announcing final dividend during the first half of the financial year 2008-09 over the corresponding period last year, stated an Assocham Financial Pulse (AFP) study.

The AFP study titled “Bi-annual trend in corporate dividend activity” found, the Indian shareholders received considerably higher average final dividend by 8.7 per cent as the total number of announcements rose from 1076 to 1389, a positive sign to counter sinking confidence in the corporate sector.

### INDIA INC DIVIDEND ANNOUNCEMENT S (April-September 2008-09)

Period		Q1			Q2			H1		
		2007-08	2008-09	% change	2007-08	2008-09	% change	2007-08	2008-09	% change
Interim	No. of announcements	22	33	50	37	30	-18.92	59	63	6.78
	Average rate	38.91	46.64	7.73	57.73	71.65	13.92	50.71	58.55	7.84
Final	No. of announcements	724	960	32.6	352	429	21.88	1076	1389	29.09
	Average rate	39.41	50.57	11.16	21.12	23.24	2.12	33.43	42.13	8.70

Source: Asian CERC and AFP

On Quarterly basis, the first quarter of the fiscal fared better than Q2 as the global financial turmoil started to seep into the Indian economy, taking its toll on the Indian markets. During April-June 08-09, the final dividend announcements rose 32.6 per cent while the average rate of dividend increased by 11.16 per cent year-on-year.

In the second quarter, the number of final dividend announcements grew by 21.88 per cent whereas the average rate of final dividend registering a growth of meek 2.12 per cent.

However, on account of interim dividend, a slowdown in the corporate dividend declaring activity could be seen in the second quarter as evident from a decline of 18.92 per cent in the number of announcements from 37 in Q2, FY 07-08 to 30 in Q2, FY 08-09 even as the average rate of announced interim dividend rising by 13.92 per cent. During April-June 08-09, the interim dividend announcements step up by 50 per cent while the average rate of dividend going up by 7.73 per cent.

An analysis of manufacturing companies also revealed the buoyancy in the interim dividend announcements with an increment of 20 per cent in the number of announcements from 30 during April-September 07-08 to 36 during the corresponding period in the current fiscal.

The average rate of interim dividend in the manufacturing companies shot up by 8.68 per cent in H1 FY 08-09. Among the first two quarters of the current fiscal Q1 fared better than Q2 with an increase of 30.77 per cent in the number of interim dividend announcements on top of 11.76 per cent in the July-September quarter. However in terms of average rate of dividend, Q2 outperformed Q1 with an increase of 11.76 per cent against 7.86 per cent.

### **MANUFACTURING COMPANIES DIVIDEND ANNOUNCEMENT S (April-September 2008-09)**

Period		Q1			Q2			H1		
		2007-08	2008-09	% change	2007-08	2008-09	% change	2007-08	2008-09	% change
Interim	No. of announcements	13	17	30.77	17	19	11.76	30	36	20
	Average rate	28.85	36.71	7.86	60.79	72.55	11.76	46.95	55.63	8.68

Source: Asian CERC and AFP

With Indian corporate sector coping with the economic slowdown, the outlook for the remaining quarters of the fiscal appears grim. Rising volatility in the stock market accompanied by the worsening credit situation in the financial environment and shrinkage in the economic demand could add to the pains of the shareholders with a possible decline in both, the number of announcements and the rate of dividend.