PROJECT REPORT ON
"EFFECT OF DIVIDEND POLICY ON STOCK VALUATION OF SELECTED INDIAN COMPANIES "

Submitted By

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Submitted To

VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfillment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

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Date: 10/09/2024

CERTIFICATE

This is to certify that **Apoorva** bearing **USN 4AL22BA009**, is a bona-fide student of Master of Business Administration course of Alva's Institute of Engineering and Technology, Moodbidri for the batch 2022-2024, affiliated to Visvesvaraya Technological University, Belagavi. The Project report on "**Effect of Dividend Policy on Stock Valuation of Selected Indian Companies**" is prepared by her under the guidance of **Dr. Vishnu Prasanna K N,** Professor of Finance, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belagavi Karnataka.

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DECLARATION

I, **Ms Apoorva (USN: 4AL22BA009)** hereby declare that the project report on **"Effect of Dividend Policy on Stock Valuation of Indian Companies"** is prepared by me under the guidelines of Dr Vishnu Prasanna K N, Professor of Finance, PG Departments of Business Administration, Alva's Institute of Engineering and Technology, Mijar, Moodbidri.

I also declare that this project work is towards the partial fulfilment of the university regulations for degree of MASTER OF BUSINESS ADMINISTRATION by Visvesvaraya Technological University, Belgaum.

I have undergone a project for a period of 6 weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University/Institution

Date: 09/09/2024

Place: Moodbidri

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signature of the student

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With regards,

APOORVA

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Executive Summary

This empirical study explores the intricate relationship between dividend policy and stock valuation, employing regression analysis, descriptive analysis, compounded annual growth rate (CAGR), the Walter Model, and the Gordon Growth Model. The study examines various dividend policies, including stable, constant payout ratio, residual, and no dividend policies, to understand their impact on stock prices.

Descriptive analysis ensures data accuracy, providing a clear summary of key financial metrics. Regression analysis uncovers a positive relationship between consistent dividend payouts and higher stock valuations, indicating that stable dividends enhance investor confidence and perceived financial stability. The study also calculates CAGR to assess the growth rate of dividends and stock prices over time, demonstrating the long-term effects of different dividend policies.

The Walter Model and Gordon Growth Model are utilized to value stocks based on dividend payments. The Walter Model considers the return on investment and the cost of equity, while the Gordon Growth Model calculates the present value of expected future dividends with a constant growth rate. These models highlight the significance of dividends in determining intrinsic stock value.

Findings indicate that companies with stable dividend policies tend to have higher stock valuations, attracting income-focused investors. Firms with high growth potential often reinvest earnings rather than distribute dividends, leading to valuations based on future growth prospects.
Overall, the study confirms that dividend policy is crucial in stock valuation, influencing investor perceptions and market behavior. The results underscore the importance of dividend strategies in analyzing and forecasting stock prices, providing valuable insights for investors, policymakers, and market participants. Detailed methodology and results are available in the full research report.