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Financial Performance And Market Reaction: A Comparative Analysis of a Dividend-Paying and a Dividend–Initiating Company

Ramya K[*]
E. Karthika[**]

Abstract

Abstract

This work intends to compare the performance of a dividend-paying company (Sun Pharma Ltd) and a first-time dividend-paying company (Mankind Pharma Ltd). Further, it evaluates the outcome of Dividend Payout Ratio (DPR) on Return on Equity (ROE) of Sun Pharma Ltd. and finally, the market reaction to the first dividend announcement of Mankind Pharma Ltd. (announced its first dividend on July 31st, 2015). The study employs ratio analysis- ROE, Return on Asset (ROA), Net Profit Margin (NPM), and Earnings Per Share (EPS) ratio—Event study methodology, t-test, and Regression. To study the performance of two companies, the study period was from 2018-2019 to 2024-2025. The finding states there is no considerable difference in ROE, ROA, and NPM of Sun Pharma Ltd. and Mankind Pharma Ltd., but the mean value of Mankind Pharma Ltd is slightly higher than Sun Pharma Ltd. EPS shows a significant difference between the two companies; Mankind Pharma Ltd's EPS is higher than Sun Pharma's, the DPR of Sun Pharma Ltd has no impact on ROE, and finally, the new dividend announcement of Mankind Pharma Ltd doesn't have any effect on market share. Thus, the research concludes that Dividend payout had no major impact on profitability and market share. Therefore, managers in the Indian Pharmaceutical Industry can focus on retaining profits rather than distributing dividends. It will help the concern's further growth and development.

Keyword: *Dividend, Event Study, Market share, Profitability.*

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* Ph.D. Research Scholar, Department of Commerce, Dr. N.G.P Arts and Science College, Coimbatore-641 048, Tamilnadu, India, Email: ramyakalappan@gmail.com

** Associate Professor, Department of Commerce, Dr. N.G.P Arts and Science College, Coimbatore-641 048, Tamilnadu, India, Email: karthikareach@gmail.com

1. Introduction

A dividend is a portion of a company's net profit distributed to shareholders. The decision regarding how much profit to distribute as a dividend is crucial to the business, as it directly relates to the value of the business concern and shareholders' wealth (Paramasivan C, Subramanian T. 2009). Dividend distribution increases share price, thereby attracting more investors, while retaining earnings will increase reserve and future growth (Al-Oshaibat, SD. 2025). An optimal dividend policy is crucial, as both high and low Dividend Payouts can influence a firm's profitability and market value (Bankar B.R. 2012). Companies generally distribute dividends to reward shareholders, attract potential investors, and signal growth prospects (Paviththira R. 2015). On the other hand, some businesses would rather hold onto their profits in order to fund growth and new initiatives. The companies adopt varying dividend policies depending on factors such as financial stability, developmental strategies, and market position (Bhayani SJ, Ajmera B. 2021). Sun Pharmaceutical Industries Ltd (Sun Pharma Ltd) and Mankind Pharmaceutical Industries Ltd (Mankind pharma Ltd) are the top Pharmaceutical company in India. In this study, Sun Pharma Ltd represents a dividend-paying company, consistently distributing dividends over the years, whereas Mankind Pharma Ltd, which announced its first-ever dividend on July 31, 2025, is considered as dividend initiating company. Mankind Pharma Ltd, prior to that dividend announcement, had historically retained its profits. Corporate announcements, including dividend declarations, frequently exert an instantaneous impact on stock prices. Thus, this research intends to examine a comparative performance evaluation of the Sun Pharma Ltd and Mankind Pharma Ltd over a seven-year period (2018–19 to 2024–25) and to assess the market response to Mankind Pharma Ltd's first dividend announcement.

2. Review of Literature

2.1. Theoretical Background

Every time the company generated profit, management had to decide how to use it. It should decide either to distribute or to retain their earnings; if so, what proportion of it should be distributed and what proportion is held by the concern? If the concern is distributed, it attracts shareholders while it retains its focus on growth and development. It is one of the critical decisions of management. There are so many theories regarding dividend policy; here are a few: Irrelevance of Dividend: "Dividend policy has no effect on firm value and share price." Modigliani and Miller's Theory (MM theory) supports this approach. According to the MM theory, "Under a perfect market dividend policy, the company doesn't affect the value of the firm and the market price of the share. It states firm value is only based on earning power and business risk" (Al-Oshaibat, S.D. 2025, Brigham E.F, Ehrhardt M.C. 2008). Bird in the hand theory: It was proposed by Myron Gordon and John Linter, argues against the MM theory. According to the theory, it states that "Dividend policy has an effect on the market value of a share." As per this theory, ROE decreases; consequently, payment of dividends increases because shareholders are not sure that retained earnings will lead to capital gains, so they prefer obtaining dividends now, as it is considered less risky than expecting capital gains in the future. (Al-Oshaibat, S.D. 2025, Brigham E.F, Ehrhardt M.C. 2008). **Tax Preference theory:** Dividend income and long-term capital gains are taxed equally as per the Jobs and Growth Act of 2003, but due to the time value effect, payment of taxes in the future has a lower effective cost than paying it today. Thus, capital gain is never taxed sooner than dividend. Secondly, suppose if a stock is held by shareholders until their death, they can escape from capital gains tax. Thus, this theory states that shareholders prefer capital gain for tax advantages (Al-Oshaibat, S.D. 2025, Brigham E.F, Ehrhardt M.C. 2008). **Signaling theory:** According to this concept, managers actually know more about the company's earnings and future performance than investors. When a firm increases its dividend, it tells investors that it is doing well and raises the price of its shares; when it decreases or reduces its payout, it tells investors that it is weak, which causes the price of its shares to drop. This theory states that in reality, managers of the company only know more information about the earnings and future performance than investors. If the company raises the dividend, it signals to the investors that the company is performing well and increases the share price, while if the company reduces or cuts down the dividend, it signals to the investors the company's weakness, and thus the share price declines (Brigham E.F, Ehrhardt M.C. 2008).

2.2. Empirical Study

Al-Oshaibat, S.D. (2025) in this study, a sample of 37 economic institutions was selected between 2018 and 2021. ROA is the dependent variable, and dividend per share and EPS are the independent variables in this panel data-fixed effect model. According to the study's findings, ROA was negatively and statistically significantly impacted by both cash dividends and dividends per share.

Kumar S et al. (2021) contrasted State Bank and ICICI Bank's 2014–2015 and 2020–2021 financial results. The ratios that are employed are "NPM, gross profit margin, ROE, and ROA". The performance of two banks was compared using t-statistics. The study's analysis reveals a notable disparity between the two banks' performance. In contrast, ICICI Bank had shown strong performance.

Sivaprakash J.S, Nanda N.K. (2023) investigated the automobile firm's liquidity, profitability, solvency, and efficiency using ratio analysis. The study concludes that M and M Motors' profitability ratios are higher than Tata Motors', which indicates that M and M Motors performs better than Tata Motors.

Singh K et al. (2025) examined the profitability of three Indian pharmaceutical businesses from 2018–2019 to 2022–2023: Aurobindo Pharmaceutical, Mankind Pharmaceutical, and Torrent Pharmaceutical. "Gross profit, net profit, return on capital employed, ROA, ROE, and EPS ratios "were among the profitability ratios used. According to the study's findings, Mankind Pharma's overall profitability seems to be higher than that of other businesses.

Sharma S. (2021) Studied dividend policy determinants and elements to be taken into account when making dividend decisions. The Nifty 50's metal and cement companies are chosen as a sample. The data is analyzed using regression analysis. Dependent variable—DP; independent variable—net profit, EPS, cash and cash equivalents, and retained earnings. According to the study's findings, the cement industry's dividend policy is significantly influenced by retained earnings, while the metal industry's dividend policy is significantly influenced by EPS.

Thafani A.R.F, Abdullah M.A.M. (2014) discovered how dividend payments affected the corporate performance (ROE, ROA, and EPS) of manufacturing companies that were listed on the Colombo Stock Exchange in Sri Lanka. Regression analysis was employed by researchers. The study chose a sample of 21 businesses, including both dividend-paying and non-paying businesses. The findings show that DP and ROE and ROA have a positive association; however, EPS has a negative relationship.

Thirumagal PG, Vasantha S. (2016) studied 15-year sample of ten Nifty Pharma businesses from 2001 to 2015. Market price per share was used as the dependent variable to gauge shareholder wealth, and price earnings ratio, dividend per share, total asset, cash, and bank balance by total asset were the independent variables that were examined using multiple regression. The study's conclusion was that while the companies' size and earnings had little bearing on shareholders' wealth, dividend risk and liquidity had a substantial impact.

Suwanna T. (2012) examined the effects of sixty financial companies of Thai's dividend announcements on the Stock Exchange of Thailand (SET) between 2005 and 2010. The 40-day announcement period was taken using the event study methodology. This study found that dividend announcements have a major effect on share prices, with stock prices rising following dividend announcements.

Ali M.B, Chowdhury T.A. (2010) investigated the Bangladesh's listed Private Commercial Banks (PCBs) stock price responses for roughly forty-four days following the dates of dividend announcements. The study used a sample of twenty-five businesses and discovered that the stock prices of eleven banks fell, those of six banks increased, and the stock prices of the remaining eight banks remained unchanged. The t-test also indicated that these changes were statistically insignificant. The study ultimately comes to the conclusion that insider trading and other capital market-influencing factors play a significant role in the lack of information conveyed by dividend announcements.

The literature studies, shows that there is so much research that has been conducted related to comparative analysis of financial performance among various companies and sectors, dividend determinants, market reaction to dividend announcements, dividend policy, and the influence of dividend payments on performance, share price, and shareholder wealth, but comparative research on the return and wealth of dividend-paying and first-time paying companies has received very little attention. The researcher is not able to trace research articles related to comparative studies on the performance and market reaction of dividend-paying and a dividend non- paying companies or recently dividend initiating companies, especially in the pharmaceutical sector in India. To fill this research gap, this research is conducted to study the performance of a dividend-paying company (Sun Pharma Ltd) and a first-time dividend paying company (Mankind Pharma Ltd) and its market reaction to the first dividend announcement of Mankind Pharma Ltd.

3. Objectives

1. To analyze the difference in the performance of Sun Pharma Ltd. and Mankind Pharma Ltd.,
2. To ascertain the outcome of the DPR on the Return on Equity (ROE) of Sun Pharma Ltd.
3. To assess the market reaction to the Dividend Announcement before and subsequent to the announcement period of Mankind Pharma Ltd.

4. Research Questions

“Do dividend-paying and first time dividend paying firms show any differences in profitability?”, “To what extent does the Dividend Payout Ratio (DPR) of Sun Pharma Ltd. have an impact on profitability?” and “Does the market react to the dividend announcement of Mankind Pharma Ltd?”

4.1. Hypothesis

Dividend policy decisions play an important role in financial management (Paramasivan C, Subramanian T. 2009). Decisions regarding the distribution of dividends are directly related to the firm’s concern and shareholders’ wealth. Distributing dividends increases share price, thus attracting more investors. On the other side, retaining earnings generates reserves and future growth (Al-Oshaibat, S.D. 2025). In the case of Sun Pharma Ltd., which pays dividends to shareholders, attracting investors, the resulting reduction in retained earnings leads to a decrease in cash reserves and an increase in external finance (debt). In the case of Mankind Pharma Ltd, it doesn’t pay dividends; it starts to pay dividends only from the year 2025, and it completely focuses more on future growth and development. ROE is an indicator of how productively a concern generates profit from shareholders’ investment (Hanaffy J. 2024). As a measure of profitability, it relates to shareholders, and it is considered important to compare performance between a dividend-paying company (Sun Pharma Ltd) and a first-time dividend-paying company (Mankind Pharma Ltd). Based on these, the hypothesis is formulated as follows:

H0: ROE does not differ significantly between Sun Pharma Ltd and Mankind Pharma Ltd.

H1: ROE differs significantly between Sun Pharma Ltd and Mankind Pharma Ltd.

Return on assets (ROA) measures how effectively a company employs its assets to generate profit. It shows how well resources are utilized by the company (Choiriyah C et al. 2020) thus, it is a key metric to estimate the financial performance of the companies - Sun Pharma Ltd. and Mankind Pharma Ltd. Based on these, the hypothesis is formulated as follows:

H0: ROA does not differ significantly between Sun Pharma Ltd and Mankind Pharma Ltd.

H1: ROA differs significantly between Sun Pharma Ltd and Mankind Pharma Ltd.

Net profit margin (NPM) indicates the relationship between net profit and total income. It shows how much the concern is profitable. It is the final profit of the business after all expenses and taxes. (Choiriyah C et al. 2020) Therefore, it helps to measure the performance of Sun Pharma Ltd. and Mankind

Pharma Ltd. Based on these, the hypothesis is formulated as follows:

H0: NPM does not differ significantly between Sun Pharma Ltd and Mankind Pharma Ltd.

H1: NPM differs significantly between Sun Pharma Ltd and Mankind Pharma Ltd.

Earnings per share (EPS) assesses the volume of profit earned by the concern for every single share held by the share owner (Hanaffy J. 2024). It is one of the metrics to measure shareholders' earnings, and thus it is taken for comparing performance between Sun Pharma Ltd. and Mankind Pharma Ltd. Based on these, the hypothesis is formulated as follows:

H0: EPS does not differ significantly between Sun Pharma Ltd and Mankind Pharma Ltd.

H1: EPS differs significantly between Sun Pharma Ltd and Mankind Pharma Ltd.

Dividend decisions directly impact the profitability of the concern. ROE measures return on shareholders' capital. To verify empirically, these hypotheses are formulated as follows:

H0: DP has no significant impact on ROE of Sun Pharma Ltd.

H1: DP has a significant impact on ROE of Sun Pharma Ltd.

As per signaling theory, if a company increases its dividend, the share price of the company increases. Every corporate event has an impact on market performance; one such important event is the dividend declaration announcement. These hypotheses were formulated to check whether there is an empirical difference existing in Mankind Pharma Ltd.'s first dividend announcement. The hypothesis is:

H0: The dividend announcement of Mankind Pharma has no significant effect on stock return.

H1: The dividend announcement of Mankind Pharma has a significant effect on stock return.

5. Methodology

This study was carried out using secondary data from the company's annual statement, which was obtained from the websites of Sun Pharma Ltd. and Mankind Pharma Ltd., while share price and index price are taken from the National Stock Exchange (NSE) website. To study the financial outcomes of Sun Pharma Ltd. and Mankind Pharma Ltd., seven years of data has been taken, that is, from the financial year 2018-2019 to 2024-2025. For analyzing data various tools such as ratio analysis, t statistics, regression, and event study methodology were used. These tools are performed using MS Excel.

5.1. Ratio Analysis

It is a technique for evaluating a company's financial health, which looks at the connections between different numbers in its financial statements.

Table 1: *Describes Ratios used in the study*

Ratios	Formula
RO E	Net Income/Shareholders equity
ROA	Net Income/Total Asset
NPM	Net Income/Total Revenue
DPR	Dividend per share/ Earnings per share
EPS	Net profit after tax- preference dividend / number of equity shares

Source: Al-Oshaibat, S.D. (2025) and Brigham E.F, Ehrhardt M.C. (2008).

5.2. Regression

Regression analysis examines the connection between independent and dependent variables (Sukmawati F, Garsela I. 2016). This connection is used to predict or control the dependent variable. The regression equation is written as $ROE_t = \beta_0 + \beta_1 DPR_t + \varepsilon_t$,.

where ROE_t = Dependent Variable (ROE) for the year t, β_0 = Constant, β_1 = Independent Variable (DPR) for the year t, and ε_t = error term. (Thafani A.R.F, Abdullah M.A.M. 2014)

5.3. Event Study Methodology

Event studies analyze the market reaction of a company's share price to a particular event or business activity. In this study Mankind Pharma Ltd announced its first dividend on July 31st, 2025, and this event might influence market price. For the purpose of the study, a 60-day window period of dividend announcement is selected; that is, the pre-announcement period is -30 days and the post-announcement period is +30 days. 0 represents the announcement day return (Chandra P. 2012).

6. Results

Table 2

Descriptive Statistics

	Mankind Pharma Ltd				Sun Pharma Ltd				
Variables	ROE	ROA	NPM	EPS	ROE	ROA	NPM	EPS	DP
Mean	21.12	15.61	17.88	33.45	17.92	11.48	16.68	24.75	41.03
Median	20.47	15.88	18.67	32	12.06	7.30	14.09	15.70	33.83
SD	5.67	4 29	3.08	11.72	20.55	11.94	12.88	14.87	18.97
Minimum	13.28	8.16	12.25	14.44	3.57	4.12	3.85	11.10	24.77
Maximum	28.76	20.81	20.77	49.2	63.38	38.23	40.32	45.6	73.52

Source: Computed

Table 2 describes descriptive statistics for Mankind and Sun Pharma Ltd. The variables of ROE, ROA, NPM, and EPS of Mankind Pharma Ltd.'s mean and median values are higher than Sun Pharma, and the Standard Deviation(SD) of Mankind Pharma is lower than Sun Pharma Ltd. The result indicates that Mankind Pharma Ltd performed stably, which is better than Sun Pharma Ltd. As Sun Pharma Ltd pays dividends, the mean is 41.03, the median is 33.83, and the SD is 18.97.

6.1. Return on Equity

Table 3

Describes Ratio of ROE, ROA, NPM, EPS and its t Statistics from 2018-2019 to 2024-2025

	Mankind Pharma Ltd				Sun Pharma Ltd			
years	ROE	ROA	NPM	EPS	ROE	ROA	NPM	EPS
2024-2025	13.28	8.16	20.48	49.2	17.59	9.89	18.61	45.60
2023-2024	18.94	15.97	19.68	45.45	12.06	6.96	14.09	39.90
2022-2023	16.03	13.32	15.35	32	7.11	4.12	3.85	35.30
2021-2022	23.00	15.88	18.67	35.78	63.38	38.23	40.32	13.60
2020-2021	27.38	20.29	20.77	31.59	8.54	5.48	6.38	12.10
2019-2020	28.76	20.81	17.98	25.72	13.16	8.36	25.62	15.70
2018-2019	20.47	14.84	12.25	14.44	3.57	7.31	7.92	11.10
Mean	21.12	15.61	17.88	33.45	17.92	11.48	16.68	24.75
Variance	32.25	18.41	9.49	137.36	422.46	142.63	166.07	221.35
t Statistics								
ROE	t Stat-0.40				t Critical two-tail-2.44			
ROA	t Stat-0.85							
NPM	t Stat-0.25							
EPS	t Stat-2.49							

Source: Computed

Table shows the Ratio analysis of ROE, ROA, NPM, EPS and its t statistics of Mankind and Sun Pharma Ltd.; ROE the computed value of t is 0.40. Which is below the critical t-value of 2.44. Hence, the null hypothesis is accepted at the 5% level of significance. ROE does not differ significantly between Sun Pharma Ltd. and Mankind Pharma Ltd. The mean value of Mankind Pharma Ltd (21.12) is comparatively higher than Sun Pharma Ltd (17.92).

ROA mean value of Sun Pharma Ltd. is 11.48, while that of Mankind Pharma Ltd. is 15.61. Mankind Pharma Ltd.'s mean value is slightly higher than Sun Pharma Ltd.'s; it indicates that Mankind Pharma Ltd. performed better than Sun Pharma Ltd. Mankind Pharma Ltd had effectively utilized assets to generate a better return than Sun Pharma Ltd. The t statistic of 0.85 is less than the critical value of 2.44. Hence, the null hypothesis is accepted at the 5% level of significance; hence, the ROA does not differ significantly between Sun Pharma Ltd. and Mankind Pharma Ltd.

NPM mean value of Sun Pharma Ltd. is 16.68, while that of Mankind Pharma Ltd. is 17.88. Mankind Pharma Ltd.'s mean value is greater than Sun Pharma Ltd.'s; it indicates that Mankind Pharma Ltd. performed better than Sun Pharma Ltd. The t statistic 0.25 is less than the critical value 2.44. Hence, the null hypothesis is accepted at the 5% level of significance; that is, the NPM does not differ significantly between Sun Pharma Ltd. and Mankind Pharma Ltd.

EPS t statistics value 2.499 which is higher than 2.44 thus, Null hypothesis rejected, Alternative hypothesis accepted at 5% level of Significance that is EPS differ significantly between Sun Pharma Ltd and Mankind Pharma Ltd. Mankind Pharma Ltd mean value of EPS (33.45) is comparatively higher than Sun Pharma Ltd (24.75). This shows Mankind Pharma Ltd performed better.

6.2. Regression

Table 4

Describes Regression on Return Equity and DPR of Sun Pharma Ltd

	Coefficients	Standard Error	t Stat	P-value
Intercept	-14.831	14.62	-1.014	0.3570
DPR	0.798	0.3275	2.436	0.0589
Multiple R- 0.736	R Square- 0.542	Adjusted R Square - 0.451	F Value - 5.935	
ANOVA Significance F -0.0589				

Source: Computed

Table 4 explains the regression of the independent variable DPR and the dependent variable ROE. Multiple R 0.736 reveals a stronger relationship between DPR and ROE. R-squared 0.54: variations in the ROE are influenced by the DPR. The coefficient of DPR is 0.79, which implies that a 1-unit increase in DPR leads to a 0.79-unit increase in ROE. However, since the p-value or ANOVA significance F value (0.0589) is greater than 0.05, this relationship is not statistically significant, meaning DPR has no impact on ROE of Sun Pharma.

6.3. Event Study Methodology

Table 5

Describes Event Study Methodology of Mankind Pharma Ltd

Day	Abnormal Return	Cumulative return	Day	Abnormal return	Cumulative return
-30	-1.55	-1.55	1	-0.06	3.95
-29	-1.93	-3.48	2	2.17	6.13
-28	0.44	-3.03	3	-0.49	5.64
-27	0.09	-2.94	4	-2.50	3.13
-26	-0.23	-3.17	5	-0.89	2.24
-25	-0.58	-3.75	6	-2.79	-0.55
-24	1.08	-2.67	7	-1.50	-2.06
-23	-0.66	-3.34	8	-0.37	-2.43
-22	-1.58	-4.93	9	1.20	-1.23
-21	4.16	-0.76	10	0.09	-1.13
-20	-1.09	-1.86	11	-0.32	-1.45
-19	3.09	1.23	12	0.57	-0.88
-18	-1.35	-0.11	13	0.37	-0.51
-17	0.68	0.56	14	3.54	3.03
-16	3.77	4.33	15	0.23	3.27
-15	0.60	4.94	16	-2.12	1.14
-14	1.31	6.25	17	-2.15	-1.01
-13	4.46	10.72	18	-1.13	-2.15
-12	-1.91	8.80	19	-0.22	-2.37
-11	-1.13	7.67	20	1.71	-0.65

-10	0.42	8.10	21	0.75	0.09
-9	0.42	8.52	22	0.37	0.47
-8	-0.47	8.04	23	0.21	0.68
-7	0.78	8.83	24	-0.87	-0.19
-6	-2.93	5.89	25	0.94	0.75
-5	-0.42	5.46	26	0.16	0.91
-4	0.51	5.98	27	0.51	1.42
-3	-2.43	3.55	28	-0.54	0.88
-2	0.26	3.81	29	-0.97	-0.09
-1	0.63	4.44	30	0.09	9.64668E-06
0	-0.42	4.02			

Source: Computed

The above Table 5 reveals the event study methodology of Mankind Pharma Ltd., which announced a dividend on July 31, 2025. According to this table, the abnormal return on the 0th day, which is the announcement day return, was (-0.427), which shows a negative return. On the 1st day (-0.065) shows a negative return. The t-statistic value is 0.000006, which is less than the 5% level of significance; hence, the null hypothesis is accepted at the 5% level of significance. Thus, the dividend announcement of Mankind Pharma has no major effect on stock return.

7. Discussion

The result highlights that there is no variation in the profitability ratio (ROE, ROA, and NPM) of Sun Pharma Ltd. and Mankind Pharma Ltd. The result contradicts the previous study (Kumar S et al., 2021), While Mankind Pharma Ltd.'s profitability ratio is slightly higher than Sun Pharma Ltd.'s. Which supports previous study (Singh K et al., 2025), which reports Mankind Pharma Ltd performed well. EPS show a significant difference between the two companies. Thus the research suggests that dividend payment doesn't influence the profitability of a firm. Further, the researcher analyzed how DPR really influences ROE. The result shows DPR has no considerable impact on ROE of Sun Pharma Ltd., which contradicts the previous study (Thafani A.R.F, Abdullah M.A.M 2014), which reported a significant relationship between DPR and ROE. Similarly, the market reaction to the dividend announcement of mankind shows insignificant results, i.e., there is no abnormal return earned by the concern in both the pre- and post-announcement periods, which is supported by a previous study (Ali MB, Chowdhury TA 2010). Thus, overall results support the irrelevance theory (MM theory); payment of a dividend doesn't influence market price and firm value. It is totally based on the earning power and business risk. These results also contradict the signaling theory, market dividend announcements don't increase share price. The study recommends to the managers that dividend payment does not have a major impact on the performance and market price of shares; therefore, managers of the Indian pharmaceutical industry can focus on retaining profit rather than the distribution of dividends. It will help the concern in further growth and development, which is new product development, research and development, and expansion activities. Secondly, the study suggests to investors that they can prefer growth-oriented stocks over dividend-oriented stocks because growth-oriented stocks yield better capital gains.

8. Contribution to Literature and Industry

This study contributes to the existing literature by evaluating the relationship between dividend-paying and first-time dividend-paying companies in the Pharmaceutical Industry and exploring the impact of dividend payout on companies' performance and market share.

9. Conclusion

This study analyzed the performance of Sun Pharma Ltd. and Mankind Pharma Ltd. Further research examined whether DPR influenced ROE at Sun Pharma Ltd., and, finally, market reactions to the first dividend announcement of Mankind Pharma Ltd. The outcome of the study reveals that there is no notable variation in profitability ratios (ROE, ROA, and NPM) of Sun Pharma and Mankind Pharma Ltd., but the Mankind Pharma Ltd profitability ratio is slightly higher than Sun Pharma Ltd. EPS shows a considerable difference between the two companies. Thus the research suggests that dividend payment doesn't influence the profitability of a firm, as the dividend-paying company (Sun Pharma Ltd) had comparatively lesser performance than Mankind Pharma Ltd. Further, the research paper analyzed how DPR influences ROE; the result shows DPR has no substantial impact on ROE. Finally, the paper examined the stock market response to Mankind Pharma's dividend announcement; the results were insignificant, i.e., there were no abnormal returns for the concern in both the pre- and post-announcement periods. Thus, these results support the irrelevance theory (MM theory): payment of a dividend doesn't influence market price and firm value. It is totally based on the earning power and business risk, and these results also contradict the signalling theory market; dividend announcements don't increase share price. Overall, the study concludes that DPR had no major impact on profitability and market share; thus, corporate managers in the Indian pharmaceutical industry are encouraged to strengthen their firms by retaining earnings for new product development, research and development, and future expansion.

10. Limitations of the Study

Mankind Pharma Ltd. got listed in NSE only from 2023 onwards, so data availability related to share price is not available before 2023, so the study is limited only to comparative analysis of financial performance and not on the performance of the market price of both companies. The study is limited to seven years, and it only focused on two companies. As Mankind Pharma Ltd has announced a dividend on July 31, 2025, the annual report is not available for the year 2025-2026, so the study of performance after the dividend announcement is not made.

11. Future Scope

Further research was carried out on these topics, including comparative financial analysis of Mankind Pharma Ltd. during the pre- and post-dividend periods, and a comparative analysis of shareholders' wealth and shareholders' returns for Sun Pharma Ltd. and Mankind Pharma Ltd. Apart from this, further research can be conducted in other sectors such as steel, FMCG, automobile, etc.

Abbreviation: ROE- Return on Equity, ROA- Return on Assets, NPM-Net Profit Margin, EPS-Earning Per Share, DPR- Dividend Payout Ratio, MM theory -Modigliani and Miller's Theory, Sun Pharma Ltd- Sun Pharmaceutical Industries Ltd, Mankind pharma Ltd- Mankind Pharmaceutical Industries Ltd, SD – Standard Deviation, DF- Degree of Freedom, t Stat-, t Statistics, NSE-National Stock Exchange.

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