

## Impact of Financial Performance Indicators on Share Price of Listed Pharmaceutical Companies in India

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**Abstract :** Background and significance of the study: Generally investors and market forecasters use financial statement for investigation while it awakens contribute to investing. The main vicinity of financial accounting and reporting practices recommends a few basic financial performance indicators, namely, return on capital employed, return on assets and earnings per share, which is associated considerably with share prices. It is principally true in case of Indian pharmaceutical companies also. Share investing is intriguing a financial risk in addition to investors look for those financial evaluations which have noteworthy shock on share price. A crucial intention of financial statement analysis and reporting is to offer information which is helpful predominantly to exterior clients in creating credit as well as investment choices. Sound financial performance attracts the investors automatically and it will increase the share price of the respective companies. Keeping in view of this, this research work investigates the impact of financial performance indicators on share price of pharmaceutical companies in India which is listed in the Bombay Stock Exchange. Methodology: This research work is based on secondary data collected from moneycontrol database on September 28, 2015 of top 101 pharmaceutical companies in India. Since this study selects four financial performance indicators purposively and availability in the database, that is, earnings per share, return on capital employed, return on assets and net profits as independent variables and one dependent variable, share price of 101 pharmaceutical companies. While analysing the data, correlation statistics, multiple regression technique and appropriate test of significance have been used. Major findings: Correlation statistics show that four financial performance indicators of 101 pharmaceutical companies are associated positively and negatively with its share price and it is very much significant that more than 80 companies' financial performances are related positively. Multiple correlation test results indicate that financial performance indicators are highly related with share prices of the selected pharmaceutical companies. Furthermore, multiple regression test results illustrate that when financial performances are good, share prices have been increased steadily in the Bombay stock exchange and all results are statistically significant. It is more important to note that sensitivity indices were changed slightly through financial performance indicators of selected pharmaceutical companies in India. Concluding statements: The share prices of pharmaceutical companies depend on the sound financial performances. It is very clear that share prices are changed with the movement of two important financial performance indicators, that is, earnings per share and return on assets. Since 101 pharmaceutical companies are listed in the Bombay stock exchange and Sensex are changed with this, it is obvious that Government of India has to take important decisions regarding production and exports of pharmaceutical products so that financial performance of all the pharmaceutical companies are improved and its share price are increased positively.

**Keywords :** financial performance indicators, share prices, pharmaceutical companies, India

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