

Impact of Financial Ratios on Stock Returns of the Companies Listed in Nifty Pharma Index

Sarita Yadav*

*Department of Management Studies
Management Education and Research Institute, Delhi, India*

Dalip Raina

*Department of Management Studies
Shri Vishwakarma Skill University, Palwal, Haryana, India*

Abstract: Pharmaceutical industry is one of the fastest emerging sectors in India and currently accounts for 1.72 percent of the country's GDP (IBEF Report, 2024). Growing performance of this industry attracts investors to invest in equity shares of pharmaceutical companies which account two types of gains such as capital gain as well as appreciation in market price. So this becomes important to know the factors which are responsible for variation in equity market price. This study focuses on impact of financial variables on equity share price of pharmaceutical companies listed in Nifty Pharma index. To attain the objective, a secondary data set of 9 financial variables has been taken into consideration over the period of 9 years from financial year 2015-16 to 2023-24. Data have been analyzed by using panel data regression models and to check the appropriateness, F-statistics and Hausman test have been used. Results indicated that random effect model is appropriate one over ordinary least square and fixed effect to see the impact. Results revealed that among all variables price to book value, earning per share, and book value per share have positive significant impact on equity share price, whereas return on net worth, earning yield, and return on asset have shown negative significant impact.

Keywords: Pharmaceutical Industry, Financial Variables, Nifty Pharma Index, Market Price of Equity Shares

* Corresponding author. Email: yadav.sarry@gmail.com