MEASURING FINANCIAL PERFORMANCE USING EVA & MVA IN INDIAN PHARMACEUTICAL INDUSTRY

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ABSTRACT

The equity shareholders are real owners of company form of business organizations. They all invest their money in equity shares of a company with the primary motive of achieving good capital appreciation and regular & stable return (i.e., dividends). The investors’ objectives are purely based on the profitability and financial performance of the company. So, investors before taking their investment decisions, they consider several factors which influence the corporate performance. For measuring the corporate financial performance, there are accounting profitability measures and shareholders’ value based measures. Accounting profitability measures include ROI, ROE, EPS, ROCE and DPS etc., Shareholders valued based measures include EVA and MVA. Maximizing the shareholder value is considered as one of the fundamental goals of all businesses. In United States, top management is expected to maximize shareholder value. To help corporate to generate value for shareholders, value based management systems have been developed. Indeed, value based management, which seeks to integrate finance hypothesis with strategic economic philosophy, is considered as one of the most significant contribution to corporate financial planning in the last two decades or so. This study is an attempt to analyze the trend and growth of Shareholders’ Value in terms of EVA and MVA in Indian Pharmaceutical Industry with sample companies Cipla, Dr.Reddy’s laboratories and Ranbaxy laboratories from 2001-2002 to 2010-2011.

KEYWORDS: EVA, MVA, Shareholders’ Value, Measuring Financial Performance.