

Impact of Foreign Institutional Investment on Share Price and Market Capitalisation of Indian Pharmaceutical Companies

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Abstract: This paper looks at the effect of Foreign Institutional Investment on the performance of stocks of ten pharmaceutical companies in India. Quarterly data from FY 2020-21 to FY 2025-26 was collected for the companies Sun Pharmaceutical, Dr Reddy's, Cipla, Divi's Laboratories, Lupin, Torrent Pharmaceuticals, Zydus Lifescience, Biocon, Aurobindo and Glenmark. Foreign Institutional Investment held as an independent variable, Share price at the end of the quarter and Market Capitalisation were used to measure the performance of stocks. Descriptive statistics and trend analysis were used to study the effects of institution ownership, the increase in shareholder wealth, and the volatility in stock prices. The relationship between Foreign Institutional Investment and market performance indicators was measured using Pearson Correlation. Ordinary Least Squares Regression was used to find out the effect of one percentage point change in Foreign Institutional Investment on Share Price and Market Capitalisation for each company. The findings indicate a positive relationship for Sun Pharma, Dr Reddy's, Cipla, Lupin, Torrent, Zydus, and Aurobindo and significant negative for Divi's. Though Biocon and Glenmark do not show any significant relation, Zydus showed the maximum increase in Market Capitalisation and Sun Pharma showed the maximum average Market Value. In conclusion, foreign institutional participation has shown some relation with shareholder wealth for many firms but the nature of that relation varies from firm to firm within the Indian pharmaceutical market.

Keywords: Foreign Institutional Investment, Share Price, Market Capitalisation, Shareholder Wealth, Pharmaceutical Companies.

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I. INTRODUCTION

Foreign Institutional Investors (FII) and Foreign Portfolio Investors (FPI) hold great significance in the Indian capital-markets for it contributes to the liquidity in the markets, improving the price discovery process and strengthening institutional vigilance. Changes in the ownership pattern of foreign institutional investors may affect the market valuation of the listed company even if there are no changes in their financial performance in the short term.

Such influence should be expected in the Indian pharmaceutical industry due to its strong export orientation, research capabilities, adequate global regulatory exposure, diversified products presence and good long-term demand.

However, the impact of FII/FPI ownership on the market performance of specific companies could vary due to other factors influencing share prices like expected earnings, product approvals, regulatory actions, exchange rate fluctuations, acquisitions, litigation activities and prevailing market sentiment.

The research evaluates the quarterly relationship between FII/FPI holding size, Share Price, and Market Capitalization of 10 selected pharmaceutical companies in India. The methodology has included 24 quarterly observations for each of the selected companies from FY 2020-21 to FY 2025-26, which entails 240 firm quarter observations. The study is carried out on a company basis to determine any positive, negative, and statistically insignificant market-performance effects, which may go unnoticed in the overall pharmaceutical industry analysis.

II. REVIEW OF LITERATURE

Bhaumik, Driffield and Pal (2010), in their paper entitled *Does Ownership Structure of Emerging-Market Firms Affect Their Outward FDI? The Case of the Indian Automotive and Pharmaceutical Sectors*, Bhaumik, Driffield and Pal explored the link between ownership structure, particularly how family ownership, ownership concentration, and foreign equity influence the internationalisation process of Indian firms. They conducted an empirical analysis at the firm level to investigate how family ownership, concentration of ownership, and foreign ownership affect FDI outflows. The study showed that family-controlled companies are less likely to undertake FDI, while participation of foreigners in the ownership of firms would act as an incentive for internationalization. The findings indicate that foreign ownership can play a crucial role in shaping the development of Indian pharmaceutical firms.

Purkayastha, Manolova and Edelman (2020), in the work *Innovation and Internationalization in the Indian Pharmaceutical Sector: The Moderating Role of Ownership Structures*, Purkayastha, Manolova, and Edelman explored the connections between research intensity, ownership structure and international expansion. The authors researched 88 Indian pharmaceutical firms that were active in research and presented 616 observations for firm-year, as well as employed random effects method (two-stage least squares regression). The results of the research indicated that there is a positive relation between the research intensity of companies and their degree of internationalization, also family ownership has strengthened the link between the research costs and international expansion. Yet the foreign institutional ownership did not show any significance in moderation, which means it is not sufficient to discuss the effect of institutional investments on strategic decisions of pharmaceutical companies.

Behera and Rath (2021), in their research *The COVID-19 Pandemic and Indian Pharmaceutical Companies: An Event Study Analysis*, analyzed the reaction of the Indian pharmaceutical industry to the pandemic in terms of its stock-market performance. The authors employed event-study technique and calculated abnormal return and cumulative abnormal return by using different event-study models. It was found in their research that the pharmaceutical sector realized positive average returns during the pandemic period, but there are various differences in terms of magnitude and direction of these returns among the pharmaceutical companies. The findings of the research paper suggest that the external events and changes in investor's expectations impact the prices of stocks of the pharmaceutical companies.

In their research Lobo and Bhat (2024) titled *"Unveiling Investor Behavior: An Investigation into India's Pharmaceutical Sector during COVID-19"*, Lobo and Bhat examine the reasons behind the investor's decisions regarding the investments in pharmaceutical markets. The authors carried out this research on the basis of data

obtained from 305 retail investors and analyzed it with the help of the Theory of Planned Behavior and Partial Least Squares Structural Equation Modeling. It has become clear from this study that one's investment decisions might often depend on the investors' attitudes, social norms, perceived behavioral control, and careful observation of market fundamentals.

Lourdesraj, Babu, Gayathri(2021), Indhumathi and Sathya examined the volatility of some stocks from the pharmaceutical sector during the pandemic in the study *Efficiency of Nifty Pharma Index during COVID-19 Pandemic in India*. They used the daily closing prices of ten selected stocks from December 2019 to November 2020 and conducted a number of analyses, including descriptive statistics, the Augmented Dickey-Fuller test and GARCH (1,1) model analysis. It was found that there was significant volatility in the selected pharmaceutical stocks, with Divi's laboratories having the highest volatility across all systems. The study concludes that the events taking place in the sector do not uniformly affect all companies' stocks in it.

Santhosh Varghese, Anjana and Francis(2025), in their research paper *"Fundamental Research and Analysis of Indian Pharmaceutical Sector,"* analyzed the financial position and investment appeal of selected pharma companies. They analyzed their financial performance using secondary data sources and conducted Altman Z-score analysis, PESTEL analysis and Porter's Five Forces analysis on Dr. Reddy's Laboratories, Cipla, and Sun Pharma. The findings of the study showed that Dr. Reddy's Laboratories has the strongest financial condition, whereas Cipla and Sun Pharma have stable finances and were found in the Altman Z-score grey zone. The authors pointed out that innovation, operational efficiency and regular financial evaluation are very important for the maintenance of investor trust and market value of the pharmaceutical sector.

Parab and Reddy(2020), in their research *A Cause and Effect Relationship between FIIs, DIIs and Stock Market Returns in India: Pre- and Post-Demonetization Analysis*, looked at institutional investment in various economic sectors including Nifty Pharma Index. The authors used multiple analytical tools like correlation, regression, unit-root analysis and diagnostic tests to analyze institutional buying and selling activities before and after demonetization. The results showed that the impact of institutional trading variables on Nifty Pharma returns is negative in the short run for both periods while demonetization did not have significant influence on total institutional capital flows thereby making it moot point as far as institutional investment and their impact on pharmaceutical sector returns is concerned.

➤ Research Gap

Previous studies have focused on several factors such as, volatility of pharmaceutical stocks, actions of investors, globalization, strength of finances of companies and returns in the market. Very little prior work which has looked into the relation at an individual company level of Foreign Institutional Investment/ Foreign Portfolio Investment and

quarterly share price and market capitalization of the pharmaceutical companies of India. Sector-oriented research might cover substantial discrepancies in the behavior of institutional investors across the companies studied.

This research tries to fill the gap by studying 10 companies operating in the pharmaceutical sector over a period of 24 quarters. Descriptive statistics, trend analysis, Pearson correlation and OLS regression for each company were used to assess whether institutional ownership has any positive, negative or insignificant impacts on financial performance and wealth of shareholders.

➤ Objectives of the Article

- To analyse the trends in foreign institutional investment and market performance: this paper considers fluctuations over quarters in the level of FII/FPI holdings, share price and market capitalisation of the selected pharmaceutical firms between FY 2020-21 and FY 2025-26.
- To investigate the relationship between foreign institutional investment and share price: the study establishes whether an increase in foreign institutional ownership leads to a significant rise in market price of the pharmaceutical firms' shares.
- To investigate the effects of foreign institutional investment on market capitalisation: the article employs regression analysis to find how changes in the level of FII/FPI holdings influence changes in market capitalisation of selected companies.
- To assess the role of foreign institutional investment in creating wealth for shareholders: the study estimates share price growth and market capitalisation growth across the companies and finds the companies that achieved higher value for shareholders and had better institutional growth.

III. RESEARCH METHODOLOGY

➤ Research Design

The research makes use of quantitative, descriptive, and analytical research design for research. It applies descriptive analysis to analyze the central tendencies, dispersions, and pattern of FII/FPI holdings and the performance indicators of the market. Inferential statistics is used in research to determine the nature, power, and significance of relationships among the variables.

➤ Nature and Sources of Data

The research relies solely on secondary data gathered from quarterly disclosures of shareholder holdings, disclosed reports of financial statements as well as quarter-end market statistics from the source document. The analysis period covers FY 2020-21 till FY 2025-26.

➤ Sample of the Study

The following ten listed Indian pharmaceutical companies were purposively selected:

- Sun Pharmaceutical Industries Ltd.
- Dr Reddy's Laboratories Ltd.
- Cipla Ltd.
- Divi's Laboratories Ltd.
- Lupin Ltd.
- Torrent Pharmaceuticals Ltd.
- Zydus Lifesciences Ltd.
- Biocon Ltd.
- Aurobindo Pharma Ltd.
- Glenmark Pharmaceuticals Ltd.

Each company contains 24 quarterly observations, providing 240 firm-quarter observations for the analysis.

➤ Variables of the Study

Table 1 Variables of the Study

Type of Variable	Variable	Measurement
Independent variable	FII/FPI holdings	Percentage of equity shares held by Foreign Institutional Investors or Foreign Portfolio Investors at the end of each quarter
Dependent variable	Share Price	Closing market price per equity share at the end of each quarter, measured in ₹
Dependent variable	Market Capitalisation	Total market value of outstanding equity shares at the end of each quarter, measured in ₹ crore

➤ Data Validation

The information was analyzed for unpaid observations, nil values, interquartile-range outliers and extraordinary corporate events. All chosen enterprises had valid quarterly observations of 24 records of FII/FPI investments along with the Share Price and Market Capitalisation, thus achieving 100% success in terms of completeness. All valid observations from corporate events and market fluctuation were kept as they portrayed the actual market conditions and were not the result of the lack of accuracy in the data inputting process.

➤ Statistical Tools

- Mean, median, standard deviation and coefficient of variation;
- Quarter-on-quarter growth, overall percentage change and CAGR;
- Pearson's correlation coefficient;
- Ordinary Least Squares regression;
- Coefficient of determination and adjusted coefficient of determination;
- t-test and F-test;
- Durbin-Watson test;
- Shapiro-Wilk normality test;
- Breusch-Pagan heteroscedasticity test; and
- Variance Inflation Factor.

Statistical significance was evaluated at the 5 per cent level. The null hypothesis was rejected when the calculated p-value was below 0.05. The source document applies the statistical tools separately to every company to recognise the heterogeneous nature of market responses to institutional ownership.

IV. MATHEMATICAL AND STATISTICAL MODELS

➤ Model for Objective 1: Descriptive and Trend Analysis

The arithmetic mean of the variable is calculated as:

$$\bar{X} = \frac{\sum_{t=1}^n X_t}{n}$$

Where $\bar{X}$ is the mean value of FII holdings, Share Price or Market Capitalisation, X_t is the value of the variable in quarter t and n is the number of quarterly observations.

The standard deviation is calculated as:

$$SD = \sqrt{\frac{\sum_{t=1}^n (X_t - \bar{X})^2}{n - 1}}$$

The coefficient of variation is:

$$CV = \frac{SD}{\bar{X}} \times 100$$

Quarter-on-quarter growth is calculated as:

$$QoQ_t = \frac{X_t - X_{t-1}}{X_{t-1}} \times 100$$

The overall percentage change is:

$$Overall\ Change = \frac{X_n - X_1}{X_1} \times 100$$

The Compound Annual Growth Rate is:

$$CAGR = \left[\left(\frac{X_n}{X_1} \right)^{\frac{1}{Y}} - 1 \right] \times 100$$

Where Y denotes the number of years between the first and final observations.

➤ Model for Objective 2: Pearson's Correlation

The association between FII/FPI holdings and Share Price is measured as:

$$r_{FP} = \frac{\sum_{t=1}^n (FII_t - \overline{FII})(P_t - \bar{P})}{\sqrt{\sum_{t=1}^n (FII_t - \overline{FII})^2 \sum_{t=1}^n (P_t - \bar{P})^2}}$$

Where FII_t denotes the FII/FPI holding percentage in quarter t , P_t denotes Share Price in quarter t and r_{FP} is Pearson's correlation coefficient. The coefficient ranges from -1 to $+1$. A positive coefficient represents a direct association, whereas a negative coefficient represents an inverse association.

The hypotheses are:

$$\begin{aligned} H_0: r_{FP} &= 0 \\ H_1: r_{FP} &\neq 0 \end{aligned}$$

➤ Model for Objective 3: OLS Regression

Share Price Model:

$$PRICE_{it} = \alpha_{0i} + \alpha_{1i}FII_{it} + \varepsilon_{it}$$

Market Capitalisation Model:

$$MCAP_{it} = \beta_{0i} + \beta_{1i}FII_{it} + \mu_{it}$$

Where i represents the selected pharmaceutical company, t represents the quarter, $PRICE_{it}$ is the quarter-end Share Price, $MCAP_{it}$ is the quarter-end Market Capitalisation and FII_{it} is the FII/FPI holding percentage. The slope coefficients measure the changes in Share Price and Market Capitalisation associated with a one-percentage-point change in FII holdings, while the final terms represent the respective error components.

The estimated slope coefficient is:

$$\beta_1 = \frac{\sum_{t=1}^n (X_t - \bar{X})(Y_t - \bar{Y})}{\sum_{t=1}^n (X_t - \bar{X})^2}$$

The intercept is:

$$\beta_0 = \bar{Y} - \beta_1 \bar{X}$$

The coefficient of determination is:

$$R^2 = 1 - \frac{\sum_{t=1}^n (Y_t - \hat{Y}_t)^2}{\sum_{t=1}^n (Y_t - \bar{Y})^2}$$

The significance of the coefficient is examined through:

$$t = \frac{\beta_1}{SE(\beta_1)}$$

The regression hypotheses are:

$$\begin{aligned} H_0: \beta_1 &= 0 \\ H_1: \beta_1 &\neq 0 \end{aligned}$$

➤ Model for Objective 4: Shareholder-Wealth Evaluation

Shareholder-wealth growth is measured through the percentage change in Market Capitalisation:

$$SWG_i = \frac{MCAP_{i,n} - MCAP_{i,1}}{MCAP_{i,1}} \times 100$$

Foreign Institutional Investment is classified as contributing positively to shareholder wealth when:

The change in institutional ownership is calculated as:

$$\Delta FII_i > 0, \quad SWG_i > 0, \quad \beta_{1i} > 0, \quad p < 0.05$$

$$\Delta FII_i = FII_{i,n} - FII_{i,1}$$

Table 2 Statistical Condition & Classification

Statistical Condition	Classification
$\beta_1 > 0$ and $p < 0.05$	Significant positive effect
$\beta_1 < 0$ and $p < 0.05$	Significant negative effect
$p \geq 0.05$	Statistically insignificant effect

V. STATISTICAL ANALYSIS AND INTERPRETATION

➤ Descriptive and Trend Analysis

Table 3 Descriptive Statistics and Market-Capitalisation Growth

Company	Mean FII/FPI (%)	Mean Share Price (₹)	Mean Market Capitalisation (₹ Cr)	Overall Market-Cap Change (%)	Market-Cap CAGR (%)
Sun Pharmaceutical	16.90	1,142.28	274,064.42	294.52	25.70
Dr Reddy's Laboratories	35.20	5,879.70	98,204.86	101.04	12.34
Cipla	29.61	1,208.71	97,361.42	164.84	17.62
Divi's Laboratories	20.96	4,375.15	116,132.29	242.63	22.78
Lupin	30.94	1,385.14	62,891.20	155.30	16.91
Torrent Pharmaceuticals	12.55	2,847.71	48,130.78	44.16	6.29
Zydus Lifesciences	5.14	675.46	68,932.42	368.95	29.38
Biocon	11.12	345.91	41,355.88	-2.99	-0.50
Aurobindo Pharma	27.48	931.21	54,597.37	58.57	7.99
Glenmark Pharmaceuticals	22.58	903.06	25,463.57	344.57	28.23

• Interpretation:

It has been observed that Dr Reddy's Laboratories achieved the highest level of average holding by foreign institutional investors and foreign portfolio investors, i.e. 35.20%, followed by Lupin and then Cipla. On the other end of the spectrum, Zydus Lifesciences was noted to have the lowest level of institutional holding of 5.14%. The average share price was highest for Dr Reddy's Laboratories, while average market capitalisation was highest for Sun

Pharmaceuticals. Market capitalisation went up for 9 out of the 10 companies in the study. Zydus Lifesciences recorded the most significant growth in market capitalisation at 368.95%, followed by Glenmark Pharmaceuticals and Sun Pharmaceuticals, while Biocon was observed to experience a decline in market capitalisation of 2.99%.

➤ Pearson's Correlation Analysis

Table 4 Correlation of FII/FPI Holdings with Share Price and Market Capitalisation

Company	FII-Share Price r	p-value	FII-Market Cap r	p-value
Sun Pharmaceutical	0.9419	<0.001	0.9419	<0.001
Dr Reddy's Laboratories	0.9198	<0.001	0.9198	<0.001
Cipla	0.9513	<0.001	0.9513	<0.001
Divi's Laboratories	-0.4363	0.0331	-0.4362	0.0331
Lupin	0.8443	<0.001	0.8443	<0.001
Torrent Pharmaceuticals	0.8437	<0.001	0.8437	<0.001
Zydus Lifesciences	0.8248	<0.001	0.8248	<0.001
Biocon	0.2598	0.2202	0.2595	0.2208
Aurobindo Pharma	0.6470	0.0006	0.6471	0.0006
Glenmark Pharmaceuticals	-0.3372	0.1071	-0.3372	0.1071

• Interpretation:

As per Cipla's report, the relationship between FII/FPI holdings and share prices is the strongest. Furthermore, there is a positive correlation for Sun Pharmaceutical and Dr Reddy's Laboratories as compared to the others. Makers of Lupin, Torrent Pharmaceuticals and Zydus Lifesciences

registered positive correlation in their findings. On the contrary, Divi's Laboratories showcased negative correlation, which shows that institutional ownership is hubbed with lesser market valuation at the time of research. Makers of Biocon and Glenmark Pharmaceuticals did not report any correlation in their finding.

➤ *OLS Regression: Share Price*

Table 3 Effect of FII/FPI Holdings on Share Price

Company	FII Beta (₹)	R ²	p-value	Statistical Result
Sun Pharmaceutical	119.94	0.8871	<0.001	Significant positive
Dr Reddy's Laboratories	337.58	0.8461	<0.001	Significant positive
Cipla	78.0201	0.9050	<0.001	Significant positive
Divi's Laboratories	-240.62	0.1903	0.0331	Significant negative
Lupin	117.34	0.7128	<0.001	Significant positive
Torrent Pharmaceuticals	186.81	0.7118	<0.001	Significant positive
Zydus Lifesciences	146.87	0.6802	<0.001	Significant positive
Biocon	2.8126	0.0675	0.2202	Insignificant
Aurobindo Pharma	43.7069	0.4186	0.0006	Significant positive
Glenmark Pharmaceuticals	-72.3330	0.1137	0.1071	Insignificant

• *Interpretation:*

A rise of one percent in the FFI's-FPIs shareholdings correlated with an increment of ₹337.58 in the quarterly Share Price of Dr. Reddy's Laboratories, ₹186.81 in Torrent Pharmaceuticals and ₹146.87 in Zydus Lifesciences. Among these companies, Cipla manifested the highest explanatory power of the relationship, as FII shares had an explanatory power of 90.50 percent for its Share Price. Sun

Pharmaceutical and Dr. Reddy's Laboratories reported good explanation power of 88.71 percent and 84.61 percent respectively. Divi's Laboratories had a negative coefficient, while the Share Price models for Biocon and Glenmark Pharmaceuticals were statistically insignificant.

➤ *OLS Regression: Market Capitalisation*

Table 4 Effect of FII/FPI Holdings on Market Capitalisation

Company	FII Beta (₹ Cr)	R ²	p-value	Statistical Result
Sun Pharmaceutical	28,775.58	0.8871	<0.001	Significant positive
Dr Reddy's Laboratories	5,638.45	0.8461	<0.001	Significant positive
Cipla	6,282.86	0.9050	<0.001	Significant positive
Divi's Laboratories	-6,387.03	0.1903	0.0331	Significant negative
Lupin	5,327.77	0.7128	<0.001	Significant positive
Torrent Pharmaceuticals	3,157.39	0.7118	<0.001	Significant positive
Zydus Lifesciences	14,988.41	0.6803	<0.001	Significant positive
Biocon	335.66	0.0673	0.2208	Insignificant
Aurobindo Pharma	2,563.08	0.4187	0.0006	Significant positive
Glenmark Pharmaceuticals	-2,040.19	0.1137	0.1071	Insignificant

• *Interpretation:*

Sun Pharmaceutical had the highest positive co-efficient of Market Capitalisation indicating an increase of 1% in the holding by FII/FPI has resulted in an increase of market valuation to ₹28,775.58 crore. Zydus Lifesciences stood second with a positive co-efficient of ₹14,988.41 crore. The model for Cipla had the highest explanatory

power with 90.50% of the variation in Market Capitalisation being explained by FII's activities. Divi's Laboratories showed negative and statistically significant effect whereas estimated effects for Biocon and Glenmark Pharmaceuticals were insignificant.

➤ *Comparative Evaluation*

Table 5 Company-Wise Classification of Market-Performance Effects

Company	Share Price Effect	Market-Capitalisation Effect	Overall Classification
Sun Pharmaceutical	Positive	Positive	Broad positive effect
Dr Reddy's Laboratories	Positive	Positive	Broad positive effect
Cipla	Positive	Positive	Broad positive effect
Divi's Laboratories	Negative	Negative	Broad negative effect
Lupin	Positive	Positive	Broad positive effect
Torrent Pharmaceuticals	Positive	Positive	Broad positive effect
Zydus Lifesciences	Positive	Positive	Broad positive effect
Biocon	Insignificant	Insignificant	No significant market effect
Aurobindo Pharma	Positive	Positive	Broad positive effect
Glenmark Pharmaceuticals	Insignificant	Insignificant	No significant market effect

The findings indicate strong positive market effects in seven out of the ten chosen firms. Divi's Laboratories is the only firm that experiences significant negative responses on Share Price and Market Capitalisation strategies. Biocon and Glenmark Pharmaceuticals are neither able to experience any statistically significant market responses.

➤ *Regression Diagnostics and Limitations*

The regression diagnostic tests indicated that there was a variance inflation factor of 1.00 for every regression equation since each regression had only one explanatory variable. Many Durbin-Watson statistics suggested positive autocorrelation in the quarterly residuals. Shapiro-Wilk test and Breusch-Pagan test also pointed to some anomalies in terms of non-normality and heteroscedasticity in some company equations.

Therefore, one should interpret the results of regressions as statistical relationships rather than causation. Share price and market capitalization may also result from product approvals, research results, regulation-related events, fluctuations in exchange rates, mergers, court proceedings, interest rates, market trends, and the general economic situation.

VI. FINDINGS OF THE STUDY

- **Variation in Institutional-Ownership:** The Average holdings of the Foreign Institutional Investors (FIIs)/ Foreign Portfolio Investors (FPIs) from among the companies surveyed was found to be significantly different ranging from 5.14% for Zydus Lifesciences to 35.20% for Dr. Reddy's Laboratories.
- **Maximum Average Share Price:** The average Share Price of Doctor Reddy's Laboratories was the highest at ₹5,879.70 while Biocon had the lowest average Share price of ₹345.91.
- **Highest Average Market Capitalisation:** The average market capitalisation of Sun Pharmaceutical was the highest at ₹2,74,064.42 Crore and, the lowest average Market Capitalisation was noted for Glenmark Pharmaceuticals at ₹25,463.57 Crore.
- **Growth in Market Value:** A rise in market capitalisation was seen in nine out of the selected ten companies while Biocon experienced a small fall of 2.99%.
- **Highest Growth in Shareholder wealth:** The greatest rise in market capitalisation was for Zydus Lifesciences at 368.95%, followed by Glenmark at 344.57% and Sun Pharmaceutical at 294.52%.
- **Maximum Positive Correlation:** The strongest correlation between FII and Share price values was for Cipla at 0.9513.
- **Positive Effects on The Market:** Significant positive effects of FIIs/FPI on Share price and Market Capitalisation values was observed in case of Sun Pharmaceutical, Dr. Reddy's Laboratories, Cipla, Lupin, Torrent Pharmaceutical, Zydus Lifesciences and Aurobindo Pharma.
- **Negative Market Effects:** A significant negative relationship between the FII and both market variables was observed for Divi's Laboratories.

- **Insignificant Effects:** The companies Biocon and Glenmark Pharmaceuticals did not show statistically significant relationships of FII holdings with both Share Price and Market Capitalisation.
- **Maximum Explanatory Power:** The Regression Models for Cipla had maximum R square of 0.9050, which technique indicates that FIIs/FPI holdings could explain 90.50% variation for their market indicators.
- **Highest Market Capitalisation Coefficient:** The Largest and positive coefficient of Market Capitalisation for Sun Pharmaceutical is ₹28,775.58 crore for a one percentage rise in FII/FPI.
- **Company-Specific Relationship:** The analysis proves that the FII effect varied considerably across the company indicating no common relation from FII's perspective across the pharmaceutical sector.

VII. CONCLUSION

The research shows that FII significantly correlates with share price and market capitalisation in seven out of ten selected Indian pharmaceutical firms. The companies had a significant and favourable impact of FII on their stock performance. Sun Pharma, Dr Reddy, Cipla, Lupin, Torrent Pharma, Zydus Lifesciences and Aurobindo Pharma had favourable market performance due to the changes in the FII/FPI holding. Divi's Laboratories displayed an inverse relation, where the higher foreign institutional ownership would lead to the lower share price and market capitalisation. Meanwhile, Biocon and Glenmark Pharmaceuticals had no considerable market change associated with the changes in the ownership structure of their shares. Zydus Lifesciences had the highest growth in market capitalisation. Sun Pharmaceutical had the largest average market value during the analysis, while, in turn, Cipla demonstrated the maximum explained variance in the regression analysis. Therefore, FII/FPI holdings should be considered as a company-specific indicator of the market performance and shareholder wealth.

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