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**ABSTRACT OF**  
**“IMPACT OF PROFITABILITY ON SHARE PRICES”**  
**(A STUDY OF NTPC AND TATA POWER)**

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## ABSTRACT

The main objective of the study was to analyze the impact of Profitability on share prices by adopting NTPC and TATA Power in India as case examples.

Literatures find that, firm size, growth, lagged profitability, capital structure, debt, liquidity, and lagged debt are responsible for impacting the profitability of a company. Profitability of a firm is a Prerequisite to gain success and survive in the long term. Share price indicates reputation of the companies listed in stock exchanges. Increasing or high share price shows better strength and development of the company.

Followings are the Objectives of the Study:

1. To know the impact of profitability on share prices.
2. To analyze and evaluate the decision making criteria of investors before selecting any security for investment purposes.
3. To evaluate the profitability of the two companies NTPC and TATA Power.
4. To make suggestions for better decision making for earnings.

The research design used the descriptive research design as a technique to explain in detail the characteristics of the subject of profitability and the share prices in the stock market. The study used independent variables with a specific focus on the profitability ratios such as liquidity ratio, turnover based ratio, profitability ratio&market based ratio.

The sample used in this study was chosen with the following criteria.

A company that is consistently listed on the Indian stock market for the past 10 years; Shares must have been active for past 10 years and Financial reports are available for 10 years.

Thus a purposive sampling plan was followed to choose NTPC and TATA Power as the case companies.

NTPC Limited is the largest power generating company in India in terms of installed capacity and generated output.. NTPC was ranked as “6th Best Company to work for in India” among the public sector undertakings and large enterprises for the year 2014.

TATA power is one of the major contributors to the power sector in India. The Tata Hydro-Electric Power Supply Company Limited was established in 1910. The Andhra Valley Power Supply Company Limited was established in 1916 and was incorporated into the then Tata power company in 1919 in Mumbai.

After calculating and analyzing financial ratios it has been finalized that NTPC has better financial position and strength in the market than TATA Power. Though, TATA Power is more efficient in earning more profit from its capital investment and attracting more investors and shareholders towards it than NTPC, but in fails in paying off its short and long-term debts as effectively and efficiently as NTPC does. After reviewing the impact of all financial ratios on the market share price of an organization, it can be determined that NTPC is more efficient and productive than TATA Power.

Trend analysis of share prices for the period 2015 - 2017 revealed that for NTPC, increased profit affected its average share prices in a positive manner.

Hypothesis testing revealed that profit had a significant effect on share prices for NTPC but not for TATA Power. The study titled, “Impact of Profitability on Share Prices (A Case study of NTPC and Tata Power)” is concluded on the basis of primary and Secondary research findings .It was found that profitability of the companies impacts their share prices.