

STOCK ANALYSIS BASED ON P/E RATIO - AN EMPIRICAL ANALYSIS WITH RESPECT TO BSE SENSEX

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ABSTRACT

The P/E ratio incorporates certain fundamentals of a company like future growth and risk. A P/E ratio indicates how much price an investor is willing to pay for 1 rupee of its earnings. P/E of 18.50 indicates that investors are valuing the stock at 18.50 times of its earnings. P/E Ratio can be used as an important measure to evaluate the stock's performance.

INTRODUCTION TO THE STUDY

A P/E ratio also termed as Price to Earnings Ratio tells how much premium an investor is willing to pay for the stock chosen for his /her investment decisions. A P/E ratio helps to assess how expensive or cheap a stock is. It is one of the most frequently used multiples in valuing stocks. It is calculated by dividing the current stock price divided by its Earnings Per Share (EPS).¹

Radim.Gottwald (2012)² had conducted a study on, "The Use of the P/E Ratio to Stock Valuation". The various methods to estimate the intrinsic value of a stock are presented by the author.

Raj S. Dhankar³, in his publication "Risk-Return Relationship and Portfolio Management, " had measured the performance of a group of portfolios, comprising of stocks from BSE 100, based on their P/E ratios. The results suggested that the stock market failed to reflect instantaneous responses about earnings information. Radosław Kurach, Ph.D. and Tomasz Słoński, Ph.D (2015) had conducted a study on, "The PE Ratio and The Predicted earnings growth – The case of Poland. They had examined the components of equity returns on the Polish capital market. To analyse the underlying complexity of returns the researchers had taken into consideration the model designed by

¹ <https://www.miraecassetmf.co.in/knowledge-center/what-is-pe-ratio>

² Radim Gottwald(2012) ,"The Use of the P/E Ratio to Stock Valuation", European grant projects/results/R& D, GRANT journal , Vol. 27 No. 3 pp. 21 - 24

³ <https://g.co/kgs/cVcLcM>

Leibowitz (1999).⁴ This model had captured three factors: dividend yield, expected growth in earnings and expected change in price-to-earnings (PE) ratio. The general formulae to calculate P/E ratio is;

$$\text{P/E Ratio} = \frac{\text{Current Stock Price}}{\text{Earning per share}} \quad 5$$

P/E RATIO AS AN ANALYTICAL TOOL

The present study has deployed the P/E ratio as an analytical tool for assessing the price of a stock in relation to its industry's average P/E ratio or its peer group of companies in the same sector. If a company has more P/E than its industry median then it has been understood that investors are expecting big things or future growth prospects from the company compared to its peer companies in the same sector. On a contrary, if a company has a low P/E ratio it has been understood that the investors have a pessimistic attitude towards the company.

A company with a high P/E ratio should meet the investors' expectations by increasing its earnings otherwise the share price would drop. An investor should be very cautious in investing in a stock with a very high P/E ratio because they are paying a high premium for the stocks. Different industries will have different P/E ratio. The study has also analyzed in the light of the P/E ratio if high P/E stocks justify higher returns when compared to a stock with a low P/E multiple.

Jan Chutka, Katarina Kramarova (2020)⁶ had conducted a study on, "Usage of P/E earning models as a tool for valuation of shares in condition of global market". The authors had focused on a detailed description of the calculation of P/E ratios and their use in calculating the value of shares. In the second part of the work they had focused on the application of the calculation of the selected P / E model to Apple inc. in the course of 2018 and compared the data obtained with another instrument to identify the intrinsic value of the action.

REVIEW OF LITERATURE

Sravani Bharandev and Sapar Narayan Rao (2020)⁷ had documented a study on, "Disposition effect at the market level: evidence from Indian stock market". The authors had claimed that this empirical study was conducted on 500 index stocks of NSE500 (National Stock Exchange). The winning and losing days for each stock were calculated using 52-week high and low prices as reference points. To test the disposition effect, abnormal trading volumes of stocks were regressed on their percentage of winning (losing) days. Further by using ANOVA, the difference between

⁴ Radosław Kurach, Ph.D. and Tomasz Słowski, Ph.D (2015), "The Pe Ratio and The Predicted earnings growth – The case of Poland, Folia Oeconomica Stetinensia , Vol. 15 No.1 pp.127 - 138

⁵ <https://www.shelikesmoney.com/wp-content/uploads/2019/09/pe-ratio.jpg>

⁶ <https://doi.org/10.1051/shsconf/20207401007>

⁷ Sravani Bharandev and Sapar Narayan Rao (2020), "Disposition effect at the market level: evidence from Indian stock market", Review of Behavioral Finance, Vol. 12 No. 2 pp. 69-82.

mean of percentage of winning (losing) days of high abnormal trading volume deciles and low abnormal trading volume deciles had been tested. Results had proved that a stock's abnormal trading volume had been positively influenced by the percentage of winning days whereas percentage of losing days had shown no such effect. Findings were consistent even after controlling for volatility and liquidity. ANOVA results had shown the presence of high percentage of winning days in higher deciles of abnormal trading volumes and no such pattern had been observed in case of losing days that had confirmed the presence of disposition effect. Further an ex post analysis done by the researchers had indicated that the disposition prone investors had accumulated losses.

Nischay Arora and Balwinder Singh (2020)⁸ had performed a study on “The long-run performance of SME IPOs in India: Empirical evidence from Indian stock market”. The researchers had used the **ordinary** least square regression to investigate the determinants of long-run performance of SME IPOs. The findings had revealed that Indian SME IPOs exhibit long-run over performance contradicting the International evidences of underperformance, and further the researchers had proved that this over performance is significantly evident using Buy and Hold Abnormal Return (BHAR). Furthermore, based on the divergence of opinion hypothesis, fads theory and windows of opportunity hypothesis, the results had revealed that on one hand, issue size and over subscription negatively affect BHAR, while on the other hand, auditor reputation, underwriter reputation, hot market, under pricing, inverse of issue price, profits prior to listing positively affect long-run performance. However, the researchers had proved that the firm age, firm size, debt equity ratio, volatility and long-run performance computed through BHAR lacks significant relationship

Haritha and Rashmi Uchil (2020)⁹ had made an remarkable attempt in their study on “Impact of investor sentiment on decision-making in Indian stock market: an empirical analysis”. This study was conducted using a questionnaire to collect data from 875 individual investors by applying the convenience sampling method. Structural equation modeling was used to evaluate the relationship between factors, like, market effect, herd behavior, media, and social interaction. The study had found that market effect and herding are the most significantly influencing factors of investor's sentiment. Also the study had revealed that among the various sources of awareness, internet had the lowest influence when compared to media, social interaction and advocate recommendation.

⁸ Nischay Arora and Balwinder Singh (2020), “The long-run performance of SME IPOs in India: empirical evidence from Indian stock market”, © Emerald Publishing Limited, ISSN 1558-7894 , Journal of Asia Business Studies.

⁹ Haritha P.H. and Rashmi Uchil (2020), “Impact of investor sentiment on decision-making in Indian stock market: an empirical analysis”, Journal of Advances in Management Research, Vol. 17 No. 1 pp. 66-83.

Ripsy Bondia, Pratap Chandra Biswal and Abinash Panda (2019)¹⁰ had conducted a study on “The unspoken facets of buying by individual investors in Indian stock market”. The researchers had claimed that given the exploratory nature of their study, they had taken a step away from typically used variance approach and instead had used a process approach. The authors had made an in-depth one-on-one interview, where each respondent had shared his/her lived experiences as an investor retrospectively. To understand buying decision, each respondent was asked to elaborate three significant buying transactions carried out by him/ her in the stock market. Socio-cultural factors were found to have significant influence in inducing respondents to enter market. The study had revealed that “Safe” vs “Risky” mental account emerges as the prominent stock categorization done by Indian investors. Three building blocks, namely, Identification, Rationalization and Further Validation had emerged as the building blocks that culminate into buying decision of individual investors.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The research design adopted for this study is Analytical. In analytical research, the researcher makes use of facts or information related to the research being conducted. The careful assessment of the facts and information results in generating meaningful and useful conclusions.

SAMPLING DESIGN

The sampling design is a framework that serves as a basis for the selection of the sample. The sampling design is a sampling frame that represents the population of interest, from which samples have to be drawn. In the present study, all the companies from different sectors listed in BSE-SENSEX constitute the population of the study.

SAMPLING TECHNIQUE

The sampling technique used in this study is the Disproportionate Stratified Random Sampling Technique.

DATA COLLECTION METHOD

The data used for the present study is secondary.

SOURCE OF DATA

The secondary data source has been used for the study purpose. The daily closing price of the sample set of company stocks is taken from the official websites of BSE.

DURATION OF THE STUDY

¹⁰ Ripsy Bondia, Pratap Chandra Biswal and Abinash Panda (2019),” The unspoken facets of buying by individual investors in Indian stock market”, Review of Behavioral Finance, Vol. 11 No. 3, 2019, pp. 324-351.

For all the analysis in this report, the data has been collected for a period of nine years ranging from January 1, 2014, to December 31, 2022.

SAMPLE SIZE

A total of 71 companies from 5 different sectors belonging to BSE SENSEX has been taken for the study.

TOOLS APPLIED FOR THE STUDY

Mean return of stocks given by Sharpe's single index model has been used for the analysis. The formula applied for calculating the Mean return of stocks is as follows:

$$R_i = \alpha_i + \beta * R_m + e_i$$

Where,

R_i = expected return on security i

α_i = Intercept of the straight line

R_m = The rate of return on market index

e_i = error term

The Total risk for the individual stock has been used for this analysis. The formula applied for calculating the Total risk is as follows:

$$\text{Total risk} = (\beta^2 * \sigma_m^2) + e_i^2$$

ANALYSIS AND INTERPRETATION OF THE STUDY

The researcher has analyzed if a stock with a high P/E multiple has generated a high return. The individual stocks are compared with the Industry median P/E and also compared with their peer stocks operating in the same industry.

OBJECTIVE OF THE STUDY

To examine the performance of the individual stocks corresponding to their P/E ratios and to find out if the stocks with a high P/E multiple have generated high returns.

AUTOMOTIVE AND LUBRICANTS SECTOR

Table 1: Analysis of the Stocks based on P/E Ratio in Automotive and Lubricants Sector

S. No.	Name of the Company	Returns (%)	Total Risk	P/E Ratio
1	Ceat Limited	0.01017	0.00048	12.85
2	TATA Motor Corp Class A	-0.11907	0.00063	13.16
3	TATA Motors Limited	-0.08031	0.00065	13.16

4	Goodyear India Ltd	0.03457	0.0003	16.49
5	Hero Motocorp Ltd	-0.01948	0.00025	19.8
6	Bal Krishna Industries	0.0386	0.00083	20.11
7	Bajaj Auto Ltd	0.02116	0.00022	20.14
8	MRF Ltd	0.04523	0.00027	21.05
9	Apollo Tyres Limited	-0.02518	0.00047	21.34
10	Exide Industries Ltd	-0.00054	0.00031	21.68
11	Mahindra & Mahindra Ltd	-0.06847	0.0007	23.75
12	Minda Industries Ltd	-0.03917	0.00388	25.51
13	Escorts Limited	0.12818	0.00069	26.88
14	Ashok Leyland Limited	0.03644	0.00053	27.84
15	Castrol India Limited	-0.1094	0.0007	29.03
16	Maruti Suzuki India Limited	0.06412	0.00025	30.49
17	Motherson Sumi Systems Limited	-0.09198	0.00093	32.24
18	Bosch Ltd	-0.01903	0.00029	38.47
19	Eicher Motors ltd	0.03165	0.0004	42.36
20	Wabco India Ltd	0.02938	0.0003	51.94

Interpretation

- As we move from the low P/E ratio stocks to the high P/E stocks, the rise in return is not continuous. On the contrary, the returns has shown a declining tendency as the P/E ratio move from low to high. It can be understood that the investors expect a risk premium for an increased level of total risk.
- In the Tyre sector the industry median P/E ratio hovers around 11.43, for a period of seven years. So in this sector, the stocks of Balkrishna Industries Limited, CEAT Limited, Apollo tyres Limited and MRF Limited are trading at a high P/E ratio. The high P/E ratio has given an average return, except the stock of MRF Ltd, in the Tyre sector.

- These overpriced stocks could be an indicator of the investors belief in the reliable future growth prospects of the company and also indicates the high demand for the stocks.
- Majority of the automobile sector stocks are trading at a high P/E ratio ,above its industry median P/E of 23.28
- Among the stocks generating high and positive returns, the stock of Escorts Limited is an under-valued stock and hence cheaper than other stocks.
- The high P/E multiple of Maruti Suzuki India has generated a high return.
- The stock of Ashok Leyland Limited and Eicher Motors Ltd have given the same returns with Ashok Leyland Limited having a lesser P/E multiple of 27.84 when compared to Eicher motors limited with a P/E of 42.36. So the stock of Ashok Leyland Limited is a good choice in terms of investment.
- Among the stocks that have emerged as the good performers - Bal krishna Industries , Wabco India Ltd, CEAT Limited and Bajaj Auto Ltd, the stock of Wabco India Ltd is the most expensive and over-valued stock. All these stocks have given an average return for a high P/E multiple.

PHARMACEUTICALS SECTOR

Table 2: Analysis of Stocks based on P/E Ratio in Pharmaceuticals Sector

S. No.	Name of the Company	Returns (%)	Total Risk	P/E Ratio
1	Dr.Reddy's Laboratories Ltd	-0.01152	0.00031	24.77
2	Torrent Pharmaceuticals Ltd	0.03581	0.00032	28.41
3	Divis Laboratories	0.0044	0.00084	31.04
4	Cipla Ltd	-0.02209	0.00025	33.54
5	Lupin Limited	-0.0506	0.00033	34.16
6	Abbott India Limited	0.09733	0.00023	37.92
7	Sun Pharmaceuticals Industries Limited	-0.05799	0.00042	39.31

Interpretation

- All the stocks are trading at a higher price when compared to the Industry median of 21.74, which means that all the stocks in the sample set are over-priced. The High P/E multiple shows the optimistic attitude of the market participants, towards the industry as a whole and also shows the high demand for the stocks.
- As the P/E ratio moves from the lowest value to the highest value, the average return from the stocks shows an fluctuating and declining tendency.

- Among the good performing stocks -Abbott India Ltd and Torrent Pharmaceuticals Ltd, the stock of Abbott India Ltd is the most expensive one but has generated a highest return than its peer stocks. Torrent Pharmaceuticals Ltd is an over-priced stock and not preferable since the stock has yielded a return at par with the market for a high price.
- The stock of Divi's Laboratories has a high P/E multiple of 31.04 for a positive and lesser return when compared to the Index return. Hence the stock of Divi's Laboratories is less attractive in this segment.
- The high P/E multiple of Sun Pharmaceuticals Industries Limited, Cipla Limited, Lupin Limited and Dr.Reddy's Laboratories Ltd shows that the market participants believe that the companies will perform better than its peer stocks and will be going forward.

BANKING / FINANCE SECTOR

Table 3: Analysis of Stocks based on P/E Ratio in Banking / Finance Sector

S. No.	Name of the Company	Returns (%)	Total Risk	P/E Ratio
1	Power Finance Corporation Limited	-0.07712	0.00099	4.82
2	Union Bank of India	-0.12036	0.00085	6.98
3	IDBI Bank LTD	-0.0572	0.00082	8.49
4	Indian Overseas Bank	-0.14061	0.00044	8.97
5	Bajaj Holdings And Investment Ltd	0.07166	0.00025	9.78
6	Muthoot Finance Ltd	0.10287	0.00054	12.14
7	L&T Finance Holdings Ltd	0.04422	0.00049	15.19
8	Axis Bank Ltd	0.033	0.00035	16.03
9	ICICI Bank Ltd	0.03436	0.00038	16.76
10	Federal Bank Limited	-0.04348	0.00086	17.34
11	Shriram Transport Finance Company Ltd.	0.00496	0.00056	18.21
12	Bank of Baroda Ltd	-0.19168	0.00284	19.78
13	Housing Development Finance Corp Ltd	0.06202	0.00023	20.54
14	State Bank of India	0.00495	0.00045	23.88
15	Sundaram Finance Limited	0.01922	0.00026	25.61

16	HDFC Bank Ltd	0.02355	0.00041	27.53
17	HDFC MF GOLD ETF/ETF	0.02668	0.00049	27.53
18	Indusind Bank Ltd	0.05049	0.0003	29.79
19	Kotak Mahindra Bank Limited	0.02354	0.0006	36.98
20	Bajaj Finserv Ltd	0.01582	0.00469	46.79

Interpretation

- Majority of the stocks are trading at a high P/E multiple which is more than the Industry median of 9.38 which indicate that majority of them are over-priced. Also the rise in return is not continuous as the P/E ratio increases.
- In this sector, a high Price to earning ratio does not justify a high return.
- The stock of Muthoot Finance Ltd is the best option to buy since for a lesser P/E multiple the stock has generated a very high return.
- The stock of Indusind Bank Ltd and State Bank of India has got higher P/E multiples, 29.79 and 23.88 respectively. The stock of Indusind Bank Ltd is a best option to buy than the stock of State Bank of India since the stock has outperformed the other stock for a lesser P/E multiple.
- Bajaj Holdings and Investment Ltd and Housing Development Finance Corp Ltd stocks have generated higher returns with both stocks having similar P/E ratios making both the stocks preferable in this sector.
- The less P/E multiple of HDFC bank Ltd stock, make the stock a preferable one when compared to the stock of Kotak Mahindra Bank Limited.
- The high P/E multiple of Bajaj Finserv Ltd , Shriram Transport Finance Company Ltd. and Sundaram Finance Limited tells us that market participants expect the companies to perform better than its peers and will move forward.

SUGAR SECTOR

Table 4: Analysis of Stocks based on P/E ratio in Sugar Sector

S. No.	Name of the company	Returns (%)	Total Risk	P/E Ratio
1	Shree Renuka Sugars Limited	-0.04918	0.00094	0.48
2	Balrampur Chini Mills Ltd	0.09066	0.00083	7.2
3	E I D-Parry (India) Ltd	0.00087	0.00052	20.82
4	Bannari Amman Sugars Limited	-0.00031	0.00076	21.12

Interpretation

- The P/E multiple of the stocks of Bannariamman Sugars (21.12) and E I D-Parry (India) Ltd (20.82) are much higher than the Industry median P/E which hovers around 11.74, with an implication that the stocks of these companies are over-priced.
- In this sector the stock of Balrampur Chini Mills Ltd has got a lower P/E ratio when compared to E I D-Parry (India) Ltd which indicates that the stock is undervalued.
- Also the average return of Balrampur Chini Mills Ltd stock is much better than the high P/E stocks and had outperformed the high P/E stocks.
- Hence the stock of Balrampur Chini Mills Ltd is the best investment option in this sector.

CEMENT AND CONSTRUCTION SECTOR

Table 5: Analysis of Stocks based on P/E ratio in Cement and Construction Sector

S. No.	Name of the Company	Returns (%)	Total Risk	P/E Ratio
1	Rain Industries Ltd	0.06535	0.00112	9.37
2	Ramco Industries Ltd	0.07772	0.00084	9.67
3	KNR Constructions Ltd	-0.02347	0.00247	17.3
4	Mahindra Lifespace Developers Ltd	-0.01303	0.00039	18.59
5	Birla Corporation Limited	0.02269	0.00035	19.44
6	Orient Refractories Ltd	0.074	0.0005	20.55
7	Ramco Cements Ltd	0.06346	0.00048	24.55
8	ACC LTD	0.00235	0.00031	26.84
9	J K Cement Ltd	0.04882	0.00025	30.35
10	Orient Cement Ltd	-0.062	0.00033	30.53
11	Heidelberg cement India Ltd	0.06023	0.00059	32.89
12	Ambuja Cements Ltd	-0.01209	0.0005	35.03
13	NCC Ltd	-0.03142	0.00029	36.25
14	UltraTech Cement Ltd	0.03388	0.00093	36.85
15	India Cements Ltd	-0.01476	0.00027	40.81

16	JMC Projects (India) Limited	-0.05102	0.00084	41.07
17	Asoka Buildcon Ltd	-0.02648	0.00279	42.12
18	Shree Cement Limited	0.06296	0.00073	51.27
19	Prism Johnson Ltd	-0.01994	0.00033	69.79
20	Indian Hume Pipe Company Ltd	-0.04169	0.00072	77.78

Interpretation

- The cement industry P/E average hovers around 19.43. Hence it is understood that majority of the cement company stocks in the sample set are overpriced or over-valued stocks.
- Majority of the cement sector stocks have generated high returns for a high P/E multiple.
- The stocks of Ramco Industries Ltd , Orient Refractories Ltd and Rain Industries Ltd have generated very high returns for a low P/E multiple of 9.6, 20.5 and 9.37 respectively. Since these stocks have outperformed the market, the stocks are the best to invest in this sector.
- The stocks of Ramco Cements Ltd, Shree Cement Limited&Heidelberg cement India Ltd have generated equivalent returns of 0.063%, 0.062% and 0.060% respectively. Among these stocks, market participants are paying a high price to the stock of Shree Cement Limited, expecting the company to perform better than other companies in this sector. Hence, the stock of Shree Cement Limited is an over-valued stock. Ramco Cements Ltd and Heidelberg cement India Ltd have justified a high return for a high P/E multiple.
- The high P/E multiple of JK Cement (30.35) and UltraTech Cement Ltd (36.85) indicates some degree of optimism towards the stocks.
- ACC LTD and Birla Corporation Limited have not generated high returns for a high P/E ratio making these stocks less attractive in this sector.
- The stocks that have generated negative returns for the study period like Ambuja Cements Ltd, India Cements Ltd, NCC Ltd, Mahindra Lifespace Developers Ltd, Prism Johnson Ltd, KNR Constructions Ltd, Ashoka Buildcon Ltd, Indian Hume Pipe Company Ltd, JMC Projects (India) Limited and Orient Cement Ltd are all overpriced and trading at a high P/E multiple. This tells us that investors are optimistic towards the growth prospects of the companies and believe that the stocks will perform better than their peer stocks in this sector.

SUMMARY OF FINDINGS

THE FINDINGS OF THE OBJECTIVE ARE TABULATED IN THE SUBSEQUENT TABLES

	Automotive and Lubricants	Pharmaceuticals	Banking and Finance	Sugar	Cement and Construction
Stocks with a high p/e multiple and have generated high return	<ul style="list-style-type: none"> •MRF Ltd •Escorts Ltd •Maruti Suzuki India Ltd 	<ul style="list-style-type: none"> •Abbott India Ltd 	<ul style="list-style-type: none"> •Housing Development Finance Corp Ltd •Indusind Bank Ltd 	-Nil-	<ul style="list-style-type: none"> •Ramco Cements Ltd •Heidelberg cement India Ltd
Stocks with a high p/e multiple and have generated low return	<ul style="list-style-type: none"> •Balkrishna Industries Ltd •Ceat Ltd •Goodyear India Ltd •Ashok Leyland Ltd •Eicher Motors Ltd •Wabco India Ltd 	<ul style="list-style-type: none"> •Torrent Pharmaceuticals Ltd •Divi's Laboratories 	<ul style="list-style-type: none"> •State Bank of India •Axis Bank Ltd •ICICI Bank Ltd •HDFC bank Ltd •Kotak Mahindra Bank Ltd •HDFC MF GOLD ETF/ETF Bajaj •Finserv Ltd •Shriram Transport Finance •Company Ltd. •Sundaram Finance Ltd 	<ul style="list-style-type: none"> •E I D-Parry (India) Ltd 	<ul style="list-style-type: none"> •Shree Cement Ltd •JK Cement Ltd •UltraTech Cement Ltd •ACC Ltd •Birla Corporation Ltd

<p>Stocks with a low p/e multiple and have generated high return</p>	<p>-Nil-</p>	<p>-Nil-</p>	<ul style="list-style-type: none"> •Muthoot Finance Ltd •L&T Finance Holdings Ltd •Bajaj Holdings and Investment Ltd 	<ul style="list-style-type: none"> •Balrampur Chini Mills Ltd 	<ul style="list-style-type: none"> •Ramco Industries Ltd •Orient Refractories Ltd •Rain Industries Ltd
<p>Stocks with a low p/e multiple and have generated low return</p>	<ul style="list-style-type: none"> • Bajaj Auto Ltd 	<p>-Nil-</p>	<ul style="list-style-type: none"> •-Nil- 	<p>-Nil-</p>	<p>-Nil-</p>

Stocks with a high p/e multiple and have generated negative return	<ul style="list-style-type: none"> • Tata Motor Class A • Tata Motors Ltd • Hero Motocorp Ltd • Apollo Tyres Ltd • Exide Industries Ltd • Mahindra & Mahindra Ltd • Minda Industries Ltd • Motherson Sumi Systems Ltd • Bosch Ltd • Castrol India Ltd 	<ul style="list-style-type: none"> • Sun Pharmaceutical's Industries Ltd • Cipla Ltd • Lupin Ltd • Dr.Reddy's Laboratories 	<ul style="list-style-type: none"> • Bank of Baroda Ltd • Federal Bank Ltd 	<ul style="list-style-type: none"> • Bannari Amman Sugars Ltd 	<ul style="list-style-type: none"> • Ambuja Cements Ltd • NCC Ltd • India Cements Ltd • JMC Projects (India) Ltd • Asoka Buildcon Ltd • Prism Johnson Ltd • Indian Hume Pipe Company Ltd
Stocks with a low p/e multiple and have generated negative return	<p style="text-align: center;">-Nil-</p>	<p style="text-align: center;">-Nil-</p>	<ul style="list-style-type: none"> • IDBI Bank Ltd • Power Finance Corporation Ltd • Union Bank of India • Indian Overseas Bank 	<ul style="list-style-type: none"> • Shree Renuka Sugars Ltd 	<ul style="list-style-type: none"> • KNR Constructions Ltd • Mahindra Lifespace Developers Ltd • Orient Cement Ltd

CONCLUSION

The above study has proved that the stocks with High P/E ratio need not generate High return. Also the study has gained importance in segregating the stocks with High P/E that has generated Lower return when compare with their peer stocks.

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