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EFFECT OF CHANGES IN VALUATION RATIOS ON SHARE PRICE FOR EPC COMPANIES IN OIL AND GAS / POWER SEGMENT (ENERGY SEGMENT)

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ABSTRACT

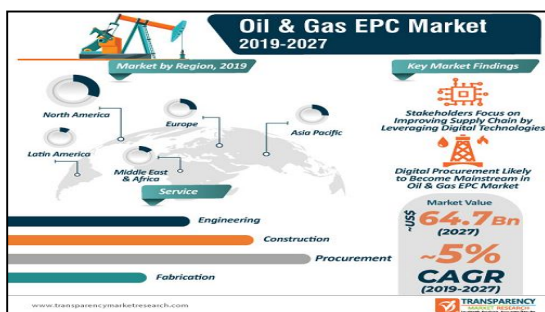
Petroleum industry in India is playing an important role in our national economy. There is huge demand for oil & gas in India & it has expected to increase in due course of time as our economy is growing. To meet this increasing demand EPC companies in Oil & Gas & Power sector need to perform well. For that, it needs a sound financial position, an optimum capital structure, excellent operating efficiencies & good profitability for further strengthening the energy segment. Therefore in this study an attempt has been made to study the financial performance of oil & gas & power companies in terms of current market price & its correlation with valuation ratios.

KEY WORDS: Indian shoppers , levelheaded , purchasing conduct.

INTRODUCTION OF THE STUDY:

Financial performance of any company or industry can be measured with help of various techniques such as ratio analysis, common size statement analysis, comparative statement analysis, fund flow analysis, cash flow analysis, etc. Thus financial performance can be measured by studying the relationship of various financial factors in business. Different parameters to measure financial performance of the company includes liquidity analysis, capital structure analysis, working capital management, dividend policy practices, profitability analysis, etc.

This study covers effect of changes in valuation ratios on share price in selected companies of Oil & Gas / Power Segment. The study has made for five years i.e. from FY2012-13 to FY2016- 17 in six selected companies. The data has been collected form secondary sources. In order to measure the company performance, ratio analysis technique has been used.



SIGNIFICANCE OF THE STUDY:

Petroleum industry in India is playing a vital role in our national economy. There is huge demand for oil & gas in India & it has expected to increase in due course of time as our economy is growing. To meet this increasing demand EPC companies in Oil & Gas & Power sector need to perform well. For that, it needs a sound financial position with good valuation ratios, which in turn result in

growth of share price. Therefore in this study an attempt has been made to study the financial performance of oil & gas & power companies in respect of valuation ratios, share price.

OBJECTIVE OF THE STUDY:

- 1) To examine size & valuation ratios of the selected companies in Energy Sector (Oil & Gas / Power).
- 2) To analyze financial statements of the selected companies.
- 3) To review Current Market prices of the companies under study.

METHODOLOGY:

This is an Analytical Research which covers analysis of financial statements of companies under studies to identify effect of changes in valuations ratios on share price. This is purely based on secondary data. This study is covering five years data i.e. from FY2012-13 to FY2016-17 in six selected companies engaged in EPC activities in Energy business. The data has been collected from the secondary sources i.e. annual reports of the company, company website, public website, etc. Financial performance of these companies has been studied & analyzed in terms of share price based on changes in Valuation Ratios. Valuation ratios have been computed for all the sample companies & comparison was made. Following are the selected companies engaged in EPC activities in Energy business:

- 1) Tecnicas Reunidas
- 2) Heurtey Petrochem
- 3) Thermax
- 4) Larsen & Toubro
- 5) Technip
- 6) Petrofac

Following Parameter were considered for the study

- Current Market Price of company's each share
- Total outstanding shares of the company
- Market Capitalization
- Enterprise Value
- EPS
- DPS

Data Analysis and Interpretation

Notes:

- All amounts are in Rupees Crores, except per share data and unless stated otherwise
- *1 Euro = 80 INR
- \$For statements of 2017 & 2016 1 US Dollar = 69 INR & for rest of the statements 1 Euro = 80 INR.
- #1 USD = 69 INR

Current Market Price of Share:

Weighted average share price of the Company shares is taken from annual reports & data available on internet based on previous close price dated 31st March of respective study year.

Table 1: Current Market Price (CMP) of selected companies

Year	2017	2016	2015	2014	2013
Tecnicas Reunidas	2116.8	3117.6	2788	2903.2	3159.2
Heurtey Petrochem	1880	1992	1752	2097.6	2681.6
Thermax	979.95	758	1068.65	748.2	563.6
L&T	1574.9	1216.7	1719.65	1271.9	1309
Technip	2160.39	2451.57	2001.69	3231.96	3602.49
Petrofac	540.27	761.07	885.96	1324.11	1501.44

Total Outstanding Shares of the company:

Total outstanding shares of the company are captured from annual reports of the company which is required along with share price to calculate market capital for the company.

Table 2: Total Outstanding Share of selected companies

Year	2017	2016	2015	2014	2013
Tecnicas Reunidas	55896000	55896000	55896000	55896000	55896000
Heurtey Petrochem	4920000	4914725	4914725	4896402	3539568
Thermax	119156300	119156300	119156300	119156300	119156300
L&T	932965803	931478845	929562061	926912658	615385981
Technip	462405801	119400000	114886813	125270614	124777476
Petrofac	7705178	6910431	7945449	6674318	7264200

Market Capitalization:

Market capitalization (market cap) is the market value of a publicly traded company's outstanding shares. Market capitalization is equal to the share price multiplied by the number of shares outstanding. As outstanding stock is bought and sold in public markets, capitalization could be used as an indicator of public opinion of a company's net worth and is a determining factor in some forms of stock valuation.

Market Capitalization = Current Market Price of Share x Total Outstanding Shares

Table 3: Market Capitalization of selected companies

Year	2017	2016	2015	2014	2013
Tecnicas Reunidas	11832.07	17426.14	15583.8	16227.73	17658.66
Heurtey Petrochem	924.96	979.01	861.06	1027.07	949.17
Thermax	11676.72	9032.05	12733.64	8915.27	6715.65
L&T	146932.78	113333.03	159852.14	117894.02	80554.02
Technip	99897.69	29271.75	22996.78	40486.96	44950.96
Petrofac	416.29	525.93	703.93	883.75	1090.68

Enterprise Value (EV):

The Enterprise Value, or EV for short, is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization. Enterprise value is calculated as the market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

Enterprise Value = Market Cap + debt + minority interest + preferred shares - cash and investments

Table 4: Enterprise Value of selected companies

Year	2017	2016	2015	2014	2013
Tecnicas Reunidas	10348.03	13841.06	11828.76	11420.11	13172.48
Heurtay Petrochem	828.33	980.21	706.91	850.49	862.03
Thermax	11588.41	8905.25	13015.64	9342.79	6925.75
L&T	230600.42	215506.82	244667.31	193950.36	138976.2
Technip	82277.85	3628.59	7490.38	31484.56	38013.36
Petrofac	3575.39	3499.53	4222.93	4856.85	5428.28

Earnings per Share (EPS) vs Current Market Price (CMP):

Earnings per share are the productivity of equity share capital. It measures the profit available per equity share. Higher the EPS of a business indicates more amount of profit per equity share & vice versa. Earnings per share are computed as follows:

Shareholders Earnings Per Share (EPS) = Profit available to equity / Total no. of common shares outstanding

EPS is expressed in terms of rupee. Increasing EPS over the years shows the growth in earnings of the company.

Table 5: Earnings Per Share (EPS) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	EPS	CMP	EPS	CMP	EPS	CMP	EPS	CMP	EPS	CMP
Tecnicas Reunidas	65.6	2116.8	208	3117.6	88.8	2788	201.6	2903.2	190.4	3159.2
Hurtay Petrochem	-	1880	-	1992	134.4	1752	169.6	2097.6	133.6	2681.6
Thermax	19.8	979.95	23.11	758	17.6	1068.7	20.64	748.2	26.87	563.6
L&T	64.8	1574.9	54.69	1216.7	51.33	1719.7	53.04	1271.9	83.63	1309
Technip	9.66	2160.4	180.1	2451.6	31.2	2001.7	292	3232	374.4	3602.5
Petrofac	- 5.87	540.27	0.2	761.07	- 70.829	885.96	24.212	1324.1	131.687	1501.4

Average Earnings **Per Share (EPS)** of selected companies is recorded at Rs. 91.94. There is significant difference in average EPS & EPS of individual company. It is found that EPS of Tecnicas Reunidas & L&T good performance across the study years.

Dividend per Share (DPS) vs Current Market Price (CMP):

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. This is calculated by dividing the total dividends paid out by a company, including interim dividends, over a period of time by the number of outstanding ordinary shares issued. It is expressed in terms of rupee. DPS is computed as follows:

Dividend Per Share = Amount of total dividend / Number of common shares outstanding

Increasing DPS signifies actual return received by the common shareholders is mounting over the years.

Table 6: Dividend Per Share (DPS) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	DPS	CMP	DPS	CMP	DPS	CMP	DPS	CMP	DPS	CMP
Tecnicas Reunidas	107.3	2116.8	107.4	3117.6	107.342	2788	107.34	2903.2	107.342	3159.2
Hurtey Petrochem	0	1880	0	1992	43.998	1752	31.811	2097.6	43.96	2681.6
Thermax	6	979.95	6	758	7	1068.7	6	748.2	7	563.6
L&T	14	1574.9	12.17	1216.7	10.83	1719.7	9.5	1271.9	8.22	1309
Technip	9.043	2160.4	64.44	2451.6	160	2001.7	160	3232	148	3602.5
Petrofac	30.4	540.27	52.64	761.07	52.64	885.96	52.64	1324.1	52.64	1501.4

Average Dividend **Per Share (DPS)** of selected companies is recorded at Rs. 50.89. There is significant difference is average DPS & DPS of individual company. It is found that DPS of Tecnicas Reunidas & L&T has good performance across the study years.

Size & Valuations Ratios:

EV to Net Operating Revenue Ratio vs Current Market Price (CMP):

The enterprise-value-to-revenue multiple (EV/R) is a measure of the value of a stock that compares a company's enterprise value to its revenue. EV/R is one of several fundamental indicators that investors use to determine whether a stock is priced well. The EV/R multiple is also often used to determine a company's valuation in the case of a potential acquisition.

Other valuation multiples that investors who are looking at enterprise-value-to-revenue multiple (EV/R) would likely consider include EV/EBITDA, P/E and P/BV. EV/R is most commonly expressed as a number in decimal form followed by an x, as in 2.6x. Investors should compare EV/R for the company being analyzed to that of other public companies in the industry to get an idea of the company's relative financial health.

EV/R is computed as follows:

$$EV/R = EV / \text{Net Operating Revenue}$$

Enterprise value of a company is calculated by following formula:

$$\text{Enterprise Value} = \text{Market Cap} + \text{debt} + \text{minority interest} + \text{preferred shares} - \text{cash and investments}$$

Table 7: EV to Net Operating Revenue multiple (EV/NOR) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	EV/NOR	CMP	EV/NOR	CMP	EV/NOR	CMP	EV/NOR	CMP	EV/NOR	CMP
Tecnicas Reunidas	3.81	2116.8	2.37	3117.6	2.68	2788	2.66	2903.2	4.04	3159.2
Hurtey Petrochem	-2.63	1880	-17.92	1992	5.58	1752	5.31	2097.6	7.5	2681.6
Thermax	7.99	979.95	5.15	758	9.18	1068.7	6.47	748.2	4.66	563.6
L&T	26.49	1574.9	19.02	1216.7	28.08	1719.7	20.84	1271.9	16.9	1309
Technip	16.29	2160.4	1.3	2451.6	1.17	2001.7	4.77	3232	5.63	3602.5
Petrofac	4.98	540.27	2.73	761.07	-2.43	885.96	3.19	1324.1	1.02	1501.4

Average **EV / Net Operating Revenue Multiple** for selected companies is recorded at 6.56. It is found that Tecnicas Reunidas & Technip has good performance as compared rest of the selected companies.

EV to Sales Ratio vs Current Market Price (CMP):

Enterprise value-to-sales (or EV-to-sales) is a valuation measure that compares the enterprise value (EV) of a company to the company's sales. EV-to-sales gives investors a quantifiable metric of how much it costs to purchase the company's sales.

Enterprise value-to-sales is an expansion of the price-to-sales (P/S) valuation, which uses market capitalization instead of enterprise value. It is perceived to be more accurate than P/S, however, because market capitalization does not take a company's debt into account when valuing the company.

Generally, a lower EV-to-sales means that a company is believed to be more attractive or undervalued. The EV-to-sales measure can be negative when the cash in the company is greater than the market capitalization and debt structure, signaling that the company can essentially be bought with its own cash.

The EV-to-sales measure can be slightly deceptive. A high EV-to-sales can be a sign that investors believe the future sales will greatly increase. A lower EV-to-sales can signal that the future sales prospects are not very attractive. Compare the EV-to-sales to that of other companies in the industry, and look deeper into the company you are analyzing. EV-to-sales values usually are between 1 and 3.

$$\text{EV/Sales Multiple} = \text{EV} / \text{Sales}$$

Table 8: EV to Sales multiple (SM) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	SM	CMP	SM	CMP	SM	CMP	SM	CMP	SM	CMP
Tecnicas Reunidas	0.3	2116.8	0.4	3117.6	0.4	2788	0.5	2903.2	0.6	3159.2
Hurtey Petrochem	0.4	1880	0.4	1992	0.2	1752	0.2	2097.6	0.3	2681.6
Thermax	2.5	979.95	1.6	758	2.4	1068.7	1.8	748.2	1.3	563.6
L&T	2.1	1574.9	2.1	1216.7	2.7	1719.7	2.3	1271.9	1.9	1309
Technip	0.8	2160.4	0.1	2451.6	0.1	2001.7	0.4	3232	0.5	3602.5
Petrofac	0.1	540.27	0.1	761.07	0.1	885.96	0.1	1324.1	0.1	1501.4

Average **EV / Sales Multiple** for selected companies is recorded at 0.88. It is found that Tecnicas Reunidas & Heurtey Petrochem has good performance as compared rest of the selected companies.

EV to EBIT Ratio vs Current Market Price (CMP):

Enterprise value to earnings before interest and tax (EV/EBIT) is a way of deciding whether a share is cheap (a low number) or expensive relative to, say, its peers or the wider market.

It is similar to the commonly quoted price/earnings ratio (P/E), but modified to address some of that ratio's weaknesses. For example, rather than using just the firm's share price – which ignores debt – it uses enterprise value. That's the combined value of debt (less cash balances) and equity funds in the business.

$$\text{EV/EBIT Multiple} = \text{EV} / \text{EBIT}$$

Table 9: EV to EBIT multiple (EEM) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	EEM	CMP	EEM	CMP	EEM	CMP	EEM	CMP	EEM	CMP
Tecnicas Reunidas	12.68	2116.8	9.17	3117.6	17.09	2788	8.43	2903.2	10.49	3159.2
Hurtey Petrochem	-2.5	1880	-15.51	1992	5.13	1752	6.66	2097.6	8.18	2681.6
Thermax	30.35	979.95	18.34	758	28.14	1068.7	21.09	748.2	13.47	563.6
L&T	22.55	1574.9	19.37	1216.7	24.3	1719.7	18.26	1271.9	14.29	1309
Technip	11.38	2160.4	0.94	2451.6	2.82	2001.7	5.24	3232	5.62	3602.5
Petrofac	4.15	540.27	2.52	761.07	-2.62	885.96	2.82	1324.1	0.96	1501.4

Average **EV / EBIT** for selected companies is recorded at 10.13. It is found that Tecnicas Reunidas & Technip has good performance as compared rest of the selected companies.

EV to EBITDA Ratio (EER) vs Current Market Price (CMP):

The EV/EBITDA ratio is a comparison of enterprise value and earnings before interest, taxes, depreciation and amortization. This is a very commonly used metric for estimating the business valuations. It compares the value of a company, inclusive of debt and other liabilities, to the actual cash earnings exclusive of the non-cash expenses.

This ratio is also known as “enterprise multiple” and “EBITDA multiple”. The enterprise multiple can be used compare the value of one company to the value of another company within the same industry. A lower enterprise multiple can be indicative of an undervaluation of a company.

The EV/EBITDA ratio is calculated by dividing the enterprise value (EV) by earnings before interest, taxes, depreciation, and amortization (EBITDA). This can be written as:

$$\text{EV/EBITDA Ratio} = \text{EV} / \text{EBITDA}$$

Table 10: EV to EBITDA Ratio (EER) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	EER	CMP	EER	CMP	EER	CMP	EER	CMP	EER	CMP
Tecnicas Reunidas	10.47	2116.8	8.38	3117.6	14.29	2788	7.86	2903.2	9.91	3159.2
Hurtey Petrochem	-3.04	1880	-32.16	1992	3.45	1752	5.31	2097.6	6.04	2681.6
Thermax	24.99	979.95	14.47	758	21.81	1068.7	17.46	748.2	11.72	563.6
L&T	18.31	1574.9	15.52	1216.7	19.28	1719.7	16.07	1271.9	12.23	1309
Technip	10.27	2160.4	0.61	2451.6	1.38	2001.7	3.81	3232	4.4	3602.5
Petrofac	1.72	540.27	1.3	761.07	-18	885.96	1.42	1324.1	0.75	1501.4

Average **EV / EBITDA** for selected companies is recorded at 7.0. It is found that Thermax, L&T & Tecnicas Reunidas has highest EV / EBITDA Multiple as compared rest of the selected companies.

Market Capitalization to Net Operating Revenue Ratio (MCNOR) vs Current Market Price (CMP):

Market capitalization and revenue are two prominent measurements of a company's financial strength, size and performance. Investors, analysts and others use both financial tools to examine

companies, particularly for the purposes of weighing whether to invest in a company's stock. Market cap measures the value of a company's stock, while revenue reflects a company's financial gains.

Market Capitalization = Price x Numbers of Shares Outstanding

Operating Income = Gross Profit (Revenue – Cost of Goods Sold (COGS)) – Operating Expenses – Depreciation & Amortization

Market Capitalization to Net Operating Revenue Ratio indicates amount of investment at current share price for operating revenue in that period.

Table 11: Market Capitalization to Net Operating Revenue Ratio (MCNOR) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	MCNO R	CMP	MCNO R	CMP	MCNO R	CMP	MCNO R	CMP	MCNO R	CMP
Tecnicas Reunidas	4.35	2116.8	2.99	3117.6	3.53	2788	3.78	2903.2	5.41	3159.2
Hurtey Petrochem	-2.93	1880	-17.89	1992	6.8	1752	6.42	2097.6	8.25	2681.6
Thermax	8.05	979.95	5.22	758	8.98	1068.7	6.17	748.2	4.52	563.6
L&T	16.88	1574.9	10	1216.7	18.35	1719.7	12.67	1271.9	9.8	1309
Technip	19.78	2160.4	10.5	2451.6	3.58	2001.7	6.14	3232	6.65	3602.5
Petrofac	0.58	540.27	0.41	761.07	-0.4	885.96	0.58	1324.1	0.21	1501.4

Average **Market Capitalization / Net Operating Revenue** for selected companies is recorded at 5.65. It is found that Tecnicas Reunidas & Thermax has good performance as compared rest of the selected companies.

Earnings Yield (EY) vs Current Market Price (CMP):

The earnings yield refers to the earnings per share for the most recent 12-month period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of each dollar invested in the stock that was earned by the company. This yield is used by many investment managers to determine optimal asset allocations. It is computed as follows:

$$\text{Earnings Yield (\%)} = \text{EPS / Share Price} * 100$$

Table 12: Earnings Yield (EY) (%) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	EY	CMP	EY	CMP	EY	CMP	EY	CMP	EY	CMP
Tecnicas Reunidas	3.1	2116.8	6.7	3117.6	3.19	2788	6.9	2903.2	6.03	3159.2
Hurtey Petrochem	-	1880	-	1992	7.67	1752	8.1	2097.6	4.98	2681.6
Thermax	2.02	979.95	3.1	758	1.65	1068.7	2.8	748.2	4.77	563.6
L&T	4.11	1574.9	4.5	1216.7	2.98	1719.7	4.2	1271.9	6.39	1309
Technip	0.45	2160.4	7.4	2451.6	1.56	2001.7	9	3232	10.4	3602.5
Petrofac	-1.1	540.27	0	761.07	-8	885.96	1.8	1324.1	8.77	1501.4

Average **Earnings Yield** for selected companies is 4.05%. It is found that Tecnicas Reunidas & L&T has highest Earnings Yield percentage as compared rest of the selected companies.

Price to Earnings Ratio (PE) vs Current Market Price (CMP):

The price-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio is also sometimes known as the price multiple or the earnings multiple. It is computed as follows:

$$\text{P/E Ratio} = \text{Market value per share} / \text{Earnings per share}$$

In essence, the price-earnings ratio indicates the dollar amount an investor can expect to invest in a company in order to receive one dollar of that company's earnings. This is why the P/E is sometimes referred to as the price multiple because it shows how much investors are willing to pay per dollar of earnings.

Table 13: Price to Earnings Ratio (PE) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	PE	CMP	PE	CMP	PE	CMP	PE	CMP	PE	CMP
Tecnicas Reunidas	32.27	2116.8	14.99	3117.6	31.4	2788	14.4	2903.2	16.6	3159.2
Hurtey Petrochem	-	1880	-	1992	13.04	1752	12.4	2097.6	20.1	2681.6
Thermax	49.49	979.95	32.8	758	60.72	1068.7	36.3	748.2	21	563.6
L&T	24.3	1574.9	22.25	1216.7	33.5	1719.7	24	1271.9	15.7	1309
Technip	223.6	2160.4	13.61	2451.6	64.16	2001.7	11.1	3232	9.62	3602.5
Petrofac	-92.12	540.27	3803.5	761.07	-12.5	885.96	54.7	1324.1	11.4	1501.4

Average **Earnings Ratio (P/E Ratio)** for selected companies is 162.93. There is significant difference is average Earnings Ratio of the companies under study & Earnings Ratio of individual company. Tecnicas Reunidas & L&T has good performance over the study years.

DIVIDEND YIELD (DY) VS CURRENT MARKET PRICE (CMP):

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends paid out by a business, including interim dividends, over a period of time by the number of outstanding ordinary shares issued. The ratio is generally expressed in percentage form and is sometimes called dividend yield percentage. The following formula is used to calculate dividend yield ratio:

$$\text{Dividend Yield (\%)} = \text{Dividend per share} / \text{Market price per share} * 100$$

Since dividend yield ratio is used to measure the relationship between the annual amount of dividend per share and the current market price of a share, it is mostly used by investors looking for dividend income on continuous basis.

Table 14: Dividend Yield (DY) (%) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	DY	CMP	DY	CMP	DY	CMP	DY	CMP	DY	CMP
Tecnicas Reunidas	5.07	2116.8	3.44	3117.6	3.85	2788	3.7	2903.2	3.4	3159.2
Hurtey Petrochem	0	1880	0	1992	2.51	1752	2.11	2097.6	2.28	2681.6
Thermax	0.61	979.95	0.79	758	0.56	1068.7	0.8	748.2	1.06	563.6
L&T	1.02	1574.9	1.32	1216.7	0.93	1719.7	1.26	1271.9	1.22	1309
Technip	0.42	2160.4	1.43	2451.6	1.82	2001.7	1.03	3232	0.93	3602.5
Petrofac	5.63	540.27	3.99	761.07	3.43	885.96	2.3	1324.1	2.02	1501.4

Average **Dividend Yield** for selected companies is 1.96%. It is found that Tecnicas Reunidas & Petrofac has highest Dividend Yield as compared rest of the selected companies.

Price to Book Ratio (PBR) vs Current Market Price (CMP):

Companies use the price-to-book ratio to compare a firm's market to book value by dividing price per share by book value per share. Some people know it as the price- equity ratio.

$P/B \text{ Ratio} = \text{Market value per share} / \text{Book value per share}$

In this equation, book value per share = Total Equity / no. of outstanding shares. A lower P/B ratio could mean the stock is undervalued. However, it could also mean something is fundamentally wrong with the company. As with most ratios, this varies by industry. This ratio also indicates whether you're paying too much for what would remain if the company went bankrupt immediately.

Table 15: Price to Book Ratio (PBR) vs Current Market Price (CMP)

Year	2017		2016		2015		2014		2013	
	PBR	CMP	PBR	CMP	PBR	CMP	PBR	CMP	PBR	CMP
Tecnicas Reunidas	3.19	2116.8	4.93	3117.6	4.9	2788	4.45	2903.2	5.03	3159.2
Hurtey Petrochem	2.86	1880	1.37	1992	1.15	1752	1.64	2097.6	2.32	2681.6
Thermax	4.6	979.95	3.68	758	5.72	1068.7	4.09	748.2	3.39	563.6
L&T	2.73	1574.9	2.58	1216.7	3.91	1719.7	3.13	1271.9	2.38	1309
Technip	1.09	2160.4	0.84	2451.6	0.63	2001.7	1.16	3232	1.35	3602.5
Petrofac	0.06	540.27	0.07	761.07	0.08	885.96	0.07	1324.1	0.08	1501.4

Average **Price to Book Ratio** for selected companies is 2.45. It is found that Petrofac & Technip has good performance as compared rest of the selected companies.

Following findings are noted across respective objectives:

1. **Earnings Per Share (EPS):** Earnings per share & share price are generally directly proportional provided no. of outstanding shares is constant. Thus improved EPS may lead to growth in share price & market capitalization.
2. **Dividend Per Share (DPS):** Similarly dividend per share & share price are also directly proportional. Thus improved DPS may lead to growth in share price & market capitalization.
3. **EV to Net Operating Revenue Ratio:** Lower the ratio, lower the payback period for the company. Thus

usually EV to Net Operating Revenue Ratio & share price is generally inversely proportional. Thus lower ratio may lead to growth in share price & market capitalization.

4. **EV to Sales Ratio:** Lower the ratio, lower the payback period for the company. Thus usually EV to Sales Ratio & share price are generally inversely proportional. Thus lower ratio may lead to growth share price & market capitalization.
5. **EV to EBIT Ratio:** Lower the ratio, lower the payback period for the company. Thus usually EV to EBIT Ratio & share price is generally inversely proportional. Thus lower ratio may lead to growth in share price & market capitalization.
6. **EV to EBITDA Ratio:** Lower the ratio, lower the payback period for the company. Thus usually EV to EBITDA Ratio & share price is generally inversely proportional. Thus lower ratio may lead to growth in share price & market capitalization.
7. **Market Capitalization to Net Operating Revenue Ratio:** Lower the ratio, lower the payback period for the company. Thus usually Market Capitalization to Net Operating Revenue Ratio & share price is generally inversely proportional.
8. **Earnings Yield:** Higher is the earnings yield, there is greater probability of growth in price & market capitalization.
9. **Price to Earnings Ratio:** Company's price & market capitalization may increase with lower price to earnings ratio.
10. **Dividend Yield:** Company's share price & market capitalization may increase with higher dividend yield.
11. **Price to Book Ratio:** Lower the price to book ratio; higher the chances of growth in share price & market capitalization.

CONCLUSION:

Oil & Gas / Power Companies (Energy segment) has long history of growth & development & is of vital importance in development of any economy. Present study touches upon importance of various valuation ratios which can be optimized for growth in share price of Oil & Gas / Power Companies Energy Segment. Thus improvement in valuations ratio can lead to maximization of share holder value.