

## A STUDY OF EFFECT OF CHANGES IN VALUATION RATIOS ON SHARE PRICES IN ENERGY SECTOR

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### ABSTRACT

*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 prices in energy sector. This is an empirical study. The study has made for six years i.e. from FY2012-13 to FY2016-17 in six selected companies. The data has been collected from secondary sources. In order to measure the company performance, ratio analysis technique has been used.*

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**Keywords:** Finance, Share, Price, Ration, Valuation

### Introduction

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 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 share price & its co-relation with valuation ratios.

### Research 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. Secondary Data: Financial statements as Profit & Loss, Balance Sheet and Cash Flow Statement for

companies under study.

### Scope of the Study

This study is covering five years' data i.e. from FY2012-13 to FY2016-17 in six selected companies engaged in Energy business viz. Tecnicas, Reunidas, Heurtey Petrochem, Thermax, Larsen & Toubro, Technip, Petrofac. During this period, company's financial performance has been measured & analysed in terms of share price based on changes in Valuation Ratios.

### Importance and Use 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 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.

### Limitations of the Study

1. This study is mainly based on annual reports of selected companies & information provided in these reports.
2. This study has been confined to specified parameters of financial performance & also there is scope for further detailed analysis of these parameters.
3. This study has been covered only six companies. Therefore, representation of the industry is partial in studying the financial performance.

### Data Analysis and Interpretation

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 of Selected Companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Heurtey Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies & Internet Data

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	Parameter
Tecnicas Reunidas*	55896000	55896000	55896000	55896000	55896000	Total outstanding shares of the company
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	

Source: Secondary Data Annual Reports of Selected Companies & Internet Data

Market Capitalization: Market capitalization (market cap) is the market value of a publicly traded company's outstanding shares. The share price multiplied by the number of outstanding shares equals market capitalization. Capitalization can be used as an indicator of public opinion of a company's net value and is a determining element in various forms of stock valuation because outstanding stock is bought and sold in public markets.

Table 3: Market Capitalization of Selected Companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	11832.07	17426.14	15583.80	16227.73	17658.66	Market Capitalization = CMP of Share x Total Outstanding Shares
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	

Source: Secondary Data Annual Reports of Selected Companies & Internet Data

Enterprise Value (EV): The Enterprise Value (EV) is a measure of a company's entire value that is frequently employed 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.

Table 4: Enterprise Value of selected companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	10348.03	13841.06	11828.76	11420.11	13172.48	Enterprise Value = Market Cap + debt + minority interest + preferred shares - cash and investments
Heurtey 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	138976.20	
Technip\$	82277.85	3628.59	7490.38	31484.56	38013.36	
Petrofac#	3575.39	3499.53	4222.93	4856.85	5428.28	

Source: Secondary Data Annual Reports of

### Selected Companies & Internet Data

Earnings per Share (EPS): 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. Share Price of selected companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	65.6	208	88.8	201.6	190.4	Earnings per share, Basic & diluted
Hurtey Petrochem*	-	-	134.4	169.6	133.6	
Thermax	19.80	23.11	17.6	20.64	26.87	
L&T	64.80	54.69	51.33	53.04	83.63	
Technip\$	9.66	180.09	31.20	292.00	374.40	
Petrofac#	-5.865	0.2001	-70.8285	24.2121	131.6865	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurtey Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies & Internet Data

Average Earnings per Share (EPS) of selected companies is recorded at Rs.91.94. There is significant difference is 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. Share Price: Increasing DPS signifies actual return received by the common shareholders is mounting over the years.

Table 6: Dividend Per Share (DPS) vs. Share Price of selected companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	107.342	107.374	107.342	107.342	107.342	Dividend per share (DPS)
Hurtey Petrochem*	0.000	0.000	43.998	31.811	43.960	
Thermax	6.000	6.000	7.000	6.000	7.000	
L&T	14.000	12.170	10.830	9.500	8.220	
Technip\$	9.043	64.435	160.000	160.000	148.000	
Petrofac#	30.400	52.640	52.640	52.640	52.640	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurtey Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies & Internet Data

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. Share Price: The enterprise-value-to-revenue multiple (EV/R) is a stock valuation metric that compares the enterprise value of a firm to its revenue. Investors use EV/R as one of numerous fundamental indicators to analyse if a stock is priced correctly. In the case of a proposed acquisition, the EV/R multiple is frequently employed to estimate a company's value.

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.

Enterprise value of a company is calculated by following formula: Enterprise Value = Market Cap + debt + minority interest + preferred shares - cash and investments

Table 7: EV to NET Operating Revenue Multiple vs. Share Price of Selected Companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	3.81	2.37	2.68	2.66	4.04	EV / Net Operating Revenue
Hurtey Petrochem*	-2.63	-17.92	5.58	5.31	7.50	
Thermax	7.99	5.15	9.18	6.47	4.66	
L&T	26.49	19.02	28.08	20.84	16.90	
Technip\$	16.29	1.30	1.17	4.77	5.63	
Petrofac#	4.98	2.73	-2.43	3.19	1.02	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurtey Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

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. Share Price:

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 has been added to the price-to-sales (P/S) valuation approach, which uses market capitalization instead of enterprise value. Market capitalization, on the other hand, is regarded to be more realistic than P/S because it does not take into account a company's debt when determining its worth. Generally, a lower EV-to-sales means that a company is believed to be more attractive or undervalued. When a firm's cash is greater than its market capitalization and debt structure, the EV-to-sales ratio might be negative, indicating that the company can effectively be acquired with its own cash.

The EV-to-sales ratio is a little misleading. A high EV-to-sales ratio can indicate that investors expect future sales will skyrocket. A lower EV-to-sales ratio can indicate that future sales prospects are not promising. Comparing the EV-to-sales ratio to that of other companies in the industry will help you dig further into the company you're looking at. EV-to-sales ratios are typically between 1 and

3.

Table 8: EV to Sales Multiple vs. Share Price of Selected Companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	0.26	0.36	0.35	0.45	0.58	EV/Sales
A - Hurtey Petrochem*	0.44	0.38	0.21	0.24	0.27	
B - Thermax	2.52	1.62	2.41	1.83	1.26	
C - L&T	2.10	2.13	2.66	2.28	1.87	
D - Technip\$	0.79	0.06	0.08	0.37	0.51	
E - Petrofac#	0.08	0.06	0.09	0.11	0.12	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurtey Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

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

EV to EBIT Ratio vs. Share Price: 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.

Table 9: EV to EBIT Multiple vs. Share Price of Selected Companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	12.68	9.17	17.09	8.43	10.49	EV / EBIT
A - Hurtey Petrochem*	-2.50	-15.51	5.13	6.66	8.18	
B - Thermax	30.35	18.34	28.14	21.09	13.47	
C - L&T	22.55	19.37	24.30	18.26	14.29	
D - Technip\$	11.38	0.94	2.82	5.24	5.62	
E - Petrofac#	4.15	2.52	-2.62	2.82	0.96	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurtey Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

Average EV / EBIT for selected companies are 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 vs. Share Price: 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.

**Table 10: EV to EBITDA multiple vs. Share Price of selected companies**

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	10.47	8.38	14.29	7.86	9.91	EV / EBITDA
A - Hurley Petrochem*	-3.04	-32.16	3.45	5.31	6.04	
B - Thermax	24.99	14.47	21.81	17.46	11.72	
C - L&T	18.31	15.52	19.28	16.07	12.23	
D - Technip\$	10.27	0.61	1.38	3.81	4.40	
E - Petrofac#	1.72	1.30	-18.00	1.42	0.75	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurley Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

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 and revenue are two important indicators of a business's financial strength, size, and success. Both financial tools are used by investors, analysts, and others to assess firms, particularly when deciding whether or not to invest in a company's stock. Revenue shows a company's financial gains, whereas market cap gauges the worth of its stock.

Market Capitalization = Price x Numbers of

Shares Outstanding

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 Multiple vs. Share Price of Selected Companies**

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	4.35	2.99	3.53	3.78	5.41	Market Capitalization / Net Operating Revenue
A - Hurley Petrochem*	-2.93	-17.89	6.80	6.42	8.25	
B - Thermax	8.05	5.22	8.98	6.17	4.52	
C - L&T	16.88	10.00	18.35	12.67	9.80	
D - Technip\$	19.78	10.50	3.58	6.14	6.65	
E - Petrofac#	0.58	0.41	-0.40	0.58	0.21	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurley Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

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.

The earnings yield is calculated by dividing the most recent 12-month earnings per share by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows how much profit the company made on each dollar invested in the stock. Many investment managers utilise this yield to identify the best asset allocations.

**Table 12: Earnings Yield (%) vs. Share Price of selected companies**

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	3.10	6.67	3.19	6.94	6.03	Earnings Yield (%) = (EPS / Price) x 100
A - Hurley Petrochem*	-	-	7.67	8.09	4.98	
B - Thermax	2.02	3.05	1.65	2.76	4.77	
C - L&T	4.11	4.49	2.98	4.17	6.39	
D - Technip\$	0.45	7.35	1.56	9.03	10.39	
E - Petrofac#	-1.09	0.03	-7.99	1.83	8.77	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurley Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

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 vs. Share Price: 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. 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. The price-earnings ratio (P/E ratio) is a valuation ratio that compares a company's current share price to its per-share earnings. The price-earnings ratio, or P/E ratio, is also known as the price multiple or earnings multiple. In essence, the price-earnings ratio shows how much money an investor will have to put into a company in order to receive one dollar of earnings. Because it reflects how much investors are ready to pay per dollar of earnings, the P/E is frequently referred to as the price multiple.

Table 13: Price to Earnings Ratio vs Shares Price Prof selected companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	32.27	14.99	31.40	14.40	16.59	P/E Ratio (X)= Price / EPS
A - Hurley Petrochem*	-	-	13.04	12.37	20.07	
B - Thermax	49.49	32.80	60.72	36.25	20.98	
C - L&T	24.30	22.25	33.50	23.98	15.65	
D - Technip\$	223.64	13.61	64.16	11.07	9.62	
E - Petrofac#	-92.12	3803.45	-12.51	54.69	11.40	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurley Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

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.

The total of a company's declared dividends issued for each ordinary share outstanding is known as dividend per share (DPS). The amount is produced by multiplying the total dividends paid out by a company over a period of time, including interim dividends, by the number of outstanding ordinary shares issued. The ratio is sometimes referred to as dividend yield % because it is expressed in percentage form. Because the dividend yield ratio is used to calculate the relationship between the annual amount of dividend per share and the current market price of a stock, it is primarily employed by investors searching for consistent dividend income.

Table 14: Dividend Yield (%) vs. Share Price of Selected Companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	5.07	3.44	3.85	3.70	3.40	Dividend Yield (%)= (DPS/Market price per share) × 100
A - Hurley Petrochem*	0.00	0.00	2.51	2.11	2.28	
B - Thermax	0.61	0.79	0.56	0.80	1.06	
C - L&T	1.02	1.32	0.93	1.26	1.22	
D - Technip\$	0.42	1.43	1.82	1.03	0.93	
E - Petrofac#	5.63	3.99	3.43	2.30	2.02	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurley Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

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.

Companies divide price per share by book value per share to calculate the price-to-book ratio, which compares a company's market to book value. It's also known as the price-to-equity ratio. In this formula, book value per share equals total equity divided by the number of outstanding shares. A stock with a lower P/B ratio may be undervalued. It could, however, indicate that something is fundamentally wrong with the business. This,

like other ratios, differs by industry.

This ratio can also tell you if you're paying too much for what would be left if the company went bankrupt right now.

Table 15: Price to Book (P/B) Ratio vs. Share Price of Selected Companies

Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	3.19	4.93	4.90	4.45	5.03	Price to Book = Price / BVPS
A - Hurtey Petrochem*	2.86	1.37	1.15	1.64	2.32	
B - Thermax	4.60	3.68	5.72	4.09	3.39	
C - L&T	2.73	2.58	3.91	3.13	2.38	
D - Technip\$	1.09	0.84	0.63	1.16	1.35	
E - Petrofac#	0.06	0.07	0.08	0.07	0.08	
Year	2017	2016	2015	2014	2013	Parameter
Tecnicas Reunidas*	2116.80	3117.60	2788.00	2903.20	3159.20	Current Market Price of company's each share
Hurtey Petrochem*	1880.00	1992.00	1752.00	2097.60	2681.60	
Thermax	979.95	758.00	1068.65	748.20	563.60	
L&T	1574.90	1216.70	1719.65	1271.90	1309.00	
Technip\$	2160.39	2451.57	2001.69	3231.96	3602.49	
Petrofac#	540.27	761.07	885.96	1324.11	1501.44	

Source: Secondary Data Annual Reports of Selected Companies

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

### Suggestions

This present study is an empirical study on financial performance in Oil & Gas / Power (Energy Segment). It has strived to achieve correlation between valuation ratios & share price / market capitalization. To achieve these objectives a comprehensive study has been made on annual reports & financial statements of selected companies by ratio analysis technique.

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 are 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 are 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. Price to Earnings Ratio: Company's price & market capitalization may increase with lower price to earnings ratio. Dividend Yield: Company's share price & market capitalization may increase with higher dividend yield. 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 ration can lead to maximization of shareholder value.

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