



FINANCIAL RATIOS

P/E, PEG and P/B

Three ratios that say how much the market is paying for a company's profits, growth and net worth

Index figures as on 31 August 2026

For training and education only. Not investment advice.

A share price tells you what a share costs. It does not tell you whether that is a lot or a little.

To judge that, the price has to be set against something the company produces or owns: its profit, the growth in that profit, or its net worth.

Three ratios, three questions

P/E



Price to earnings

Share price $\div$ earnings per share. How many rupees is the market paying for ₹1 of yearly profit?

PEG



P/E to growth

P/E $\div$ yearly growth rate of earnings (in %). Always ask which growth rate: past or expected, and over how many years.

P/B



Price to book

Share price $\div$ book value per share. How many rupees is the market paying for ₹1 of the company's net worth?

Earnings per share = profit after tax $\div$ number of shares. Book value per share = net worth $\div$ number of shares.

Which share is priced higher?

TWO COMPANIES

Company A: share price ₹500,
earnings per share ₹25.

Company B: share price ₹90,
earnings per share ₹3.

- 1 Company A: $₹500 \div ₹25 =$ a P/E of 20. A buyer pays ₹20 for every ₹1 of yearly profit.
- 2 Company B: $₹90 \div ₹3 =$ a P/E of 30. A buyer pays ₹30 for every ₹1 of yearly profit.
- 3 The ₹90 share is priced higher against its profit, although its price is lower.
- 4 Whether a P/E of 30 is high cannot be read from this alone. It depends on how fast and how reliably the profit grows.

A lower share price does not mean a lower price against profit. Compare the ratio, not the price.

Illustration with two invented companies and assumed figures.

Before you quote a P/E, ask which one

Question	The choices	Why it matters
Which profits?	Trailing: the last four quarters, already reported. Forward: an estimate for the coming year.	A forward P/E rests on a forecast. The two can differ widely for the same share on the same day.
Whose accounts?	Standalone: the company alone. Consolidated: the company with its subsidiaries.	NSE has computed index P/E on consolidated earnings since 31 March 2021. Older index figures are not comparable.
One company or an index?	A single share, or all the companies in an index taken together.	An index P/E describes the market as a whole, not any one company in it.

Source for the index basis: NSE Indices, change effective 31 March 2021.

PEG: setting the P/E against growth

SAME TWO COMPANIES

Company A: P/E of 20. Earnings expected to grow 10% a year.

Company B: P/E of 30. Earnings expected to grow 30% a year.

The growth rates are assumptions.

- 1 Company A: $20 \div 10 =$ a PEG of 2.0.
- 2 Company B: $30 \div 30 =$ a PEG of 1.0.
- 3 On P/E alone, B was priced higher. Set against expected growth, the buyer of B pays less for each unit of growth.
- 4 The weak point is the growth figure. It is somebody's estimate, and if growth turns out lower, the PEG was wrong from the start.

PEG adds growth to the picture, but it is only as good as the growth estimate inside it.

Illustration with assumed figures. Not a forecast and not a view on any company.

P/B: price against net worth



What book value is

What the company owns minus what it owes, as shown in its balance sheet. Divide by the number of shares to get book value per share.



Where it is used

Mostly for banks and other lenders. Their assets and liabilities are financial, so book value means more, subject to the quality of the loans.



How it ties to P/E

$P/B = P/E \times \text{return on equity}$, where return on equity is earnings per share $\div$ book value per share. A P/E of 20 and a return of 15% give a P/B of 3.

A high P/B reflects a high return on net worth, a high P/E, or both.

Where the Nifty 50 stands

Index-level ratios as on 31 August 2026.

NIFTY 50 P/E

20.36

About ₹20 for every ₹1 of profit reported by the 50 companies over the latest four quarters.

NIFTY 50 P/B

2.92

About ₹2.92 for every ₹1 of their combined net worth.

DIVIDEND YIELD

1.17%

Dividends over the last year as a share of the index's value.

NIFTY 50 CLOSE

24,080

Closing level on 31 August 2026: 24,080.40.

Source: NSE Indices, daily index close file for 31 Aug 2026 (Nifty 50: P/E 20.36, P/B 2.92, dividend yield 1.17%, close 24,080.40).

Four things people get wrong



'A low P/E means a bargain.'

A P/E can be low because profits are expected to fall, or because they are at the top of a cycle. Low can stay low.



'A high P/E means overpriced.'

It may reflect fast and steady profit growth. The ratio records what is being paid, not whether it is justified.



'You can compare any two P/Es.'

Compare like with like: the same kind of earnings, the same sector, or the same company against its own past.



'One year's profit is enough.'

A one-off gain or loss in the year distorts the ratio. Look at what the profit was made of.

Four questions to ask of any ratio

1

Which ratio is it?

P/E, PEG or P/B, and for one company or for an index.

2

Which earnings?

Trailing or forward; standalone or consolidated; as on what date.

3

Compared with what?

The same company's own history, or others in the same line of business.

4

What can it not tell me?

Debt, quality of management, and whether the profits will continue. A ratio is a starting point for questions.

These ratios describe; they do not recommend. We explain them. We do not use them to tell a client what to buy.

Check yourself

Q1

Share X trades at ₹240 with earnings per share of ₹12. Share Y trades at ₹60 with earnings per share of ₹2. Which has the higher P/E?

Q2

A company has a P/E of 24 and its earnings are expected to grow 12% a year. What is its PEG, and what is the weak point of that number?

Q3

A client says: 'The Nifty P/E is 20, so the market is cheap.' What would you ask before agreeing or disagreeing?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Nifty 50 P/E 20.36, P/B 2.92, dividend yield 1.17% and close 24,080.40 on 31 Aug 2026: NSE Indices, daily index close file for that date.
- Index P/E computed on consolidated earnings of the latest four quarters: NSE Indices, change effective 31 March 2021.
- Companies A, B, X and Y and all their figures are invented for illustration. They do not refer to any real company.

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