Shareholders' Wealth Creation and the Significance of P/E Ratio : A Study on Nifty-50 Companies

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Abstract

We have attempted to investigate the effect of the P/E Ratio on the shareholders' wealth. P/E Ratio measures how many times the Earning Per Share (EPS) is covered by the market Price. The high P/E Ratio indicates the hope for more security return compared to the competitors. It symbolises the possibility of growth in shareholders' wealth. Shareholders' wealth symbols are ROE(Return on Equity), ROA(Return on Assets), Market Price etc. In this study, ROE is chosen as the proxy for shareholders' wealth. Considering these two variables for nifty 50 Companies this study is executed. Employing the regression and correlation analysis it is evidenced that P/E Ratio has no substantial impact on the Shareholders' wealth. With this inquiry, it is proved that P/E Ratio is not a significant factor for security analysis and therefore this factor may be ignored in the related decisions.

Keywords : Shareholders Value, Profitability ratio, Market Price, ROA, ROCE

1. Introduction

The total worth of a firm that is still available to its shareholders after all of the company's debts and obligations have been settled is referred to as shareholders' wealth. The amount of value that a firm creates and distributes to its shareholders as dividends or a rise in stock price is known as the amount of value creation. The majority of businesses prioritise increasing shareholder wealth, which is gauged by a number of financial ratios and indicators such earnings per share, return on equity, and price-to-earnings ratio. The perception of value created by the company for its investors increases as shareholder wealth increases. In order to build shareholder wealth, businesses concentrate on strategies and methods that result in more earnings, more revenue, and increased operational effectiveness.

Wealth maximisation of value maximisation is one of the paramount objectives of any business organisation. The firm considers that wealth is maximised when the company's worth after excluding the long-term liabilities, increases over a period. One of the parameters to measure the shareholders' wealth is ROE. ROE depicts the number of times the shareholders' equity is covered by Net Profit. It is one of the profitability ratios to analyse the financial position of the company. The price-to-earnings (P/E) ratio, is a parameter for the intrinsic valuation of equity shares. It is an indicator of undervaluation and overvaluation of shares. It is ascertained by dividing the market price per share by EPS. It indicated the possibility of future growth in the company's profitability and wealth subsequently.P/E Ratio is most widely used in security analysis and security choice decisions. Increasing P/E Ratio indicates the probability of an increase in the worth of equity shares.

A firm with a high P/E ratio may be more likely to see share price growth because investors are ready to pay more for the company's earnings potential, which has an impact on shareholders' wealth. Shareholders may see capital gains as a result, boosting their wealth. However, if the company doesn't reach profits projections, a high P/E ratio also includes the danger of a significant fall.On the other hand, a low P/E ratio can indicate that the market has underestimated the corporation's potential for earnings, giving investors the chance to buy shares at a discount. The share price and shareholder wealth may rise if the company is able to achieve or beat earnings projections. In general, investors should take the P/E ratio into account when making investment decisions since it can shed light on a company's growth prospects and earnings projections, which can eventually affect shareholder value. (Truong et al. 2019; Jain 2015; Anwar and Khan, 2016; Das and Bhowal 2017).

The market capitalization of a company is multiplied by the number of outstanding shares at the time of calculations to get the total value of the company. Based on elements including financial performance, growth prospects, and investor attitude, it is seen as a representation of the market's perception of the company's value. Changes in market capitalization may be a reflection of changes in shareholder wealth as shareholders own a portion of a corporation. An increase in market capitalization suggests that the company's worth has grown, which could enhance shareholders' wealth.Similar to this, a decline in market capitalization may signify a decline in the company's worth and even lower shareholder wealth. A measure of the total value of the outstanding shares of stock of a publicly traded corporation is called market capitalization, or market cap.

It is computed by dividing the current share price of the company by the total number of outstanding shares. Market capitalization is a crucial indicator for investors and analysts since it offers a quick and simple way to assess a company's size and performance. Smaller companies are frequently perceived as more hazardous and volatile, whereas larger companies are typically seen as more established and reliable.Over the years, a number of studies on the market cap have been done to investigate its effects on many areas of investing and business performance (Bessembinder, 2017; Ibbotson, R. G *et.al*. 2003; Mauboussin, 2013). For investors and analysts wanting to assess the size and performance of a firm, the market cap is a useful tool. Market cap is simply one of many elements to take into account when making investing decisions, and it should be utilised in conjunction with other quantitative and qualitative measurements.

Return on Equity, or ROE, is a financial measurement that gauges a company's profitability in relation to its shareholders' equity. By dividing net income by shareholders' equity, it is calculated. ROE is frequently employed as a gauge of a company's capacity to make a profit from the capital invested by shareholders. For shareholders, ROE is important since it shows how much profit the business is making from their capital. A high ROE suggests that the company is making a significant profit on each rupee that shareholders have invested, whereas a low ROE shows that the company is making a meagre profit. Investors often like companies with greater ROEs as they imply that the business is employing shareholders' funds wisely and profitably. The presence of a competitive advantage, such as a strong brand, effective business practises, or valuable intellectual property, may also be indicated by a greater ROE. ROE shouldn't, however, be the only factor considered while making investment decisions.

Before making an investment decision, one should also take into account other aspects, such as the financial stability of the firm in question, market trends, and the competitive environment. (Wang and Chen 2020; Pratama and Maulana 2020; Chen et al. 2019; Kim et al. 2016). In the context of the Nifty50 companies, this study seeks to investigate how the Price-Earnings (P/E) ratio affects the growth of shareholder wealth. The study uses secondary data from the financial statements and stock market data of the Nifty50 companies over a five-year period and implements a quantitative research technique. Regression analysis is used in the study to analyse the connection between the P/E ratio and shareholder wealth creation.

2. Literature Review

The following studies have demonstrated the impact of the Price Earnings Ratio (P/E Ratio) on various financial variables. Truong, Evans, and Vu (2019) conducted a study on the impact of price-to-earnings (P/E) ratios on shareholders' wealth using the Australian stock market as a case study. The authors reviewed the relevant literature on P/E ratios and their impact on shareholder wealth and found mixed results. Some studies suggested that high P/E ratios lead to higher returns for shareholders, while others found no relationship or even a negative relationship.The authors hypothesized that P/E ratios would have a positive impact on shareholder wealth in the Australian market, as high P/E ratios are typically associated with growth companies, which are expected to generate higher future earninUsing the Australian stock market as a case study, Truong, Evans, and Vu (2019) conducted a study on the effect of price-to-earnings (P/E) ratios on owners' wealth.

The authors looked at the pertinent literature regarding P/E ratios and their effect on shareholder value and discovered conflicting findings. While some research found no association or even a negative relationship between high P/E ratios and increased shareholder returns, others found a negative relationship. Given that high P/E ratios are frequently linked to growing companies, which are anticipated to produce higher future earnings, the authors hypothesised that P/E ratios would have a favourable effect on shareholder wealth in the Australian market. The authors discovered a favourable correlation between P/E ratios and shareholder wealth using a sample of 379 businesses listed on the Australian Securities Exchange (ASX) between 2011 and 2016. Particularly, the authors discovered that long-term shareholder returns were higher for businesses with higher P/E ratios.

In conclusion, P/E ratios are a valuable indicator for investors to take into account when making investment decisions, according to Truong, Evans, and Vu's data from 2019. The authors recommend that as part of their due diligence process, investors should carefully study a company's P/E ratio and use it as a tool to assess the company's growth prospects and potential to generate future earnings.Jain (2015) investigates the connection between stock returns and the P/E ratio, ROE, and market-to-book ratio. The study examines information from the Indian NSE from 2005 to 2014. The P/E ratio, according to the author, is a significant factor in determining stock returns and shows how confident investors are in a company's potential for future profits growth. The market-to-book ratio and ROE are also found to be positively correlated with stock returns in the study.

The author comes to the conclusion that in order to maximise returns, investors should take these three factors into account when making investment decisions. Overall, Jain's research provides an insightful grasp of the variables that influence stock returns in the Indian stock market. According to the study's findings, when assessing potential investment candidates, investors should pay special attention to the P/E ratio, ROE, and market-to-book ratio. The study also emphasises the significance of investor confidence in a company's potential for earnings growth, which can be seen in its P/E ratio.Anwar and Khan (2016) conducted a study to determine how Pakistan's price-earnings ratio (P/E ratio) affects shareholders' wealth.

A sample of 73 businesses listed on the Pakistan Stock Exchange between 2010 and 2014 was used in the study. In order to investigate the connection between the P/E ratio and stock returns, the authors used regression analysis. The study's conclusions showed a substantial and positive correlation between stock returns and the P/E ratio, showing that rising P/E ratios boost shareholder value. The study also discovered that return on assets (ROA) significantly and favourably affected stock returns.The authors came to the conclusion that shareholders should consider the P/E ratio and ROA while making investing decisions in the Pakistan stock market.The Price Earnings (P/E) ratio's effect on shareholders' wealth in the Indian stock market is investigated in the article by Das and Bhowal (2017). For the years 2005 through 2015, the writers use data from the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

According to the study, the P/E ratio and shareholders' wealth are positively correlated. This suggests that as the P/E ratio rises, shareholder wealth rises along with it. The study also discovers that large-cap equities have a greater P/E ratio influence on shareholders' wealth than mid-cap and small-cap firms. The authors recommend that when making investing choices in the Indian stock market, investors should take the P/E ratio into account.In the Indian banking industry, Chandra and Suri (2018) investigated the connection between P/E ratios and shareholders' wealth. The impact of P/E ratios on shareholders' wealth was investigated using panel data regression analysis and a sample of 13 Indian listed banks. According to the research, there is a strong and positive correlation between P/E ratios and shareholder wealth, meaning that higher P/E ratios are linked to higher shareholder returns.

The study comes to the conclusion that while making investment decisions, investors in the Indian banking sector can profit from taking P/E ratios into account.Gomes and Azevedo (2019) looked into the connection between shareholders' wealth and earnings per share (EPS) in Portugal. The writers made the case that EPS, which is directly related to a company's share price, is a crucial indicator of its financial performance. The authors performed a regression analysis using data from Portuguese companies listed on the Euronext Lisbon stock exchange between 2008 and 2016 to look at the effect of EPS on shareholder returns. The findings demonstrated a favourable and significant correlation between EPS and shareholder returns, indicating that businesses with greater EPS are more likely to produce better returns for their owners. The study also discovered that small and mid-cap companies had a greater effect on shareholder returns than large-cap companies did.

Additionally, the authors looked at the connection between EPS growth and shareholder returns and discovered that businesses with higher EPS growth typically produced higher shareholder returns. Overall, the research shows that EPS is a significant factor in determining shareholder returns and can be a useful tool for investors when making investment decisions.Rahman and Akbar's (2017) investigation focused on listed banks on the Dhaka Stock Exchange in Bangladesh and the relationship between shareholders' wealth and the P/E ratio. The study's sample consists of the 30 banks listed on the Dhaka Stock Exchange, and panel regression analysis is utilised to examine the data. The results of the study demonstrate that the P/E ratio has a considerable impact on shareholders' wealth when it comes to banks that are listed on the Dhaka Stock Exchange. Investors should consider the P/E ratio when choosing their investments in Bangladesh's banking sector, the study's findings suggest.

The price-earnings ratio (P/E ratio) and shareholders' wealth of listed commercial banks on the Dhaka Stock Exchange are both examined in Siam and Akbar's (2015) research. The study examined data from 2009 to 2013 over a 5-year period, using a sample of 20 commercial banks. The findings demonstrate that the P/E ratio significantly and favourably affects shareholders' wealth. The study also discovered that return on assets and the dividend payout ratio are important elements that influence shareholders' wealth. The results of this study indicate that while making investing decisions in the banking sector, the P/E ratio is a crucial aspect to take into account.The purpose of the study by Daga and Dandale (2017) was to look at how the price-earnings ratio (P/E ratio) affects the wealth of the shareholders in the Indian auto industry.

The P/E ratio and shareholders' wealth, which was determined by the market price of the company's stock, were compared in the study using a sample of 16 automobile companies listed on the NSE. The study's findings showed a link between shareholders' wealth and the P/E ratio, indicating that higher P/E ratios are associated with higher market prices for companies, which in turn lead to larger returns for shareholders.The analysis also discovered that the vehicle sector had a low P/E ratio when compared to other sectors, indicating that there is still possibility for expansion in the sector.The purpose of Park and Ahn's article from 2019 titled "The Impact of the P/E Ratio on Shareholders' Wealth in the Korean Market" is to look into the connection between shareholder wealth in the Korean stock market and the P/E ratio. The study uses panel data regression models to analyse the data using a sample of 1,040 Korean companies between 2010 and 2017.

According to the report, the P/E ratio significantly increases shareholder wealth, proving that foreign investors favour Korean companies with higher P/E ratios. The study contends that return on equity (ROE) and earnings per share (EPS) have a favourable impact on shareholder wealth. Overall, the research sheds light on the Korean stock market and emphasises how crucial the P/E ratio is to shareholder value.In their 2018 study, Naveed and Ahmad sought to better understand how Pakistani shareholders' wealth is affected by two financial ratios: the price-earnings (P/E) ratio and market capitalization. 24 businesses listed on the Pakistan Stock Exchange between 2010 and 2015 were used as the study's sample. The study's findings showed that the P/E ratio and shareholders' wealth are significantly positively correlated, whereas market capitalization was found to have a negligible impact on shareholders' wealth.

Investors could utilise the P/E ratio as an indicator to make wise investing decisions in the Pakistani stock market, according to the study's findings.Ahmad and Ahmed (2018) aimed to investigate the impact of the price-earnings (P/E) ratio on shareholders' wealth in the context of the Karachi Stock Exchange (KSE). A sample of 20 KSE-listed companies' financial records from the years 2011 through 2015 were analysed in the study. The authors used correlation and regression analysis to examine the relationship between the P/E ratio and stock returns as well as the impact of the P/E ratio on shareholders' wealth. The research revealed a strong positive relationship between stock returns and P/E ratio as well as a significant positive effect of P/E ratio on shareholders' wealth. The authors proposed that the P/E ratio could be a useful tool for investors to consider when making investment decisions.Using empirical data from Pakistan, Ali and Qureshi (2015) investigated how the price-earnings ratio (P/E ratio) affects shareholder wealth.

For the years 2009 through 2013, they used secondary data from the annual reports of 50 companies that are listed on the Pakistan Stock Exchange (PSX). The P/E ratio and shareholder wealth, as assessed by stock returns, are examined in the study using panel data analytic methodologies. The study's findings point to a strong positive correlation between shareholder wealth and the P/E ratio. The relationship, according to the authors, arises from the market's estimation of a company's anticipated future earnings, which is reflected in its P/E ratio. A higher P/E ratio indicates that the market expects the firm to have higher future earnings, which leads to an increase in shareholder wealth. Overall, the study provides empirical evidence that supports the positive impact of the P/E ratio on shareholder wealth in the context of the Pakistani stock market.

The authors suggest that investors can use the P/E ratio as a tool for investment decision-making, as a higher P/E ratio indicates higher future earnings potential and thus higher potential for shareholder wealth.The mediating impact of dividend policy on the association between the P/E ratio and shareholders' wealth in the Pakistani setting is examined by Abbas, Ahmad, and Haider (2021). The authors examine a number of research that looked into the connection between shareholder wealth and the P/E ratio in a number of nations, including India, Australia, Korea, and Portugal. They point out that prior research on this topic has yielded conflicting findings, with some studies revealing a favourable influence of the P/E ratio on shareholders' wealth and others finding no discernible effect. The authors also draw attention to other studies that found a link between shareholders' wealth and dividend distributions, with dividend payouts being associated favourably with shareholders' wealth.

Using data from the Pakistani stock market, the authors explore their hypothesis that dividend policy may moderate the relationship between the P/E ratio and shareholders' wealth. This hypothesis is based on previous research. Overall, the research adds to the body of knowledge on factors that influence shareholders' wealth and the function of dividend policy in mediating the link between firm-level variables and shareholder value.The effect of the Price Earnings Ratio (P/E) on shareholders' wealth in the Pakistani cement business is examined by Ali, M. (2019). The relationship between the P/E ratio and shareholders' wealth is investigated by the author using regression analysis, along with the effects of other factors like market capitalization, dividend yield, and earnings per share. According to the study, the P/E ratio has a positive and significant effect on shareholders' wealth, and higher P/E ratios are linked to higher shareholder returns.

The analysis also reveals that, in contrast to earnings per share, market capitalization and dividend yield have a considerable impact on shareholder returns.Bhatti and Hussain's (2018) research investigates the connection between Pakistan's energy sector's price-earnings ratio (P/E) and shareholders' wealth. From 2012 to 2016, information was gathered on 11 energy businesses listed on the Pakistan Stock Exchange. The findings demonstrate that P/E has a large favourable effect on shareholders' wealth in Pakistan's energy sector. The study also discovered that, compared to the long run, the short-term association between P/E and shareholders' wealth is stronger. The authors come to the conclusion that when making investment decisions in Pakistan's energy sector, investors should take P/E into account.In 2020, Dong, G., and Wang, W. examined the price-earnings ratio (P/E ratio) and shareholders' wealth in the Chinese stock market.

They collected data from all A-share listed companies on the Shanghai and Shenzhen stock exchanges between 2008 and 2017 using panel data regression models to investigate the relationship between the P/E ratio and shareholder wealth. They found that shareholder wealth and the P/E ratio on the Chinese stock market have a significant positive link. For state-owned companies and companies with high market capitalizations, this association is very significant. The P/E ratio and shareholder wealth have varying links across industries, with the telecommunications, healthcare, and finance sectors having the largest associations, according to the authors' research. The overall results of this study suggest that the P/E ratio may be a useful indicator of shareholder wealth in the Chinese stock market.Hussain and Tariq's study from 2019 looked at the impact of the price-earnings ratio (P/E ratio) on shareholders' wealth in Pakistani listed corporations.

The study used data from 2013 to 2017 and panel data regression analysis to examine the relationship between the P/E ratio and shareholders' wealth. The results demonstrated that a higher P/E ratio enhances shareholders' value and that this influence was considerable and good on shareholders' wealth. The study concluded that businesses should maintain a desirable P/E ratio to maximise shareholder value and that investors should consider the P/E ratio when making investment decisions.Khan and Khan (2018) looked into how the price-earnings (P/E) ratio and dividend yield affected shareholders' wealth in Pakistan's banking industry. From 2011 to 2016, the authors gathered information from ten commercial banks that were listed on the Pakistan Stock Exchange. The relationship between the P/E ratio, dividend yield, and shareholders' wealth as defined by the Tobin's Q ratio was investigated using regression analysis.

The study discovered that in Pakistan's banking sector, the P/E ratio and dividend yield significantly increase shareholders' wealth. The authors recommended that when making investment decisions in Pakistan's banking sector, investors should take the P/E ratio and dividend yield into consideration.The effect of the price-earnings ratio (P/E ratio) on shareholders' wealth in the Chinese stock market was studied by Lu, W., and Yang, S. in 2019. 420 businesses listed on the Shanghai and Shenzhen stock exchanges between 2010 and 2018 were selected as the study's sample. According to the research, the P/E ratio significantly increased shareholders' wealth, proving that buyers of companies on the Chinese stock market are willing to pay more for those with higher P/E ratios. Market capitalization and dividend yield also had a favourable effect on shareholders' wealth, but the P/E ratio had a stronger effect.

The authors came to the conclusion that when making investing decisions in the Chinese stock market, investors should take the P/E ratio into account.The effect of the price-to-earnings (P/E) ratio on shareholders' wealth in the Indian pharmaceutical business was studied by Rathore and Solanki in 2019. To test their theories, the authors used data from the Bombay Stock Exchange (BSE) for the years 2013–2017 and panel regression analysis. The study discovered that in the Indian pharmaceutical industry, the P/E ratio has a strong positive impact on owners' wealth, demonstrating that investors appreciate businesses with high P/E ratios and are prepared to pay more for their stocks. The study also discovered that while leverage has a negative effect on shareholders' wealth, business size and dividend yield have a beneficial effect. These findings imply that investors favour larger, more dependable businesses that pay out high dividend rates and have low debt levels.

Overall, this study's findings can be helpful to investors, decision-makers, and professionals in the business since they shed light on the elements that influence shareholders' wealth in the Indian pharmaceutical sector. However, the study includes significant restrictions that may limit the generalizability of the findings, such as the use of a single financial market and the emphasis on a particular industry.

3. Research Methodology

In this section, we present the overview of the Research Design, Data Collection, Sampling, Data Analysis Tool, Limitations, Hypothesis & the Specification of the Model.

3.1 Research Design

The quantitative research design used for this study makes use of secondary data from the website "https://www.moneyworks4me.com." Regression analysis will be used in the study to examine the effects of the P/E ratio on the market capitalization and ROE of Nifty 50 Companies.

3.2 Data Collection.

The study's data will be gathered from 'https://www.moneyworks4me.com' for the last five years. The website offers in-depth information on a number of financial parameters, such as the P/E ratio, market capitalization, and ROE of Nifty 50 firms. Microsoft Excel will be used to organise and store the gathered data for later examination.

3.3 Sampling.

The top 50 firms listed on India's National Stock Exchange (NSE), the Nifty 50, will be the subject of the study. The total number of businesses that make up the Nifty 50 index will serve as the sample size for this study.

3.4 Data Analysis Tool

Regression analysis will be used for the data analysis for this investigation. A statistical method for examining the relationship between two or more variables is regression analysis. Regression analysis will be employed in this study to ascertain how the P/E ratio affects the market capitalization and ROE of Nifty 50 firms. Microsoft Excel is used to do the regression analysis, and the study's output is produced.

3.5 Limitations

The use of secondary data, which might not be totally accurate or current, is one of the study's drawbacks. Additionally, because the study will only examine the Nifty 50 businesses, the full Indian stock market may not be adequately represented. Additionally, the study will only take into account how the P/E ratio affects market cap and ROE; other factors that can have an impact on these variables are not taken into account.

3.6 Hypothesis

Null Hypothesis (H_0): There is no significant impact ofP/E ratio on shareholders' wealth of Nifty 50 companies.

Alternative Hypothesis (H_1): There is a significant impact of P/E ratio on shareholders' wealth of Nifty 50 companies.

4. Specification of the Model

The regression equation for this study is : Y = a + bX

where an is the intercept, b is the slope coefficient, X is the independent variable (P/E ratio), and Y is the dependent variable (either Market Cap or ROE). In order to forecast the values of Y based on the values of X, the regression analysis will estimate the values of a and b that produce the best-fit line for the data. The relationship between the P/E ratio and the dependent variable will be established using the equation, and it will also be used to forecast the predicted value of the dependent variable given a value for the independent variable.

5. Result Analysis

The following three tables justify the analysis and summary of the study.

Table 1: Summary of Descriptive Statistics

Measures	MARKET CAP	ROE	P/E RATIO
Mean	287055.8	18.63360	33.29280
Median	190503.0	15.81500	27.89000
Maximum	1656208.0	108.7300	134.1300
Minimum	50241.00	-23.85000	0.000000
Std. Dev.	302019.4	17.60696	26.75718
Skewness	2.667703	2.638555	1.445828
Kurtosis	11.07305	15.54378	5.543179
Jarque-Bera	195.0848	385.8214	30.89466
Sum	14352791	931.6800	1664.640
Sum Sq. Dev.	4.47E+12	15190.25	35081.40
Observations	50		

The dataset contains 50 observations for the market capitalization, ROE, and P/E ratio. According to the mean and median values, the market capitalization, ROE, and P/E ratio are all on the high side. The high skewness scores suggest that the data is skewed to the right and that some extreme values are present at the higher end of the range. The dataset has some extreme values farther out and a relatively high concentration of values close to the mean, as indicated by the high kurtosis values. The Jarque-Bera test statistic for each variable indicates a potential non-normal distribution of the data. The data's comparatively large standard deviations demonstrate the data's wide range of values.

Table 2: Correlation Results

Variables	MARKET CAP	ROE	P/E RATIO
MARKET CAP	1	0.034123809889224	-0.0716987512685847
ROE	0.03412380988922164	1	0.2035883316383223
P/E RATIO	-0.0716987512685847	0.2035883316383223	1

The correlation matrix shows the pairwise correlation coefficients for market cap, return on equity, and P/E ratio. The association between market capitalization and return on equity is weakly positive (r=0.034) and shows that there may be a little tendency for firms with larger market capitalization to also have higher returns on equity. The somewhat positive connection between ROE and P/E Ratio (r= 0.204) shows that businesses with better returns on equity typically have higher price-to-earnings ratios. The association between market capitalization and price-to-earnings ratio is weakly negative (r=-0.072), indicating that there may be a little trend for firms with larger market capitalization to have lower price-to-earnings ratios.Overall, these correlation coefficients indicate that the variables may have some weak to moderate correlations.

Table 3: Test Summary of Regression Model

Items	Market Cap			ROE		
R Square	0.005			0.038181		
Standard Error	304,363.8497			17.5971		
	Coefficients	t Stat	P-value	Coefficients	t Stat	P-value
Intercept	313,999.46	4.542	0.00004	14.215937	3.5473210	0.00089445
X Variable	-809.29	-0.498	0.62074	0.1310857	1.3659236	0.17846381
Observations	50					

As the p-value associated with the slope coefficient is greater than the significance level of 0.05 and the null hypothesis is accepted, the results show that the P/E ratio has a statistically non-significant impact on the market cap and ROE of Nifty 50 companies. The statistical significance of the intercept terms shows that the intercept differs considerably from zero. The P/E Ratio versus Market Cap and ROE has coefficients of determination (R-squared) values of 0.005 and 0.038181, respectively. This indicates that only 0.50% of the variation in market cap and 3.8181% of ROE is explained by the change in P/E ratio. The dependent variables and independent variables have a shaky numerical relationship.

6. Conclusion

According to the study's findings, the P/E Ratio has no effect on shareholders' wealth. A straightforward regression analysis technique is used, and the analysis's findings have been derived for the most recent nifty50 businesses' data. The study's inability to reject the null hypothesis demonstrated that there is no statistically significant association between the variables, despite the fact that there is a weak relationship between them. However, the study can be expanded even further with analysis of individual industries or sectors.

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