**Introduction**

The price-earnings ratio (P/E ratio) is the ratio of a company's share price to the company's earnings per share. The P/E ratio is a measure to know how expensive the stock is when compared to scrips within the same industry or with the industry. Index P/E can be used as an effective comparison benchmark.

**Formula**: Index market capitalization / Gross earnings

Where Index market capitalization of the Index constituents is the sum total of the outstanding equity shares or units considered for index computation multiplied by the close price of each index constituent adjusted for factors such as free-float, capping factor etc. depending upon the index methodology; and

The earnings (including profits and losses) reported by each index constituent in trailing 4 quarters (consolidated financials) are cumulated and adjusted for factors such as free-float, capping factor etc. depending upon the index methodology to arrive at the gross earnings. In case, consolidated financials are not available, standalone financials for trailing 4 quarters will be considered.

Strategy to generate more returns. This strategy was discussed in a paid webinar.

The max and minimum value of Nifty PE till date is around 12 to 40 respectively.

Break it into 5 zones.

* Zone 1- above 25 (overvalued)
* Zone 2 - b/w 20 to 25
* Zone 3- b/w 15 to 20
* Zone 4 - 12- 15 (under value)
* Zone 5 - Extremely undervalued.

Now first decide the SIP amount you want to invest monthly.

Let it be X.

So allocate it as-

* In Zone 1- Invest X/2
* Zone 2- Invest X
* Zone 3 - Invest 2X
* Zone 4- Invest 3X.
* Zone 6- Invest 6X

Current Nifty PE Ratio you can get in the following links provided below.

<https://trendlyne.com/equity/PE/NIFTY/1887/nifty-50-price-to-earning-ratios/>

<https://nifty-pe-ratio.com/>