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News: Price to Earnings Ratio and Hockey Stick Effect

- The Chairperson of SEBI noted that despite a high P/E ratio, overseas investors are attracted to the Indian capital markets due to the rapid economic growth, reflecting global optimism and trust in India, exemplified by the hockey stick effect.

Price-to-Earnings (P/E) Ratio

- The Price-to-Earnings (P/E) Ratio is the company's share price relative to its earnings per share (EPS).
- The P/E ratio helps assess a company's stock value compared to others and is also useful for comparing its valuation historically, against peers, or the market.
- A high P/E ratio may indicate overvaluation, while a low ratio could suggest undervaluation.

Hockey Stick Effect

- The hockey stick effect is characterised by a sharp rise or fall of data points after a long flat period.

- Hockey stick charts visually depict notable changes or rapid growth, seen in areas like corporate earnings, global temperatures, and poverty statistics, with applications in business, economics, and policy.
- It indicates the need for urgent action due to a drastic shift in data points.