

Mechanism of assessing effectiveness of investments into securities of leading Russian oil companies

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Abstract

© Medwell Journals, 2015. Based on the method of company's value (DCF: Discounted Cash Flow), we performed calculations of fair cost of common shares of "Lukoil" public company, "NK Rosneft" O JSC and "Gazprom" public company. This index considers share's returns and riskiness and gives the possibility at further comparison with current market price of the share to take decision about effective investment of money. Based on accounting data of each company, we found indices used for fundamental analysis on the base of which one may take decisions about effectiveness of investments. We used the method of comparative coefficients where the following multipliers were considered for each company: correlation of current price of the share with revenues which fall on one share (P/S); correlation of current price of the share with net earnings on one share (P/E); correlation of current price of the share with price of assets which fall on one common share (P/BV); correlation of sum of capitalization and liabilities of the company minus money to depreciation amount, interests payable and profit before taxation (EV/EBITDA). As a result, we found out the cost of shares of each company. Total amount of paper's value of each company was defined basing upon fair price of security which was defines basing on company's cost (DCF Method) and value of the share (with method of comparative coefficients).

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Keywords

Assessment of the company, Fundamental analysis, Multipliers, Profitability, Share value