

**A COMPARATIVE ANALYSIS OF EQUITY ORIENTED MUTUAL
FUNDS AT INDIABULLS SECURITIES LIMITED**

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ABSTRACT

A mutual fund is a way to invest in a partnership. It is a pool of money collected from various investors invested according to the intended investment objective. A fund manager is a person who invests in various types of security according to the stated purpose. The mutual fund portfolio is determined to consider this investment objective. Mutual fund investors are like shareholders and have their own fund. Revenue from these investments and financial information received by the program is shared by its unit owners in accordance with the number of units. The value of investments can go up or down, changing the number of investors holding. The same investments are some of the best investments ever made because they are the most expensive and the easiest to invest in.

Investing in stocks, stocks and other instruments requires great expertise and constant monitoring, which allows the investor to make the right decisions. Small investors often do not have the necessary expertise and time to do any research that can make informed decisions. While this is a major reason for the popularity of mutual funds, there are many other benefits that make equal money attractive.

Keywords: Investment, Mutual fund, Stocks.

INTRODUCTION

A mutual fund is a way to invest in a partnership. It is a pool of money collected from various investors invested according to the intended investment objective. A fund manager is a person who invests in various types of security according to the stated purpose. The mutual fund portfolio is determined to consider this investment objective. Mutual fund investors are like shareholders and have their own fund. Revenue from these investments and financial information received by the program is shared by its unit owners in accordance with the number of units. The value of investments can go up or down, changing the number of

investors holding. The same investments are some of the best investments ever made because they are the most expensive and the easiest to invest in.

Investment in securities is still distributed in a wide range of industries and sectors and thus risk is reduced. Variation minimizes risk because all shares may not be moving in the same direction at the same time. Various fund houses issue units to investors depending on the amount of money invested in them. Collaborative investors are known as unit owners.

EQUITY MUTUAL FUNDS:

The EQUITY MUTUAL Fund is a Mutual fund scheme that focuses mainly on company shares / shares. Also known as GROWTH FUNDS.

Equity funds may or may not work. In the Active Fund, the fund manager examines the market, conducts research in companies, evaluates performance and looks at the best investment stock. In the Passive Fund, the fund manager created a portfolio that reflects the popular market index, said Sensex or Nifty Fifty.

In addition, Funds can be categorized according to the Growth Market, e.g., How Market Market values the equity of the entire company. It can be Large Cap, Mid Cap, Micro Cap or Micro cap Funds.

Investing in stocks, stocks and other instruments requires great expertise and constant monitoring, which allows the investor to make the right decisions. Small investors often do not have the necessary expertise and time to do any research that can make informed decisions. While this is a major reason for the popularity of mutual funds, there are many other benefits that make equal money attractive.

Various investments improve the portfolio recovery profile. Several variations are limited due to lower interest rates among small investors. The large business of the mutual fund as compared to each investment makes full flexibility possible. Because of financial governance, individual investors can enjoy the benefits of diversity.

OBJECTIVES OF THE STUDY:

- To study various equity mutual funds operating in India
- To review the performance of different mutual fund schemes
- To analyze the equity mutual fund schemes of different fund houses
- To rank different equity mutual fund based on risk adjusted returns

NEED FOR THE STUDY:

Equity-oriented mutual funds are the preferred choice of the investor fraternity. However, these equity schemes are exposed to risk as much as the underlying equity shares. The current study aims to understand promising equity-oriented schemes that have outperformed the Market benchmark on risk-adjusted basis.

SCOPE OF THE STUDY:

The study is limited to the analysis made on equity mutual fund schemes offered by different fund houses. Each scheme is calculated in terms of their risk and return using different performance metrics theories.

RESEAECH METHODOLOGY

Sources of the Data:

The current research is based on secondary data collected from various sources such as websites and published data for Nse india, SEBI, Amfi, Mutual Fund companies and trading organizations.

Methodology of the Study:

Defines the relationship between stock returns and index returns. The beta value can be interpreted as follows, 'a 1% change in the Nifty index could cause a change of 1,042% (beta) in a particular fund. It's a linear character with a personality.

Beta:

$$\frac{n \sum XY - (\sum X) (\sum Y)}{n \sum X^2 - (\sum X)^2}$$

Where n represents number of days, x represents Return of the index and y represents Return of the fund.

Treynor's Ratio:

Treynor's rating, named after Jack Treynor, who is one of the fathers of modern portfolio documents, also helps analyze cash returns in relation to the stock market risk. The ratings, also known as the red-to-volatility ratio, provide a performance measure tailored to market risk.

It is a measure that helps portfolio managers determine the overpayment generated as the difference between a fund return and a risky free refund. Excessive return of the beta rate

measures the additional return on the fund per unit of risk. The financial position is based on that estimate.

$$T = \frac{R - RFR}{\beta}$$

Where R represents the return on investment, RFR represents the risk-free return.

Sharpe's Ratio:

Sharpe's rating is similar to Treynor's rate difference; instead of the beta here we take the standard deviation. Since the general deviation represents the risk incurred by the fund, it reflects the reversal made by making all possible risks. The higher Sharpe rating is better as it represents the highest return generated per unit of risk.

$$S = \frac{R - RFR}{\sigma}$$

Jenson Model:

Jenson's model suggests another adjusted risk measurement.

This measure was developed by Michael Jenson and is sometimes called the Different Return Road. This measure includes an assessment of the reimbursement issued by the fund in relation to the actual reimbursement expected from the fund given the level of formal risk. The remainder between the two returns is called Alpha, which measures the performance of the wallet compared to the actual return over time. Reimbursement required for a certain level of risk (B_i) can be calculated as:

After calculating the alpha can be obtained by removing the required return from the actual return of the bag.

The high alpha represents the maximum performance of the bag and the opposite. The limit of this model is that it only looks at the formal risk and not all the risk related to the fund and the average investor will not minimize the unplanned risk, because its market knowledge is endless.

$$R_i = R_f + B_i (R_m - R_f)$$

Where, R_m is average market return during the given period.

Return:

The return is a measure of how much investment has gone up or down over a period of time. In particular, the annual return is a percentage increase or decrease in any twelve-month period.

$$\frac{(P1 - P0)}{P0}$$

Geometric Mean:

$$G.M = [(1+r1) (1+r2)..... (1+rn)]^{1/n} - 1$$

LIMITATIONS OF THE STUDY:

The present study has the following limitations

- The study has been restricted to only three schemes.
- The data is analyzed for a one year time period only.

REVIEW OF LITERATURE:

Goyal and Bansal (2013):

We evaluated and compared the performance of various types of transaction funds in India and concluded that equity financing exceeds all liabilities. Their research also concluded that stock fund managers have a strong ability to save time in the market and financial managers in institutions are able to set a time when they invest.

Dr. R. Narayanasamy and V. Rathnamani (April 2013):

We have done a Test of Equity Mutual Funds (On Selected Equity Large Cap Funds). This study, basically, is about equity funds provided by investments by various fund houses in India. The study focused on the effectiveness of selected large-scale financial systems in relation to relationships that would return to risk. The main objectives of this research work are to evaluate the financial performance of selected schemes for each fund according to the listed criteria such as (alpha, beta, standard deviation, Sharpe rating).

Dr. N. K. Sathya Pal Sharma and Ravikumar. R (2013):

Performed Risk Analysis and Restoration of Equity based Mutual Fund Relations in India. In this paper an attempt has been made to analyze the effectiveness of equities operating in parallel operations. 15 schemes were provided by two private companies and 2 public

companies, studied during the period April 1999 to April 2013 (15years). The analysis was performed on a risk recovery relationship with the Capital Asset Pricing model (CAPM).

DATA ANALYSIS AND INTERPRETATION

1. Calculation of risk and returns of IDBI EQUITY SAVINGS FUND DIVIDEND OPTION DIRECT:

$$\text{Risk } (\sigma) = \sqrt{\frac{\sum D^2}{n-1}} = \sqrt{\frac{16441.1}{243-1}} = \sqrt{\frac{16441.1}{242}} = \sqrt{67.938} = 8.2424$$

$$\text{Sharpe Performance Ratio} = \frac{RI-RF}{\sigma} = \frac{8.225843-7}{8.2424} = \frac{1.2258}{8.2424} = 0.1487$$

RF= RISK FREE RETURNS = 7%

$$\text{Beta } (\beta) = \frac{n\sum XY - (\sum X)(\sum Y)}{n\sum X^2 - (\sum X)^2} = 0.3143$$

$$\text{Treynor's ratio} = \frac{RI-RF}{\beta} = \frac{8.225843-7}{0.3143} = \frac{1.2258}{0.3143} = 3.90023$$

$$\begin{aligned} \text{Jensen's Model} = R_i &= R_f + B_i (R_m - R_f) = 7 + 0.610315 (11.83263 - 7) \\ &= 7 + 0.3143 (4.83263) \\ &= 7 + 1.519031 = 8.519031 \end{aligned}$$

$$\alpha = R_{i(A)} - R_{i(E)} = 8.3628 - 8.519031 = -0.15623$$

INTERPRETATION: It was observed from the table that the Geometric mean was 8.2258, Risks was 8.2424, Sharpe performance ratio was 0.1487, Treynor's ratio was 3.90023 and Jensen's alpha was -0.15623. The IDBI Equity Savings Fund – Direct Plan - Dividend is having the Highest Market Value i.e.,13.3744 on December 27, 2019 and Lowest Market Value i.e.,12.1084 on February 19, 2019.

2. Calculation of risk and returns of AXIS EQUITY SAVER FUND – DIRECT PLAN - REGULAR DIVIDEND

$$\text{Risk } (\sigma) = \sqrt{\frac{\sum D^2}{n-1}} = \sqrt{\frac{17248.2}{243-1}} = \sqrt{\frac{17248.2}{242}} = \sqrt{71.27357} = 8.442$$

$$\text{Sharpe Performance Ratio} = \frac{RI-RF}{\sigma} = \frac{8.4253-7}{8.442} = \frac{1.4253}{8.442} = 0.1688$$

RF = RISK FREE RETURN = 7%

$$\text{Beta } (\beta) = \frac{n\sum XY - (\sum X)(\sum Y)}{n\sum X^2 - (\sum X)^2} = 0.368262$$

$$\text{Treynor's ratio} = \frac{RI-RF}{\beta} = \frac{8.4253-7}{0.36826} = \frac{1.4253}{0.36826} = 3.8711$$

$$\begin{aligned} \text{Jensen's Model} = R_i &= R_f + B_i (R_m - R_f) = 7 + 0.368262 (11.83263 - 7) \\ &= 7 + 0.368262 (4.83263) \\ &= 7 + 1.779676 = 8.779676 \end{aligned}$$

$$\alpha = R_{i(A)} - R_{i(E)} = 8.856702 - 8.779676 = 0.077025$$

INTERPRETATION: It was observed from the table that the Geometric mean was 8.4253, Risks was 8.442, Sharpe performance ratio was 0.168832, Treynor's ratio was 3.8711094 and Jensen's alpha was 0.077025. The Axis Equity Fund – Direct Plan - Dividend is having the Highest Market Value i.e.,13.14 on December 30, 2019 and Lowest Market Value i.e.,11.85 on February 19, 2019.

3. Calculation of risk and returns of SHRIRAM HYBRID EQUITY FUND – DIRECT DIVIDEND

$$\text{Risk } (\sigma) = \sqrt{\frac{\sum D^2}{n-1}} = \sqrt{\frac{20545.57}{243-1}} = \sqrt{\frac{20545.57}{242}} = \sqrt{84.899057} = 9.2140684$$

$$\text{Sharpe Performance Ratio} = \frac{RI-RF}{\sigma} = \frac{9.195487-7}{9.2140684} = \frac{2.195487}{9.2140684} = 0.2382755$$

RF = RISK FREE RETURN = 7%

$$\text{Beta } (\beta) = \frac{n\sum XY - (\sum X)(\sum Y)}{n\sum X^2 - (\sum X)^2} = 0.629$$

$$\text{Treynor's ratio} = \frac{RI - RF}{\beta} = \frac{9.195487 - 7}{0.629} = \frac{2.195487}{0.629} = 3.4904$$

$$\begin{aligned} \text{Jensen's Model} = R_i &= R_f + B_i (R_m - R_f) = 7 + 0.610315 (11.83263 - 7) \\ &= 7 + 0.610315 (4.83263) \\ &= 7 + 3.041944 = 10.04194 \end{aligned}$$

$$\alpha = R_{i(A)} - R_{i(E)} = 9.69954 - 10.04194 = -0.3424$$

INTERPRETATION: It was observed from the table that the Geometric mean was 9.195487, Risks was 9.21406, Sharpe performance ratio was 0.2382755, Treynor's ratio was 3.4904 and Jensen's alpha was -0.3424. The Shriram Hybrid Equity Fund – Direct Plan - Dividend is having the Highest Market Value i.e., 14.7585 on December 27, 2019 and Lowest Market Value i.e., 12.9324 on February 19, 2019.

SHARPE PERFORMANCE RATIO RANKING:

SCHEME	RISK	RETURN	SHARPE PERFORMANCE RATIO	RANKING
IDBI	8.2424	8.2258	0.1487	3
AXIS	8.442	8.4253	0.1688	2
SHRIRAM	9.2140	9.1954	0.2382	1

TREYNOR'S RATIO RANKING:

SCHEME	RISK	RETURN	TREYNOR'S RATIO	RANKING
IDBI	8.2424	8.2258	3.9002	3

AXIS	8.442	8.4253	3.8711	1
SHRIRAM	9.2140	9.1954	3.4904	2

JENSEN'S ALPHA RATIO RANKING:

SCHEME	RISK	RETURN	JENSEN'S ALPHA RATIO	RANKING
IDBI	8.2424	8.2258	-0.1562	2
AXIS	8.442	8.4253	0.0770	1
SHRIRAM	9.2140	9.1954	-0.3424	3

COMBINED RANKING:

SCHEME	SHARPE PERFORMANCE RATIO RANKING	TREYNOR'S RATIO RANKING	JENSEN'S ALPHA RATIO RANKING	Σ	RANKING	π	RANKING	FINAL RANKING
IDBI	3	1	2	10	2	30	2	2
AXIS	2	2	1	9	1	24	1	1
SHRIRAM	1	3	3	11	3	48	3	3

FINDINGS

- IDBI Equity Savings Fund is having the return of 8.225843 and risk of 8.2424
- It was observed that IDBI Equity Savings Fund is having Sharpe Performance Ratio of 0.1487 , Treynor's ratio of 3.90023 and Jensen's alpha Ratio of -0.15623
- AXIS Equity Saver Fund is having the return of 8.42534 and risk of 8.442
- It was observed that AXIS Equity Saver Fund is having Sharpe Performance Ratio of 0.1688, Treynor's ratio of 3.8711 and Jensen's alpha Ratio of 0.077025
- SHRIRAM Hybrid Equity Fund is having the return of 9.195487 and risk of 9.2140
- It was observed that SHRIRAM Hybrid Equity Fund is having Sharpe Performance Ratio of 0.24827 , Treynor's ratio of 3.4904 and Jensen's alpha Ratio of -0.3424

SUGGESTIONS:

Investment is the technique by which people save the money for future and increase their living standard. Many investors don't know and don't want to take more risk by investing in shares and securities therefore mutual funds are better instrument to save their money for future and provide better returns.

Based on the selected equity mutual fund schemes AXIS Equity Saver Fund is performing well with good returns and incurring less risk an investor is suggested to invest in these mutual fund schemes to yield good returns in back.

CONCLUSION:

Mutual Fund is good concept of investment which collects the savings and invests in different sector and different market in such a way that investment get highest return. This return will be paid back to Unit holder. The perception of Independent Financial Advisor is that

insurance is a best investment option for life cover and safety from future threats and Mutual Funds are for investment purpose. Most Advisors are now suggesting mutual fund.

While risk cannot be eliminated, skillful management can minimize risk. Mutual Funds help to reduce risk through diversification and professional management. The experience and expertise of Mutual Fund managers in selecting fundamentally sound securities and timing their purchases and sales help them to build a diversified portfolio that minimizes risk and maximizes returns.

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