**INTRODUCTION TO EQUITY CAPITAL AND MUTUAL FUND**

Issue of shares is the most important method of raising capital. Finance raised by the issue of shares serves as a financial floor to the company’s capital structure. Shares indicate the ownership or equity interest in the assets of the company. Shares are of different nominal or face values and of different kinds to attract different kinds of investors. The maximum amount of capital to be raised by the issue of shares is mentioned in the memorandum of association.

During 1990-91 and 1991-92, equity accounts for 35 to 39 percent of the total capital raised respectively. This proportion was reversed in 1992-93, the first year of free pricing, when the share of equity increased to 62 percent. His share of equity finance increased to a high of 73.18 percent in 1994-95. However, in 1995-96 there is a rise in the importance of debt largely due to the high interest rates in the economy and negative returns from the secondary market.

The mutual fund industry in India started in 1964 with the formation of Unit Trust of India, at the initiative of the Government of India. The 1993 SEBI Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996.

The end of millennium marks 36 years of existence of mutual funds in this country. The ride through these 36 years is not been smooth. Investor opinion is still divided. While some are for mutual funds others are against it. UTI commenced its operations from July 1964. The impetus for establishing a formal institution came from the desire to increase the propensity of the middle and lower groups to save and to invest. UTI came in to existence during a period marked by great political and economic turmoil that depressed the financial market; entrepreneurs were rather hesitant to enter the capital markets.

**Concept of Equity Capital and Mutual Fund**

The term Equity literally means the stock or ownership of a company. They are also known as ordinary shares. The rate of dividend on equity shares varies according to the amount of profit available and the intention of board of directors. In the event of winding up of the company, equity shares can be refunded only after all other claims, including those of preference shares for the refund of their capital, have been met.

Equity capital or financing is money raised by a business in exchange for a share of ownership in the company. Ownership is represented by owning shares of stock outright or having the right to convert other financial instruments into stock of that private company. Two key sources of equity capital for new and emerging businesses are angel investors and venture capital firms.

Equity capital is represented by funds that are raised by a business, in exchange for a share of ownership in the company. Equity financing allows a business to obtain funds without incurring debt, or without having to repay a specific amount of money at a particular time.

The Equity Capital Markets Group (ECM) oversees the Firm's activities in the primary equity and equity-linked markets, as well as monetization and equity derivatives. It provides support in the origination of primary market transactions and manages their structuring, syndication, marketing and distribution.

The world over, it’s been shown that over long tenures, equities–with their risk premium–have provided approximately 7 percentage points higher returns than risk-free options. People have to accumulate significant amounts of wealth during their working years. Right now, a 17-year bond gives you only 5.5 per cent. So, it is imperative that these people have some exposure to equity.

A mutual fund is a trust that pools the money of many investors -- its shareholders -- to invest in a variety of different securities. Investments may be in stocks, bonds, money market securities or some combination of these. Those securities are professionally managed on behalf of the shareholders, and each investor holds a pro rata share of the portfolio -- entitled to any profits when the securities are sold, but subject to any losses in value as well.

A mutual fund is a group of investors operating through a fund manager to purchase a diverse portfolio of stocks or bonds. There are myriad kinds of mutual funds, each with its own goals and methodologies. Whether or not a mutual fund is a good investment is a matter of much public debate, with many claiming they are excellent for the average person, and others saying they are simply a poor way to invest.

For the individual investor, mutual funds provide the benefit of having someone else manage your investments, take care of recordkeeping for your account, and diversify your rupees over many different securities that may not be available or affordable to you otherwise. Today, minimum investment requirements on many funds are low enough that even the smallest investor can get started in mutual funds.

A mutual fund, by its very nature, is diversified -- its assets are invested in many different securities. Beyond that, there are many different types of mutual funds with different objectives and levels of growth potential, furthering your chances to diversify.

**Objectives of the Study:**

* Saving money is not enough. Each of us also need to invest one’s savings intelligently in order to have enough money available for funding the higher education of one’s children, for buying a house, or for one’s own golden years. But the rapidly growing number of investment avenues often led to confusion. Objectives of the study are
* To provide information to individual investors regarding their risk, and choosing the best investment options to match their goals and attitude to risk.

1. To compare Equity and Mutual Fund Schemes in respect of their risk & return.
2. Analyzing the performance of equity shares and mutual fund schemes with their benchmark.
3. Finding the Volatility of shares by using beta.
4. Provide information about pros and cons of investing in Equity and Mutual Funds

**Need of the study:**

The need of the study is to

1. Determine the changes of price from time to time
2. It gives the complete information regarding the investments to the investors which makes them to analyze the investment pattern of the company
3. And also it evaluates the investors interest towards the investment in RELIGARE mutual funds.

**Scope of the Study**

The project primarily deals with equity, derivatives, mutual funds, portfolio management. The study is limited to compare equity capital and mutual fund schemes in respect of their risk, return and liquidity. The study covers 5 randomly selected stocks out of 30

BSE Sensex companies and 5 randomly selected mutual fund schemes out of mutual fund industry in India for comparison. The analysis is strictly based on share price and unit price information. Other company performance indicators are not considered.

**Limitations of the Study**

The time period for the project was limited to only one and half month and information provided is limited to the extent of internet and journals.

• A good number of explanatory variables must be taken in to consideration in order to assess the share price movement. But due to time constraints detailed analysis of each company were not made.

• The information regarding the company’s, which were considered for the analysis? Not uniform in nature. That is, number of observations differs from one/two companies to other companies.

• Generalization of findings and conclusions of the study are likely to be disputed as security prices are determined by so many factors. However, the findings and conclusions drawn upon the primary and secondary data collected are expected to throw some light on volatility of share prices.

•This is a onetime study.

•This being an academic study suffers from time and cost constraints.

**CHAPTER – 2**

**REVIEW OF LITERATURE**

**Introduction**

A mutual fund is a financial intermediary that pools the savings of investors for collective investment in a diversified portfolio of securities. A fund is “mutual” as all of its returns, minus its expenses, are shared by the fund’s investors.

The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 defines a mutual fund as a ‘a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments’.

According to the above definition, a mutual fund in India can raise resources through sale of units to the public. It can be set up in the form of a Trust under the Indian Trust Act. The definition has been further extended by allowing mutual funds to diversify their activities in the following areas:

* Portfolio management services
* Management of offshore funds
* Providing advice to offshore funds
* Management of pension or provident funds
* Management of venture capital funds
* Management of money market funds
* Management of real estate funds

A mutual fund serves as a link between the investor and the securities market by mobilising savings from the investors and investing them in the securities market to generate returns. Thus, a mutual fund is akin to portfolio management services (PMS). Although, both are conceptually same, they are different from each other. Portfolio management services are offered to high net worth individuals; taking into account their risk profile, their investments are managed separately. In the case of mutual funds, savings of small investors are pooled under a scheme and the returns are distributed in the same proportion in which the investments are made by the investors/unit-holders.

Mutual fund is a collective savings scheme. Mutual funds play an important role in mobilising the savings of small investors and channelising the same for productive ventures in the Indian economy.

**Benefits of Mutual Funds**

An investor can invest directly in individual securities or indirectly through a financial intermediary. Globally, mutual funds have established themselves as the means of investment for the retail investor.

1. **Professional management:** An average investor lacks theknowledge of capital market operations and does not have large resources to reap the benefits of investment. Hence, he requires the help of an expert. It, is not only expensive to ‘hire the services’ of an expert but it is more difficult to identify a real expert. Mutual funds are managed by professional managers who have the requisite skills and experience to analyse the performance and prospects of companies. They make possible an organised investment strategy, which is hardly possible for an individual investor.
2. **Portfolio diversification**: An investor undertakes risk ifhe invests all his funds in a single scrip. Mutual funds invest in a number of companies across various industries and sectors. This diversification reduces the riskiness of the investments.
3. **Reduction in transaction costs**: Compared to directinvesting in the capital market, investing through the funds is relatively less expensive as the benefit of economies of scale is passed on to the investors.
4. **Liquidity**: Often, investors cannot sell the securities heldeasily, while in case of mutual funds, they can easily encash their investment by selling their units to the fund if it is an open-ended scheme or selling them on a stock exchange if it is a close-ended scheme.
5. **Convenience:** Investing in mutual fund reducespaperwork, saves time and makes investment easy.
6. **Flexibility**: Mutual funds offer a family of schemes, andinvestors have the option of transferring their holdings from one scheme to the other.
7. **Tax benefits** Mutual fund investors now enjoy income-taxbenefits. Dividends received from mutual funds’ debt schemes are tax exempt to the overall limit of Rs 9,000 allowed under section 80L of the Income Tax Act.
8. **Transparency** Mutual funds transparently declare theirportfolio every month. Thus an investor knows where his/her money is being deployed and in case they are not happy with the portfolio they can withdraw at a short notice.
9. **Stability to the stock market** Mutual funds have a largeamount of funds which provide the economies of scale by which they can absorb any losses in the stock market and continue investing in the stock market. In addition, mutual funds increase liquidity in the money and capital market.
10. **Equity research** Mutual funds can afford information anddata required for investments as they have large amount of funds and equity research teams available with them.

**History of Mutual Funds**

The history of mutual funds, dates back to 19th century Europe, in particular, Great Britain. Robert Fleming set up in 1868 the first investment trust called Foreign and Colonial Investment Trust which promised to manage the finances of the moneyed classes of Scotland by spreading the investment over a number of different stocks. This investment trust and other investment trusts which were subsequently set up in Britain and the US, resembled today’s close-ended mutual funds. The first mutual fund in the US, Massachusetts Inves-tors’ Trust, was setup in March 1924. This was the first open-ended mutual fund.

The stock market crash in 1929, the Great Depression, and the outbreak of the Second World War slackened the pace of growth of the mutual fund industry. Innovations in products and services increased the popularity of mutual funds in the 1950s and 1960s. The first international stock mutual fund was introduced in the US in 1940. In 1976, the first tax-exempt municipal bond funds emerged and in 1979, the first money market mutual funds were created. The latest additions are the international bond fund in 1986 and arm funds in 1990. This industry witnessed substantial growth in the eighties and nineties when there was a significant increase in the number of mutual funds, schemes, assets, and shareholders. In the US, the mutual fund industry registered a tenfold growth in the eighties (1980-89) only, with 25% of the household sector’s investment in financial assets made through them. Fund assets increased from less than $150 billion in 1980 to over $4 trillion by the end of 1997. Since 1996, mutual fund assets have exceeded bank deposits. The mutual fund industry and the banking industry virtually rival each other in size.

**Growth of Mutual Funds in India**

The Indian mutual fund industry has evolved over distinct stages. The growth of the mutual fund industry in India can be divided into four phases: Phase I (1964-87), Phase II (1987-92), Phase III (1992-97), and Phase IV (beyond 1997).

**Phase I:** The mutual fund concept was introduced in Indiawith the setting up of UTI in 1963. The Unit Trust of India (UTI) was the first mutual fund set up under the UTI Act, 1963, a special act of the Parliament. It became operational in 1964 with a major objective of mobilising savings through the sale of units and investing them in corporate securities for maximising yield and capital appreciation. This phase com-menced with the launch of Unit Scheme 1964 (US-64) the first open-ended and the most popular scheme. UTI’s investible funds, at market value (and including the book value of fixed assets) grew from Rs 49 crore in1965 to Rs 219 crore in 1970-71 to Rs 1,126 crore in 1980-81 and further to Rs 5,068 crore by June 1987. Its investor base had also grown to about 2 million investors. It launched innovative schemes during this phase. Its fund family included five income-oriented, open-ended schemes, which were sold largely through its agent network built up over the years. Master share, the equity growth fund launched in 1986, proved to be a grand marketing success. Master share was the first real close-ended scheme floated by UTI. It launched India Fund in 1986-the first Indian offshore fund for overseas investors, which was listed on the London Stock Exchange (LSE). UTI maintained its monopoly and experienced a consistent growth till 1987.

**Phase II:** The second phase witnessed the entry of mutualfund companies sponsored by nationalised banks and insurance companies. In 1987, SBI Mutual Fund and Canbank Mutual Fund were set up as trusts under the Indian Trust Act, 1882. In 1988, UTI floated another offshore fund, namely, The India Growth Fund which was listed on the New York Stock Exchange (NYSB). By 1990, the two nationalised insurance giants, LIC and GIC, and nationalised banks, namely, Indian Bank, Bank of India, and Punjab National Bank had started operations of wholly-owned mutual fund subsidiaries. The assured return type of schemes floated by the mutual funds during this phase were perceived to be another banking product offered by the arms of sponsor banks. In October 1989, the first regulatory guidelines were issued by the Reserve Bank of India, but they were applicable only to the mutual funds sponsored by FIIs. Subsequently, the Government of India issued comprehensive guidelines in June 1990 covering all ‘mutual funds. These guidelines emphasised compulsory registration with SEBI and an arms length relationship be maintained between the sponsor and asset management company (AMC). With the entry of public sector funds, there was a tremendous growth in the size of the mutual fund industry with investible funds, at market value, increasing to Rs 53,462 crore and the number of investors increasing to over 23 million. The buoyant equity markets in 1991-92 and tax benefits under equity-linked savings schemes enhanced the attractiveness of equity funds.

**Phase III:** The year 1993 marked a turning point in the historyof mutual funds in India. Tile Securities and Exchange Board of India (SEBI) issued the Mutual Fund Regulations in January 1993. SEBI notified regulations bringing all mutual funds except UTI under a common regulatory framework. Private domestic and foreign players were allowed entry in the mutual fund industry. Kothari group of companies, in joint venture with Pioneer, a US fund company, set up the first private mutual fund the Kothari Pioneer Mutual Fund, in 1993. Kothari Pioneer introduced the first open-ended fund Prima in 1993. Several other private sector mutual funds were set up during this phase. UTI launched a new scheme, Master-gain, in May 1992, which was a phenomenal success with a subscription of Rs 4,700 crore from 631akh applicants. The industry’s investible funds at market value increased to Rs 78,655 crore and the number of investor accounts increased to 50 million. However, the year 1995 was the beginning of the sluggish phase of the mutual fund industry. During 1995 and 1996, unit holders saw an erosion in the value of their investments due to a decline in the NA V s of the equity funds. Moreover, the service quality of mutual funds declined due to a rapid growth in the number of investor accounts, and the inadequacy of service infrastructure. A lack of performance of the public sector funds and miserable failure of foreign funds like Morgan Stanley eroded the confidence of investors in fund managers. Investors perception about mutual funds, gradually turned negative. Mutual funds found it increasingly difficult to raise money. The average annual sales declined from about Rs 13,000 . crore in 1991-94 to about Rs 9,000 crore in 1995 and 1996.

**Phase IV:** During this phase, the flow of funds into the kittyof mutual funds sharply increased. This significant growth was aided by a more positive sentiment in the capital market, significant tax benefits, and improvement in the quality of investor service. Investible funds, at market value, of the industry rose by June 2000 to over Rs 1,10,000 crore with UTI having 68% of the market share. During 1999-2000 sales mobilisation reached a record level of Rs 73,000 crore as against Rs 31,420 crore in the preceding year. This trend was, however, sharply reversed in 2000-01. The UTI dropped a bombshell on the investing public by disclosing the NAV of US-64-its flagship scheme as on December 28,2000, just at Rs 5.81 as against the face value of Rs 10 and the last sale price of Rs 14.50. The disclosure of NAV of the country’s largest mutual fund scheme was the biggest shock of the year to investors. Crumbling global equity markets, a sluggish economy coupled with bad investment decisions made life tough for big funds across the world in 2001-02. The effect of these problems was felt strongly in India also. Pioneer m, JP Morgan and Newton Investment Management pulled out from the Indian market. Bank of India MF liquidated all its schemes in 2002.

The Indian mutual fund industry has stagnated at around Rs 1,00,000 crore assets since 2000-01. This stagnation is partly a result of stagnated equity markets and the indifferent performance by players. As against this, the aggregate deposits of Scheduled Commercial Banks (SCBs) as on May 3, 2002, stood at Rs 11,86,468 crore. Mutual funds assets under management (AUM) form just around 10% of deposits of SCBs.

The Unit Trust of India is losing out to other private sector players. While there has been an increase in AUM by around 11% during the year 2002, UTI on the contrary has lost more than 11% in AUM. The private sector mutual funds have benefited the most from the debacle ofUS-64 of UTI. The AUM of this sector grew by around- 60% for the year ending March 2002.

**Types of Mutual Fund Schemes**

The objectives of mutual funds are to provide continuous liquidity and higher yields with high degree of safety to investors. Based on these objectives, different types of mutual fund schemes have evolved.

Types of Mutual Fund Schemes

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Functional | Portfolio | Geographical | Other |  |
|  |  |  |  |  |
| Open-Ended Event | Income Funds | Domestic | Sectoral Specific |  |
| Close-Ended Scheme | Growth Funds | Off-shore | Tax Saving |  |
| Interval Scheme | Balanced Funds |  | ELSS |  |
|  | Money Market |  | Special |  |
|  | Mutual Funds |  | Gilt Funds |  |
|  |  |  |  |
|  |  |  | Load Funds |  |
|  |  |  | Index Funds |  |
|  |  |  | ETFs |  |
|  |  |  | PIE Ratio Fund |  |
|  |

**Functional Classification of Mutual Funds**

1. **Open-ended schemes**: In case of open-ended schemes, themutual fund continuously offers to sell and repurchase its units at net asset value (NAV) or NAV-related prices. Unlike close-ended schemes, open-ended ones do not have to be listed on the stock exchange and can also offer repurchase soon after allotment. Investors can enter and exit the scheme any time during the life of the fund. Open-ended schemes do not have a fixed corpus. The corpus of fund increases or decreases, depending on the purchase or redemption of units by investors.

There is no fixed redemption period in open-ended schemes, which can be terminated whenever the need arises. The fund offers a redemption price at which the holder can sell units to the fund and exit. Besides, an investor can enter the fund again by buying units from the fund at its offer price. Such funds announce sale and repurchase prices from time-to-time. UTI’s US-64 scheme is an example of such a fund.

The key feature of open-ended funds is liquidity. They increase liquidity of the investors as the units can be continuously bought and sold. The investors can develop their income or saving plan due to free entry and exit frame of funds. Open-ended schemes usually come as a family of schemes which enable the investors to switch over from one scheme to another of same family.

1. **Close-ended schemes**: Close-ended schemes have a fixedcorpus and a stipulated maturity period ranging between 2 to 5 years. Investors can invest in the scheme when it is launched. The scheme remains open for a period not exceeding 45 days. Investors in close-ended schemes can buy units only from the market, once initial subscriptions are over and thereafter the units are listed on the stock exchanges where they dm be bought and sold. The fund has no interaction with investors till redemption except for paying dividend/bonus. In order to provide an alternate exit route to the investors, some close-ended funds give an option of selling back the units to the mutual fund through periodic repurchase at NAV related prices. If an investor sells units directly to the fund, he cannot enter the fund again, as units bought back by the fund cannot be reissued. The close-ended scheme can be converted into an open-ended one. The units can be rolled over by the passing of a resolution by a majority of the unit--holders.
2. **Interval scheme**: Interval scheme combines the features ofopen-ended and close-ended schemes. They are open for sale or redemption during predetermined intervals at NAV-related prices.

**Portfolio Classification**

Here, classification is on the basis of nature and types of securities and objective of investment.

1. **Income funds**: The aim of income funds is to providesafety of investments and regular income to investors. Such schemes invest predominantly in income-bearing instruments like bonds, debentures, government securities, and commercial paper. The return as well as the risk are lower in income funds as compared to growth funds.
2. **Growth funds**: The main objective of growth funds iscapital appreciation over the medium-to-long- term. They invest most of the corpus in equity shares with significant growth potential and they offer higher return to investors in the long-term. They assume the risks associated with equity investments. There is no guarantee or assurance of returns. These schemes are usually close-ended and listed on stock exchanges.
3. **Balanced funds**: The aim of balanced scheme is to provideboth capital appreciation and regular income. They divide their investment between equity shares and fixed nice-bearing instruments in such a proportion that, the portfolio is balanced. The portfolio of such funds usually comprises of companies with good profit and dividend track records. Their exposure to risk is moderate and they offer a reasonable rate of return.
4. **Money market mutual funds**: They specialise in investingin short-term money market instruments like treasury bills, and certificate of deposits. The objective of such funds is high liquidity with low rate of return.

**Geographical Classification**

1. **Domestic funds**: Funds which mobilise resources from aparticular geographical locality like a country or region are domestic funds. The market is limited and confined to the boundaries of a nation in which the fund operates. They can invest only in the securities which are issued and traded in the domestic financial markets.
2. **Offshore funds**: Offshore funds attract foreign capital forinvestment in ‘the country of the issuing company. They facilitate cross-border fund flow which leads to an increase in foreign currency and foreign exchange reserves. Such mutual funds can invest in securities of foreign companies. They open domestic capital market to international investors. Many mutual funds in India have launched a number of offshore funds, either independently or jointly with foreign investment management companies. The first offshore fund, the India Fund, was launched by Unit Trust of India in July 1986 in collaboration with the US fund manager, Merril Lynch.

**Others**

1. **Sectoral:** These funds invest in specific core sectors likeenergy, telecommunications, IT, construction, transportation, and financial services. Some of these newly opened-up sectors offer good investment potential.
2. **Tax saving schemes:** Tax-saving schemes are designed onthe basis of tax policy with special tax incentives to investors. Mutual funds have introduced a number of tax-saving schemes. These are close--ended schemes and investments are made for ten years, although investors can avail of encashment facilities after 3 years. These schemes contain various options like income, growth or capital application. The latest scheme offered is the Systematic Withdrawal Plan (SWP) which enables investors to reduce their tax incidence on dividends from as high as 30% to as low as 3 to 4%.
3. **Equity-linked savings scheme (ELSS):** In order toencourage investors to invest in equity market, the government has given tax-concessions through special schemes. Investment in these schemes entitles the investor to claim an income tax rebate, but these schemes carry a lock-in period before the end of which funds cannot be withdrawn.
4. **Special schemes:** Mutual funds have launched specialschemes to cater to the special needs of investors. UTI haslaunched special schemes such as Children’s Gift Growth Fund, 1986, Housing Unit Scheme, 1992, and Venture Capital Funds.
5. **Gilt funds:** Mutual funds which deal exclusively in gilts arecalled gilt funds. With a view to creating a wider investor base for government securities, the Reserve Bank of India encouraged setting up of gilt funds. These funds are provided liquidity support by the Reserve Bank.
6. **Load funds:** Mutual funds incur certain expenses such asbrokerage, marketing expenses, and communication expenses. These expenses are known as ‘load’ and are recovered by the fund when it sells the units to investors or repurchases the units from withholders. In other words, load is a sales charge, or commission, assessed by certain mutual funds to cover their selling costs.

Loads can be of two types-Front-end-load and back-end-load. Front-end-load, or sale load, is a charge collected at the time when an investor enters into the scheme. Back-end, or repurchase, load is a charge collected when the investor gets out of the scheme. Schemes that do not charge a load are called ‘No load’ schemes. In other words, if the asset management company (AMC) bears the load during the initial launch of the scheme, then these schemes are known as no-load schemes. However, these no-load schemes can have an exit load when the unit holder gets out of the scheme before a I stipulated period mentioned in the initial offer. This is done to prevent short-term investments and redemptions. Some funds may also charge different amount of loads to investors depending upon the time period the investor has stayed with the funds. The longer the investor stays with the fund, less is the amount of exit load charged. This is known as contingent deferred sales’ charge (CDSL). It is a back-end (exit load) fee imposed by certain funds on shares redeemed with a specific period following their purchase and is usually assessed on a sliding scale.

1. **Index funds:** An index fund is a mutual fund which investsin securities in the index on which it is based BSE Sensex or S&P CNX Nifty. It invests only in those shares which comprise the market index and in exactly the same proportion as the companies/weightage in the index so that the value of such index funds varies with the market index. An index fund follows a passive investment strategy as no effort is made by the fund manager to identify stocks for investment/dis-investment. The fund manager has to merely track the index on which it is based. His portfolio will need an adjustment in case there is a revision in the underlying index. In other words, the fund manager has to buy stocks which are added to the index and sell stocks which are deleted from the index.

Internationally, index funds are very popular. Around one-third of professionally run portfolios in the US are index funds. Empirical evidence points out that active fund managers have not been able to perform well. Only 20-25% of actively managed equity mutual funds out-perform benchmark indices in the long-term. These active fund managers park 80% of their money in an index and do active management on the remaining 20%. Moreover, risk averse investors like provident funds and pension funds prefer investment in passively managed funds like index funds.

1. **PIE ratio fund:** PIE ratio fund is another mutual fundvariant that is offered by Pioneer IT! Mutual Fund. The PIE (Price-Earnings) ratio is the ratio of the price of the stock of a company to its earnings per share (EPS). The PIE ratio of the index is the weighted average price-earnings ratio of all its constituent stocks.

The PIE ratio fund invests in equities and debt instruments wherein the proportion of the investment is determined by the ongoing price-earnings multiple of the market. Broadly, around 90% of the investible funds will be invested in equity if the Nifty Index PIE ratio is 12 or below. If this ratio exceeds 28, the investment will be in debt/money markets. Between the two ends of 12 and 28 PIE ratio of the Nifty, the fund will allocate varying proportions of its investible funds to equity and debt. The objective of this scheme is to provide superior risk-adjusted returns through a balanced portfolio of equity and debt instruments.

1. **Exchange traded funds:** Exchange Traded Funds (ETFs)are a hybrid of open-ended mutual funds and listed individual stocks. They are listed on stock exchanges and trade like individual stocks on the stock exchange. However, trading at the stock exchanges does not affect their portfolio. ETFs do not sell their shares directly to investors for cash. The shares are offered to investors over the stock exchange. ETFs are basically passively managed funds that track a particular index such as S&P CNX Nifty.

Since they are listed on stock exchanges, it is possible to buy and sell them throughout the day and their price is determined by the demand-supply forces in the market. In practice, they trade in a small range around the value of the assets (NAV) held by them.

**ETFs offer several distinct advantages.**

* ETFs bring the trading and real time pricing advantages of individual stocks to mutual funds. The ability to trade intra-day at prices that are usually close to the actual intra-day NAV of the scheme makes it almost real-time trading.
* ETFs are simpler to understand and hence they can attract small investors who are deterred to trade in index futures due to requirement of minimum contract size. Small investors can buy minimum one unit of ETF, can place limit orders and trade intra-day. This, in turn, would increase liquidity of the cash market.
* ETFs can be used to arbitrate effectively between index futures and spot index.
* ETFs provide the benefits of diversified index funds. The investor can benefit from the flexibility of stocks as well as the diversification.
* ETFs being passively managed, have somewhat higher NAV against an index fund of the same portfolio. The operating expenses of ETFs are lower than even those of similar index funds as they do not have to service investors who deal in shares through stock exchanges.
* ETFs can be beneficial for financial institutions also. Financial institutions can use ETFs for utilizing idle cash, managing redemptions, modifying sector allocations, and hedging market exposure.

The first exchange traded fund-Standard and Poor’s Depository Receipt (SPDR-also called Spider)-was launched in the US in 1993. ETFs have grown rapidly with around US$100 billion in assets as on December 2001. Today, about 60% of trading value on the American Stock Exchange (AMEX) is from ETFs. ETFs were launched in Europe and Asia in 2001. Currently, more than 120 ETFs are available in US, Europe, Singapore, Hongkong, Japan, and other countries. Among the popular ones are SPDRs (Spiders) based on the S&P 500 Index, QQQs (cubes) based on the Nasdaq-100 Index, i SHARES based on MSCI Indices and TRAHK (Tracks) based on the Hang Seng Index. The ETF structure has seen over $120 bn pouring into it in more than 220 funds. It has become the fastest growing fund structure. In year 2001 alone, the number of funds doubled from 100 to 200.

The first ETF to be introduced in India is Nifty Bench mark Exchange-Traded Scheme *(Nifty* BeES). It is an open-ended ETF, launched towards the end of 2001 by Benchmark Mutual Funds. The fund is listed in the capital market segment of the NSE and trades the S&P CNX Nifty Index. The Benchmark Asset Management Company has become the first company in Asia (excluding Japan) to introduce ETF.

**Net Asset Value** The net asset value of a fund is the marketvalue of the assets minus the liabilities on the day of valuation. In other words, it is the amount which the shareholders will collectively get if the fund is dissolved or liquidated. The net asset value of a unit is the net asset value of fund divided by the number of outstanding units.

Thus **NAV = Market Price of Securities + Other Assets - Total Liabilities + Units Outstanding as at the NAV date**.

**NAV = Net Assets of the Scheme + Number of units outstanding, that is, Market value of investments + Receivables**

+

**Other Accrued Income + Other Assets - Accrued Expenses - Other Payables - Other Liabilities + No. of units outstanding as at the NAV date.**

A fund’s NAV is affected by four sets of factors: purchase and sale of investment securities, valuation of all investment securities held, other assets and liabilities, and units sold or redeemed.

SEBI has issued guidelines on valuation of traded securities, thinly traded securities and non-traded securities. These guidelines were issued to streamline the procedure of calculation of NAV of the schemes of mutual funds. The aggregate value of illiquid securities as defined in the guidelines shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be valued in the manner as specified in the guidelines issued by the SEBI. Where income receivables on investments has accrued but has not been received for the period specified in the guidelines issued by SEBI, provision shall be made by debiting to the revenue account the income so accrued in the manner specified by guidelines issued by SEBI.

Mutual funds are required to declare their NA V s and sale- repurchase prices of all schemes updated daily on regular basis on the AMFI website by 8.00 p.m. and declare NA V s of their close-ended schemes on every Wednesday.

According to SEBI (Mutual Funds) (Second Amendment) Regulations, 2000, a mutual fund can now invest up to 5% of its NAV in the unlisted equity shares or equity related instruments in case of open-ended schemes; while in case of close-ended schemes, the mutual fund can now invest up to 10% of its NAY.

**Mutual Fund Investors**

Mutual funds in India are open to investment by

1. **Residents including**
   * Resident Indian Individuals, including high net worth individuals and the retail or small investors. Indian Companies
   * Indian Trusts/Charitable Institutions
   * Banks
   * Non-Banking Finance Companies
   * Insurance Companies
   * Provident Funds
2. **Non-Residents, including**
   * Non-Resident Indians
   * Other Corporate Bodies (OCBs)
3. **Foreign entities**, namely, Foreign Institutional Investors (FIIs) registered with SEBI. Foreign citizens/ entities are however not allowed to invest in mutual funds in India.

**CHAPTER – 3**

**INDUSTRY PROFILE**

**I. Introduction**

The Indian mutual fund industry has witnessed significant growth in the past few years driven by several favourable economic and demographic factors such as rising income levels, and the increasing reach of Asset Management Companies and distributors. However, after several years of relentless growth, the industry witnessed a fall of 8% in the assets under management in the financial year 2008-2009 that has impacted revenues and profitability. Where as in 2009-10 the industry is on the road of recovery.

**History of Mutual Funds**

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The history of mutual funds in India can be broadly divided into four distinct phases.

**First Phase – 1964-87**

Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6, 700 Crores of assets under management.

**Second Phase – 1987-1993 (Entry of Public Sector Funds)**

1987 marked the entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

At the end of 1993, the mutual fund industry had assets under management of Rs.47, 004 Crores.

**Third Phase – 1993-2003 (Entry of Private Sector Funds)**

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families.

Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

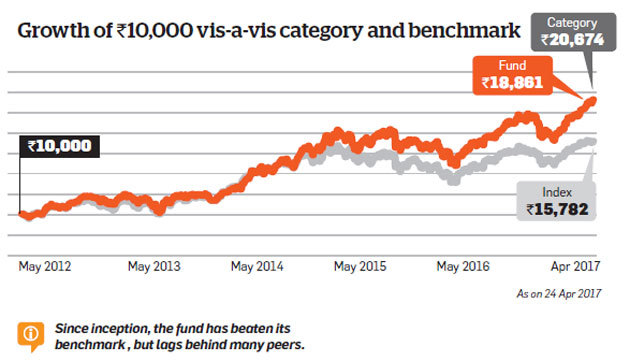
The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1, 21,805 Crores. The Unit Trust of India with Rs.44, 541 Crores of assets under management was way ahead of other mutual funds

**Fourth Phase – since February 2003**

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29, 835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations.

The second is the UTI Mutual Fund Ltd, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76,000 Crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund.



Assets of the mutual fund industry touched an all-time high of Rs639,000 crore (approximately $136 billion) in May, aided by the spike in the stock market by over 50 per cent in the last one month and fresh inflows in liquid funds, data released by the Association of Mutual Funds in India (AMFI) shows yesterday.

The country's burgeoning mutual fund industry is expected to see its assets growing by 29% annually in the next five years. The total assets under management in the Indian mutual funds industry are estimated to grow at a compounded annual growth rate (CAGR) of 29 per cent in the next five years," the report by global consultancy Celent said. However, the profitability of the industry is expected to remain at its present level mainly due to increasing cost incurred to develop distribution channels and falling margins due to greater competition among fund houses, it said.

**III. Regulatory Framework**

**Securities and Exchange Board of India (SEBI)**

The Government of India constituted Securities and Exchange Board of India, by an Act of Parliament in 1992, the apex regulator of all entities that either raise funds in the capital markets or invest in capital market securities such as shares and debentures listed on stock exchanges. Mutual funds have emerged as an important institutional investor in capital market securities. Hence they come under the purview of SEBI. SEBI requires all mutual funds to be registered with them. It issues guidelines for all mutual fund operations including where they can invest, what investment limits and restrictions must be complied with, how they should account for income and expenses, how they should make disclosures of information to the investors and generally act in the interest of investor protection. To protect the interest of the investors, SEBI formulates policies and regulates the mutual funds.

MF either promoted by public or by private sector entities including one promoted by foreign entities are governed by these Regulations. SEBI approved Asset Management Company (AMC) manages the funds by making investments in various types of securities. Custodian, registered with SEBI, holds the securities of various schemes of the fund in its custody. According to SEBI Regulations, two thirds of the directors of Trustee Company or board of trustees must be independent.

**Association of Mutual Funds in India (AMFI)**

With the increase in mutual fund players in India, a need for mutual fund association in India was generated to function as a non-profit organization.

Association of Mutual Funds in India (AMFI) was incorporated on 22nd August, 1995.

AMFI is an apex body of all Asset Management Companies (AMC) which has been registered with SEBI. Till date all the AMCs are that have launched mutual fund schemes are its member. It functions under the supervision and guidelines of its Board of Directors.

Association of Mutual Funds India has brought down the Indian Mutual Fund Industry to a professional and healthy market with ethical line enhancing and maintaining standards. It follows the principle of both protecting and promoting the interests of mutual funds as well as their unit holders.

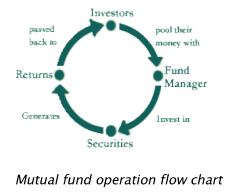
The objectives of Association of Mutual Funds in India

The Association of Mutual Funds of India works with 30 registered AMCs of the country. It has certain defined objectives which juxtaposes the guidelines of its Board of Directors. The objectives are as follows:

* This mutual fund association of India maintains high professional and ethical standards in all areas of operation of the industry.
* It also recommends and promotes the top class business practices and code of conduct which is followed by members and related people engaged in the activities of mutual fund and asset management. The agencies who are by any means connected or involved in the field of capital markets and financial services also involved in this code of conduct of the association.
* AMFI interacts with SEBI and works according to SEBIs guidelines in the mutual fund industry.
* Association of Mutual Fund of India do represent the Government of India, the Reserve Bank of India and other related bodies on matters relating to the Mutual Fund Industry.
* It develops a team of well qualified and trained Agent distributors. It implements a program of training and certification for all intermediaries and other engaged in the mutual fund industry.
* AMFI undertakes all India awareness program for investors in order to promote proper understanding of the concept and working of mutual funds.
* At last but not the least association of mutual fund of India also disseminate information on Mutual Fund Industry and undertakes studies and research either directly or in association with other bodies.

**Concept of Mutual Fund**

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes the working of a mutual fund:



Mutual funds are considered as one of the best available investments as compare to others. They are very cost efficient and also easy to invest in, thus by pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. But the biggest advantage to mutual funds is diversification, by minimizing risk & maximizing returns.

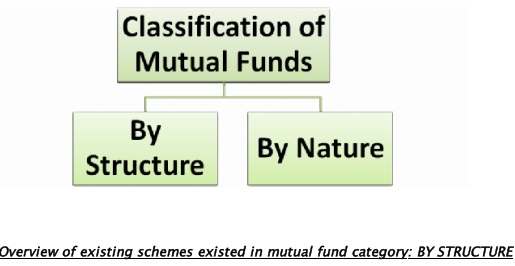
**Organization of a Mutual Fund**

There are many entities involved and the diagram below illustrates the organizational set up of a mutual fund



**Types of Mutual Fund schemes in INDIA**

Wide variety of Mutual Fund Schemes exists to cater to the needs such as financial position, risk tolerance and return expectations.

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**COMPANY PROFILE**

Religare is one of the leading integrated financial services institution of India. The company offers a large and diverse bouquet of services ranging from equities, commodities, insurance broking, to wealth advisory, portfolio management services, personal finance services, Investment banking and institutional broking services. The services are broadly clubbed across three key business verticals- Retail, Wealth management and the Institutional spectrum. **Religare Enterprises Limited is theholding company for all its businesses, structured and being operated through various subsidiaries.**

Religare’s retail network spreads across the length and breadth of the country with its presence through more than 1,217 locations across more than 392 cities and towns. Having spread itself fairly well across the country and with the promise of not resting on its laurels, it has also aggressively started eyeing global geographies.

**Our Brand Identity**

**Name**

Religare is a Latin word that translates as 'to bind together'. This name has been chosen to reflect the integrated nature of the financial services the company offers. The name is intended to unite and bring together the phenomenon of money and wealth to co-exist and serve the interest of individuals and institutions, alike.

**Symbol**

The Religare name is paired with the symbol of a four-leaf clover. The four-leaf clover is used to define the rare quality of good fortune that is the aim of every financial plan. It has traditionally been considered good fortune to find a single four leaf clover considering that statistically one may need to search through over 10,000 three-leaf clovers to even find one four leaf clover.

Each leaf of the four-leaf clover has a special meaning in the sphere of Religare.

The first leaf of the clover represents **H**ope. The aspirations to succeed. The dream of becoming. Of new possibilities. It is the beginning of every step and the foundations on which a person reaches for the stars.

The second leaf of the clover represents **T** rust. The ability to place ones own faith in another. To have a relationship as partners in a team. To accomplish a given goal with the balance that brings satisfaction to all not in the binding but in the bond that is built.

The third leaf of the clover represents **C** are. The secret ingredient that is the cement in every relationship. The truth of feeling that underlines sincerity and the triumph of diligence in every aspect. From it springs true warmth of service and the ability to adapt to evolving environments with consideration to all.

The fourth and final leaf of the clover represents **G**ood**F**ortune. Signifying that rare ability to meld opportunity and planning with circumstance to generate those often looked for remunerative moments of success.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **H** ope. | **T** rust. **C** are. **G**ood fortune. All elements perfectly combine in the | | |
| emblematic and rare, four-leaf clover to visually symbolize the values that bind | | | | |
| together and form the core of the Religare vision. | | | | |
| **Industry** | | : Finance – General | |  |
| **Group** | | : Ranbaxy Group | |  |
| **BSE Code** | | : 532915 |  |  |
| **NSE Code** | | : RELIGARE | |  |
| **Market Lot** | | : 1 |  |  |
| **Face Value** | | : Rs. 10.00 | |  |
| **Market Cap** | | : Rs. 4022.15 Cr. | |  |

**Client Interface** **Retail Spectrum**- To cater to a large number of retail clients by offering all productsunder one roof through the Branch Network and Online mode

* Equity and Commodity Trading
* Personal Finance Services
* Mutual Funds
* Insurance
* Saving Products
* Personal Credit
* Personal Loans
* Loans against Shares
* Online Investment Portal

**Institutional Spectrum**- To Forge & build strong relationships with Corporate andInstitutions

* Institutional Equity Broking
* Investment Banking
* Merchant Banking
* Transaction Advisory
* Corporate Finance

**Wealth Spectrum** - To provide customized wealth advisory services to High Net worthIndividuals

* Wealth Advisory Services
* Portfolio Management Services
* International Advisory Fund Management Services
* Priority Equity Client Services
* Arts Initiative

**New Initiatives:**

* Religare is on a fast and ambitious growth trajectory with some interesting plans in the pipeline
* AEGON Religare Life Insurance - Life Insurance Company, a Joint Venture with Aegon one of the largest insurance and pension companies, globally
* Religare AEGON AMC - Asset Management Company, a Joint Venture with Aegon
* Religare Finance - Personal Loans / Credit Cards / Loan against Property / Mortgage & Reverse Mortgage
* Online Trading - Agreement with IndusInd Bank to offer online trading services
* Religare Macquarie Wealth Management Ltd - Wealth Management Company , a Joint Venture with Macquarie
* Wealth Management Services - with WallStreet Electronica, Inc., a U.S. broker - dealer to give our Indian clients access to U.S markets
* Religare Securities Ltd - Agreement with Vijay Co-operative Bank Ltd. and Tamilnadu Mercantile Bank Ltd. to offer offline trading services

**CHAPTER – 4**

**RESEARCH METHODOLOGY**

**Methodology:**

The whole study can be termed as comparative study. It is also a desk research hence; there is no field work and collection of primary date for this research.

The study centers on comparing equity and mutual fund schemes in respect of their risk, return and liquidity. However, with the objective and scope of the study in mind, it was decided to base the study on return series of selected stocks and mutual fund schemes.

BSE being the premier exchange of India was chosen for selecting stocks. It is widely accepted that BSE Sensex is the one of the most reliable index of the stock exchange that reflects present day market condition. Since it is not possible to compare all the 30 scrip’s in the index with all Mutual Fund Schemes due to time and resource constraints, sampling techniques were considered. Randomly selected samples will facilitate inference of the population, in our case BSE Sensex and mutual fund industry in India. Hence by stratified random sampling 5 scrip’s out of 30 Sensex and 5 mutual fund schemes out of whole mutual fund industry were selected.

The initial examination of the composition of index revealed that it is composed of primarily two types of industries: manufacturing and services in the ratio of 3: 2. there for to give correct picture appropriate weight was assigned to manufacturing industries and hence three scrip’s from manufacturing and two from service industries were randomly selected and in case of mutual funds it consists basically large cap, mid cap, small cap, sect real funds and contra funds therefore one fund from each area were selected.

Monthly share price and unit prices of the selected scrip’s and units were collected from historical data

**CHAPTER – 5**

**DATA ANALYSIS AND INTERPRETATION**

1. **BSE Sensex:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Sensex** | **Return in %** | **R-R1** | **(R-R1)2** |
| 30-03-2018 | 3048.72 |  |  |  |
| 30-04-2018 | 2959.79 | -2.92 | -6.83 | 46.65 |
| 30-05-2018 | 3180.75 | 7.47 | 3.56 | 12.67 |
| 30-06-2018 | 3607.13 | 13.41 | 9.50 | 90.25 |
| 30-07-2018 | 3792.61 | 5.14 | 1.23 | 1.51 |
| 30-08-2018 | 4244.73 | 11.92 | 8.01 | 64.16 |
| 30-09-2018 | 4453.24 | 4.91 | 1.00 | 1.00 |
| 30-10-2018 | 4906.87 | 10.19 | 6.28 | 39.44 |
| 30-11-2018 | 5044.82 | 2.81 | -1.10 | 1.21 |
| 30-12-2018 | 5838.96 | 15.74 | 11.83 | 139.95 |
| 30-01-2019 | 5695.67 | -2.45 | -6.36 | 40.45 |
| 28-02-2019 | 5667.51 | -0.49 | -4.40 | 19.36 |
| 30-03-2019 | 5590.60 | -1.36 | -5.27 | 27.77 |
| 30-04-2019 | 5655.09 | 1.15 | -2.76 | 7.62 |
| 30-05-2019 | 4759.62 | -15.83 | -19.74 | 389.67 |
| 30-06-2019 | 4795.46 | 0.75 | -3.16 | 9.99 |
| 30-07-2019 | 5170.32 | 7.82 | 3.91 | 15.29 |
| 30-08-2019 | 5192.08 | 0.42 | -3.49 | 12.18 |
| 30-09-2019 | 5583.61 | 7.54 | 3.63 | 13.18 |
| 30-10-2019 | 5672.27 | 1.59 | -2.32 | 5.38 |
| 30-11-2019 | 6234.29 | 9.91 | 6.00 | 36.00 |
| 30-12-2019 | 6602.69 | 5.91 | 2.00 | 4.00 |
| 30-01-2020 | 6555.94 | -0.71 | -4.62 | 21.34 |
| 28-02-2020 | 6713.86 | 2.41 | -1.50 | 2.25 |
| 30-03-2020 | 6492.82 | -3.29 | -7.20 | 51.84 |
| 30-04-2020 | 6154.44 | -5.21 | -9.12 | 83.17 |
| 30-05-2020 | 6715.11 | 9.11 | 5.20 | 27.04 |
| 30-06-2020 | 7193.83 | 7.13 | 3.22 | 10.37 |
| 30-07-2020 | 7635.42 | 6.14 | 2.23 | 4.97 |
| 30-08-2020 | 7805.43 | 2.23 | -1.68 | 2.82 |
| 30-09-2020 | 8634.48 | 10.62 | 6.71 | 45.02 |
| 30-10-2020 | 7892.32 | -8.6 | -12.51 | 156.50 |
| 30-11-2020 | 8788.81 | 11.36 | 7.45 | 55.50 |
| 30-12-2020 | 9397.89 | 6.93 | 3.02 | 9.12 |
| 30-01-2021 | 9919.8 | 5.55 | 1.64 | 2.69 |
| 28-02-2021 | 10370.20 | 4.54 | 0.63 | 0.40 |
| 30-03-2021 | 11280.00 | 8.77 | 4.86 | 23.62 |
| **Total** |  | **140.6** |  | **1474.39** |

**Interpretation:**

From the above line graph of BSE Sensex value in the year 2018 starting is 3048.72 and in the middle of the year it increases to 5170.32 and goes on increasing to 8634.48. At the end of the financial year 2018-19 the value raised to 11280 which is at its peak point also increases the returns of the investors.

**Calculation of Return and standard deviation:**

Return = (P1/P0\*100)-100

P1= Current month price

P0= Previous month price

[R1= ∑R/n]

Where n= Number of months

Standard Deviation = √∑(R-R1)2/n

∑R= 140.6

R1= ∑R/n

= 140.6/36

R1 = 3.9

Standard Deviation = √∑(R-R1)2/n

= √1474.39/36 S.D = 6.4

1. **BSE 100**

**Calculation of Return and Standard Deviation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **BSE100** | **Return in %** | **R-R1** | **(R-R1)2** |
| 30-03-2018 | 1716.28 |  |  |  |
| 30-04-2018 | 1671.63 | -2.60 | -6.32 | 39.96 |
| 30-05-2018 | 1641.44 | -1.81 | -5.53 | 30.54 |
| 30-06-2018 | 1819.36 | 10.84 | 7.12 | 50.68 |
| 30-07-2018 | 1893.45 | 4.07 | 0.35 | 0.12 |
| 30-08-2018 | 2229.25 | 17.73 | 14.01 | 196.42 |
| 30-09-2018 | 2314.62 | 3.83 | 0.11 | 0.01 |
| 30-10-2018 | 2485.43 | 7.38 | 3.66 | 13.39 |
| 30-11-2018 | 2594.94 | 4.41 | 0.69 | 0.47 |
| 30-12-2018 | 3074.87 | 18.49 | 14.77 | 218.30 |
| 30-01-2019 | 2946.14 | -4.19 | -7.91 | 62.51 |
| 28-02-2019 | 2923.99 | -0.75 | -4.47 | 20.00 |
| 30-03-2019 | 2966.31 | 1.45 | -2.27 | 5.16 |
| 30-04-2019 | 3025.14 | 1.98 | -1.74 | 3.02 |
| 30-05-2019 | 2525.35 | -16.52 | -20.24 | 409.71 |
| 30-06-2019 | 2561.16 | 1.42 | -2.30 | 5.30 |
| 30-07-2019 | 2755.22 | 7.58 | 3.86 | 14.88 |
| 30-08-2019 | 2789.07 | 1.23 | -2.49 | 6.21 |
| 30-09-2019 | 2997.97 | 7.49 | 3.77 | 14.21 |
| 30-10-2019 | 3027.96 | 1.00 | -2.72 | 7.40 |
| 30-11-2019 | 3231.25 | 6.71 | 2.99 | 8.96 |
| 30-12-2019 | 3456.54 | 6.97 | 3.25 | 10.58 |
| 30-01-2020 | 3521.71 | 1.89 | -1.83 | 3.37 |
| 28-02-2020 | 3611.9 | 2.56 | -1.16 | 1.34 |
| 30-03-2020 | 3481.88 | -3.60 | -7.32 | 53.58 |
| 30-04-2020 | 3313.45 | -4.84 | -8.56 | 73.23 |
| 30-05-2020 | 3601.73 | 8.70 | 4.98 | 24.80 |
| 30-06-2020 | 3800.24 | 5.51 | 1.79 | 3.21 |
| 30-07-2020 | 4072.15 | 7.16 | 3.44 | 11.80 |
| 30-08-2020 | 4184.83 | 2.77 | -0.95 | 0.91 |
| 30-09-2020 | 4566.63 | 9.12 | 5.40 | 29.20 |
| 30-10-2020 | 4159.59 | -8.91 | -12.63 | 159.60 |
| 30-11-2020 | 4849.87 | 16.59 | 12.87 | 165.76 |
| 30-12-2020 | 4953.28 | 2.13 | -1.59 | 2.52 |
| 30-01-2021 | 5254.97 | 6.09 | 2.37 | 5.62 |
| 28-02-2021 | 5422.67 | 3.19 | -0.53 | 0.28 |
| 30-03-2021 | 5904.17 | 8.88 | 5.16 | 26.62 |
| Total |  | 133.96 |  | 1679.66 |

**Interpretation:**

From the above line graph of BSE 100 Index value in the year 2015 starting is 1716.28 and in the middle of the year it increases to 2525.35 and goes on increasing to 4159.59. At the end of the financial year 2014-15 the value raised to 5904.17 which is at its peak point also increases the returns of the investors.

**Calculation of Return and Standard deviation:**

Return = (P1/P0\*100)-100

P1= Current month price

P0= Previous month price

[R1= ∑R/n]

Where n= Number of months

Standard Deviation = √∑(R-R1)2/n

∑R= 133.96

R1= ∑R/n

= 133.96/36

R1 = 3.72

Standard Deviation = √∑(R-R1)2/n

= √1679.66/36

S.D = 46.66

1. **BSE 500**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **BSE500** | **Return in %** | **R-R1** | **(R-R1)2** |
| 30-03-2018 | 1164.68 |  |  |  |
| 30-04-2018 | 1182.01 | 1.49 | -2.60 | 6.77 |
| 30-05-2018 | 1235.78 | 4.55 | 0.46 | 0.21 |
| 30-06-2018 | 1373.56 | 11.15 | 7.06 | 49.83 |
| 30-07-2018 | 1439.3 | 4.79 | 0.70 | 0.48 |
| 30-08-2018 | 1687.35 | 17.23 | 13.14 | 172.77 |
| 30-09-2018 | 1748.43 | 3.62 | -0.47 | 0.22 |
| 30-10-2018 | 1877.14 | 7.36 | 3.27 | 10.70 |
| 30-11-2018 | 1991.74 | 6.11 | 2.02 | 4.06 |
| 30-12-2018 | 2366.36 | 18.81 | 14.72 | 216.64 |
| 30-01-2019 | 2246.83 | -5.05 | -9.14 | 83.56 |
| 28-02-2019 | 2228.41 | -0.82 | -4.91 | 24.11 |
| 30-03-2019 | 2243.6 | 0.68 | -3.41 | 11.62 |
| 30-04-2019 | 2321.25 | 3.46 | -0.63 | 0.40 |
| 30-05-2019 | 1891.75 | -18.50 | -22.59 | 510.44 |
| 30-06-2019 | 1923.78 | 1.69 | -2.40 | 5.74 |
| 30-07-2019 | 2081.26 | 8.19 | 4.10 | 16.78 |
| 30-08-2019 | 2125.65 | 2.13 | -1.96 | 3.83 |
| 30-09-2019 | 2276.87 | 7.11 | 3.02 | 9.14 |
| 30-10-2019 | 2319.3 | 1.86 | -2.23 | 4.96 |
| 30-11-2019 | 2518.67 | 8.60 | 4.51 | 20.31 |
| 30-12-2019 | 2634.51 | 4.60 | 0.51 | 0.26 |
| 30-01-2020 | 2726.49 | 3.49 | -0.60 | 0.36 |
| 28-02-2020 | 2825.65 | 3.64 | -0.45 | 0.21 |
| 30-03-2020 | 2434.66 | -13.84 | -17.93 | 321.38 |
| 30-04-2020 | 2610.5 | 7.22 | 3.13 | 9.81 |
| 30-05-2020 | 2829.2 | 8.38 | 4.29 | 18.38 |
| 30-06-2020 | 2928.31 | 3.50 | -0.59 | 0.34 |
| 30-07-2020 | 3124.78 | 6.71 | 2.62 | 6.86 |
| 30-08-2020 | 3273 | 4.74 | 0.65 | 0.43 |
| 30-09-2020 | 3521.83 | 7.60 | 3.51 | 12.34 |
| 30-10-2020 | 3198.69 | -9.18 | -13.27 | 175.97 |
| 30-11-2020 | 3568.37 | 11.56 | 7.47 | 55.76 |
| 30-12-2020 | 3795.96 | 6.38 | 2.29 | 5.23 |
| 30-01-2021 | 4004.96 | 5.51 | 1.42 | 2.00 |
| 28-02-2021 | 4130.07 | 3.12 | -0.97 | 0.93 |
| 30-03-2021 | 4516.73 | 9.36 | 5.27 | 27.79 |
| **Total** |  | **147.26** |  | **1790.64** |

**Interpretation:**

From the above line graph of BSE 500 Index value in the year 2017 starting is 1164.68 and in the middle of the year it increases to 1891.75 and goes on increasing to 3521.83.At the end of the financial year 2017-18 the value raised to 4516.73 which is at its peak point also increases the returns of the investors.

**Bench Mark Return and Risk (BSE 500)**

Return = (P1 /P0 \*100)-100

Where, P1 = Current month price,

P0 = Previous month price

X1 = ΣR/n,

Where, n=number of months.

R1 = 147.26/36 = 4.09

SD = √ Σ(R- R1)2 /n

= √1790.64/36 SD = 7.05

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Net Asset Value** | **Return in %(R)** | **R - R1** | **(R- R1)2** |
| 30-03-2018 | 27.66 | ------ | ----- | ---- |
| 30-04-2018 | 27.86 | 4.85 | -0.43 | 0.18 |
| 30-05-2018 | 31.45 | 13.7 | 8.42 | 70.89 |
| 30-06-2018 | 34.70 | 10.03 | 4.75 | 22.56 |
| 30-07-2018 | 37.58 | 8.29 | 3.01 | 9.06 |
| 30-08-2018 | 43.31 | 16.39 | 11.11 | 123.43 |
| 30-09-2018 | 48.11 | 9.99 | 4.71 | 22.18 |
| 30-10-2018 | 53.04 | 10.24 | 4.96 | 24.6 |
| 30-11-2018 | 57.89 | 9.14 | 3.86 | 14.89 |
| 30-12-2018 | 68.51 | 18.34 | 13.06 | 170.56 |
| 30-01-2019 | 63.69 | -7.03 | -12.31 | 151.53 |
| 28-02-2019 | 65.39 | 2.66 | -2.62 | 6.86 |
| 30-03-2019 | 63.11 | -3.48 | -8.76 | 76.73 |
| 30-04-2019 | 65.34 | 3.53 | -1.8 | 3.24 |
| 30-05-2019 | 54.44 | -16.68 | -21.96 | 482.24 |
| 30-06-2019 | 56.26 | 3.34 | -1.94 | 3.76 |
| 30-07-2019 | 60.9 | 8.24 | 2.96 | 8.76 |
| 30-08-2019 | 63.94 | 4.99 | -1.04 | 1.08 |
| 30-09-2019 | 68.7 | 7.44 | 2.16 | 4.66 |
| 30-10-2019 | 69.11 | 1.45 | -3.83 | 14.66 |
| 30-11-2019 | 74.76 | 7.25 | 1.97 | 3.88 |
| 30-12-2019 | 82.08 | 9.79 | 4.51 | 20.34 |
| 30-01-2020 | 83.14 | 1.6 | -3.68 | 13.54 |
| 28-02-2020 | 90.19 | 8.14 | 2.86 | 8.17 |
| 30-03-2020 | 86.7 | -3.86 | -9.14 | 83.53 |
| 30-04-2020 | 86.10 | -0.69 | 5.97 | 35.64 |
| 30-05-2020 | 91.64 | 6.43 | 1.15 | 1.32 |
| 30-06-2020 | 91.49 | -0.16 | -5.44 | 29.59 |
| 30-07-2020 | 99.74 | 9.01 | 3.73 | 13.91 |
| 30-08-2020 | 104.82 | 5.09 | -0.19 | 0.03 |
| 30-09-2020 | 114.32 | 9.06 | 3.78 | 14.28 |
| 30-10-2020 | 105.35 | -7.84 | 13.12 | 172.13 |
| 30-11-2020 | 118.05 | 12.05 | 6.77 | 45.83 |
| 30-12-2020 | 125.97 | 6.7 | 1.42 | 2.01 |
| 30-01-2021 | 134.38 | 6.67 | 1.39 | 1.93 |
| 28-02-2021 | 139.26 | 3.63 | -1.92 | 3.68 |
| 30-03-2021 | 155.75 | 11.84 | 6.65 | 43.03 |
| **Total** |  | 190.14 |  | 1704.71 |

**Reliance Vision Fund:-**Reliance Vision Fund is large cap open ended growth fund. Its objective is to achieve long term growth of capital through a research based investment approach. Monthly risk and return from 30th Apr 2013 to 31st Mar 2017 is calculated below.

**Interpretation:**

From the above line graph the net asset value in the year 2016 starting is 27.66 and in the middle of the year it increases to 68.51 and goes on increasing to 86.7.At the end of the financial year 2016-17 the net asset value raises to 155.75 which is at its peak point also increases the returns of the investors.

Return=P1 /P0 \*100

Where, P1 = Current month price,

P0 = Previous month price

R1 = ΣR/n, = 190.14/36, = 5.28

Where n=number of months.

SD = √ Σ(R- R1)2 /n,

* √1704.71/36 SD = 6.88

**Calculation of Beta**

B = [Σ(Ra –Ra1)(Rm-Rm1)]/ Σ(Rm-Rm1)2

Where Ra = Return on Company,

Ra1= Average return on company

Rm= Return on market,

Rm1= Average return on market

=1424.07/1474.39

B = 0.96

**Calculation of Alpha**

Alpha = (Ra1 - Rm1)\*B

=(5.16-3.9)\*0.96

=1.2

**CHAPTER – 6**

**6.1 Findings:**

* From the calculation it is found that the average risk of equities based on sample size is 9.87 & they are earning 5.43% returns per month where as mutual funds average risk based on sample size is only 8.74 & they are earning 4.39% per month
* The BSE Sensex, BSE 100 Index and BSE 500 Index values are used to calculate the return and standard deviation for the selected mutual funds.
* The Net asset value of the funds keeps on increasing from time to time which indicates the high returns and higher standard deviation.
* Reliance Vision Fund is large cap open ended growth fund. Its objective is to achieve long term growth of capital through a research based investment approach.

**6.2 Suggestions:**

* A good number of explanatory variables must be taken in to consideration in order to assess the share price movement.
* The information regarding the company’s, which were considered for the analysis, must be uniform in nature.
* BSE Sensex companies’ analysis is strictly based on share price and unit price information if other variables are considered it is very acceptable.
* Proper information to be provided to individual investors regarding their risk, and choosing the best investment options to match their goals and attitude to risk.
* The companies should target higher income group who are ready to take more risk.
* The companies should try to target law income group by introducing more schemes which require less amount of investment.

**6.3 Conclusion**

Saving money is not enough. Each of us also need to invest one’s savings intelligently in order to have enough money available for funding the higher education of one’s children, for buying a house, or for one’s own golden years.

The study will guide the new investor who wants to invest in equity and mutual fund schemes by providing knowledge about how to measure the risk and return of particular scrip or mutual fund scheme. The study recommends new investors to go for mutual funds rather than equities, because of high risk and market instability.

From the calculation it is found that the average risk of equities based on sample size is 9.87 & they are earning 5.43% returns per month where as mutual funds average risk based on sample size is only 8.74 & they are earning 4.39% per month

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