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A Study On Portfolio Management

BUYYANI NIKITHA[1], Ms. JOSEPHMARY[2] , Dr. VARA LAKSHMI[3]
MBA Student[1], Assistant Professor[2], Associate Professor & HOD[3]
DEPARTMENT OF MBA
INSTITUTE OF AERONAUTICAL ENGINEERING, DUNDIGAL, HYDERABAD

Abstract

This paper is entitled to "A Study on Portfolio Management on Karvy Stock Broking" which has been creating the share markets, interest, debentures and bonds of the company to known the study of portfolio management. Portfolio Management is the obligation of the senior supervisory gathering of an affiliation or claim to fame unit. This gathering, which might be known as the Product Committee, meets routinely to manage the thing pipeline and settle on decisions about the thing portfolio. As often as possible, this is a comparative assembling that coordinates the stage-entryway reviews in the affiliation.

A steady starting stage is to make a thing strategy - markets, customers, things, method approach, centred emphasis, etc. The second step is to fathom as far as possible or resources open to modify the portfolio against. Third, each endeavour must be reviewed for profitability (rewards), adventure necessities (resources), threats, and other fitting components.

I. INTRODUCTION

A portfolio is a collection of money relevant funds, for example, stocks, securities, wares, financial guideline and money companion, just as their reserve associate, including shared, trade exchanged and shut assets. The central focuses may be physical or cash related like offers, Bonds, Debentures, need offers, and countless. The man or woman money related expert or a store manager couldn't wait to a territory most of his coins in the game plans of affiliation that may mean great danger. He would presumably in this manner, check the age-vintage statute that one ought to never again coordinate most of the eggs into one compartment. Through strategy for doing everything considered, he can get objective to enable portfolio to go lower back and on the proportionate time restricting the portfolio chance with the obliging resource of the usage of advancement. Funding control route is to character to agree to the comprehension or association with a customer, urges or organizes or grasps to help the supporter the control or control of a game plan of protection or the rate variety of the advocate.

Objectives of the Study

1. To have a look at the funding sample and its associated dangers & returns In Karvy stock dealer restricted.
2. To look whether the portfolio chance is an entire lot much lower than individual danger on whose foundation the portfolios is constituted
3. The contrast portfolios with see even if they choose portfolios will yield a tasteful and consistent come back to the financial specialist.

Needs of the Study

1. Portfolio regulate has created as an alternate educational zone in India. Portfolio imagined that musings with the level-headed financing need making framework has now changed into

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a fundamental Fractional in real money related synthesis.

2. Making an interest in securities together with stocks, contract and understanding is gainful pleasantly with fascinating.
3. Such relationship of protection is known as portfolio. formation of portfolio attracts to diminish chance without yielding income.
4. Portfolio control gives with the evaluation of man or woman protection further to with the standard and exercise of preferably joining protection into portfolios.

Scope

The have a research envelope the estimation of connections the diverse one-of-a-type securities a bewildering technique to find at what number of charge stages ought to be contributed utmost of the organizations inside the portfolio. Besides, they have a review consolidates the figuring of man or woman front line day.

II. METHODOLOGY

The certainties arrangement procedures epitomize each the main and auxiliary accumulation system.

1.Primary data

This technique incorporates the records arrangement from the non-open converse with the approved assistants and people of the Anjali budgetary contributions.

- Tools that have been used in Data Analysis are as follows:
  - Return = $\frac{\text{Dividend+ (End price−Begininig price)}}{\text{Begininig price}} * 100$
  - standard deviation = $\sqrt{\text{variance}}$ = $\sqrt{\frac{1}{N-1}\Sigma \quad (R - \underline{R})^2}$

$$\text{Variance} = \frac{1}{N-1}\Sigma\left(R-\overline{R}\right)^2$$

$$\text{Average Return} = \frac{\Sigma\overline{R}}{N}$$

- Covariance=

$$\frac{1}{N}\sum (R_{CIPLA} - \overline{R}_{CIPLA})(R_{RBX} - \overline{R}_{RBX})$$

- Correlation–Coefficient CIPLA& RANBAXI =

$$\rho_{CIPLA,\ RBX} = \frac{COV_{CIPLA,RBX}}{[\sigma_{CIPLA}][\sigma_{RBX}]}$$

- Covariance of Bajaj Auto and Mahindra & Mahindra =

$$\frac{1}{N}\sum (R_{BJ} - \overline{R}_{BJ})(R_{M\&M} - \overline{R}_{M\&M})$$

- Correlation – Coefficient Bajaj Auto and Mahindra & Mahindra =

$$\rho_{BJ,\ M\&M} = \frac{COV_{BJ,M\&M}}{[\sigma_{BJ}][\sigma_{M\&M}]}$$

Covariance of CIPLA& BAJAJ=

$$\frac{1}{N}\sum (R_{CIPLA} - \overline{R}_{CIPLA})(R_{BJ} - \overline{R}_{BJ})$$

- Correlation – Coefficient CIPLA& BAJAJ =

$$\rho_{CIPLA,\ BJ} = \frac{COV_{CIPLA,BJ}}{[\sigma_{CIPLA}][\sigma_{BJ}]}$$

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Portfolio weights:

- CIPLA&RANBAXY

$$= \frac{\sigma_{RBX}^{\ 2} - \rho_{CIPLA,RBX}(\sigma_{RBX})(\sigma_{CIPLA})}{\sigma_{CIPLA}^{\ 2} + \sigma_{RBX}^{\ 2} - 2\rho_{CIPLA,RBX}(\sigma_{RBX})(\sigma_{CIPLA})}$$

- Bajaj Auto and Mahindra & Mahindra:

$$= \frac{\sigma_{M\&M}^{\ 2} - \rho_{BJ,M\&M}(\sigma_{M\&M})(\sigma_{BJ})}{\sigma_{BJ}^{\ 2} + \sigma_{M\&M}^{\ 2} - 2\rho_{BJ,M\&M}(\sigma_{M\&M})(\sigma_{BJ})}$$

- PORTFOLIO RETURN

$$R_P = \overline{R}_a\ X_a + \overline{R}_b\ X_b$$

- PORTFOLIO RISK

$$\sigma_P = \sqrt{X_a^2\sigma_a^2 + X_b^2\sigma_b^2 + (2X_aX_b)\rho_{ab}\sigma_a\sigma_b}$$

2.Secondary data

The optional arrangement methodologies encapsulate the addresses of the superintend of the part of commercial centre tasks, etc., also the insights gathered from the information, journal and express books bothers of this test Supervise.

Limitation

1. Data arrangement changed into carefully obliged to auxiliary source. No essential data is related with the assignment.
2. There was a requirement around time portion for the examinations investigate for example for a length of months.

III. REVIEW OF LITERATURE

1. According to "London (2014) shows that the US difference risk choice, defined as the disparity between option-indirect deviation and realized difference, has predicting power for international stock revenue. Taken together, these prior studies provide striking evidence that the US market variables appear to have forecasting power for the returns of other countries. The empirical evidence seems consistent with the notion that the US market returns, and variances should be treated as state changing that can affect investors 'contribution opportunity sets in the international setting."
2. According to "(G.D.F. Herzog 2007). Essential and adequate circumstances for the presence of an optimal portfolio have been considered in (D. P. Bertsekas 1974)."
3. According to "(H. Peyrl 2005) and (Z. Chen 2008) considers some of the numerical challenges associated with stochastic control problems in financial applications."
4. According to "(M. V. Kothare 1996) and (Smith 2004) talk about the issue of strong MPC utilizing straight grid imbalances.

Accomplishments

1." Krishi Prgati Awards"- 2017

2." Karvy Commodities regarded with Derivate House by the ASSOCHAM "- 2017

3. "Market Excellence Awards, Commodities - Metal"- 2016

4. "The Skoch-BSE request of legitimacy grant and the Skoch-BSE Aspiring Nation Award"- 2015

5. "NSDL Star Performer Award"- 2014

IV. DATA ANALYSIS & INTERPRETATION

1. Calculation of Return of CIPLA

Year	Beginning price (Rs)	Ending price (Rs)	Dividend (Rs)

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2013-14	898.00	1371.05	10.00
2014-15	1334.00	317.8	3.00
2015-16	320.00	448	3.50
2016-17	447.95	251.35	2.00
2017-18	251.5	212.65	2.00

Return

$$= \frac{\textbf{Dividend} + (\textbf{End price} - \textbf{Begininig price})}{\textbf{Begininig price}} * \textbf{100}$$

- Return (2013) = $\frac{10.00+(1375.05-898.00)}{898.00} * 100$

  = 54.23%

- Return (2014) = $\frac{3.00+(317.8-1334.00)}{1334} * 100$

  = -75.95

- Return (2015) = $\frac{3.50+(448320.00)}{320} * 100$

  = 41.09%

- Return (2016) = $\frac{2.00+(251.35-447.95)}{447.95} * 100$

  = -43.44%

- Return (2017) = $\frac{2.00+(212.65-251.5)}{251.5} * 100$

  = -14.65%

2. Calculation of Standard Deviation of Cipla

Year	Return (R)	$\overline{R}$	$R-\overline{R}$	$\left(R-\overline{R}\right)^2$
2013-14	54.23	-7.744	61.974	3840
2014-15	-75.95	-7.744	-68.206	4652
2015-16	41.09	-7.744	48.834	2384
2016-17	-43.44	-7.744	-35.696	1274
2017-18	-14.65	-7.744	-6.906	47.692
	-38.72			12197.692

$$\text{Average Return} = \frac{\Sigma\overline{R}}{N}$$

= -38.72/5

N= Number of years

$$\text{Variance} = \frac{1}{N-1}\Sigma\left(R-\overline{R}\right)^2$$

- Standard deviation

$$\sqrt{\text{variance}} = \sqrt{\frac{1}{N-1}\sum \left(\mathbf{R}-\underline{\mathbf{R}}\right)^2}$$

$$= \sqrt{\frac{1}{5-1}(12197.692)}$$

=55.22

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$$\rho_{CIPLA,\ RBX} = \frac{COV_{CIPLA,RBX}}{[\sigma_{CIPLA}][\sigma_{RBX}]}$$

$$= \frac{89.7334}{(55.22)(55.13)}$$

= 0.0295

3. Correlation Between CIPLA & RANBAXY

Year	CIPLA (R_{CIPLA} - $\overline{R}_{CIPLA}$)	RANBAXI (R_{RBX}- $\overline{R}_{RB)}$	COMBINED DEVIATION (R_{CIPLA} - $\overline{R}_{CIPLA}$) (R_{RBX}- $\overline{R}_{RBX}$)
2013-14	61.974	75.34	4669.12
2014-15	-68.206	4.17	-284.42
2015-16	48.834	-80.42	-3927.23
2016-17	-35.696	0.09	-3.213
2017-18	-6.906	0.81	-5.59
			448.667

Covariance of CIPLA&RANBAXI = $\frac{1}{N}\sum (R_{CIPLA} - \overline{R}_{CIPLA})(R_{RBX} - \overline{R}_{RBX})$

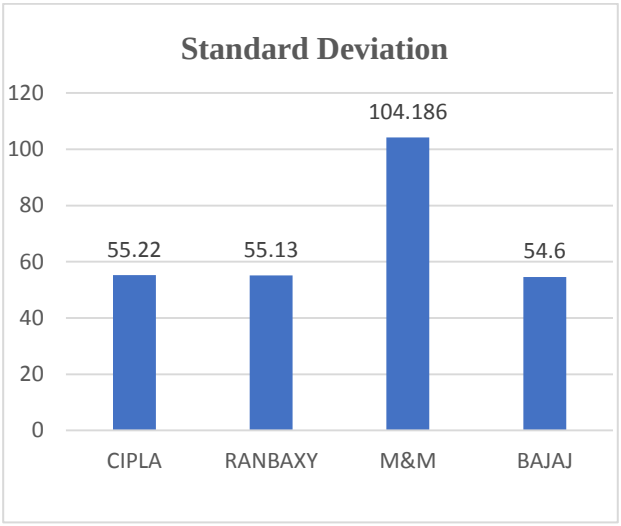
$= \frac{1}{5}(448.667)$

= 89.7334

Correlation – Coefficient CIPLA& RANBAXI =

Standard Deviation

Company	Standard Deviation
CIPLA	55.22
RANBAXY	55.13
M&M	104.186
BAJAJ	54.6



Graph:I

Standard Deviation

Interpretation:

From the above graph, we can observe CIPLA is 55.12, RANBAXY is 55.13, M&M is 104.186 and BAJAJ is 54.6 and from those all M&M is so high when compared to other companies.

Portfolio Weights

Portfolio weights: Cipla&Ranbaxy

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$$= \frac{\sigma_{RBX}^{\ 2} - \rho_{CIPLA,RBX}(\sigma_{RBX})(\sigma_{CIPLA})}{\sigma_{CIPLA}^{\ 2} + \sigma_{RBX}^{\ 2} - 2\rho_{CIPLA,RBX}(\sigma_{RBX})(\sigma_{CIPLA})}$$

$X_{RBX} = 1 - X_{CIPLA}$

$\sigma_{CIPLA} = 55.22$

$\sigma_{RBX} = 55.13$

$\rho_{CIPLA,RBX} = 0.0295$

$$X_{CIPLA} = \frac{(55.13)^2 - 0.0295(55.22)(55.13)}{(55.22)^2 + (55.13)^2 - 2(0.0295)(55.22)(55.13)}$$

$X_{CIPLA} = 0.49916$

$X_{RBX} = 1 - X_{CIPLA}$

$X_{CIPLA} = 0.49916$

$X_{RBX} = 0.50084$

Portfolio Return and Portfolio Risk

Two Portfolios	ρ_{ab}	Xa	Xb	Rp	σp
CIPLA&RANBAXI	**0.0295**	**0.49916**	**0.50084**	**1.2335**	**39.58**
BAJAJ and M&M	**0.605**	**1.0662**	**-0.06062**	**46.614**	**54.14**

PORTFOLIO RETURN

$$R_P = \overline{R}_a X_a + \overline{R}_b X_b$$

PORTFOLIO RISK

$$\sigma_P = \sqrt{X_a^2\sigma_a^2 + X_b^2\sigma_b^2 + (2X_aX_b)\rho_{ab}\sigma_a\sigma_b}$$

V. FINDINGS

The mix of CIPLA and RANBAXY gives the component of financing is zero.49916 and 0.50084 for CIPLA and RANBAXY, in context on the average deviations.

The standard deviation for CIPLA is 55.22 and for RANBAXY is 55.13. Right when showed up distinctively in connection to both the peril is to some degree vague, as such the hazard is indistinct while put resources into both of the security.

Suggestions

Money related expert may no ifs, ands or buts achieve while the benefits of stocks and bond effect portfolio might be notice as different portfolio. Thus, portfolio progress may pass on itself to 3 majors through. Selectivity, timing and improvement.

VI. CONCLUSION

In the event that there ought to be an event of faultlessly related securities or goods, the danger can be decreased to a base point.

On the off chance that there ought to be an event of, of course correlative securities the danger can be lessened to a 0. (that is business attempt's peril) in any case the market chance triumphs the hazy for the security or goods in the portfolio

I have assembled broadly more data about Karvy stock Broking Ltd. its affiliations, its structures, and how every proof it try to accomplish the genuine goal i.e., bring out the most remarkable bit of the general business through client commitment.

References:

1. Securities Analysis and Portfolio Management, Donalde, Fisher & Ronald J. Jordon, 6th Edition
2. Security Analysis ad Portfolio Management, Sudhindra Bhatt, Excel Publications
3. Security Analysis ad Portfolio Management, Kelvin S.