

Performance Analysis of Select Equity Mutual funds in India

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ABSTRACT

Mutual fund is the investment tool for the small investors to invest their money into the Capital market. Mutual funds provide the investors a platform for creation of diversified portfolio that can provide good returns at very little risk. The investors who don't find time or those who don't have much expertise in handling the investments in the capital market, mutual funds are the best investment tools for them. Mutual fund companies provide number of schemes like equity funds, Debt funds, balanced funds, hybrid funds, Sectoral funds, Tax Saving funds (ELSS) for providing the best investment option to the investors that best suit to their requirements & Expectations. Now days we can see the Indian Mutual fund industry is heavily attracting the investments from the retail investors of the country. As per Association of Mutual funds of India (AMFI), in the month of March, 2019, the Average Assets Under Management (AAUM) of Indian Mutual Fund Industry for the month of March 2019 stood at 24,58,016 crore. (<https://www.amfiindia.com/indian-mutual>). Assets Under Management (AUM) as on March 31, 2019 stood at 23,79,584.00 crore. If we look at the historical AUM and compare it with the AUM of 2019, there is a increase of almost 5 times in the span of just 10 years. AUM of Indian Mutual fund Industry on 31st of March, 2009 was ₹ 4.17 trillion where as it has grown to 23.80 trillion as on 31st March, 2019. In this paper an attempt has been made to analyse the performance of Mutual funds in long run & short run as well as performance of funds among the top rated schemes and it was found that top rated schemes may give relatively low return than the other schemes but they generate stable returns. On the other hand the mutual funds schemes generate above average returns mostly in long run.

1. Introduction

Mutual fund is a kind of investment tool that pools money from the number of small investors and invest the collected amount in number of securities. Thus it enables the small investors to invest their money into number of companies. As per the SEBI Regulations 1993 Mutual fund is a fund established in the form of trust by sponsor to raise money by the Trustees through the sale of units to the people under one or more schemes for investing in financial securities in accordance with the specified rules. The Mutual fund industry is very interesting and attractive investment tool that helps the investor to take the benefits of investing in stocks of the various companies even with a little amount and with less risk as compared to the direct investment. It provides good return to the investors through the process of diversification & hence minimisation of risk factor. Now a day's mutual fund investment is becoming a famous kind of investment tool for the investors. Mutual fund companies are providing various kind of mutual fund schemes to suit the investment objectives of the investors. The present paper has made an attempt to analyse the

2. Review of Literature

Nimalathasan, D. R. B., & Gandhi, M. R. K. (2012) conducted a study to do the financial performance analysis, A comparative study on equity diversified schemes and equity mid-cap and the results found that among the Open ended – Tax Saving schemes, the Canara Robeco Equity Diversified fund was preferred and was ranked the top most, where as among the open ended mid-cap schemes, HDFC Capital builder Scheme was preferred, at the same time among the

Open ended – Midcap schemes, HDFC Capital Builder is the preferred and ranked top.

Dr. Rao (2003) did a study to analyse the performance of Indian Mutual funds and he found that medium term debt funds generated the better returns and were considered as best performing funds during the bearish trend of the market from April, 1998 to April, 2002.

Sharad Panwar and Dr. R. Madhumathi (2006) conducted a study on the performance evaluation of selected mutual funds in India and compared the performance of public sector sponsored mutual funds and the private sector sponsored mutual funds. In their study they found that private sector mutual fund schemes outperformed the Public sector sponsored funds.

3. Objectives of the Study

1. To do the comparative analysis of performance of Mutual fund schemes across different rated Schemes by CRISIL.
2. To analyse the performance of Equity Mutual fund schemes in short run and long run on the basis of returns generated.

4. Research Methodology

The present study is based on Secondary data only and the data has been collected from moneycontrol.com. In order to do the analysis of mutual fund schemes as per the objectives of the study, ELSS Equity regular schemes has been taken into consideration. The returns data collected on the top rated mutual fund schemes has been used and

analysed accordingly. For first objective, data has been collected from year 2012 to 2018 and for the achievement of second objective, data has been collected for the last 10 years up to 13th of May, 2019.

5. Data Analysis

Performance Analysis of Mutual fund Schemes across various Rankings:

The data in the table has been collected from moneycontrol.com for the purpose of comparing the

performance of the Equity Linked mutual fund schemes (ELSS). Since the Mutual fund companies are now offering the mutual fund investments as a regular mode of investment and through direct investment, in this section the data for Regular schemes has been collected. Due Consideration has also been taken to include the tax saving mutual fund schemes from top 5 ranked schemes by the CRISIL rating agency. Two schemes from each rank have been selected for the analysis. The reference period for the study has been selected from 2012 to 2018.

Scheme Name	Crisil Rank	2018	2017	2016	2015	2014	2013	2012
Canara Robeco Equity Tax Saver - Regular Plan - Growth ELSS	5	3%	32%	-1%	0%	45%	4%	30%
Mirae Asset Tax Saver Fund - Regular Plan - Growth ELSS	5	-1%	48%	15%	1%	-	-	-
Aditya Birla Sun Life Tax Plan - Regular Plan - Growth ELSS	4	-5%	42%	3%	8%	53%	8%	36%
Aditya Birla Sun Life Tax Relief 96 - Regular Plan - Growth ELSS	4	-4%	43%	3%	9%	55%	8%	37%
IDFC Tax Advantage (ELSS) Fund - Regular Plan - Growth ELSS	3	-9%	53%	0%	7%	42%	14%	36%
Axis Long Term Equity Fund - Growth ELSS	3	3%	37%	-1%	6%	66%	16%	34%
BNP Paribas Long Term Equity Fund - Growth ELSS	2	-9%	42%	-7%	7%	53%	7%	34%
L&T Tax Advantage Fund - Growth ELSS	2	-8%	42%	7%	3%	45%	6%	27%
Sundaram Diversified Equity - Growth ELSS	2	-10%	38%	6%	3%	46%	1%	34%
BOI AXA Tax Advantage Fund - Regular Plan - Growth ELSS	1	-16%	58%	-2%	1%	44%	8%	25%
Reliance Tax Saver Fund - Growth ELSS	1	-20%	46%	4%	-3%	83%	3%	46%

Source: Money Control

From the above data representing the performance of mutual funds (ELSS), it can be found that the top rated mutual fund scheme (Canara Robeco Equity Tax Saver - Regular Plan - Growth ELSS) has given the +ve returns throughout the period taken into consideration but is less compared to the second top rated mutual fund scheme (Aditya Birla Sun Life Tax Plan - Regular Plan - Growth ELSS). But in the year 2018 the first scheme has generated the return of 3% where as second top rated fund has generated the return in negative terms, that is -5%. Similarly if we look at the returns of all the schemes under study for year 2018, the returns goes on decreasing from 3% to -20% from rank 5 to rank one rated mutual fund schemes.

If we analyse the data from the other angle, returns generated by these mutual fund schemes in the year 2017, the returns are higher for low rated schemes as compared to high rated schemes. In that terms, we can say that low rated funds have performed better as compared to the high rated schemes. But from investor/investment point of view, the schemes that yield stable returns are better investment options as compared to the schemes that generate -ve returns during the adverse market conditions.

Therefore from the above discussion it can be concluded that mutual fund schemes with better rating by rating agencies can be considered as better investment options for the mutual fund investors as they can generate better returns in spite of different market conditions.

Short Run vs Long Run Performance Analysis of Equity Mutual Fund Schemes:

As a general perception it is believed that if you want to get good returns, your investment should be for long run. But as a fact it has been seen that, the investors always believe that they are over smart and keep on buying and selling the securities under different circumstances. Generally, they will feel confident and will hold the securities if they are getting some kind of returns from the investment, but as soon as they start facing losses even minor, get worried and go for selling of the securities, thus resulting in loss even their principal amount. Thus it becomes imperative to study the performance of mutual fund schemes with respect to their returns in short run as well as long run, so that investors can be advised to take decision accordingly.

Scheme Name	Crisil Rank	1W (%)	1M (%)	3M (%)	6M (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)
Canara Robeco Equity Tax Saver - Direct Plan - GrowthELSS	5	-3.29	-4.41	3.17	5.35	3.55	8.22	13.06	13.01	-
Aditya Birla Sun Life Tax Plan - Direct Plan - GrowthELSS	4	-3.95	-6.08	1.04	1.15	-6.10	6.33	12.02	16.61	-
IDFC Tax Advantage (ELSS) Fund - Direct Plan - GrowthELSS	3	-3.56	-4.64	6.77	1.63	-8.63	6.06	13.55	16.05	-

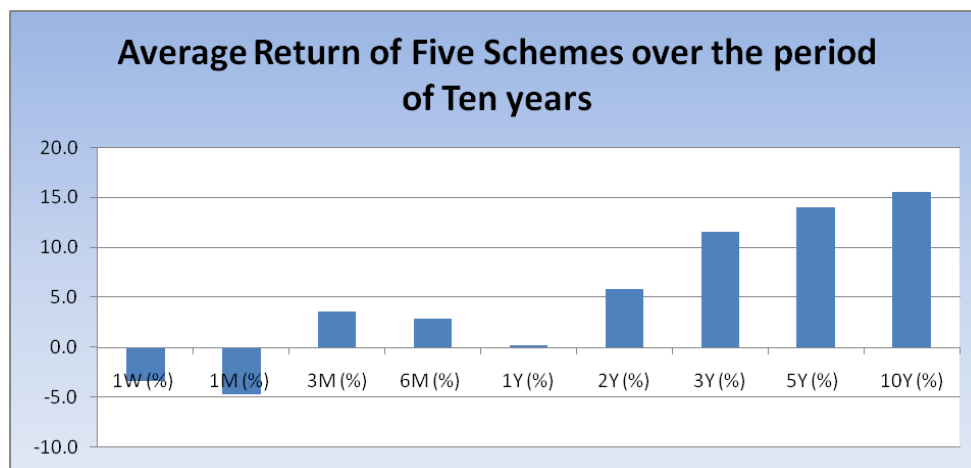
Scheme Name	Crisil Rank	1W (%)	1M (%)	3M (%)	6M (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)
BNP Paribas Long Term Equity Fund - GrowthELSS	2	-3.19	-3.38	3.23	4.47	-3.71	3.47	7.75	12.10	15.54
BOI AXA Tax Advantage Fund - Direct Plan – Growth ELSS	1	-3.09	-4.81	3.60	1.82	16.00	4.77	11.35	12.38	-

Source: Moneycontrol.com

In order to understand and analyse the performance of Mutual fund schemes on the basis of return generated by them upto 13th of May, 2019, data for five top rated schemes by CRISIL has been extracted from the database of moneycontrol.com. It has been found from the return data that all the five selected schemes under study has generated negative returns in the first week as well as in the first month of the investment. Almost all the schemes have started generating positive returns from 3rd month onwards. In the third month of the investment, except IDFC Tax Advantage (ELSS) Fund - Direct Plan – Growth ELSS Scheme which has generated a return of 6.77%, all of them has generated the

return of around 1% which is almost negligible. Even after one year of investment, almost all the mutual fund schemes under study has generated negative returns except BOI AXA Tax Advantage Fund - Direct Plan – Growth ELSS that has given the return of 16%. If look at the long term returns, we can find that almost all the mutual fund schemes have generated the average return of 12% if invested for the period of three years. This return level has increased to 14.03% (Average return) if invested for the period of 5 years. And there is only one scheme that has returns available for 10 years and that is 15.5%.

Period of Investment	1W (%)	1M (%)	3M (%)	6M (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)
Average Return of Five Schemes over the period of five years	-3.4	-4.7	3.6	2.9	0.2	5.8	11.5	14.0	15.5



If we look at the average return generated by five schemes over the period of 10 years, we can clearly see the investment is generating good returns only after the investment period of 2 years or we can say that significant return started after investment period of three years. Therefore it can be concluded that investment for longer period would generate more return as compared to short periods. Therefore, investors should always make investment for longer period, probably for a period of five years or even more than that if they want to generate good returns.

6. Conclusion

On the basis of the above data and analysis it can be concluded that mutual can be considered as the best investment options but if the investment is for longer period. The return data of five mutual selected fund schemes have shown the positive & above average returns when we considered the investment for longer period where as short period investments have generated very less or even negative returns. From the above discussions it can also be concluded that down rated mutual fund schemes generally generates good return but the return is very volatile in nature where as returns generated by high rated schemes can be little lower than the other rated schemes but are stable in nature.

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