

# A COMPARATIVE STUDY ON LARGE CAP BLUECHIP MUTUAL FUNDS

**AUTHOR-BANDARU JEEVAN SUSHEEL,(Roll No-18031E0003)MBA 2018-2020Batch.  
STUDENT AT JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY, KUKATPALLY, HYDERABAD,  
INDIA.**

**Under the guidance of Dr. SINDHU, Professor& Director I/c, SMS, JNTUH.**

## **ABSTRACT:**

Mutual Funds is a instrument in which a group of investors pool their savings and invest for the purpose of achieving their common financial objective. A separate fund manager is appointed for managing each mutual fund scheme. The fund manager invest the funds raised investors into different securities based on the objective of the mutual fund scheme.

The importance of mutual funds have increased rapidly in the financial world. There are certain regulations that are laid down by the “Investment Company Act, 1940”, which the mutual fund companies must follow to decide how the funds raised are to be invested. In mutual funds, the stocks to a fund are determined and changed based on the demand.

The fund managers invest the funds into various kinds of securities based on the scheme objectives. These various kinds of securities may be shares, debentures and bonds. The revenue generated from the schemes are divided among the investors based on the units held by the investor.

The main aim of this paper is to select the most preferable fund among four large cap bluechip funds by analysis, which is done by using various financial tests like Average return, Standard deviation, Sharpe Ratio, Treynor Ratio and Jensen Value.

## **INTRODUCTION:**

A mutual fund is a sort of financial vehicle made up of a pool of money raised from many investors to invest in securities like bonds, stocks, money market instruments, and other assets. Every mutual fund scheme has its own portfolio which is structured based on the objective of the scheme and as stated in the prospectus of the fund.

It is a fund established to raise money from public through sale of mutual fund units or a group of public investing in securities through one or more mutual fund schemes.

In mutual funds, the risk of the investor is reduced as the funds are diversified into various types of securities such as bonds, shares, debentures. By this way of diversification, Even if a single security is not performing well, it gets covered by other securities and the ultimate risk would get low and good returns are also generated as they are not invested in a single security. This also reduces the burden on investor to keep the track of market conditions from time to time and adjusting their investments accordingly.

Investors use this information which is derived from performance analysis to monitor their investments regularly. On the way to achievetheir goal fund managers and investors can reset their asset allocation.

## **RESEARCH METHODOLOGY**

### **OBJECTIVES OF THE STUDY:**

- To select the most preferable fund among four funds.
- To define the yearly average NAV's from the monthly averages which are calculated from five years data of all the funds.
- To calculate the returns for every year of all the funds.
- To find the Standard Deviation and Beta of all the funds.
- To calculate the Sharpe ratio, Treynor ratio, Jensen ratio of all the funds for all the years.
- To rank the funds for all the years accordingly based on the ratios.
- To show the post covid-19 pandemic performance of all the funds.

**PERIOD OF THE STUDY:**

- A period of five financial years i.e., F.Y. 2015-16 to F.Y. 2019-20 NAV's data is considered for the purpose of study. However for the financial year 2019-20, data is taken from April, 2019 to February, 2020.

**SAMPLE OF THE STUDY:**

A sample of one scheme from each selected AMC has been selected. They are as follows-

- Axis Bluechip fund – Direct plan – Growth Scheme.
- Franklin India Bluechip fund – Direct plan – Growth Scheme.
- ICICI Prudential Bluechip Fund Growth Option Direct Scheme.
- KOTAK Bluechip Growth Option Direct Scheme.

**ASSUMPTIONS:**

- The Risk free Rate of Return is considered as 6% for the purpose of the study.
- Nifty50 is the benchmark for the funds.

**DATA SOURCES:**

For the purpose of the study, Data is collected from the following websites-

- Amfiindia.com
- Nseindia.com

**TOOLS USED:**

The tools used for the purpose of the study-

- Sharpe ratio
- Treynor ratio
- Jensen ratio

**DATA ANALYSIS AND RESULTS****SHARPE Ratio**

Sharpe Index  $= (R_p - R_f) / \sigma_p$

**TREYNOR Ratio**

Treynor Index  $= (R_p - R_f) / \beta_p$

**JENSEN Ratio**

Jensen Index  $= R_p - (R_f + \beta_p(R_m - R_f))$

**NOTE:**

- Assuming the Risk free Rate of Return is 6%.
- Here for this evaluation daily NAV's are considered and average NAV of the financial year which are mentioned are considered and used for calculating Jensen, Sharpe, Treynor ratio.

**AXIS BLUECHIP FUND GROWTH OPTION DIRECT SCHEME:**

AXIS MUTUAL FUND			
AXIS BLUECHIP FUND – DIRECT PLAN – GROWTH SCHEME			
YEAR	AVERAGE NAV	AVERAGE RETURN(X)	(X-a)
2015-16	19.3185	-	-
2016-17	20.3764	5.48%	-8.91%
2017-18	24.9931	22.66%	8.27%
2018-19	28.732	14.96%	-0.58%
2019-20	32.8818	14.44%	-0.06%

MEAN(a)	14.38%
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**NIFTY:**

NIFTY			
YEAR	AVERAGE NIFTY	AVERAGE RETURN(Y)	(Y-μ)
2015-16	7983.794	-	-
2016-17	8421.186	5.48%	-4.62%
2017-18	10030.13	19.11%	9.00%
2018-19	10859.51	8.27%	-1.83%
2019-20	11679.53	7.55%	-2.55%

MEAN(μ)	10.10%
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(Y-μ) <sup>2</sup>	(X-a)(Y-μ)
0.21%	0.41%
0.81%	0.74%
0.03%	-0.01%
0.07%	-1.50745E-05
<b>1.12%</b>	<b>1.14%</b>

STANDARD DEVIATION	0.070268474
BETA	1.019191736
RISKFREE RETURN	0.06

SHARPE RATIO	
2016-17	-0.074557185
2017-18	2.37049313
2018-19	1.275070934
2019-20	1.201553004

TREYNOR RATIO	
2016-17	-0.005140367
2017-18	0.163434346
2018-19	0.087910141
2019-20	0.082841425

JENSEN RATIO	
2016-17	7.6085E-05
2017-18	0.03299661
2018-19	0.066472992
2019-20	0.068621905

**FRANKLIN INDIA BLUECHIP GROWTH OPTION DIRECT SCHEME:**

FRANKLIN INDIA MUTUAL FUND			
FRANKLIN INDIA BLUECHIP FUND – DIRECT – GROWTH PLAN			
YEAR	AVERAGE NAV	AVERAGE RETURNS(Z)	(Z-b)
2015-16	353.5043	-	-
2016-17	389.2556	10.11%	1.80%
2017-18	455.7121	17.07%	8.76%
2018-19	471.5886	3.48%	-4.83%
2019-20	483.7278	2.57%	-5.74%

MEAN(b)	8.31%
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**NIFTY-**

NIFTY			
YEAR	AVERAGE NIFTY	AVERAGE RETURN(Y)	(Y-μ)
2015-16	7983.794	-	-
2016-17	8421.186	5.48%	-4.62%
2017-18	10030.13	19.11%	9.00%
2018-19	10859.51	8.27%	-1.83%
2019-20	11679.53	7.55%	-2.55%

MEAN(μ)	10.10%
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(Y-μ) <sup>2</sup>	(Z-b)(Y-μ)
0.21%	-0.08%
0.81%	0.79%
0.03%	0.09%
0.07%	0.15%
<b>1.12%</b>	<b>0.94%</b>

STANDARD DEVIATION	0.067386753
BETA	0.837283245
RISK FREE RATE	0.06

SHARPE RATIO	
2016-17	0.610416549
2017-18	1.643159043
2018-19	-0.373383746
2019-20	-0.508392501

TREYNOR RATIO	
2016-17	0.049127926
2017-18	0.132245752
2018-19	-0.030050904
2019-20	-0.040916763

JENSEN RATIO	
2016-17	0.045500437
2017-18	0.000993585
2018-19	-0.044158119
2019-20	-0.047246602

### ICICI PRUDENTIAL BLUECHIP FUND GROWTH OPTION DIRECT SCHEME:

ICICI PRUDENTIAL MUTUAL FUND			
ICICI PRUDENTIAL BLUECHIP FUND			
YEAR	AVERAGE NAV	AVERAGE RETURNS(W)	(W-c)
2015-16	28.919722	-	-
2016-17	32.168022	11.19%	-0.86%
2017-18	39.72924597	23.57%	11.52%
2018-19	42.46546034	6.78%	-5.27%
2019-20	45.24041046	6.67%	-5.38%

MEAN(c)	12.05%
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### NIFTY:

NIFTY			
YEAR	AVERAGE NIFTY	AVERAGE RETURN(Y)	(Y-μ)
2015-16	7983.794	-	-
2016-17	8421.186	5.48%	-4.62%
2017-18	10030.13	19.11%	9.00%
2018-19	10859.51	8.27%	-1.83%
2019-20	11679.53	7.55%	-2.55%

MEAN(μ)	10.10%
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(Y-μ) <sup>2</sup>	(W-c)(Y-μ)
0.21%	0.04%
0.81%	1.04%
0.03%	0.10%
0.07%	0.14%
<b>1.12%</b>	<b>1.31%</b>

STANDARD DEVIATION	0.079613805
BETA	1.166974441
RISK FREE RATE	0.06

SHARPE RATIO	
2016-17	0.651900311
2017-18	2.206510502
2018-19	0.097534703
2019-20	0.08393672

TREYNOR RATIO	
2016-17	0.044474208
2017-18	0.150533457
2018-19	0.006654052
2019-20	0.005726365

JENSEN RATIO	
2016-17	0.057986059
2017-18	0.022726107
2018-19	-0.018712209
2019-20	-0.011419229

### **KOTAK BLUECHIP GROWTH OPTION DIRECT SCHEME:**

KOTAK MAHINDRA MUTUAL FUND			
KOTAK BLUECHIP FUND			
YEAR	AVERAGE NAV	AVERAGE RETURNS(V)	(V-d)
2015-16	171.78331	-	-
2016-17	187.5494314	9.12%	-1.56%
2017-18	224.3385677	19.71%	9.03%
2018-19	235.7506238	5.00%	-5.68%
2019-20	256.4300425	8.88%	-1.80%

MEAN(d)	10.67%
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### **NIFTY:**

NIFTY			
YEAR	AVERAGE NIFTY	AVERAGE RETURN(Y)	(Y-μ)
2015-16	7983.794	-	-
2016-17	8421.186	5.48%	-4.62%
2017-18	10030.13	19.11%	9.00%
2018-19	10859.51	8.27%	-1.83%
2019-20	11679.53	7.55%	-2.55%

MEAN(μ)	10.10%
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(Y-μ) <sup>2</sup>	(V-d)(Y-μ)
0.21%	0.07%
0.81%	0.81%
0.03%	0.10%
0.07%	0.05%
1.12%	1.04%



<b>STANDARD DEVIATION</b>	0.063105579
<b>BETA</b>	0.921703167
<b>RISK FREE RATE</b>	0.06

<b>SHARPE RATIO</b>	
2016-17	0.493686918
2017-18	2.171934056
2018-19	-0.159017667
2019-20	0.455986557

<b>TREYNOR RATIO</b>	
2016-17	0.033800902
2017-18	0.148704225
2018-19	-0.010887347
2019-20	0.031219699

<b>JENSEN RATIO</b>	
2016-17	0.035961098
2017-18	0.016263592
2018-19	-0.030947295
2019-20	0.014478118

## **FINDINGS:**

The following are the facts identified from the study and analysis undertaken for finding the performance of UTI funds with other private sector funds-

- Based on the Sharpe ratio, ICICI Prudential Bluechip Growth fund stands in the 1<sup>st</sup> place with the sharpe ratio of 0.651900311, while the Axis Bluechip Growth fund stands in the 4<sup>th</sup> place with the ratio of (-0.074557185) for the financial year 2016-17.
- As per the Treynor ratio, Franklin India Bluechip Growth fund stands in the 1<sup>st</sup> place with the Treynor ratio of 0.049127926 when compared to Axis Bluechip Growth fund which stands in the 4<sup>th</sup> place with the ratio of (-0.005140367) for the financial year 2016-17.
- The Analysis of Jensen ratio show that ICICI Prudential Bluechip Growth fund stands in the 1<sup>st</sup> place with the Jensen ratio of 0.057986059, where as Axis Bluechip Growth fund stands in the 4<sup>th</sup> place with the ratio of (7.6085E-05) for the financial year 2016-17.
- Based on the Sharpe ratio, Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with the sharpe ratio of 2.37049313, while the Franklin India Bluechip Growth fund stands in the 4<sup>th</sup> place with the ratio of 1.643159043 for the financial year 2017-18.
- As per the Treynor ratio, Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with the Treynor ratio of 0.163434346 when compared to Franklin India Bluechip Growth fund which stands in the 4<sup>th</sup> place with the ratio of 0.132245752 for the financial year 2017-18.
- The Analysis of Jensen ratio show that Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with the Jensen ratio of 0.03299661, where as Franklin India Bluechip Growth fund stands in the 4<sup>th</sup> place with the ratio of 0.000993585 for the financial year 2017-18.
- Based on the Sharpe ratio, Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with the ratio of 1.275070934 for the financial year 2018-19.
- As per the Treynor ratio, Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with the ratio of 0.087910141 for the financial year 2018-19.
- The Analysis of Jensen ratio show that Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with the ratio of 0.066472992 for the financial year 2018-19.
- Based on the Sharpe ratio, Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with the sharpe ratio of 1.201553004, while the Franklin India Bluechip Growth fund stands in the 4<sup>th</sup> place with the ratio of (-0.508392501) for the financial year 2019-20.
- As per the Treynor ratio, Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with the Treynor ratio of 0.082841425 when compared to Franklin India Bluechip Growth fund which stands in the 4<sup>th</sup> place with the ratio of (-0.040916763) for the financial year 2019-20.
- The Analysis of Jensen ratio show that Axis Bluechip Growth fund stands in the 1<sup>st</sup> place with Jensen ratio of 0.068621905, where as Franklin India Bluechip Growth fund stands in the 4<sup>th</sup> place with the ratio of (-0.047246602) for the financial year 2019-20.

**SUGGESTIONS:****TO MUTUAL FUND COMPANIES:**

AMFI should conduct various programs regarding the benefits of investing in mutual funds and also provide information regarding different schemes. It should also conduct short term courses for educating various investors. They should even conduct the courses at college and university level and should make them part of the curriculum.

Publicity should be done through Social Media, Television, Magazines, Newspapers, Radio etc. Various Awareness programmes should be conducted through Seminars and Conferences.

The Annual reports of the companies should be dispatched to the investors, so as make them informed about Company's financial position. They should even publicize the SIP Schemes which help in compulsory savings of the investors.

The mutual fund companies have to even concentrate on providing good services to the investors.

There are various discouraging factors for the investors like Fear of frauds, Lack of professional management etc. The Government should take appropriate measures to weed out the discouraging factors and provide a conducive climate for mutual funds market. SEBI must enforce regulations with regard to Corporate Governance and also regarding various frauds that are committed.

The mutual fund companies should launch innovative schemes based on the needs of the investors in order to explore the investing capacity of various people in the market.

The mutual fund companies should also popularize the pension funds, Retirement benefit funds and Children career funds which have a larger scope in the market in the upcoming years.

The mutual fund companies should maintain their websites up-to-date and provide information regarding various schemes.

**TO MUTUAL FUND INVESTORS:**

The goals of the investors depends and vary based on aspects like lifestyle, age, level of Income, family commitments and financial independence. Firstly, the investor should determine the investment objectives which may be regular income, long term growth, children education, Retirement plans. Investor should also determine the level of risk they are willing to take.

They should choose the appropriate scheme based on their investment objective. The performance of the scheme over a few years must be analyzed and choose the best that matches their requirement among all other similar funds of different companies.

One of the approach to invest in mutual funds is to invest fixed amounts at specific or regular intervals. By which they can buy less units when the unit prices are higher and buy more units when the unit prices are lower. This brings down the total cost of investment as compared to investing at once.. This method is known as Rupee cost averaging. SIP's are becoming popular recently which lets an investor to stick to a regular investment and earn compounded returns.

The investor should be aware of their rights. The advisors or agents should make them aware about their rights based on SEBI regulations.

**CONCLUSIONS:**

Based on the Analysis made with the tools i.e., Sharpe ratio, Treynor ratio and Jensen ratio by considering five years NAV's of four funds. The following conclusions are drawn-

- In the Financial year 2016-17, ICICI Prudential Bluechip fund was performing better and the least performing was Axis Bluechip Fund.
- For all the following Financial years i.e., 2017-18, 2018-19, 2019-20, Axis Bluechip fund was performing better and Franklin India Bluechip fund was least performing.
- For the Financial years 2017-18 and 2018-19, ICICI Prudential Bluechip fund was performing better than Kotak Bluechip fund next to the Axis Bluechip fund. However, For the Financial year 2019-20, Kotak Bluechip fund was performing better than ICICI Prudential Bluechip fund.
- If the investor is looking for good returns and is ready to take risk moderately, they can go for Axis Bluechip Growth fund as it is having an average return of 14.38% and risk i.e., Standard deviation of 7.03%, which is lower than ICICI Prudential Bluechip fund and provides lower return than Axis Bluechip fund.
- If the investor is risk averse and looking for better returns, they can go for KOTAK Bluechip Growth fund as it is having an average return of 10.67% and risk i.e., Standard deviation of 6.31%, which is providing higher returns at lower risk as compared to Franklin India Bluechip fund which is providing lower return for quite a high risk.



However, It ultimately depends on the investor goals and objectives to choose the fund and even the risk the investor is ready to take and the combination of portfolio that they are ready to accept. The investors totally cannot rely on these ratios for the purpose of investing as there are various other external factors that can affect the returns and risk of an investment.

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