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A Study on Performance of Selected Mutual Funds with Special Reference to Reliance (Nippon) Mutual Funds in Tirupati

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ABSTRACT :

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 appreciation realized isshared 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 broadly the working of mutual funds.

Investment means conversion of money/cash into the monetary asset. Investment is a scarifying the current amount for future benefit. Investment is the employment of funds with the aim of achieving additional income or growth in value. The essential quality of an investment is that it involves "waiting" for reward. It involves the commitment of resources, which have been saved or put away from current consumption in a hope that some benefits will accrue in future. There are a number of fields where people can invests there surplus money, just like in Bank, Mutual fund, Insurance, Chit funds, Post office, Purchasing directly shares from the company and many more.

Introduction

What is a Mutual Fund?

To state in simple words, a mutual fund collects the savings from small investors, invest them in Government and other corporate securities and earn income through interest and dividends, besides capital gains. It works on the principle of 'small drops of water make a big ocean'. For instance, if one has Rs.1000 each from a lot of other people, then, one could create a 'big fund' large enough to invest in a wide varieties of shares and debentures on a commanding scale and thus, to enjoy the economies of large scale operations. Hence, a mutual fund is nothing but a form of collective investment. It is formed by the coming together of a number of investors who transfer their surplus funds to a professionally qualified organization to manage it. To get the surplus funds from investors, the fund adopts a simple technique. Each fund is divided into a small fraction called "units" of equal value

INDUSTRY PROFILE :

The Indian retail brokerage industry consists of companies that primarily act as agents for the buying and selling of securities (e.g. stocks, shares, and similar financial instruments) on a commission or transaction fee basis. It has two main interdependent segments: Primary market and the Secondary market

Primary market: it is a market where the new securities are issued.

Secondary market: it is a market where the stocks are traded

COMPANY PROFILE :

Reliance Mutual Fund, a part of the reliance Anil Dhirubhai Ambani Group is one of the fastest growing mutual funds in the country, with the presence in over 116 locations across India, an investor base of over 4.6 million and manager assets over Rs 77210 crore as a on January 31, 2008. Reliance Mutual Fund offers investors a well- rounded portfolio of product to meet varying investor requirements.

Indian billionaires: Biggest losers & gainers

Mukesh's brother **Anil Ambani**, the second wealthiest Indian, lost Rs 1,10,082 crore (Rs 1100.82 billion), or 66 percent of his wealth, as his flagship Reliance Communications fell in line with the broader market even as buyout talks with South African Telco MTN failed. Mega power projects under Reliance Power will test his execution skills.

Reliance Infocomm is the outcome of late Dhirubhai Ambani's dream of bringing about a digital revolution in India that will bring to every Indian's doorstep an affordable means of information and communication.

CONCEPTUAL FRAME WORK:

Mutual fund schemes:

Equity/Growth Schemes:
The aim of growth funds is to provide capital appreciation over the medium to long- term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc. and the investors may choose an option depending on their preferences. The investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time.

Debt/Income Schemes:

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long term investors may not bother about the salutations.
Sector Specific Schemes:
These are the funds/schemes which invest in the securities of only those sectors or industries as specified in the offer documents. e.g. Pharmaceuticals, Software, Fast Moving Consumer Goods (FMCG), Petroleum stocks, etc. The returns in these funds are dependent on the performance of the respective sectors/industries. While these funds may give higher returns, they are more risky compared to diversified funds. Investors need to keep a watch on the performance of those sectors/industries and must exit at an appropriate time. They may also seek advice of an expert.

Exchange Traded Funds (ETFs):

Exchange Traded Funds (ETFs) are usually passively managed mutual fund schemes tracking a benchmark index and reflect the performance of that index. These schemes are listed on the stock exchange and therefore have the flexibility of trading like a share on the stock exchange.

Fixed Maturity Plans (FMPs):

Fixed Maturity Plans (FMPs) are basically debt oriented investment schemes with a pre-specified tenure offered by mutual funds. FMPs invest in a portfolio of debt instruments whose maturity coincides with the maturity of the concerned FMP. The primary objective of a FMP is to generate income while aiming to protect the capital by investing in a portfolio of debt and money market securities.

The structure of Mutual Fund: Mutual fund in India is governed by the SEBI (MF) regulations, 1996 these regulations make it mandatory for mutual funds to have structure of:

Sponsor:

Any corporate body which initiates the launching of mutual fund A sponsor role's is to establish trust and appoint a team of professional managers under an AMC to manage your money. The sponsor's good image doesn't guaranteed good performance; bad image doesn't necessarily mean that the MF is bad. Sponsor it is the promoter of the MF. The sponsor establishes the MF & regulates the same with SEBI. The followings are the points to be noted of a sponsor:

Sponsor appoints the trustees, custodian and Asset Management Company (AMC) with prior approval of SEBI and in accordance with SEBI Regulations.

Sponsor must have at least 5 years track record of business interest in the financial market.

Sponsor must have been profits making in at least 3 of the above 5years

Sponsor must contribute at least 40 percent of the capital of the AMC.

Trustees:

Persons who hold the property of MF in trust for the benefit of unit holders.75 percent of trustees must be independent Of sponcers.The MF is a trust is managed either by a trust Company (or) a Board of Trustees. Board of Trustees and Trust Company are governed by the provisions of the Indian Trust Act. If the trustee is a company it is also subject to the provisions of Indian Trust Company Act. It is the responsibility of the trustees to protect the interest of the investors, whose funds are managed by the AMC.

AMC:

Investment manager is technically known as AMC. Is appointed by trustee/sponcer.it manages the affairs of MF. It's responsible for operating all schemes of fund Assets Management Company: It is usually a private limited company in which the sponsors and their associates or joint venture partners are shareholders. The AMC has to be a SEBI registered entity, and should have minimum net worth of Rs. 10 Cr. The trustees assign an investment management agreement with the AMC, which spells out in accordance with Chapter (i v) of SEBI Regulation. The various types of AMC in India are as follows:

AMC owned by banks.

AMC owned by Indian private Sector Company.

An agency that keeps custody of securities that are purchased by MF.

OBJECTIVES OF THE STUDY

- To study exist the performance of selected mutual fund.
- To analyse the selected mutual funds schemes in reliance mutual fund.
- To evaluate the performance of selected equity scheme s only.

- To provide suggestions to improve the performance of selected mutual fund schemes in reliance mutual funds.

3.2 SCOPE OF THE STUDY :

- * The study is confined to nippon india mutual fund only.
- * The study restricts it self to examine the various schemes available
- in nippon mutual funds.
- * The study only to uses on merits of investing in mutual funds.

3.3 NEED FOR THE STUDY :

- There's a reason why Nippon India Mutual Fund (NIMF) is one of India's leading and fastest growing mutual fund houses.
- The study mainly concentrate on NAV's of mutual funds.
- The study relating to the returns and AUM of mutual funds.
- But there is so many other schemes in mutual fund like sectorial , exchange trade fund, fixed maturity plan.

3.4 RESEARCH METHODOLOGY :

- RESEARCH DESIGN:

The research design of the project is descriptive in nature.

* Observation method

* Case study method

* Survey research

- SOURCES OF DATA;
- SECONDARY :

* For the study current the secondary data is used which includes

* Information collected from website's

LIMITATIONS OF THE STUDY

- Limited period of time to analyze various schemes in reliance mutual fund.
- Some data has collected from websites. So it may not be reliable due to past data.

4.1 DATA ANALYSIS AND INTERPRETATION:

ANALYSIS OF MUTUAL FUNDS SCHEMES

I have analyzed the few funds in the following two categories:

Equity or Growth Scheme :

- Reliance Growth Fund - (G)
- Reliance Vision Fund - (G)
- Reliance Quant Plus Fund (G)

Income or Debt Scheme :

- Reliance Income Fund - (G)
- Reliance Medium Term Fund - (G)
- Reliance Regular Savings Fund - Debt (G)

Table:4.1 Calculation of Bonus and Dividend on Reliance vision Fund

*** RELIANCE VISION FUND:**

Scheme name	3 Months	6months	1 year
Reliance vision fund-(G)	3.81	6.40	32.84
Nifty	0.82	6.40	32.84
Sensex	0.72	4.28	21.30

BONUS OPTION; 885.6

GROWTH PLAN:

Growth option:

Unit value	Total units	Total unit value(Rs.)
10	**500**	**5000**
259.3	**500**	**129650**

DIVIDEND PLAN:

Dividend pay out option:

Dividend(per annum)	Per unit(Rs)	Total unit(Rs)
(32.84%)	**3.284**	**1642**

*Dividend reinvestment option : 506.41

Interpretation:

From the above table 4.2 it is clearly shows that the value of this asset is high. Per unit, unit holder gets Rs.3.2 as dividend. It's better to investor to sell his units.

RELIANCE GROWTH FUND :

Scheme name	3 Months	6months	1 year
Reliance vision fund-(G)	3.81	6.40	32.84
Nifty	0.82	6.40	32.84
Sensex	0.72	4.28	21.30

GROWTH PLAN:

Growth option:

Unit value	Total units	Total unit value(Rs.)
10	**500**	**5000**
455	**500**	**227500**

Bonus option : 719.7

DIVIDEND PLAN:

Dividend pay out option: Dividend(per annum)	Per unit(Rs)	Total unit(Rs)
(40.38%)	**4**	**2000**

Dividend reinvestment option: 504.4

Interpretation:

From the above table 4.1 it is clearly shows that the value of this asset is high. Per unit, unit holder gets Rs. 4 as dividend. It's better to investor to sell his units.

FINDINGS :

- In Equity Schemes we have taken Reliance Vison Fundand Reliance growth Fund . Both schemes are open ended but Reliance Growth fund is more valuable for RelianceMutual Fund than reliance vision Fund.
- In Dedt scheme we have taken Reliance money Manager Fund and Reliance Liquidty Fund .In it boths schemes areopen ended but reliance money manager is more beneficial for reliance mutual fund.
- In sector specific scheme we have taken Reliance media and entertainment fund and Reliance Pharma fund scheme
- Above all the schemes of Reliance Mutual Fund Debt schemes are best schemes for Mutual Fund.
- There is a Good investment plan and saving scheme in reliance Mutual Fund.

both is more efficient for Reliance Mutual Fund.

SUGGESTIONS :

- Reliance Money have to add some extra features in itwith aggressive marketing promotional strategy.
- Advertisement on television is the main source of attraction so the company must advertise its productsheavily.
- Product must be improved .
- There should be provision of complain suggestion boxes at each branch

CONCLUSION :

There are various opportunities to invest our money but mutual funds are better because everyone think that "low risk – high returns" but in the mutual funds we get the optimum returns with low risk.

Reliance mutual funds schemes are giving the good returns to its unit holders. That's why reliance mutual fund is occupying today the largest Indian AMC'S.

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WEB SITES:

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WWW.AMFI.COM
WWW.RELIANCE MONEY.COM