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## A STUDY ON INVESTMENT PORTFOLIO

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### ABSTRACT

Portfolio management can be defined and applied in many ways since "combining different items which remain intact" is the basic sense of the term. Through the investment portion of the securities section, I considered and assessed this.

Investors think this portfolio is very important, as it helps us to control the risk of investing in securities and thus to make good returns on investment in diversified securities, instead of placing all of the money in one basket. Investors now take a very careful day to select the correct investment portfolio to prevent market factors and economic factors threats. This subject will therefore be chosen because one has to take certain steps in portfolio management in order to achieve successful and efficient returns by controlling all risks.

This subject concerns the selection of a specific portfolio for all individual securities returns and therefore the return on the overall portfolio. This also includes the different portfolio selection strategies in respect of all uncertainties and makes the correct option. The aim of the selection is to know how to manage the portfolio to achieve productivity and, simultaneously, to make investors aware of the securities that they want to position on their portfolio. This also offers an opportunity in terms of different securities, rather than a single security, to get to the right portfolio. The project is performed to extensively research my subject and consider the various case studies to better understand myself and the investors.

### CHAPTER I

#### INTRODUCTION

##### INVESTMENT DECISION MAKING:

The best decision-making is involved in investment management. Any investment is risky as mentioned earlier and it is difficult to make the investment decision. The investment decision is focused on the availability of capital and on the fiscal, business and company information and on the rules regulating share prices and demand and the expectations of the companies concerned.

##### INVESTMENT MANGEMENT

The investment decision applies to the decision to purchase and sell orders on the

stock exchange. As described above, the availability of money and the flow of knowledge affect these decisions. These decisions. The value of a share and the spectrum of excess assessment and underestimation as well as greater expectations would also depend on the buying and selling. The decision is taken by the popular investors, while theoretically more relevant, will have to rely on an analysis of the fundamentals rather than technicians. Furthermore, even sincere investors must be careful not to sell or purchase decisions in the wrong way.

This is important in order for a joint investor to review the company's balance sheet and annual report or to analyze the company's performance every quarter and half year and whether or not to pick up its shares. This is called fundamental analysis, and then empirical and logical decision-making. The chance that a high risk scenario will arise will result in a low risk scenario, which will not lose long-term investors.

### **Criteria for Investment Decision:**

First of all, the decision on investment depends on the business mood. According to empirical studies, the prices of the share depend only on the base of the company for 50% and the rest is dictated by the consumer mood, expectations and share price of the company. This depends on the analyzer's ability to anticipate and forecast the company's future results. The price currently paid on the share depends on the future flow of the company's anticipated return.

Secondly, and accordingly, investment decisions will be based, operationally and financially, on past success, current work and future aspirations of the group. In exchange, this would affect stock prices.

Thirdly, investment decisions depend on the investor's understanding of the honesty, over-valuation or under-valuation of the existing share price. If the share prices are reasonable, the share prices (Hold Decision) will be held if they are overvalued, the share prices are sold and if they are undervalued, the share will be purchased (Buy Decision). These rules are universal, but there may be exceptions. Thus, even though prices are increasing, some investors will purchase as they can

triumph over their overvaluation conception. Thus, the definitions of overvalue or under assessment apply to time, space and individuals. What may be overestimated a little while ago has been underestimated by the later developments; knowledge or opinion and mood can alter the entire market situation and shares' valuation. There are two additional decisions, the average price rise and the average price decrease.

The decision on the investment may also depend on interests, moods or fancies of investors. So, if an investor has fallen in loot or prizes' money or is inundated, he can spend and invest in cats and dogs of enterprises. An investment decision will therefore be made by a responsible investor on scientific analysis of the company's foundations and in an expected way.

Investors nowadays rely on the advice of the investment decision of their mates, family, sub-brokers, etc, but not on any empirical analysis of the corporate principles. With companies growing mushroom and many promoters lack any track record, investment decision-making has become a hunchestral problem, a hearsay, etc.

### **RISK AND INVESTMENT:**

Investment in the stock market is risky and various forms of investments exist, including cash, fixed deposits etc. Diversification in 10 or 15 firms can minimize corporate risks that are also referred to as unsystematic risks. However, the market-related structural risk cannot be minimized, but can be handled by selecting companies with such a high or low risk that the investor can bear.

## INVESTMENT OBJECTIVES:

1) Return on it or yields are the primary fundamental goal of investment. The higher the yields, the higher the investor's risk.

The lower probability is actually the bank deposit rate of 9% or the Bank rate of 6%. The danger here is less than secure, with sure returns.

2) Secondly, every investor has its own asset priorities and investment choices. Therefore, some risk adversely affected operator's position their funds with the cooperative and PSU's in bank or postal deposits or deposits / certificates. Some invests in property; land and construction; others mainly invest in gold, silver and other precious stone, diamonds, and so on.

3) Thirdly, every investor seeks to make home, car, consumer durable and other requirements as minimum comforts. He aims to provide his wages, insurance investments (LIC and GIC etc.) and pension and provision accounts, etc., after fulfilling these minimum needs. The return is based on the needs of the investor when choosing them.

4) Ultimately, the remainder of the savings will be invested in funding properties after all conditions were met, which would provide it with potential profits and appreciation of resources to boost its potential quality of living. These may be in investment on the stock / capital market.

## QUALITIES FOR SUCCESSFUL INVESTING

- Contrary thinking
- Patience
- Composure
- Flexibility and
- Openness

## GUIDELINES FOR EQUITY INVESTMENT

Equity shares have fluctuations in value that can cause large gains or major losses. Because of the stock market uncertainty and dynamism, investors are in need of greater competence and experience and a bit of luck in investing in equity. Here are some general guidelines, regardless of whether you're militant or cautious.

- Adopt for the required formula
- Repair value anchors
- Psychology of the market
- Basic and technological research Merge Sensibly diversify
- Review your portfolio and revision

## Portfolio Management

### INTRODUCTION:

Portfolio can be described in a simple term as a combination of securities which have a return on their own and a risk characteristic. The aggregate characteristics of its individual portions may or may not be adopted by the portfolio. Set of financial or real properties such as shares, bonds, treasury bills and properties is portfolio. Portfolio Port folio is an asset mix or a securities collection. These holdings are the product of individual interests, risk, return and several other factors agreed upon by the holders.

Portfolio management concerns building and managing an investment set. It entails, rather than increasing return, mainly reducing risks. Return is obviously significant, since portfolio managers' ultimate aim is to obtain a good return by immunizing the risk to a selected level of return.

## PORTFOLIO MANAGEMENT

Both lucrative and thrilling are investing in stocks, such as shares and debentures. In reality, there are a lot of risks involved. Very few investors invest all their savings in single security. However, most invest in a securities group; the securities group is called a portfolio. Portfolio growth helps reduce risks without lowering returns.

The risk-return characteristics of individual shares and investments often change as the economic and financial climate continues.

An investor invests in portfolio funds with the hope of obtaining a good return with less risk.

Portfolio management consists of all of the processes under which a portfolio of assets is generated and managed. It includes safety analysis, portfolio analysis, portfolio selection, portfolio revisions and portfolio evaluations in particular.

## OBJECTIVES OF PORTFOLIO MANAGEMENT

Portfolio management's goal is to invest in the following securities:

- a) Optimize your return;
- b) Minimize risk

A good portfolio should have several targets and a sound balance between them to achieve its own investment objectives. No excessive significance should be accorded to any goal at the detriment of others.

The following are some of the core objectives:

- The Investment Security

Protection of investment or risk minimization is one of portfolio management's essential goals. Investments

in stocks, like mega stocks, are associated with many forms of risks. Nothing such as a Zero Risk investment should be kept in mind. In comparison, relatively low-risk investments are yielding relatively lower income.

- Stable current returns: Stable current returns:

The portfolio should yield a steady current income, until investment security is guaranteed. At least the current returns can meet the investment fund's opportunity cost. What we say is current income, not capital gains, from interest or dividends. A steady income return should be provided by the Portfolio, i.e. interest and dividends. Returns must equate to the opposite expense of interest funds.

- Towards marketability: Marketability:

If our portfolio includes so many unlisted or inactive securities, we will face problems in ensuring them and moving from investment to investment.

## THE Transition

The portfolio should ensure that adequate funds are made available shortly to satisfy the liquidity obligations of the investor. In case you are required to engage in right questions or for any other personal needs you want to hold a line of credit from a bank for use.

## See Tax Plan

And in overall planning taxation is a major variable. A good portfolio should enable a desirable tax refuge for its holders. The portfolio should not only be established with regard to income tax but also to income tax and to gift tax. Tax preparation and not tax evasion, but tax avoidance, are a healthy portfolio.

## PORTFOLIO MANAGEMENT FRAMEWORK

The investment management is also known as portfolio management and can be divided into seven wide stages by a complex process or activity:

Five Investment Priorities and Limits Specification.

- A asset mix option.
- Portfolio Strategy growth.

THE Fee TO TAKE.

The execution of the portfolio.

- The re-equilibrium portfolio.

The evaluation of results.

### Specification of Investment Objectives and Constraints:-

The first step in the management of the portfolio is to identify investment goals and constraints. The popular investment objectives are:--

1. Revenue:-Offer daily interest / dividend payments to the continuous flow of revenue.
2. Growth:-Growing capital appreciation in the value of the capital number.
3. Stability:-Protection from loss risk of the principal sum invested.

## CHAPTER II

### REVIEW OF LITERATURE

The positive results of the unbiased investment consultancy were stated in Article 'Unbiased Financial Advising Retail Investors Sufficient? Utpal Bhattacharya, Andreas Hackethal, Simon Kaesler, Benjamin Loops, Steffen Meyer (2012)(18) The findings were found to be very small in terms of investors who most need the financial advice and about 5.0percent of the investors barely followed the advice and did not increase their portfolio performance by much. '. The samples are almost 8000 active retail

clients on the random basis. They considered the mere availability of impartial financial advice to support retail investors to be a prerequisite, but not a necessary condition.

Ms. Sochi Prakash (2012) (19) describes the need for financial education and credit counseling in the Indian context in a key article "Retail Banking Strategy. In India banks only remained initiatives after much time, even though they are financial educator and are able to function and improve financial stability and lending. In India banks have remained initiatives. A paper addresses why financial education, the value of financial education, RBI and bank initiatives and their evaluation Financial literacy refers to the possibility of making informed decisions and of making successful decisions about the use and management of capital. The study also provides the details about the importance of financial education.

### Portfolio Management in India

Port folio management remains in its infancy in India. No other entity had competent portfolio management until 1987 with the exception of a few Indian banks and international banks and UTI.

The skilled management of the portfolio, with the help of qualified research staff, has become the order of the day since 1987 after the formation of public mutual funds. After the success of reciprocal funds in portfolio management, a number of brokers and investment advisors have become portfolio managers some of whom are also technically trained. They are both discretionary and non-discretionary in handling the customers' funds. Many, including reciprocal funds, have ensured a

minimum return or appreciation of capital and have taken on all kinds of rewards which are now prohibited by SEBI. You used speculative measures such as trading and insider trading discounts, etc. to achieve your unique returns for customers that are also prohibited by SEBI.

The latest CBI test of various market dealers' transactions has shown unscrupulous practices in their portfolio operations by banks, dealers and brokers. The SEBI implements tougher laws, including registration, codes of conduct and minimum facilities, experience and so on. I am no longer able to participate in Portfolio Management without a SEBI license for my unemployed young, retired, or self-styled advisors. In order to become a responsible professional service for experts in the field, the guidelines of SEBI are planned.

**SEBI Standards:** Sebi standards:

In the name of the client, SEBI prohibited the Manger portfolio from assuming any risk. Even the Portfolio Manager cannot guarantee a guaranteed consumer return.

The investments that the client makes or recommends are subject to a risk.

The investment consultancy and management must be paid at rates that are initially set and contractually transparent. Customers are not entitled to share profits or discounts or cash rewards.

Lending, poor borrowing and discounting bills in accordance with SEBI norms shall be prohibited for the Portfolio Manager. He cannot position the funds of the customer in any investment that is not approved under the contract with the customer. Capital market and monetary

market instruments may usually be invested.

Clients' money must not be combined with their own assets or savings in a different public sector bank account. All the arrangements made with a customer's account must be entered in the client's name, contract notes, bills and etc. For all purchases / sales on behalf of the consumer, a separate ledger account is maintained which should take place at market price. The contract shall be completed and terminated in compliance with the contract.

The Portfolio Manager can behave only contractually and on a fiduciary basis for the term of the contract. The SEBI shall not approve a contract for less than one year.

## **SEBI GUIDELINES TO THE PORTFOLIO MANAGERS:**

- ◆ In order to control the portfolio management services of merchant bankers the Securities Exchange Board of India issued on 7 January 1993 Regulations to portfolio managers. The following are:
  - ◆ · The portfolio management services shall be the form of investment or management consulting services at the accepted cost at the expense of the client.
  - ◆ · The portfolio manager shall not ensure return directly or indirectly, nor shall the fee be subject to repayment or be the basis for return sharing.
  - ◆ Different arrangements, payments, risk disclosures and compensation terms should be specified.
  - ◆ · Client funds in a client wise account should be held separately and open to audit.

- ◆ Towards a time span not above 6 months, the managers should record customers.
- ◆ · The Portfolio Manager needs to uphold a high integrity level and do not want to gain from forming customer funds directly or indirectly.
- ◆ · The consumer shall have the right to review the records.
- ◆ · However, the portfolio manager would not spend funds from consumers in the discounting, lending and badla financing.
- ◆ The consumer cash can be invested in instruments of money and the stock market.
- ◆ · Arrangement on contract termination as agreed in the contract.
- ◆ · Customer's funds should be held in the proposed commercial bank in a separate bank account.
- ◆ · Purchasing or selling securities at prevailing market rates shall take place.

### PORTFOLIO ANALYSIS:

Portfolios that are securities combinations may or may not support their individual component's aggregate features. The analysis of the portfolio considers potential risk determination and returns for holding different securities mixes. Often an investor can reduce portfolio risk by including a security that is more individually risky than any other security in the portfolio. This seems to be odd since the risk depends heavily on the covariance of securities' returns. If an investor makes a proper portfolio diversification, an investor can minimize expected risk and can also estimate the anticipated return and risk level of a particular asset portfolio. There are primary approaches to portfolio analysis

1. Traditional approach.
2. New approach. Modern approach.

### 1) APPROACH TRADITIONAL:

Two primary decisions were ultimately made in the conventional method. Traditional analysis of safety accepts the vital value of risk and investment returns. Most conventional approaches consider return over a forward period as certain receipt of dividends and price appreciation. However, the return on individual securities does not always last for the same holding period, nor is the return rates usually time sensitive. An analysis will predict future profits and a future price of a P / E. The dividend would definitely be calculated.

Analysts are likely to perceive and express risk as the possible downside expectations of risk in either case, provided an estimation of return (either alone or in relation to upside appreciation opportunities). Every safety ends in such harsh steps with a possible return and downside risk for the future.

Portfolios or securities combinations are a link to the distribution of risk across multiple securities. That's perfect. Nevertheless, the association between securities may only be generally or nebulously defined. For example, car stocks are recognised as a risk related to fire stocks: stocks of utilities show defensive price movement with respect to market and cyclical stocks such as steel; etc. Not to say that conventional analyses of the portfolio have failed. It implies that much can be defined in more clear terms objectively

They are the following:

- A) Recognition of portfolio goals.



b) Selection of the portfolio securities to be included

This is normally achieved in 4 to 6 stages. The investor's constraints should be evaluated before formulating the goals. Objectives are formulated within the specified constraint context. The securities are then chosen on the basis of the objectives. After that the risk and return of the securities should be studied. The investor has to assess the major risk categories that he or she is trying to minimize. Compromise of risk and non-risk factors has to be carried out. Finally relative portfolio weights are assigned to securities like bonds, Stocks and debentures and the diversification is carried out.

#### MODERN PORTFOLIO APPROACH:

The traditional approach is a comprehensive financial plan for the individual needs such as housing, life insurance and pension plans. But these types of financial planning approaches are not done in the Markowitz approach. Markowitz gives more attention to the process of selecting the portfolio. His planning can be applied more in the selection of common stocks portfolio than the bond portfolio. The stocks are not selected on the basis of need for income or appreciation. But the selection is based in the risk and return analysis. Return includes the market return and dividend. The investor needs return and it may be either in the form of market return or dividend.

The investor is assumed to have the objective of maximizing the expected return and minimizing the risk. Further, it is assumed that investors would take up risk in a situation when adequately

rewarded for it. This implies that individuals would prefer the portfolio of highest expected return for a given level of risk.

In the modern approach the final step is asset allocation process that is to choose the portfolio that meets the requirement of the investor. The following are that major steps involved in this process.

Portfolio Management Process:

- Security analysis
- Portfolio analysis
- Selection of securities
- Portfolio revision
- Performance evaluation

#### SECURITY ANALYSIS:

Definition:

For making proper investment involving both risk and return, the investor has to make a study of the alternative avenues of investment their risk and return characteristics and make a proper forecast or expectation of the risk and return of the alternative investments under consideration. He has to tune the preferences to this preference of the risk and return for making a proper investment option. The process of analyzing the individual securities and the market has a whole and estimating the risk and return expected from each of the investments with a view to identifying undervalued securities for buying and overvalued securities for selling is both an art and a science that is what called security analysis.

Security:

The security has inclusive of share, scripts, stocks, bonds, debenture stock or any other marketable securities of a like nature in or of any debentures of a company or body

corporate, the government and semi government body etc.

Analysis of securities:

Security analysis in both traditional sense and modern sense involves the projection of future dividend or ensuring flows, forecast of the share price in the future and estimating the intrinsic value of a security based on the forecast of earnings or dividend. Security analysis in traditional sense is essentially on analysis of the fundamental value of shares and its forecast for the future through the calculation of its intrinsic worth of the share.

Modern security analysis relies on the fundamental analysis of the security, leading to its intrinsic worth and also rise-return analysis depending on the variability of the returns, covariance, safety of funds and the projection of the future returns. If the security analysis based on fundamental factors of the company, then the forecast of the share price has to take into account inevitably the trends and the scenario in the economy, in the industry to which the company belongs and finally the strengths and weaknesses of the company itself.

Security Analysis Approaches:

The basic analysis theory

Towards the TAA

The hypothesis of the efficient market

Analysis of the Foundation

The intrinsic value of an equity share depends on a multitude of factors. The earnings of the company, the growth rate and the risk exposure of the company have a direct bearing on the price of the share. These factors in turn rely on the host of other factors like economic environment in which they function, the industry they

belong to, and finally companies own performance. The fundamental school of thought appraised the intrinsic value of share through

- Economic Analysis
- Industry Analysis
- Company Analysis

**ECONOMIC ANALYSIS:**

The level of economic activity has an investment in many ways. If the economy grows rapidly, the industry can also be expected to show rapid growth and vice versa. When the level of economic activity is low, stock prices are low, and when the economic activity is high, stock prices are high reflecting the prosperous outlook for sales and profits of the firms. The analysis of macroeconomic environment is essential to understand the behavior of the stock prices. The commonly analyzed macro economic factors are as follows:

- a) Gross domestic product
- b) Savings and investments
- c) Inflation
- d) Interest rates
- e) Budget
- f) The tax structure
- g) Balance of payments
- h) Monsoon and agriculture
- I Infrastructure facilities
- j) Demographic factors

**INDUSTRY ANALYSIS**

As referred earlier, performance of a company has been found to depend broadly up to 50 percent on the external factors of the economy and industry. These externalities depend on the availability of inputs, like proper labor, water, power and inter-relations between the economy and industry and the company.

In this context a well-diversified company performs better than a single product

company, because while the demand for some products may be declining, that for others may be increasing.

Similarly, the input prices and cost factors would vary from product line to product line, leading to different margins and a diversified company is better bet for investor.

The industry analysis should take into account the following factors among others as influencing the performance of the company, whose shares are to be analyzed.

They are as followed:

- a) Product line
- b) Raw materials and inputs
- c) Capacity installed and utilized
- d) Industry characteristics
- e) Demand and market
- f) Government policy with regard to industry
- g) Labor and other industrial problems
- h) Management

#### COMPANY ANALYSIS:

Investor should know the company results properly before making the investment. The selection of investment is depends on optimum results of the following factors.

##### 1) MARKETING FORCES:

Manufacturing companies profit depends on marketing activities. If the marketing activities are favorable then it can be concluded that the co. May have more profit in future years.

Depends on the previous year results fluctuations in sales or growth in sales can be identified. If the sales are increasing in trend investor any be satisfied.

## 2) ACCOUNTING PROFILES

Different accounting policies are used by organization for the valuation of inventories and fixed assets.

### A) INVENTORY POLICY:

Raw materials and their value at the end of the year are calculated by using FIFO, LIFO or any other average methods. The particular method is must be suitable to access the particular raw material.

**B) FIXED ASSET POLCY:** At the end of each year all fixed assets are appreciated in order to realize their true worth.

$$\text{NET VALUE OF FIXED ASSETS} = \text{VALUE OF ASSET AT THE BEGINNING OF THE YEAR} - \text{DEPRECIATION}$$

The written down value form for income tax purposes shall be used in compliance with this separate asset plan.

## TECHNIQUES OF PORTFOLIO MANAGEMENT

The previously listed Portfolio Management strategies in our country are in vogue:

### 1. Portfolio of Equity:

The portfolio of equities affects domestic and foreign purchasing factors. External factors impact the company's internal work. The growth plans of the company will be assessed for the company's balance sheet and profit and loss statements. Changes in public policy, trade cycles, political stability, etc. are external influences.

### 2. Analysis of equity:

The future value of a company's securities is calculated by this process. The compensation ratios per share and the stock return ratio can be used.

$$EPS = \frac{\text{Profit after tax}}{\text{No. of Equity Shares}}$$

$$P/E \text{ Ratio} = \frac{\text{Market Price per Share}}{\text{No. of equity Shares}}$$

The trend in sales can be calculated by assessing EPS, which represents earnings patterns, earnings efficiency, and dividend policy and management quality. The additional price returns reflect investor trust in the future of the business.

### SELECTION OF PORTFOLIO

In the conventional approach to portfolio selection, some assumptions have been made that are discussed below:

1. Investors prefer high to smaller securities returns and take greater risks.
2. Investor judgments of risk depend on the opportunity to earn higher returns.
3. Money spread over many securities will minimize risk.

By following Markowitz's theory, an investor may choose the best portfolio to fulfill its requirements at an efficient frontier. The selection process is based on the level of satisfaction from different investment paths.

**DAYS TO THE Method of SELECTION:**  
The selection process for a portfolio is very critical for investment management and comprises the following four phases:

1. Asset determination that is qualified for portfolio growth.
2. Computation over a holding period of the estimated return on qualifying properties.
3. In order to achieve an appropriate balance between risk and return, a portfolio is selected, i.e. a portfolio that

generates the highest return for each level of risk.

### CHAPTER III DATA ANALYSIS AND INTERPRETATION PRACTICAL ANALYSIS Portfolio A

Securities	Returns R %	Beta Value (β)	Un Systemic Risk σ <sub>e</sub> <sup>2</sup> (%)	Excess Return Over (R <sub>i</sub> - R <sub>f</sub> ) β	(R <sub>i</sub> - R <sub>f</sub> ) β	Cumulative (R <sub>i</sub> - R <sub>f</sub> ) β	β <sup>2</sup>	Cumulative β <sup>2</sup>	C <sub>n</sub> = $\frac{\sum_{i=1}^n (R_i - R_f) \beta}{1 + \sum_{i=1}^n \beta^2}$
Bharti Airtel	14.2	0.88	29	10.5	0.2822	0.2822	0.0266	0.0288	2.19
TTC	10.1	0.99	18.65	5.2	0.2654	0.2654	0.1133	0.1420	2.26
Guj Amb.com	10.5	1.03	35	4.5	0.1618	0.7094	0.0303	0.1723	2.606
ICICI Bank	8.8	0.91	12.33	4.3	0.2878	0.9972	0.0801	0.2524	2.830
BHEL	9.4	1.06	30.5	4.24	0.1364	1.1536	0.0368	0.2892	2.964
HDFC	9.1	0.96	14.83	4.2	0.2590	1.4126	0.1908	0.4799	2.45
Bajaj Auto	8.4	1.03	14	3.39	0.2575	1.6701	0.1326	0.6124	2.34
Acc	8.6	1.06	28	3.30	0.1325	1.8026	0.0401	0.6526	2.39
Hindalco	8.3	1.29	12	2.7	0.3762	2.1788	0.1664	0.8190	2.37
HDFC Bank	6.6	0.82	32	2.39	0.0461	2.2249	0.0210	0.84	2.36 c*
HLL	7.1	1.03	26	1.9	0.0792	2.3041	0.0408	0.8808	2.34
Dr. Reddys	6.1	0.69	20	1.5	0.0345	2.3386	0.0238	0.9046	2.32

**Note:** -C\* is the disruption to the portfolio for including securities.

### INTERPRETATION:

- • The creation of an ideal portfolio begins with the decision, the following steps are required, which securities are included within the portfolio.
- An 'excess return to beta ratio' estimate for each security under review and rating between highest and lowest.
- The above table shows that the construction of optimal portfolio from BSE SENSEX scripts.

Securities	Returns R %	Beta Value (β)	Un Systemic Risk σ <sub>e</sub> <sup>2</sup> (%)	Excess Return Over (R <sub>i</sub> - R <sub>f</sub> ) β	(R <sub>i</sub> - R <sub>f</sub> ) β	Cumulative (R <sub>i</sub> - R <sub>f</sub> ) β	β <sup>2</sup>	Cumulative β <sup>2</sup>	C <sub>n</sub> = $\frac{\sum_{i=1}^n (R_i - R_f) \beta}{1 + \sum_{i=1}^n \beta^2}$

All securities whose 'override return to beta' is higher than the cut-off rate are

chosen in the table above and all securities with ratios below are rejected.

The portfolio-A scripts selected are 10 out of 12 with an "excess beta return ratio" that is higher than that of the cutoff rate (2, 36 C \*). The excess of securities returned to beta ratios by Dr. Reddy (1.5 < 2.32) are smaller than those cut off, and are removed from the portfolio.

### PORTFOLIO B

**Note: -C\*** is the cut-off point to include the securities in to portfolio

Bharti Airtel	14.2	0.88	29	10.5	0.2822	0.2822	0.0286	0.0286	2.19
ITC	10.1	0.99	18.65	5.2	0.2654	0.5476	0.1133	0.1419	2.26
Guj Amb.cor	10.5	1.03	35	4.5	0.1618	0.7094	0.0303	0.1722	2.606
ICICI Bank	8.8	0.91	12.33	4.3	0.2878	0.9972	0.0801	0.2523	2.830
BHEL	9.4	1.06	30.5	4.24	0.1564	1.1536	0.0368	0.2891	2.964
HDFC	9.1	0.96	14.83	4.2	0.2590	1.4126	0.1908	0.479	2.45
Bajaj Auto	8.4	1.03	14	3.39	0.2575	1.6701	0.1326	0.6125	2.34
Acc	8.6	1.06	28	3.30	0.1325	1.8026	0.0401	0.6525	2.39
Hibbalco	8.3	1.29	12	2.7	0.3762	2.1788	0.1664	0.8190	2.37
HDFC Bank	6.6	0.82	32	2.39	0.0461	2.2249	0.0210	0.84	2.36 c*
HLL	7.1	1.03	26	1.9	0.0792	2.3041	0.0408	0.8808	2.34
Dr. Reddys	6.1	0.69	20	1.5	0.0345	2.3386	0.0238	0.9046	2.32

### INTERPRETATION:

READ the desirability of any securities to be included in the portfolio shall be directly linked to excess returns and cuts.

· About the above data shows that NTPC RI – RF / è l's lower than C \* for Satyam machine securities. Although 11&12 is less than C \* securities. All ten securities are included in the portfolio from Satyam computers to NTPC, and consulting services from ONGC & TATA are not included in the optimum portfolio.

The optimum equity portfolio consists of ten companies' equity

### PORTFOLIO C:

Securities	Returns R. %	Beta Values (β)	Un Systemic Risk σ <sub>1</sub> <sup>2</sup> (%)	Excess Return Over (β) Ri – Rf	(Ri – Rf) β	Cumulative (Ri – Rf) β	β <sup>1</sup>	Cumulative β <sup>1</sup>	C = $\frac{n}{\sigma^2 \sum_{i=1}^n (R_i - R_f) \beta}$
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Satyam Com	18	1.09	45	11	0.2906	0.2906	0.0264	0.0264	2.29
Bharthi Airtel	14.3	0.88	29	10.5	0.2654	0.536	0.0286	0.055	3.587
Rainance Comm.	10.3	0.95	19	8.4	0.2650	0.821	0.0525	0.1074	3.956
SBI	10.62	1.12	20.5	7	0.3070	1.128	0.0711	0.1786	4.048
Rainance Ene	8	0.66	22	5.6	0.0900	1.218	0.0200	0.2086	3.94
L&T	5.5	0.80	12	5.2	0.2333	1.4313	0.0544	0.263	3.9
Hero Honda	4.8	1.00	15	4.54	0.2533	1.7046	0.6777	1.9407	1.637
Guj Amboja	8.5	1.42	12.76	4.5	0.3894	2.094	0.1580	1.0987	1.905
Rambaxy	6.8	0.82	32	4.4	0.0461	2.1401	0.1664	1.2651	1.567
ICICI	6	0.74	4.5	4.3	0.1644	2.3045	0.1217	1.3868	1.549
BHEL	6	0.69	20	4.24	0.0345	2.3390	0.0238	1.4106	1.5488
Infosys	6	0.89	5	4.2	0.178	2.517	0.15842	1.5690	1.508

### INTERPRETATION

- CHE 12company portfolio-C scripts are selected and the portfolio basket includes all scripts selected which surpass beta rates at all times.
- ~ All 12 stocks have been chosen for the optimal portfolio.

### CHAPTER IV FINDINGS

- ✓ — By using this analysis, the investor can classify and measure the risk and return of securities.
- ✓ -- The high-risk investor would earn high income.
- ✓ Os Optimized returns will be made by the investor with the lowest risk.
- ✓ · All securities underestimated within their portfolio should be included and securities overestimated should be excluded from the investor.

- ✓ — The investor does not invest in a single sector with various stocks but maintains a portfolio with diversified sector stocks.
- ✓ The individuals who invest in them depend primarily on the advice of their families, relatives and financial consultants.
- ✓ A people usually invest money in fixed deposits, recurrent deposits and national and government savings certificates, since their savings are less volatile and their returns are assured.
- ✓ DOE every investor is investing in fundamental necessities. They intend to invest in insurance and pension funds (LIC, GIC), which have guaranteed returns and are less costly.
- ✓ FIN most investors therefore do not think that investing in stocks / capital markets is particularly risky.

## CONCLUSIONS

~ Portfolio-C allows him a maximum return with twelve scripts relative to other portfolios.

· Funds can be diversified from portfolio-C in various company scripts as opposed to others.

Also, in contrast with the other portfolio, the risk of the market is also less.

It's easier to investment in MID Caps & SMALL Caps companies securities when the return growth is higher than the LARGE Caps, if a Portfolio manager is effective and the investor is a risk tolerant and an investment has a long-term outlook.

· It is good to invest in large caps companies' protection if the investor is not a risk-tolerant and short-term investor.

TOD I feel that, as we have seen in the previous year, small cap-and-mid-cap companies will perform well this year.

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