

An Empirical Analysis of the Risk-Adjusted Performance of Nippon India and Kotak Mutual Funds

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Abstract:

Mutual funds have gained significant momentum in India over the past few years and have emerged as an important investment avenue for investors. This research paper provides an overview of mutual fund schemes and evaluates their performance in terms of returns. Investments can broadly be classified into four major asset classes: equity, debt, commodities, and real estate. Within the equity mutual fund segment, schemes are further categorized into large-cap, mid-cap, small-cap, multi-cap, flexi-cap, and other categories. The present study focuses on a comparative analysis of the actual returns generated by selected large-cap, mid-cap, and small-cap mutual fund schemes. The study examines the performance of the selected schemes over a period of one year, with the objective of comparing their returns and evaluating their relative performance.

Key words: Actual returns, Nippon India Mutual Fund and Kotak Mutual Fund

Introduction:

In 1992, the Securities and Exchange Board of India (SEBI) was established as the regulatory authority for the securities market in India, including the mutual fund industry. Subsequently, in 2017, SEBI introduced a standardized framework for the categorization and classification of mutual fund schemes. Under this framework, companies are classified into large-cap, mid-cap, and small-cap categories based on their market capitalization. The top 100 companies in terms of full market capitalization are classified as large-cap companies, while companies ranked from 101st to 250th are categorized as mid-cap companies. Companies ranked 251st onward are classified as small-cap companies. The list of companies is reviewed and rebalanced periodically based on their market capitalization rankings, ensuring that the classification remains aligned with the prevailing market structure.

Literature Review:

➤ **Bhaskar Biswas, Dr. KK Garg (2013)** in their research paper titled, “**Performance of mutual fund schemes of Private and Public sector banks in India: A Comparative Study**” The private sector banks sponsored fund had given good return and ICICI Prudential Long Term Gilt Fund-Growth has given an average return of 10.20%. The risk of private sector fund is more than the public sector fund as the average of standard deviation and beta of private sector fund is more than the public sector fund. The average five years’ standard deviation ICICI Prudential Long Term Gilt Fund -Growth is 4.32 and the average five years beta of HDFC Gilt long-term plan -Growth is 1.04. The risk return relationship of private sector fund is more than the public sector fund as the average of Sharpe ratio and Treynor ratio of private sector fund is more than the public sector fund. The average five years’ Treynor ratio of Kotak Gilt Investment Regular Plan -Growth is 0.26 which is the highest.

➤ **Dr. Muralidhar Dunna, Dr. KK Garg (2020)** in their research paper titled, “**A Comparative study of financial performance vis a vis operating performance of ICICI HDFC and Nippon India Mutual funds**” The effectiveness of their policies and decisions can be determined by management, as a result of management efforts, and decide whether the owner should adopt new policies and procedures and documents. This might help to take measures to improve the overall performance of common fund schemes against previously taken steps. Mutual funds could represent a higher risk investment, but generally the returns are higher than in any investment plan. Investment in them enables an investor to access asset classes such as stocks, debt or securities of fixed income, commodities and even bullions. Management can also use the mechanism of this research to evaluate the operations and financial performance of various mutual finance schemes. Therefore, management should examine a large amount of information relating to a company's various resources. Measurement of performance is the significant aspect for any investor to invest in mutual funds.

Statement of Problem:

- To evaluate the actual returns generated by selected mutual fund schemes across large-cap, mid-cap, and small-cap categories.
- To analyse the benchmark returns of selected mutual fund schemes offered by Kotak and Nippon India Mutual Funds.

Research Objectives:

- To assess the actual returns of selected mutual fund schemes across large-cap, mid-cap, and small-cap categories
- To comparatively analyse and interpret the actual returns and benchmark returns of selected mutual fund schemes across large-cap, mid-cap, and small-cap categories.
- To examine the relationship between the actual returns and benchmark returns of selected mutual fund schemes across large-cap, mid-cap, and small-cap categories.
- To evaluate the benchmark returns of selected mutual fund schemes across large-cap, mid-cap, and small-cap categories.

Data Collection Method:

Secondary data is used in this research from the official website of Nippon India and Kotak Mutual Fund.

Research Design:

Descriptive research design is taken into consideration for this research

Sampling Design:

Sampling Method: In this research non-probability convenient sampling method is taken into consideration.

Sampling Size: 2 of the Large-cap, midcap and small cap funds mutual fund schemes are been taken for the study that involves the time frame of past 1 years (from January 2022 to December 2022). This mutual fund schemes are:

SR. NO.	MUTUAL FUND SCHEMES (MULTI-CAP) (REGULAR) (GROWTH)
1	Kotak Mutual Fund
2	Nippon India Multi Cap Fund

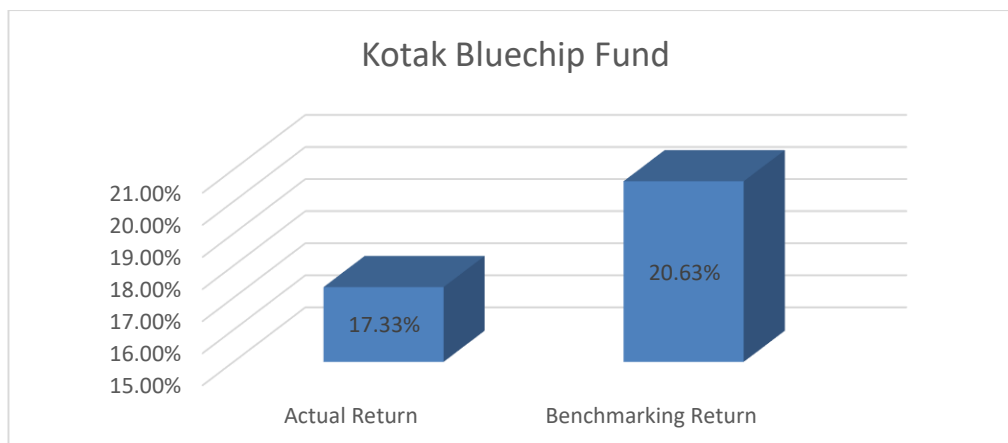
Data Analysis and Interpretation:

SR. NO.	MUTUAL FUND SCHEMES (MULTI-CAP) (REGULAR) (GROWTH)
1	Kotak Blue chip Cap Fund
2	Nippon India Large Cap Fund
3	Kotak Emerging Opportunities Fund
4	Nippon India Growth Fund
5	Kotak Small Cap Fund
6	Nippon India Small Cap Fund

The above table shows the list of schemes taken, actual returns and performance

Kotak Blue chip Fund

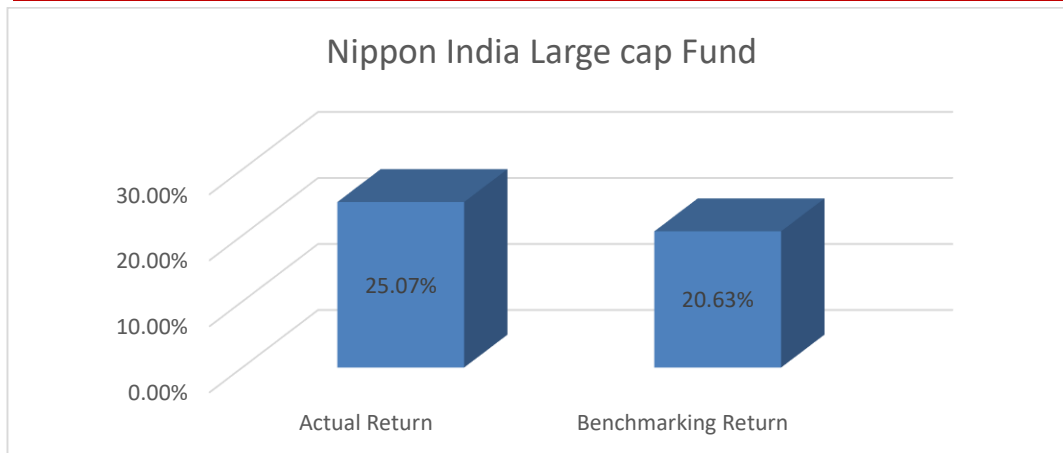
Years	Actual Return	Benchmarking Return
1	17.33%	20.63%



The above graph shows that the actual returns for past year 1 is 17.33% of Kotak Bluechip Fund, which as compared to benchmarking standards is 20.63%. Further it can also be concluded that this particular fund has not outperformed the benchmarking return in the given period and had failed to generate Alpha.

Nippon India Large cap Fund

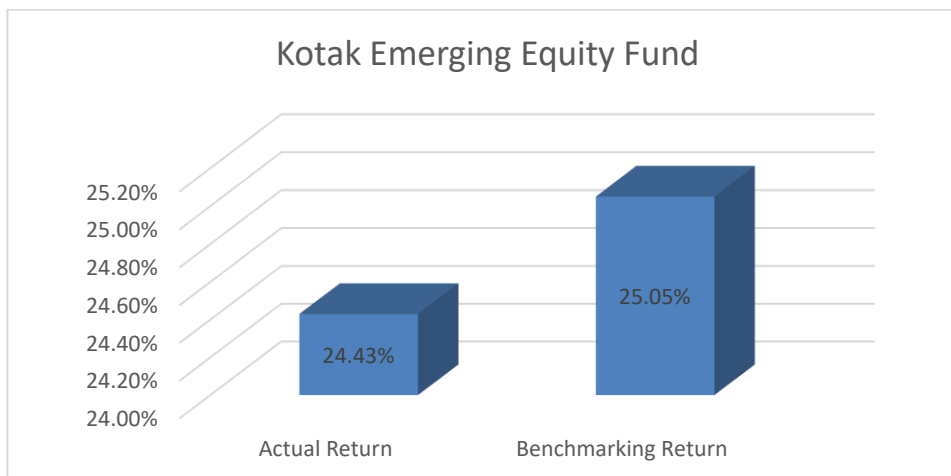
Years	Actual Return	Benchmarking Return
1	25.07%	20.63 %



The above graph shows that the actual returns for past year 1 is 25.07% of Nippon India Large Cap Fund, which as compared to benchmarking standards is 20.63%. Further it can also be concluded that this particular fund has outperformed the benchmarking return in the given period and had succeeded to generate Alpha.

Kotak Emerging Equity Fund

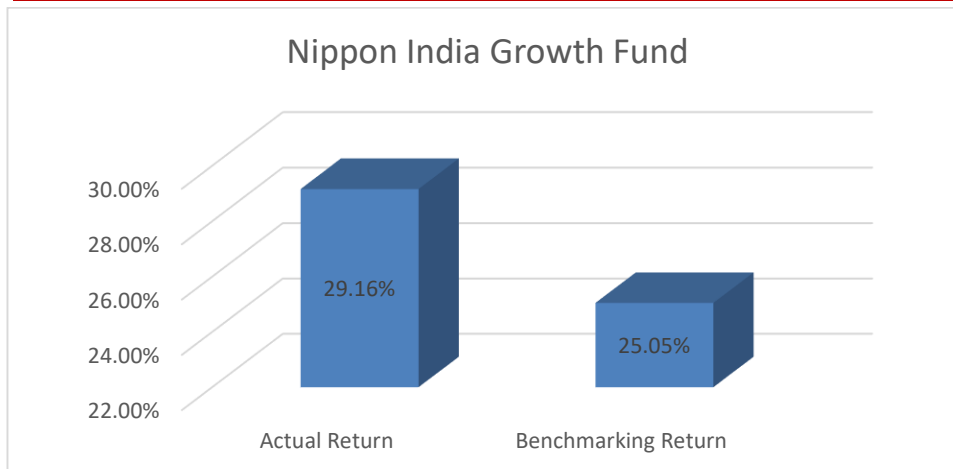
Years	Actual Return	Benchmarking Return
1	24.43%	25.05%



The above graph shows that the actual returns for past year 1 is 24.43% of Kotak Emerging Equity Fund, which as compared to benchmarking standards is 25.05%. Further it can also be concluded that this particular fund has not outperformed the benchmarking return in the given period and had failed to generate Alpha.

Nippon India Growth Fund

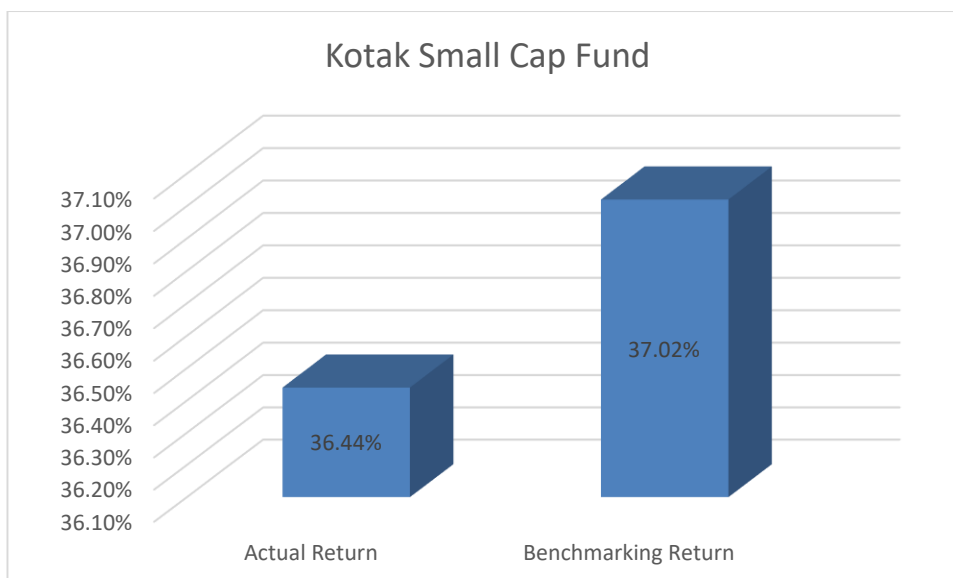
Years	Actual Return	Benchmarking Return
1	48.04%	47.56%



The above graph shows that the actual returns for past year 1 is 29.16% of Nippon India Growth Fund, which as compared to benchmarking standards is 25.05%. Further it can also be concluded that this particular fund has outperformed the benchmarking return in the given period and had succeeded to generate Alpha.

Kotak Small Cap Fund

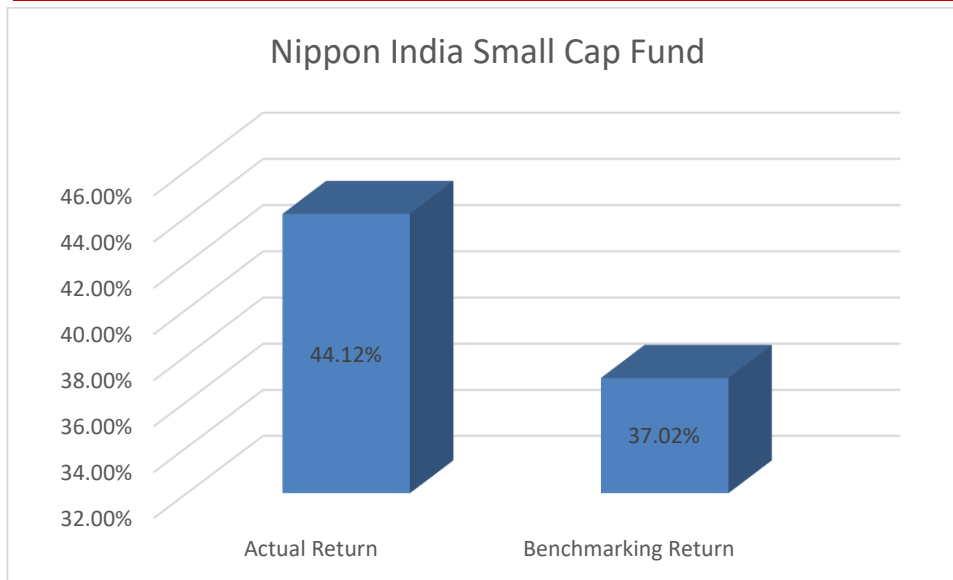
Years	Actual Return	Benchmarking Return
1	36.44%	37.02%



The above graph shows that the actual returns for past year 1 is 36.44% of Kotak Small Cap Fund, which as compared to benchmarking standards is 37.02%. Further it can also be concluded that this particular fund has not outperformed the benchmarking return in the given period and had failed to generate Alpha.

Nippon India Small Cap Fund

Years	Actual Return	Benchmarking Return
1	44.12%	37.02%



The above graph shows that the actual returns for past year 1 is 44.12% of Nippon India Growth Fund, which as compared to benchmarking standards is 37.02%. Further it can also be concluded that this particular fund has outperformed the benchmarking return in the given period and had succeeded to generate Alpha.

Testing of Hypothesis:

H0: There is no significant difference between the actual returns of the selected Kotak Mutual fund schemes and Nippon India Mutual fund schemes

H1: There is significant difference between the actual returns of the selected Kotak Mutual fund schemes and Nippon India Mutual fund schemes

t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
Mean	0.260666667	0.327833333
Variance	0.009330703	0.010057203
Observations	3	3
Pooled Variance	0.009693953	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-0.835504826	
P(T<=t) one-tail	0.225217197	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.450434395	
t Critical two-tail	2.776445105	

The above table shows the t-test of actual returns selected Kotak mutual fund schemes and Nippon India mutual fund schemes. The result show that the t critical value is more than that of t stat value, hence H0 is rejected and H1 is accepted. Which means that there is a significant difference between the actual returns of the selected Kotak Mutual fund schemes and Nippon India Mutual fund schemes.

Findings:

- The CAGR of Kotak blue chip fund from January 2022 to December 2022 is 17.33% which is less than the standard benchmarking returns of 20.63% laid down by SEBI.
- The CAGR of Nippon India large cap fund from January 2022 to December 2022 is 25.07% which is more than the standard benchmarking returns of 20.63% laid down by SEBI.

- The CAGR of Kotak Emerging Equity fund from January 2022 to December 2022 is 24.43% which is less than the standard benchmarking returns of 25.05% laid down by SEBI.
- The CAGR of Nippon India growth fund from January 2022 to December 2022 is 29.16% which is more than the standard benchmarking returns of 25.05% laid down by SEBI.
- The CAGR of Kotak small cap fund from January 2022 to December 2022 is 36.44% which is less than the standard benchmarking returns of 37.02% laid down by SEBI.
- The CAGR of Nippon India large cap fund from January 2022 to December 2022 is 44.12% which is more than the standard benchmarking returns of 37.02% laid down by SEBI.

Suggestions for Future Research

- The horizon taken into study is of 1 year from January 2022 to December 2022.
- The switch in and switch out of fund managers during the selected period is not taken into consideration.
- The comparison is down between selected 2 AMC funds only.
- Large cap, mid cap and small cap are the only 3 schemes taken into consideration.
- This size of the fund is not taken into consideration, only their CAGR return is taken into consideration along with its benchmarking returns.

Conclusion

Thus, it can be concluded that the large cap, mid cap and small cap schemes of Nippon India mutual fund are performing better than those of Kotak mutual fund as well as its benchmark for the given period of time. The study emphasis on the returns earned by particular mutual fund with compared to its benchmarking returns, and based upon which tests has been conducted and the results have been mentioned above.

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