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ROLE OF PORTFOLIO MANAGEMENT & INVESTMENT DECISION WITH REFERENCE TO - RAMKY INFRASTRUCTURE LTD.

Kalidindi Venkata Sri Sai Sravani[1], Dr. L Srinivas Reddy[2]

[1]Department of Management Studies Aristotle PG College, Chilkur, Moinabad, Ranga Reddy District, Telangana, India.

[2]Professor & Principal Aristotle PG College, Chilkur, Moinabad, Ranga Reddy District, Telangana, India.

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ABSTRACT

Portfolio management and investment decision as a concept came to be familiar with the conclusion of second world war when thing can be in the stock market can be liberally ruined the fortune of individual, companies ,even government ‘s it was then discovered that the investing in various scripts instead of putting all the money in a single securities yielded weather return with low risk percentage, it goes to the credit of HARYMERKOWITZ, 1991 noble laurelled to have pioneered the concept of combining high yielded securities with these low but steady yielding securities to achieve optimum correlation coefficient of shares. Portfolio management refers to the management of portfolios for others by professional investment managers it refers to the management of an individual investor’s portfolio by professionally qualified person ranging from merchant banker to specified portfolio company

Keywords: Portfolio management, Investment decision.

1. INTRODUCTION

This combination may be various assets classed like equity and debt or of different issues like Govt. bonds and corporate debts are of various instruments like discount bonds, debentures and blue chip equity nor scripts of emerging Blue chip companies. Portfolio analysis includes portfolio construction, selection of securities revision of portfolio evaluation and monitoring of the performance of the portfolio. All these are part of the portfolio management. The traditional portfolio theory aims at the selection of such securities that would fit in will with the asset preferences, needs and choices of the investors. Thus, retired executive invests in fixed income securities for a regular and fixed return. A business executive or a young aggressive investor on the other hand invests in and rowing companies and in risky ventures. The modern portfolio theory postulates that maximization of returns and minimization of risk will yield optional returns and the choice and attitudes of investors are only a starting point for investment decisions and that vigorous risk returns analysis is necessary for optimization of returns. Portfolio analysis includes portfolio construction, selection of securities, and revision of portfolio evaluation and monitoring of the performance of the portfolio. All these are part of the portfolio management.

Types of Portfolio Management:

Portfolio Management is further of the following types:

Active Portfolio Management: As the name suggests, in an active portfolio management service, the portfolio managers are actively involved in buying and selling of securities to ensure maximum profits to individuals.

Passive Portfolio Management: In a passive portfolio management, the portfolio manager deals with a fixed portfolio designed to match the current market scenario.

Discretionary Portfolio management services: In Discretionary portfolio management services, an individual authorizes a portfolio manager to take care of his financial needs on his behalf. The individual issues money to the portfolio manager who in turn takes care of all his investment needs, paper work, documentation, filing and so on. In discretionary portfolio management, the portfolio manager has full rights to take decisions on his client’s behalf.

Non-Discretionary Portfolio management services: In non discretionary portfolio management services, the portfolio manager can merely advise the client what is good and bad for him but the client reserves full right to take his own decisions.

2. REVIEW OF LITERATURE

Author: Neelam Kapoor: In the globalization era, Portfolio Management plays an important role in investment of securities. Portfolio management is both an art and a science. It is much more than the selection of securities from a catalog by a financial consultant or the application of a formula to a set of financial data input supplied by a security analyst. It is a dynamic decision-making process, one that is continuous any systematic but also one that requires large amounts of astute managerial judgment about the securities markets and the individual for whom portfolio is managed.

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Portfolio management is a decisive element for the good performance of new product development and compliance with business objectives because it not only defines new product projects but also defines revisions, updates, and even decisions regarding the discontinuation of products that are produced and commercialized. This article proposes a framework with the specific objective of presenting an approach that could be useful to portfolio management. The framework proposed in this article presents a holistic perspective of portfolio management, suggesting the use of a set of formal management methods for not only evaluating product projects but also extending to organizational aspects and including them in strategic planning and portfolio reviews.

Portfolio Risk Management Analysis: Although the phrase "portfolio management" is most often used in reference to financial instruments and retirement funds, it can be applied to any use of systematic management across large classes of items belonging to an enterprise or organization. Not only can it be used to optimize assets, but combining it with uncertainty and risk analysis allows management of liabilities and assets as well. Portfolio risk management analysis (PRMA®) increases the probability of successful completion of a business, policy, mission, or sustainability objective. PRMA provides a framework for balancing the outlay of resources (environmental, economic, or social) against sustainability performance metrics.

System Planning and Portfolio Management: Effective system planning and portfolio management require that the costs and benefits of alternative electricity supply mechanisms are comparable across a system. This comparison should include consideration of demand-side savings and non-traditional sources such as renewable energy, should internalize environmental and social considerations, and should provide a mechanism for public input. Integrated resource planning (IRP) was the tool devised to meet these requirements under an integrated system. IRP provides a means to minimize the "total resources cost" involved in meeting electricity service needs, which includes not only the costs to the utility and its customers, but also the indirect social and environmental costs.

Johnson et al. (2006): did not lay emphasis on project portfolio management in their 'exploring corporate strategies', they explicitly argued that strategic capabilities defined as "the adequacy and suitability of the resources and competences of an organization for it to survive and prosper" (p.117) should be created in either strategic fit way (i.e. outside-in synergy, change of internal capabilities to better fit opportunities identified in the changing environment) or strategic stretch way (i.e. inside-out synergy, creation of new opportunities through enhancement and utilization of strategic capabilities) to develop and sustain competitive advantages. This implicitly encompasses the essence of competently dedicating resources especially strategic resources to support the organizations' strategies (Porter, 1985; Wernerfelt, 1995; and Johnson et al., 2006). This dedication of resources is described as leverage of resources inclusive of concentration of resources on strategic goals; more efficient accumulation of resources; complement of resources; conservation of resources; and recovery of resources (Hamel & Prahalad, 1993).

According to Johnson et al. (2006): resources of organizations are tangible or intangible. Tangible resources include physical assets of machines, building, finance, etc. whereas intangible ones include non-physical assets of skills, knowledge, experience, brand name, patents, etc. Strategic resources are known as ones whose availability is constraint to completion of many projects (Kendall & Rollins, 2003 and Blichfeldt & Eskerod, 2007) and have been categorized based on the value, rareness, limitability and substitutability (Barney, 1991). 6. In their review, Elton & Roe (1998) stated that TOC has not significantly addressed the issue of managing multiple concurrent projects which share the same resources. They correctly argued that selecting the right number of projects would assist organizations to strategically leverage limited resources rather than suffering the constraints on resources shared by a large number of projects. Contributing to this interesting argument, Wheelwright and Clark (1992), Archer and Ghasemzadeh (1999), Englund & Graham (1999), Cooper et al. (2000);

Crawford et al. (2006) and Blichfeldt & Eskerod (2007): indirectly implied the concept of TOC approach in their discussion about competition for resources amongst projects. Through their empirical study in project portfolio management, whether new or on-going, all projects are subject to resource allocation and reallocation in the alignment with business strategy during the process of project selection and prioritization. Hence, TOC is potentially applicable to portfolio project selection. The TOC's cause and effect thinking processes aimed at answering the three very important questions: "what to change?", "What to change to?", and "How to cause the change?" would be advantageously pertinent to designing and developing portfolio project selection approach or framework.

PMI (2006): suggested three activities to categorize projects for project portfolio selection: identify strategic categories based on the strategic plan, compare projects and programs to these categorization criteria, and group each project or program into only one category. Primarily based on the work by Yorker (1999) and Crawford et al. (2004), Archibald (2004) developed and proposed a globally agreed project categorization system which is intended for the

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right application of project management methods and best practices for each project category, one of which serves project selection and prioritization.

Archer & Ghasemzadeh (1999): did the extensive review on project portfolio selection tools and techniques. They presented the advantages and disadvantages of each group of selection tools and techniques. For instance, the advantages of comparative approach include ease of understanding, ease of use, and allowing integration of quantitative and qualitative analysis; and their disadvantages are no explicit consideration of risks, repetition of entire process when adding or deleting new projects, difficulty in use when involving a large number of projects for comparison; and incapability to identify really good projects. These tools and techniques are then integrated into their project portfolio selection framework

Cooper et al. (2001b) evidently discussed the popularity and dominance (dominating decision process) of tools, techniques, methods and models for project selection and portfolio management. The results of their survey interestingly show that first, organizations tend to use different combinations of tools, techniques, methods and models instead of any one alone to better select and manage their project portfolio (e.g. combination of financial methods and strategic approach); second, though financial methods are popularly used, they produce poorest performing portfolios; and finally, organizations with the best performance portfolios rely on strategic approach rather than financial methods. The table below presents the survey results of the popularity, dominance, and the using purpose of methods and models.

Lefley & Morgan (1998) and Rad & Levin (2006): claimed that utilization of project selection tools and techniques should collaboratively take into consideration of important aspects of strategy, resources, and risk. Moreover, depending on the objectives of the business, different levels of importance shared amongst these three aspects should be emphasized in the multifaceted process of project portfolio selection hence suitable sets of tools and techniques are deployed to avoid or limit their own drawbacks (Archer & Ghasemzadeh, 1999; Dye & Pennypacker, 1999; Cooper et al., 2001b; and Rad & Levin, 2006). Another critical factor that should be considered when adapting tools, techniques, methods and models is the availability, accuracy, reliability (bias) and up-to-datedness of data input for analysis. This is more challenging for new organizations or organizations moving to new business industry where there are lacks of database, information and experiences (Rădulescu1 & Rădulescu, 2001).

3. RESEARCH GAP

OBJECTIVES:

- To analyze the risk, return characteristics of sample scripts.
- Ascertain portfolio weights.
- To construct an effective portfolio which offers the maximum return for minimum risk.
- To see whether the portfolio risk is less than individual risk on whose basis the portfolios are constituted.
- To analyze performance and relationship of various securities.
- To understand, analyze and select the best portfolio.

4. RESEARCH METHODOLOGY

Need For the Study

Portfolio management or investment helps investors in effective and efficient management of their investment to achieve this goal. The rapid growth of capital markets in India has opened up new investment avenues for investors.

The stock markets have become attractive investment options for the common man. But the need is to be able to effectively and efficiently manage investments in order to keep maximum returns with minimum risk.

Scope of the Study:

Even though there are number of techniques for portfolio analyses, Markowitz model has been choose for the analyses, the scope of the study has been restricted Ramky Infrastructure Ltd.. SEBI rules and guidelines has been covered study; at large Indian stock market tendencies also has been considered in the study.

Primary Data:

The data had been collected through Ramky Infrastructure Ltd staff, Project guide and stock brokers.

Secondary Data:

The Data had been collected through Journals, Newspapers and Internet.

Statistical tools:

COVARIANCE (COVab) = 1/n-1 $\left(RA - \overline{RA}\right)\left(RB - \overline{RB}\right)$

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Correlation Coefficient (n ~ab) = COVab/ σa.σb

Calculation of portfolio risk: Formula:

$$\sigma p = \sqrt{\sigma a^2 Wa^2 + \sigma b^2 Wb^2 + 2nab.\sigma a \sigma b.WaWb}$$

PORTFOLIO RETURN:

Rp = (Ra * Wa) + (Rb * Wb).

5. DATA ANALYSIS & INTERPRETATION

Calculation of average return of Wipro:

Year	Opening Share price (P0)	Closing Share price (P1)	(P1 – P0)	(P1 – P0)/ P0*130
2018-19	538.55	559.40	20.85	3.87
2019-20	571.60	432.13	-169.50	-24.40
2020-21	488.75	245.90	-242.85	-49.69
2021-22	330.85	706.95	376.13	146.67
2022-23	671.50	441.40	-230.13	-34.27
			Total Return	**9.18**

Returns are calculated as below

Return of 18-19

= (P1-P0)/P0*130 = (559.40-538.55)/538.55*130 = 3.87

Return of 19-20

= (P1-P0)/P0*130 = (432.13-571.60)/571.60*130 = -24.40

Return of 20-21

= (P1-P0)/P0*130 = (245.90-488.75)/488.75*130 = -49.69

Return of 21-22

= (P1-P0)/P0*130 = (706.95-330.85)/330.85*130 = 146.67

Return of 22-23

= (P1-P0)/P0*130 = (441.40-671.50)/671.50*130 = -34.27

Average Return = 9.18/5 = 1.84

COMMENT: The WIPRO Company five years average returns are good. In these 5 years 2021-22th years the company gain highest return, i.e. 146.67 & the lowest return is -49.69. Overall average return is 9.18.

Calculation Of Average Return Of ICICI.

Year	Opening Share price (P0)	Closing Share price (P1)	(P1 – P0)	(P1-P0)/ P0*130
2018-19	591.75	853.35	261.60	44.20
2019-20	865.85	769.40	-96.42	-14.16
2020-21	879.60	332.80	-546.80	-96.27
2021-22	479.20	952.50	473.75	98.86
2022-23	951.95	1316.35	64.40	6.76
			Total Return	**42.42**

Returns are calculated as below

Return of 18-19

= (P1-P0)/P0*130 = (853.35-591.75)/591.75*130 = 44.20

Return of 19-20

= (P1-P0)/P0*130 = (769.40-865.85)/865.85*130 = -14.16

Return of 20-21

= (P1-P0)/P0*130 = (332.80-879.60)/879.60*130 = -96.27

Return of 21-22

= (P1-P0)/P0*130 = (952.50-479.20)/479.20*130 = 98.86

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Return of 22-23

= (P1-P0)/P0*130 = (1316.35-951.95)/951.95*130 = 6.76

Average Return = 42.42/5 = 8.48

COMMENT: The ICICI Company over all average return is very good. In the year 2021-22 highest return is 98.86 and in the year 2020-21 lowest return is -96.27.

6. CONCLUSION OF THE STUDY

Portfolio is a combination of securities such as stocks, bonds, and money market instruments. The process of blending together the broad asset classes so as to obtain optimum return with minimum risk is called portfolio construction. The investor always likes to purchase a combination of stocks that provides the highest return and has lowest risk. He wants to satisfactory reward to risk ratio. Traditionally analysts paid more attention to return aspect of the stock. Now a day's risk has received increased attention and analysts are providing estimates of risk as well as return. Casual observation of the stock price over a period of time reveals that most if the stock price moves with the market index. When the market increases, the stock price also tends to increase and vice-versa. This indicates that some under lying factor affect the market index as well as the stock prices. Stock prices are related to the market index and this relationship could be used to estimate the return on stock.

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