**A Study On Portfolio Management**

**Gollapalli Bhavana**

Roll No: 212122672165, Department of Management Studies

Aristotle PG College,Chilkur, Moinabad, Ranga Reddy District, Telangana.

**Mr. M. Nanda Kishore**

Assistant Professor

Aristotle PG College, Chilkur, Moinabad, Ranga Reddy District, Telangana.

[nkishore183@gmail.com](about:blank)

**Abstract:**

Portfolio Management is used to select a portfolio of new product development projects to achieve the following goals: Maximize the profitability or value of the portfolio, Provide balance, Support the strategy of the enterprise. Portfolio Management is the responsibility of the senior management team of an organization or business unit. This team, which might be called the Product Committee, meets regularly to manage the product pipeline and make decisions about the product portfolio. Often, this is the same group that conducts the stage-gate reviews in the organization. A logical starting point is to create a product strategy - markets, customers, products, strategy approach, competitive emphasis, etc. The second step is to understand the budget or resources available to balance the portfolio against. Third, each project must be assessed for profitability (rewards), investment requirements (resources), risks, and other appropriate factors. The weighting of the goals in making decisions about products varies from company.

**Keywords:** Portfolio Management, profitability, product portfolio, budget.

**INTRODUCTION:**

A portfolio is a group of securities held together as investment. Investors invest their funds in a portfolio of securities rather than in a single security because they are risk averse. By constructing a portfolio, investors attempts to spread risk by not putting all their eggs into one basket. Portfolio phase of portfolio management consists of identifying the range of possible portfolios that can be constituted from a given set of securities and calculating their return and risk for further analysis.

Portfolio Management is a process encompassing many activities of Investment in asset and securities. It is a dynamic and flexible concept and involves continuous and systematic analysis, judgment and operations.

The objective of this service is to help the novices and uninitiated investors with expertise of professionals in portfolio management. Firstly, it involves construction of a portfolio based upon the fact sheet of the investor giving out his objectives, constraints, preferences for risk and return and his tax liability. Secondly, the portfolio is reviewed and adjusted from time to time in tune with market conditions.

The adjustment is done through changes in the weighting pattern of the securities and asset classes in the portfolio. Thirdly, the evaluation of portfolio performance is to be done by the manager in terms of targets set for risk and return and changes in the portfolio are to be affected to meet the changing conditions.

The collection of data on the investors preferences, objectives etc., is the foundation of portfolio management. This gives an idea of channels of Investment in terms of asset classes to be selected and securities to be chosen based upon the liquidity requirements, time horizon, taxes asset preferences of investors etc. These are building blocks for construction of a portfolio.

The traditional Portfolio Theory aims at the selection of such securities that would fit in well with the asset preferences, need and choice of investor. Modern Portfolio Theory postulates that maximization of return and or minimization of risk will yield optimal returns and choice and attitudes of investors are only a starting point for investment decision and that vigorous risk-return analysis is necessary for optimization of returns. The return on portfolio is weighted average of returns of individual stocks and the weights are proportional to each stock’s percentages in the total portfolio.

Portfolio analysis includes portfolio construction, and performance of portfolio. All these are part of the subject of portfolio Management which is a dynamic concept, subject to daily and hourly changes based on information flows, money flows and economic and non-economic forces operating in the country on the markets and securities

**Characteristics:**

Individuals will benefit immensely by taking portfolio management services for the following reasons:

* Whatever may be the status of the capital market, over the long period capital markets have given an excellent return when compared to other forms of investment. The return from bank deposits, units, etc., is much less than from the stock market.
* The Indian Stock Markets are very complicated. Though there are thousands of companies that are listed only a few hundred which have the necessary liquidity. Even among these, only some have the growth prospects which are conducive for investment. It is impossible for any individual wishing to invest and sit down and analyze all these intricacies of the market unless he does nothing else.
* Even if an investor is able to understand the intricacies of the market and separate chaff from the grain the trading practices in India are so complicated that it is really a difficult task for an investor to trade in all the major exchanges of India, look after his deliveries and payments.

**REVIEW OF LITERATURE:**

**ARTICLE: 1**

**Title: Financial Portfolio management: Overview and Decision making in investment Process**

**Author: Neelam Kapoor**

**Abstract:**

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. 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.

**ARTICLE: 2**

**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.

**ARTICLE: 3**

### 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](about:blank) (IRP) was the tool devised to meet these requirements under an [integrated system](about:blank). 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.

Centralized IRP at the system level is incompatible with a market structure. However, the essential planning and portfolio management functions remain important, and should be performed through other institutional mechanisms. For example, under wholesale competition, distribution utilities can still conduct, or can be required by law to conduct, an integrated analysis of alternative portfolios, and can draw up a plan based on that analysis. Instead of directly acting on the plan, however, the distribution utility must then solicit bids from the marketplace to meet the plan.

**RESEARCH GAP:**

This study focuses on the This difference goes to the broker as his/her profit for selling you the particular stock. Specialists are in charge of the coordination between bids and ask, so that the amount of the spread is kept at a minimum.

**OBJECTIVES:**

1. To understand the process of portfolio management.
2. To analyze the risk and return characteristics of selected scripts.
3. To analyze the relationship of selected scripts.
4. To ascertain the investment contribution in the portfolio.
5. To determine the portfolio risk and return.
6. To evaluate the best portfolio of the selected scripts.

**RESEARCH METHODOLOGY:**

**Need For The Study**

1. Emergence of institutional investing on behalf of individuals. A number of financial institutions, mutual funds and other agencies are undertaking the task of investing money of small investors, on their behalf.

2. Growth in the number and size of ingestible funds – a large part of household savings is being directed towards financial assets.

**Scope Of The Study:**

* The study covers the calculation of correlations between the different securities in order to find out at what percentage funds should be invested among the companies in the portfolio.
* The study includes the calculation of individual Standard Deviation of securities and ends at the calculation of weights of individual securities involved in the portfolio.

**Methodology**

**PRIMARY DATA**:-primary data refers to the data collected specifically for the purpose of research problem. it is the first hand information collected by the research firm.

**SECONDARY DATA**:-secondary data refers to the existing data that has been collected with and objective other than the research problem.

**SOURCES OF DATA COLLECTION**: The methodology adopted or employed in this study is primarily based which is collected through

* Companies Annual Reports
* Information from Internet
* Publications
* Information provided by Inter Connected Stock Exchange.

**DATA ANALYSIS & INTERPRETATION:**

|  |  |
| --- | --- |
| **Scrip** | **Rate of Return (%)** |
| **GAIL** | **14.53** |
| **HUL** | **20.79** |
| **Cipla** | **20.32** |
| **Bharti Airtel** | **-5.51** |
| **DLF** | **-8.39** |

**CALCULATION OF STANDARD DEVIATION**

Standard Deviation = Variance

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Variance = 1/n (R-R)2

**Gas Authority of India Limited:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Return (R)** | **Avg. Return (R)** | **(R-R)** | **(R-R)2** |
| 2019 | -40.60 | 14.53 | -55.14 | 3040.12 |
| 2020 | 113.38 | 14.53 | 98.85 | 9771.32 |
| 2021 | 28.07 | 14.53 | 13.54 | 183.29 |
| 2022 | -25.57 | 14.53 | -40.11 | 1608.52 |
| 2023 | -2.61 | 14.53 | -17.14 | 293.94 |
| **TOTAL** | | | | 14897.20 |

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Variance = 1/n (R-R)2 = 1/5 (14897.20) = 2979.439352

Standard Deviation = Variance

= 2979.44

= 54.58

**PORTFOLIO RETURNS & RISKS OF THE SELECTED STOCKS**

|  |  |  |  |
| --- | --- | --- | --- |
| **Scrip A** | **Scrip B** | **Portfolio Return** | **Portfolio Risk** |
| GAIL | HUL | 20.23% | 8.958% |
| GAIL | CIPLA | 50.98% | 27.498% |
| GAIL | AIRTEL | 7.613% | 12.42% |
| GAIL | DLF | 31.01% | 50.57% |
| HUL | CIPLA | 20.72% | 9.016% |
| HUL | AIRTEL | 13.26% | 9.822% |
| HUL | DLF | 20.20% | 10.53% |
| CIPLA | AIRTEL | -6.33% | 13.38% |
| CIPLA | DLF | 29.31% | 30.04% |
| AIRTEL | DLF | -7.2% | 12.229% |

#### Interpretation:-by observing the above table we come to the point that the company GAIL&DLF have more return than all the companies and their risk is also high.

**CONCLUSION**

* Portfolio management is a process of encompassing many activities of investment assets and securities. It is a dynamic and flexible concept and involves regular and systematic analysis, judgment, and action.
* A combination of securities held together will give a beneficial result if they grouped in a manner to secure higher returns after taking into consideration the risk elements.
* The main objective of the Portfolio management is to help the investors to make wise choice between alternate investments without a post trading shares.
* Any portfolio management must specify the objectives like Maximum returns, Optimum Returns, Capital appreciation, Safety etc., in the same prospectus.
* This service renders optimum returns to the investors by proper selection and continuous shifting of portfolio from one scheme to another scheme of from one plan to another plan within the same scheme.

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