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A STUDY ON SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

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Abstract:

It refers to the analysis of trading securities from the point of view of their prices, return, and risk. All investment is risky and the expected return is related to risk.
Security analysis examines the industries and securities of individual companies primarily to develop value and return expectations for securities and thus to distinguish overprices securities from under priced ones, with the evolution of portfolio theory and new methods of addressing investment management issues, the job of financial analysts has become more demanding.

The process of investment management begins with an evaluation of the available investment opportunities. The financial analyst must have a clear picture of the current investment. He should be able to design a framework for evaluation of risk return profile of various securities.
An investor invests his funds in a portfolio expecting to get a good return consistent with the risk that he has to bear. Portfolio management comprises all the processes involved in the creation & maintenance of an investment portfolio.

KEYWORDS: Bond, Equity, Diversification, Investors, Portfolio,Securities etc

INTRODUCTION

Investment is a financial activity that involves risk. It is the commitment of funds for a return expected to be realized in the future. Investment can be made in financial assets or physical assets. In either case there is possibility that the actual return may vary from the expected return that possibility is risk involved in it.

Investment is generally distinguished from speculation in terms of 3 factors namely **risk, capital gain and time period.** Gambling is the extreme form of speculation. Investors may be individual or institutions.
Port folio management involves investing through a rational decision making process in which the investors attempt to select portfolios of securities that meet predetermined levels of returns based on their capacity to bear risk.

PORTFOLIO MANAGEMENT

Many times the investors go on acquiring assets in an adhoc& unplanned manner & the result is high risk, low return profile that they may face. All such assets of financial nature such as gold, silver, real-estate, building, insurance policies, post office certificate. NSC or NSS would constitute his portfolio & the wise investor not only plans his portfolio as per risk return profile or preferences but manages his portfolio efficiently so as to secure the highest return for the lowest risk possible at that level of investment. This is in short the portfolio management.

PORTFOLIO MANAGEMENT & ITS PHASES

Portfolio Management is a process encompassing many activities aimed at optimizing investment of funds, each phase is an integral part of the whole process and the success of portfolio management depends upon the efficiency in carrying out each phase. Five phases can be identified:-

(1) Security analysis IS a process
(2) Portfolio analysis
(3) Portfolio selection
(4) Portfolio revision
(5) Portfolio evaluation

PORTFOLIO THEORIES

Markowitz Model:

Markowitz model is a theoretical framework for analysis of risk and return and their relationships. He used statistical analysis for the measurement of risk and mathematical programming for selection of assets in a portfolio in an efficient manner. Markowitz approach determines for the investor the efficient set of portfolio through three important variables i.e.

- Return
- Standard deviation
- Co-efficient of correlation

Capital Asset Pricing Model (CAPM):

Markowitz, William Sharpe, John Lintner and Jan Moss in provided the basic structure of Capital Asset Pricing Model. It is a model of linear general equilibrium return. In the CAPM theory, the required rate return of an asset is having a linear relationship Composition of Working Capital

$$\mathbf{R_p = R_f X_f + R_m(1 - X_f)}$$

$\mathbf{R_p}$ = Portfolio return
$\mathbf{X_f}$ = The proportion of funds invested in risk free assets
$\mathbf{1 - X_f}$ = The proportion of funds invested in risky assets
$\mathbf{R_f}$ = Risk free rate of return
$\mathbf{R_m}$ = Return on risky assets

The Sharpe's Index Model:

Ri –Rf/ai

Where Ri= the expected return on stock i

Rf= the return on a risk less asset

Single Index Model:

Ri = a+aiRm+ei

OBJECTIVES OF THE STUDY

- To analyze the securities Market in india and How portfolio management is done
- To study the investment pattern and its related risk and returns.
- To understand, analyze and select the best portfolio.
- To help the investor to chose wisely between the alternative investment.

RESEARCH METHODOLOGY

Research Design

This is a systematic way to solve the research problem and it is important component for the study without which researches may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

Sources of Data Collection: The methodology adopted or employed in this study was Mostly on secondary data collection i.e..,

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

DATA ANALYSIS & INTERPRETATION

YEAR	2019	2020	2021	2022
INFOSYS	28.55	30.98	27.74	17.43
RANBAXY	52.86	34.12	23.83	-
JINDAL	4.87	7.44	7.10	19.02
ACC	14.35	14.07	11.45	-
BHEL	16.40	29.23	21.32	33.23

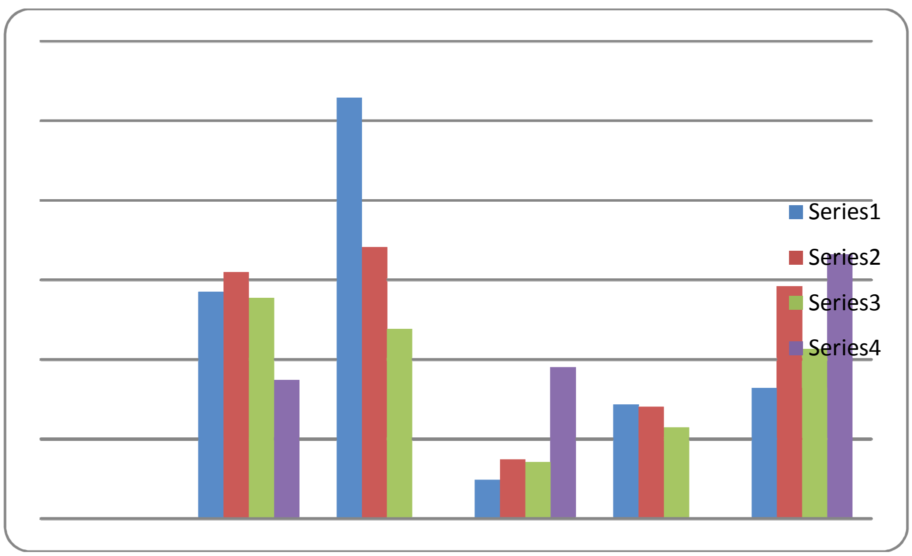

Fig .5

- **Interpretation**: Eps of the the Infosys, Ranbaxy, Acc, has downfall trend while Jindal has upward trend.

FINDINGS

- Remember, shares are not short term investment; usually the best returns will be gained over the medium and long term.
- Past performance is not a reliable guide to future performance.
- As with any investment that offers capital growth, wide fluctuations in value can occur.
- Spread you share holdings to include different companies across different markets sectors, such as industry, mining of finance. This helps reduce the risk.

SUGGESTIONS

Before investing in shares you should look at the type of shares, you want to buy and the way in Want to deal on the stock market.

Their main routes for investing in shares:

1. Invest your capital in a single company.
2. Invest your capital in number of different companies, a portfolio of shares.

CONCLUSION:

Share prices fall as well as rise. Large losses may occur, particularly if shares are sold when market has dropped. If you are happy with the gains made with your share and are concerned about their Future value, you could sell them and realize your profit. If you retain them with a view to profit further and the market value drops, it is important to remember this loss is only on paper unless you sell.

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