

## **A Study on Share Performance Analysis and Comparative Study of Fmcg and Pharmaceutical Sector Stocks With Reference To Bse**

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### **ABSTRACT**

*Financial sector is booming and the need for Risk-Return Analysis is growing. Also because of very tricky stock market behaviors it has become mandatory to manage portfolio so as to reduce the risk while maximizing the returns. Taking into consideration the investor's risk return requirements, portfolio should be constructed and reviewed regularly. The analysis of testing the relationship between risk and return in the equity shares reveals that of all the different risk variables considered in the study, it confirms the working of risk return trade-off in the equity. Also a positive association was exhibited between the security market return correlation and the average rate of return during the study period of the study. It also exposes the relationship between systematic risk and rate of return on equities. Hence the investors must take decisions before investing in share.*

*Keywords: Risk-Return analysis, trade-off, portfolio.*

### **INTRODUCTION**

Financial system plays a very vital role in the country's economic development. It creates a link between savings and investment for wealth and creation and also facilitates the expansion of financial markets by helping in financial deepening and broadening. The financial system accelerates the volume of savings by providing various financial instrument options and effective mobilization of funds.

The main purposive of financial system is to increase the national output of the country by providing the funds to corporate customers for expansion purpose by protecting the interest of the investors and ensure the smooth financial transactions through regulatory bodies.

By providing the effective financial as well as advisory services to the customers and by developing the weaker section of the society by promoting development banks and co-operative societies, the financial system helps in raising the standard of living which intern increases the financial assets such as a percentage of GDP, which leads to the economic development.

### **STATEMENT OF THE PROBLEM**

The performance of the stock market depends upon the performance of the shares of various sectors , It also allows the investors to understand about the trend of market and risk of the prices before they invest. Investors generally hold a portfolio of securities to take advantage of diversification, while individual risk and return are important, what matters finally is risk and returns of portfolio. This helps them to get knowledge about the financial market and to avoid facing a high risk.

### **OBJECTIVES OF THE STUDY**

- To analyze the performance of FMCG sector stocks and pharmaceutical sector stocks in BSE
- To compare the performance of FMCG sector stocks and pharmaceutical sector stocks in BSE
- To replicate the findings and offer suggestions for investment

### **SCOPE OF THE STUDY**

The study is aims at covering 15 FMCG and 17 Pharmaceutical companies has been selected for the assessment of the performance of shares of FMCG and Pharmaceutical sector

**RESEARCH METHODOLOGY**

The current study is based on descriptive method of research and focuses on analyzing the performance of shares and optimal portfolio construction of selected company’s scrip. The study describes price movements of the selected companies.

**Population:** The total population for the study consists of 211 FMCG companies and 158 pharmaceutical companies listed in Bombay Stock Exchange (BSE).

**Sampling Size:** The study considers 15 FMCG companies which have market capitalization of more than Rs.10000 crores and 17 pharmaceutical companies, which have market capitalization of more than Rs.10000 crores of the total listed companies with BSE under FMCG and pharmaceutical sector.

**SAMPLING TECHNIQUE**

The sampling technique used in this study is Convenience Random Sampling Technique. Convenience sampling is a type of non-probability sampling which involves the sample being drawn from that part of the population which is close to hand. That is, a sample population was selected because it was readily available and convenient.

**PERIOD OF THE STUDY**

The primary data collected was covered for a period from April 2014 to March 2019, where in the prepared questionnaires were collected from the selected FMCG and Pharma companies which are listed in BSE. Therefore, the study covers a period of five years.

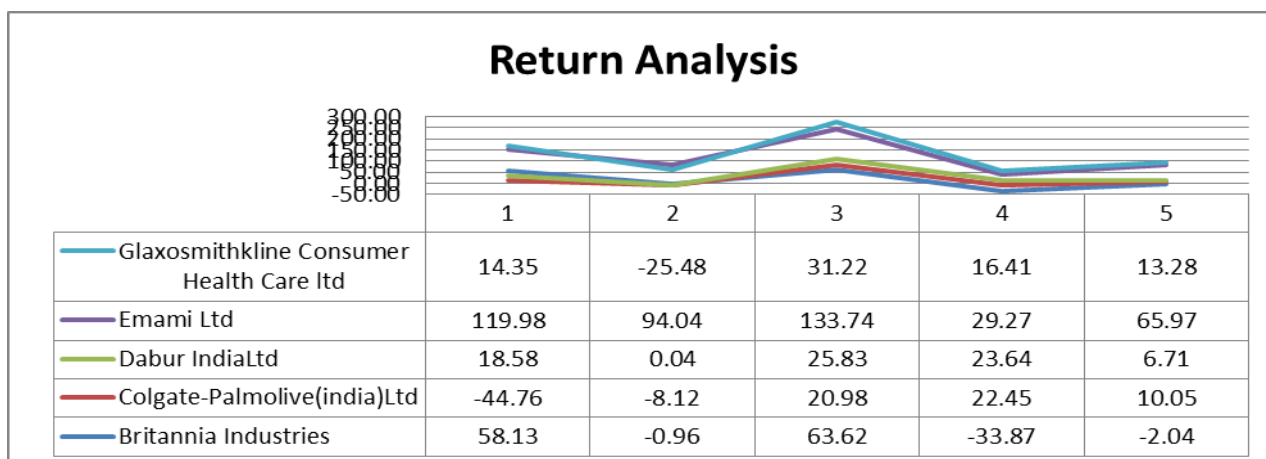
**LIMITATIONS FOR THE STUDY**

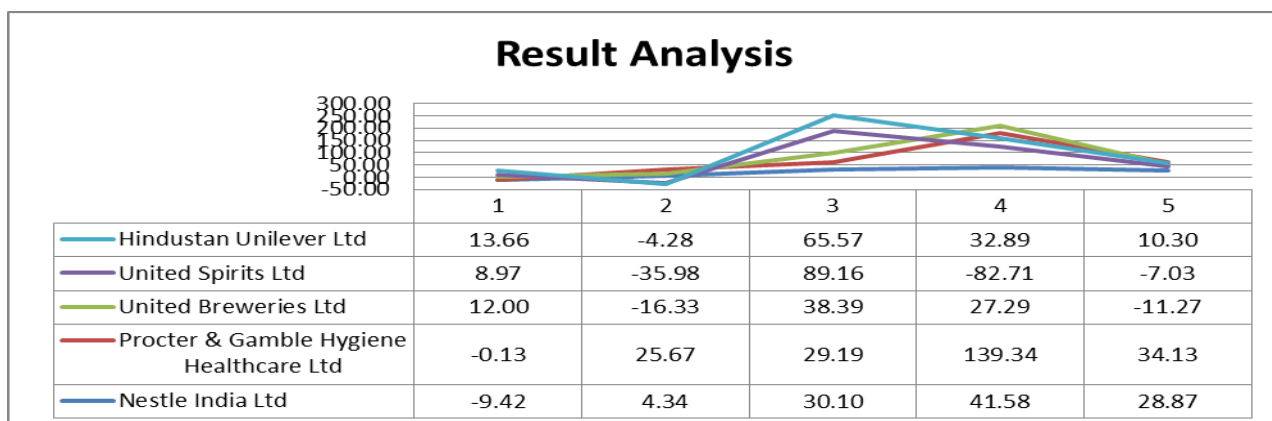
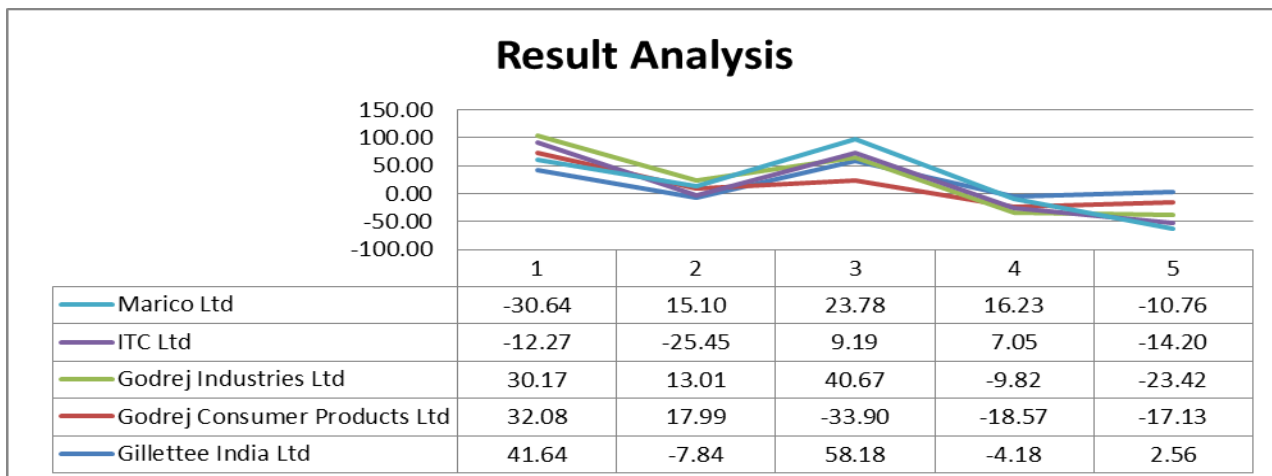
- For doing this analysis the researcher has taken into consider only limited parameters. These Parameters may not be enough to predict the future price movements.
- Performance analysis only for five year is undertaken and hence the results of the study may not be true for the period before and after the study.
- Volatility in stock market is always subject to change.

**Objective-1: To analyze the performance of FMCG sector stocks as compared to pharmaceutical sector stocks in BSE**

**Return Analysis**

**Performance Analysis of Selected FMCG Sector Stocks for 5 Years (2015 to 2019)**

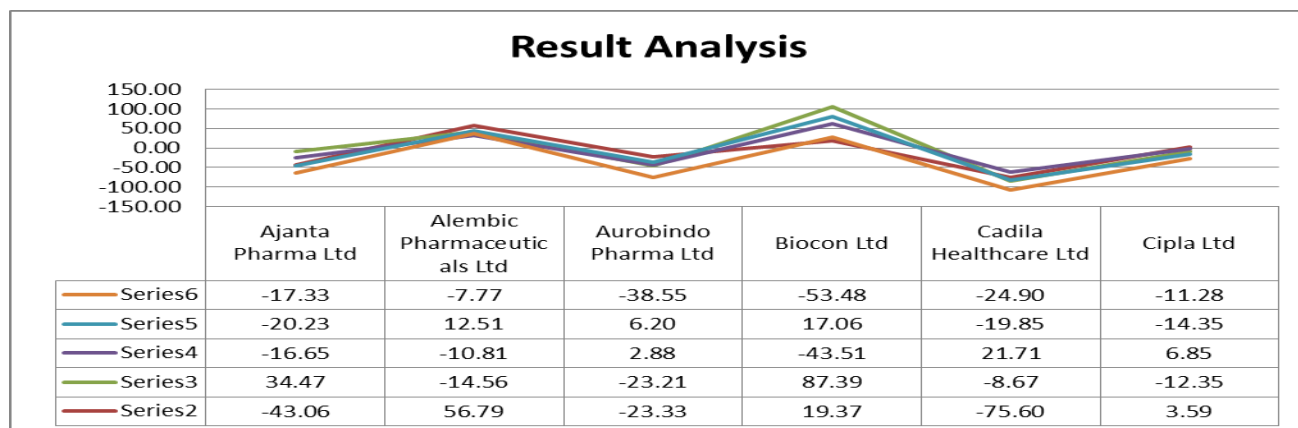


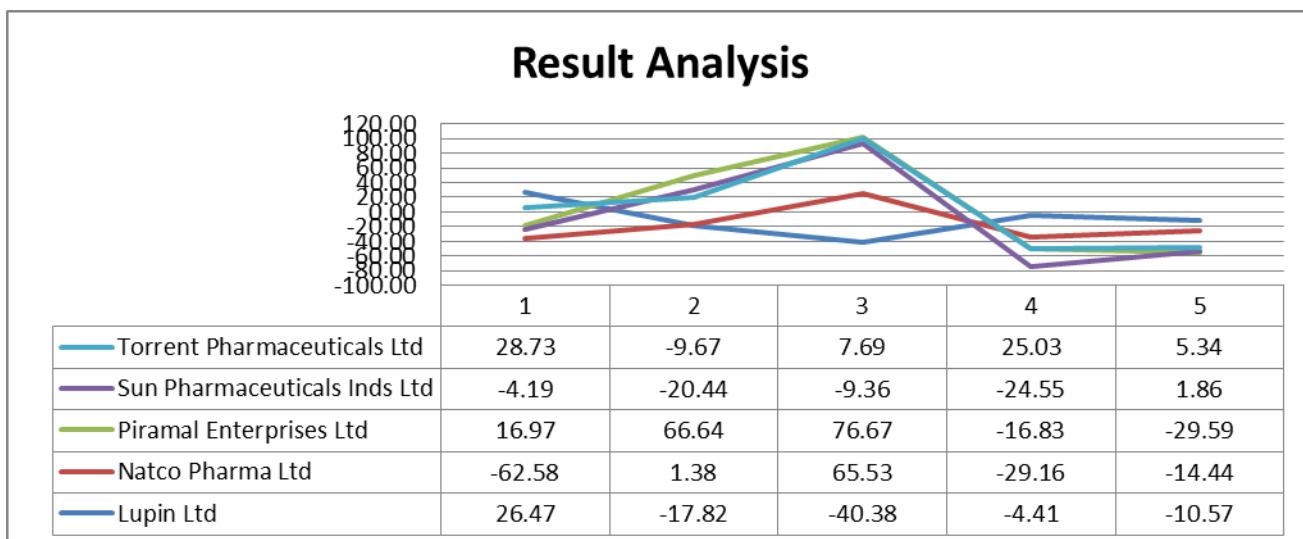
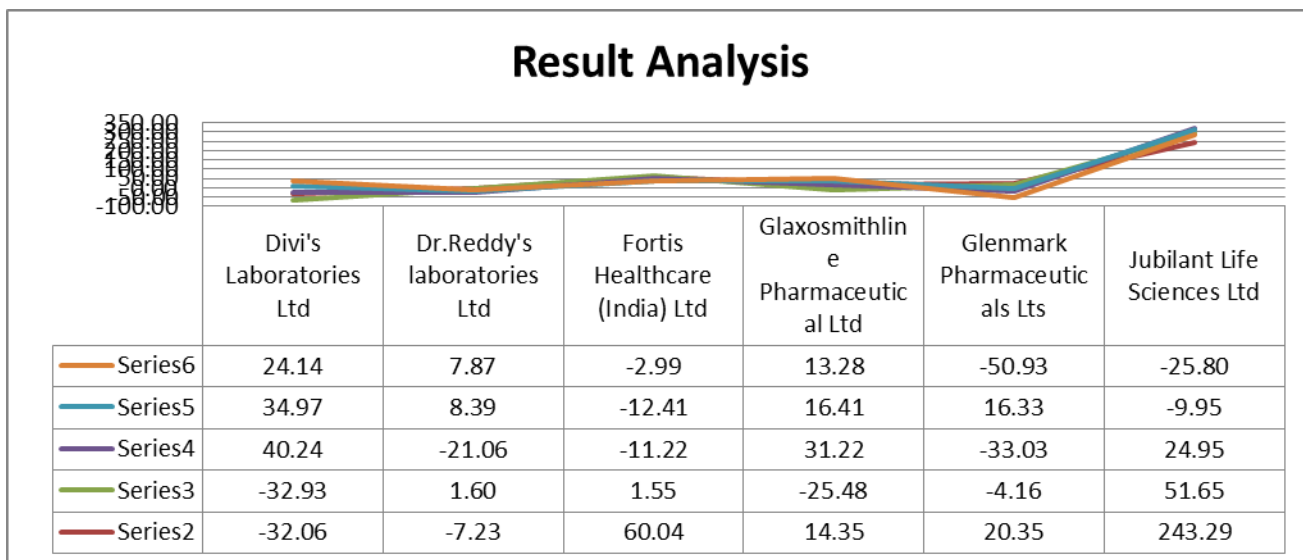


**Interpretation**

From the above analysis, the performance of the selected FMCG stocks were presented from the year 2015 to 2019, where the Emami Ltd has highest returns (65.97) in the year 2019 and followed by Procter & Gamble Hygiene Healthcare Ltd (34.13) and Nestle India Ltd (28.87) while Godrej Industries Ltd has highest negative return (23.42) in the year 2019, same in the line Godrej Consumer Products Ltd (17.13) and ITC Ltd (14.20). The returns of all the selected FMCG companies are high in the year 2017 and 2018, where as in the year 2019 returns has reduced due to the economic slowdown in the country. In addition average monthly spending by an individual fell down by 3.7%.

**Performance Analysis of Selected Pharmaceutical Sector Stocks for 5 Years (2015 to 2019)**





**Interpretation**

From the study, the performance of the selected Pharmaceutical stocks were presented from the year 2015 to 2019, were the Divi’s Laboratories Ltd has highest returns (24.14) in the year 2019 and followed by GlaxoSmithKline Pharmaceutical Ltd (13.28) and Dr.Reddy’s Laboratories Ltd (7.87) while Biocon Ltd has highest negative return (53.48) in the year 2019, same in the line Glenmark Pharmaceuticals Ltd (50.93) and Aurobindo Pharma Ltd (38.55). The returns of all the selected Pharmaceutical companies are high in the year 2016 and 2017, where as in the year 2019 returns has reduced due to the low inventory stocking post the implementation of Goods and Service Tax and the impact of the delayed monsoon slowdown.

**Comparison of Pharmaceutical and FMCG Sector Stocks Based on Ranks**

Ranking the Stocks based on Excess Return to Beta Ratio			
Sl.No	Name of Companies	$(R_i - R_f)/\beta$	Rank
1	Ajanta Pharma Ltd.	0.70545	22
2	Alembic Pharmaceuticals Ltd.	61.52381	1
3	Aurobindo Pharma Ltd.	1.42112	18
4	Biocon Ltd.	2.59246	9
5	Cadila Healthcare Ltd.	-0.26812	26

6	Cipla Ltd.	1.58182	17
7	Divi's Laboratories Ltd.	11.57895	2
8	Dr. Reddy's Laboratories Ltd.	2.31250	11
9	Fortis Healthcare (India) Ltd	1.65194	16
10	GlaxoSmithKline Pharmaceuticals Ltd.	-0.50000	27
11	Glenmark Pharmaceuticals Ltd.	0.91667	21
12	Jubilant Life Sciences Ltd.	3.50363	7
13	Lupin Ltd.	-6.19355	31
14	Natco Pharma Ltd.	2.11765	12
15	Piramal Enterprises Ltd.	2.61507	8
16	Sun Pharmaceutical Inds. Ltd.	-0.55590	28
17	Torrent Pharmaceuticals Ltd.	3.60883	6
18	Britannia Industries Ltd.	8.35161	4
19	Colgate-Palmolive (India) Ltd.	0.41570	23
20	Dabur India Ltd.	1.79570	15
21	Emami Ltd.	0.32799	25
22	Gillette India Ltd.	8.44444	3
23	GlaxoSmithKline Consumer Healthcare Ltd.	-9.90385	32
24	Godrej Consumer Products Ltd.	0.37626	24
25	Godrej Industries Ltd.	0.97436	20
26	Hindustan Unilever Ltd.	2.53359	10
27	ITC Ltd.	-0.09048	29
28	Marico Ltd.	2.07642	13
29	Nestle India Ltd.	1.82686	14
30	Procter & Gamble Hygiene & Health Care Ltd.	5.41509	5
31	United Breweries Ltd.	1.41280	19
32	United Spirits Ltd.	-1.02203	30

**Interpretation**

The research allocated ranks to the Stocks based on Excess Return to Beta Ratio for comparison purpose. The ranking of stocks indicates that Pharmaceutical sector companies perform well compare to FMCG sector stocks.

**RECOMMENDATIONS**

- ❖ It is suggested to the investors that instead of keeping long term investment time horizon, their time horizon should depend on their objectives and type of Investment Avenue.
- ❖ Instead of making wrong decisions regarding investment, it is advisable that investors should take the help of financial planner.
- ❖ It is suggested to avoid investing at the last movement by planning investment from the starting of the financial year.
- ❖ Now a days the returns on various investments are based on market scenario, so it is advisable for the investors that they should keep on upgrading themselves with new guidelines and changes in terms and conditions they should be aware of not only the investment avenues where they have invested but also of overall investment avenues so that they can make necessary diversification for keeping their portfolio profitable.

**CONCLUSION**

The objective of maximizing return can be pursued only at the cost of including risk. While selecting the firm for investment, the investor has to consider both the return potential and the risk involved. The empirical evidence shows that generally there is a high correlation between risk and return. In the recent past,

the market has reached great heights as a result of expansion of business and much more of globalization, and the increased percentage of Foreign Direct Investment has a direct effect on the demand and supply of the shares of a particular company. In this way the index of the stock market has reached the maximum. With the boom in the market there are many investors who are willing to take more risk. Financial sector is booming and the need for Risk-Return Analysis is growing.

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