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A Comparative Analysis between Nippon India Large Cap Fund - Direct Plan – Growth and ICICI Prudential Blue-Chip Fund - Direct Plan – Growth

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Abstract: Investment in the equity mutual fund schemes nearly gives the more return in the long term investment than the return of Recurring Deposit, Fixed deposit etc. but it is not a simple tusk, investment in mutual fund schemes must be chosen on the basis of long term track records of mutual fund schemes with investment objectives of the investors, here, Nippon India Large Cap Fund - Direct Plan – Growth (NPPON_ILCFDG) and ICICI Prudential Blue-Chip Fund - Direct Plan – Growth (ICICI_PBFDG) are analysed to understand for the selecting the right mutual fund scheme for the long term investment. In this study, Nippon India Large Cap Fund - Direct Plan – Growth is the better choice for the long term aggressive investors.

Keywords: Direct Plan, Large Capitalization, Fund House, Equity Holding, Portfolio Investment.

I. Introduction

Large Capitalization (CAP) mutual funds invest large portion of their funds in the equity shares of large capitalization of the companies which have a strong reputation in the stock market. Investors purchase their large cap mutual funds from asset management company (AMC) or fund house directly to avoid commissions & fees associated with regular mutual fund and investors get return slightly higher for their direct purchase of mutual funds from AMC than the return of regular mutual funds are purchased through the intermediary such as distributor. Asset Management Company or fund house invests the collected funds in different stocks known as investment portfolio in the stock markets under the guidance of the fund manager and in the long run, this invested amount is appreciated to fulfil the required objectives of the investors. In this paper common areas between the selected two large cap equity mutual funds and category average of the long term equity mutual funds, portfolio investment of the two large cap mutual funds and different ratios of two direct mutual funds are analysed with the help of available percentage, ratios, ten years returns and other historical data. In this study Nippon India Large Cap Fund - Direct Plan – Growth (NPPON_ILCFDG) is performing slightly well for risk adjusted returns than the risk adjusted returns of the ICICI Prudential Blue-Chip Fund - Direct Plan – Growth (ICICI_PBFDG) in the long term investment.

II. Methodology of the Study

Secondary data are used in this paper and these data are collected from a particular website. This study paper is explanatory in nature. The data of two large cap funds are analysed from the inception of the mutual funds. Here, comparative analysis is made using historical data of the mutual funds and calculated percentage, ratios, ten years returns in this study paper.

III. Objectives of the Study

The objectives of this study are stated as below:

1.To compare the common areas among the NPPON_ILCFDG , ICICI_PBFDG and category average,
2.To analyse the different ratios of two direct mutual funds,
3.To find the portfolio investment of the two large cap mutual funds.

IV. Limitations of the Study

The main limitations in this paper are given here:

1.Only two large cap direct equity funds are selected for this study,
2.The secondary data are used in this article,
3.The return on the mutual funds depends on the performance of the stock markets.

V. Analysis and Findings

In this section, common areas between the selected two large cap mutual funds, different ratios of two direct mutual funds and portfolio investment of the two large cap mutual funds are discussed and analysed in the following way:

1) To compare the common areas among the NPPON_ILCFDG , ICICI_PBFDG and category average

In this section, these two mutual fund schemes are launched in 2013 with their fund managers. Common areas between NPPON_ILCFDG & ICICI_PBFDG are compared from the inception of their schemes to find the differences in the performance. These comparison is made in the Table-I given below:

Table-I: Common Areas

SL No	Particulars	NPPON_ILCFDG	ICICI_PBFDG	Category Average
1	Fund Manager	Kinjal Desai , Ashutosh Bhargava , Sailesh Raj Bhan	Anish Tawakley , Vaibhav Dusad , Sharmila D'mello	-
2	Launch Date	02-Jan-2013	01-Jan-2013	-
3	Fund Size	₹ 26137.65 Cr	₹ 54904.23 Cr	-
4	NAV	₹ 89.4481	106.71	-
5	Crisil Rank	5 Star	5 Star	-
6	Equity Holding	98.84% (Large Cap Investments : 66.31%, Mid Cap Investments: 12.8%, Small Cap Investments: 3.05%)	90.87% (Large Cap Investments: 81.53%, Mid Cap Investments: 3.87%, Small Cap Investments: 0.74%)	-
7	Debt Holding	0.0%	0.19%	-
8	Others Holding	1.16%	8.95%	-
9	1 Year (Return)	38.19%	37.43%	-
10	2 Year (Return)	29.97%	25.25%	-
11	3 Year (Return)	23.98%	20.36%	17.71 %
12	5 Year (Return)	18.31%	18.42%	17.54 %
13	10Year(Return)	17.07%	16.05%	14.69 %
Source: moneycontrol.com				

Findings:

In the above Table-I, Equity holding & its portion in the mid cap investment of NPPON_ILCFDG is more than the equity holding & mid cap investment of ICICI_PBFDG. Return on the funds of NPPON_ILCFDG is also more than the returns on the funds of ICICI_PBFDG and the return of the category average for its aggressive investment in the sock markets.

2) To analyse the different ratios of two direct mutual funds

In this division, different ratios among NPPON_ILCFDG, ICICI_PBFDG and category average are analysed on the basis of following Table-II:

Table-II: Different Ratios

SL No	Particulars	NPPON_ILCFDG	ICICI_PBFDG	category average
1	Expense ratio	0.74%	0.90%	0.91%)
2	Standard Deviation (volatility to the expected returns)	12	10.76	11.53
3	Beta (volatility to the market benchmark)	0.98	0.88	0.94
4	Sharpe Ratio (risk adjusted returns)	1.44	1.29	0.89
Source: moneycontrol.com				

Findings:

The NPPON_ILCFDG is more volatile and risky with more expectation of risk adjusted return than the volatility and risk with the less expectation of risk adjusted return of the ICICI_PBFDG and the category average as well as expense ratio of NPPON_ILCFDG is also lesser than expense ratio of ICICI_PBFDG and category average. It helps to increase the more return in the long term investment.

3) To compare the portfolio investment of the two large cap mutual funds

In this part, stock taking for the portfolio investment by the fund managers are discussed below:

Table-III: Portfolio Investment

SL No	Particulars	NPPON_ILCFDG	ICICI_PBFDG	category average
1	No of Stocks holds	59	66	51.42
Historic Stock Holding				
2	Historic stock	Axis Bank Ltd.	Axis Bank Ltd.	-
		Bajaj Finance Ltd.	Tech Mahindra Ltd.	
		Chalet Hotels Ltd.	Ultratech Cement Ltd.	
		HCL Technologies Limited	Sun Pharmaceutical Industries Ltd.	
		HDFC Bank Ltd.	HDFC Bank Ltd.	
		Housing Development Finance Corporation Ltd.	Housing Development Finance Corporation Ltd.	
		ICICI Bank Ltd.	ICICI Bank Ltd.	
		Indian Hotels Company Limited	Maruti Suzuki India Ltd.	
		Infosys Ltd.	Infosys Ltd.	
		ITC Limited	ITC Limited	
		Larsen & Toubro Ltd.	Larsen & Toubro Ltd.	

		National Thermal Power Corporation Ltd.	National Thermal Power Corporation Ltd.	
		Reliance Industries Ltd.	Reliance Industries Ltd.	
		State Bank Of India	Bharti Airtel Ltd.	
		Tata Power Co. Ltd.	Hero Motocorp Ltd.	
Top 10 Stocks in Portfolio				
3	10 Stocks	Axis Bank Ltd.	Axis Bank Ltd.	-
		Bajaj Finance Ltd.	Ultratech Cement Ltd.	
		HDFC Bank Ltd.	HDFC Bank Ltd.	
		ICICI Bank Ltd.	ICICI Bank Ltd.	
		Infosys Ltd.	Infosys Ltd.	
		ITC Limited	Sun Pharmaceutical Industries Ltd.	
		Larsen & Toubro Ltd.	Larsen & Toubro Ltd.	
		Reliance Industries Ltd.	Reliance Industries Ltd.	
		State Bank Of India	Bharti Airtel Ltd.	
		Tata Power Co. Ltd.	Maruti Suzuki India Ltd.	
Source: moneycontrol.com				

Findings:

The Table-III shows the stock taking process of the both AMCs are very good but the fun fund managers of the NPPON_ILCFDG always keeps faith to invest their fund on the famous, reputed and good return giving stocks of the company in the long run. This strategy helps to appreciate the capital in the long term investment.

VI. Conclusion

The study shows that Nippon India Large Cap Fund - Direct Plan – Growth and ICICI Prudential Blue-chip Fund - Direct Plan – Growth are very well performed mutual fund schemes in the mutual fund market. Nippon India Large Cap Fund - Direct Plan – Growth, scheme is more volatile and risky with more expectation of return in the long term investment. Here, Conservative investors will invest their fund in the ICICI_PBFDG and risk taking investor will invest their fund in the NPPON_ILCFDG to get more capital appreciation in the long term investment.

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