



A Study on Mutual Funds and It's Development In India With Special Reference to Kotak Mahindra Securities

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ABSTRACT

In India Mutual Fund Industry started with the setting up of UTI in 1964. Public Sector Banks and Financial Institutions began to establish Mutual Funds in 1987. The Private Sector and Foreign Institutions were allowed to set up Mutual Funds in 1993. Today, there are over 29 Mutual Funds and over 300 Schemes with total assets of approximately

Rs. 10,000 Crores. This fast growing industry is regulated by the SEBI. The performance and The aim of the research is to know the benefits of Mutual Funds in kotak Mahindra securities is to conduct a Market study & find the fund preference and awareness of full schemes of AMC & dividend option opted. This Study has been conducted within specific and limited time period. The Project has been conducted in limited geographical area in Hyderabad. In collection of data from the investors, personal bias may be present. There is comprehensive knowledge and understanding of kotak Mahindra Mutual Funds amongst all individuals instrumental in selling the Mutual Fund schemes to investors including employees of intermediaries, individual agents and financial planners. The Mutual Fund industry in kotak Mahindra securities has to take the more difficult task's but long-term sustainable route of gathering assets from individual investors by providing them value added, financial planning services and ensuring that the Mutal funds in kotak Mahindra securities are an integral part of their overall portfolio.

INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them (prorate). Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investable surplus of

as little as a few thousand rupees can invest in Mutual Funds. Each Mutual Fund scheme has a defined investment objective and strategy.

A mutual fund is the ideal investment vehicle for today's complex and modern financial scenario. Market for equity shares, bonds and other fixed income instruments, real estate, derivatives and other assets have become mature and information driven. Price changes in these assets are driven by global events occurring in faraway place. A typical individual is unlikely to have the knowledge, skills, inclination and time to keep track of events, understand their implications and act speedily. An individual also finds it difficult to keep track of ownership of his assets, investments, brokerage dues and bank transactions etc.

A mutual fund is the answer to all these situations. It appoints professionally qualified and experienced staff that manages each of these functions on a full time basis. The large pool of money collected in the fund allows it to hire such staff at a very low cost to each investor. In effect, the mutual fund vehicle exploits economics of scale in all three areas – research, investments and transaction processing. While the concept of individuals coming together to invest money collectively is not new, the mutual fund in its present form is a 20th century phenomenon. In fact, mutual funds gained popularity only after the Second World War. Globally, there are thousands of firms offering tens of thousands of mutual funds with different investment objectives. One among them is Kotak Mahindra Securities today, mutual funds collectively manage almost as much as or more money as compared to banks.

A draft offer document is to be prepared at the time of launching the fund. Typically, it pre specifies the investment objectives of the fund, the risk associated, the costs involved in the process and the broad rules for entry into and exit from the fund and other areas of operation. In India, as in most countries, these sponsors need approval from a regulator, SEBI (Securities exchange Board of India) in our case. SEBI looks at track records of the sponsor and its financial strength in granting approval to the fund for commencing operations.

A sponsor then hires an asset management company to invest the funds according to the investment objective. It also hires another entity to be the custodian of the assets of the fund and perhaps a third one to handle registry work for the unit holders (Subscribers) of the fund.

In the Indian context, the sponsors promote the Asset Management Company also, in which it holds a majority stake. In many cases a sponsor can hold a 100% stake in the Asset Management Company (AMC), E.g. Birla Global Finance is the sponsor of the Birla Sun Life Asset Management Company LTD., which has floated different mutual funds schemes and also acts as an asset manager for the funds collected under the scheme

Kotak Mahindra is one of India's leading financial institutions offering complete financial solutions that encompass every sphere of life. From commercial banking, to stock broking, to mutual funds, to life insurance to investment banking, the group caters to the financial needs of individuals and corporates.

The group has a net worth of around Rs.2000 crore and the AUM across the group is around 120 billion and employs over 6000 employees in its various businesses. With a presence in 216 cities in India and offices in New York, London, Dubai and Mauritius, it services a customer base of over 10,00,000.

The group specializes in offering top class financial services catering to every segment of the industry. The various group companies include.

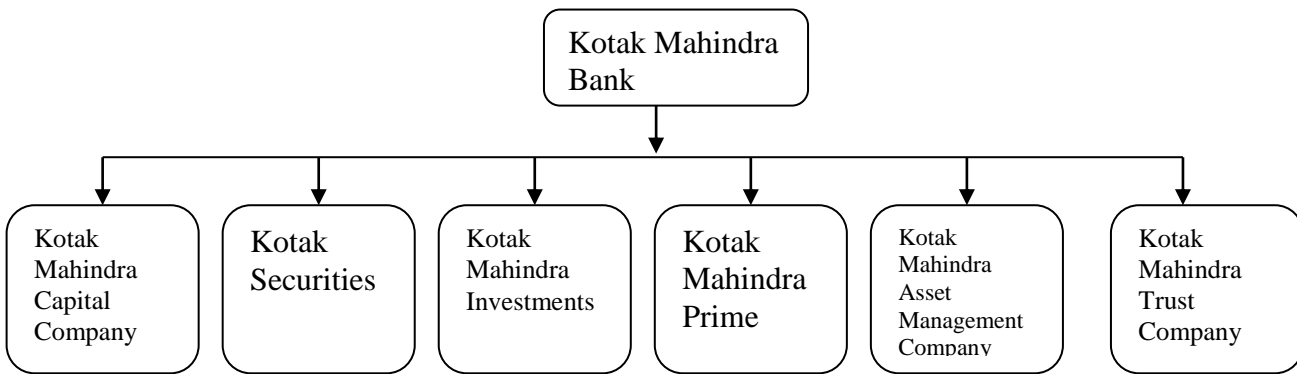
- Kotak Mahindra Capital Limited
- Kotak Mahindra Securities Limited
- Kotak Mahindra (International) Limited
- Global Investments Opportunities Fund Limited
- Kotak Mahindra(UK) Limited Kotak Securities Limited
- Kotak Mahindra Old Mutual Life Insurance Company Limited
- Kotak Mahindra Asset Management Company Limited
- Kotak Mahindra Trustee Company Limited
- Kotak Mahindra Investments Limited
- Kotak Mahindra Private-Equity Trustee Limited

Kotak Securities Ltd. Is India's leading stock broking house with a market share of around 8% Kotak Securities Ltd. has been the largest in IPO distribution.

The accolades that Kotak Securities has been graced with include:

- Prime Ranking Award (2003-04) Largest Distributor of IPO's
- Finance Asia Award (2004) – India's best Equity House.
- Finance Asia Award (2005) – Best Broker in India.
- Euromoney Award (2005) – Best Equities House in India

Group Structure



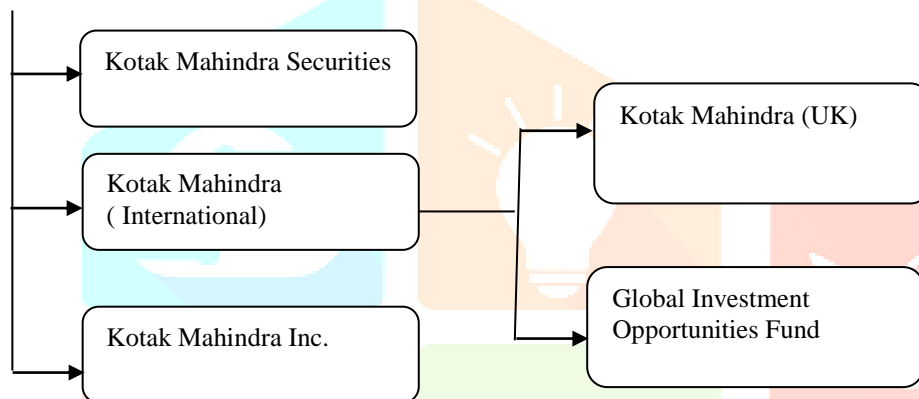
* IPOs
* Private equity
* Project advisory
* M&A
* Primary Dealership

* Stock Broking
* E- Broking
* Distribution

* Investments
* Lending

* Car Finance
* Consumer Finance

* Mutual Funds



* 40% through Kotak Mahindra Investments Limited and 1% through Kotak Mahindra Asset Management.

* 25% in KMCC is held through KS and 25% in KS is held through KMCC

OBJECTIVES OF THE STUDY

- 1) To study on the mutual funds and its development in India
- 2) To know the working of mutual funds in kotak securities.
- 3) To understand how investors are benefited from mutual funds rather than equity investors.
- 4) To evaluate the performance of mutual funds in kotak securities.
- 5) To create awareness about mutual funds and its benefits to the investors.

NEED OF THE STUDY

Worldwide Mutual Fund concept is very much prevailing, though, perhaps in different terms like it is called 'Unit Trust' in some parts of the world. Mutual Funds are increasingly developing financial markets and uplifting the National Economy. Through the concept of Mutual Fund is of recent origin in many national economics it has overtaken all other financial instruments used for financial growth of a

nation. The goal is to reduce risk to customers when they want to invest their amount in Kotak Mahindra mutual funds. And have a risk-free investment option in Kotak Mahindra mutual funds.

My study is related to how mutual funds are benefited to the customers, investors and the company itself.

How Kotak Mahindra mutual funds are beneficial to the customer:

- 1) Diversification
- 2) Liquidity
- 3) Affordability
- 4) Tax benefits

How Kotak Mahindra mutual funds are beneficial to the investors:

- 1) Flexibility
- 2) Transparency

How Kotak Mahindra mutual funds are beneficial to the company itself:

- 1) Cost efficiency
- 2) Professional Management

RESEARCH METHODOLOGY

The information for the study has been collected from various sources. The data gathered can be categorized into primary and secondary data.

Primary Data: Primary data were collected through a questionnaire. Survey is conducted through Google Forms to elicit the view of the respondents. Sample size 100.

Secondary Data: Data that have been collected by someone else and which have already been passed through statistical process. The data is collected from the offer documents of various Asset Management Companies, terms of reference, objectives and scope of Mutual Funds and their standing in the market. A term of 5 years has been fixed to assess the performance and they're by ranking of various Mutual Funds. Company's annual reports, financial statements, balance sheets, profit & loss accounts have also been consulted for deriving a lot of comparative statistical information.

COMPANY PROFILE

History of Kotak Mahindra Group

The Kotak Mahindra Group was born in 1985 as Kotak Capital Management Finance Limited. Uday Kotak, Sidney A.A. Pinto and Kotak & Company promoted this company. Industrialists Harish Mahindra and Anand Mahindra took a stake in 1986, and that's when the company changes its name to Kotak Mahindra Finance Limited.

Since then it's been a steady and confident journey to growth and success.

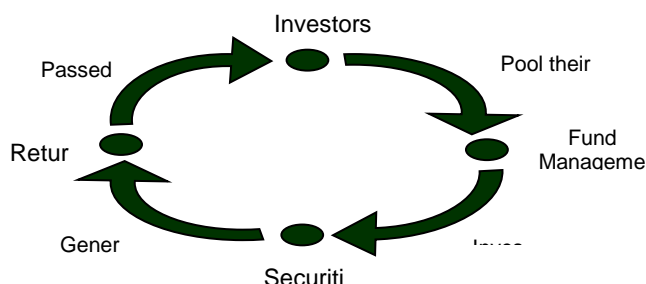
- 1986: - Kotak Mahindra Finance Limited starts the activity of Bill Discounting.
- 1987: - Kotak Mahindra Finance Limited enters the lease and hire purchase market.
- 1990: - The Auto Finance Division is started.
- 1991: - The Investment Banking Division is started.
- 1992: - Enters the Funds Syndication sector.
- 1995: - Brokerage and Distribution Businesses incorporated in to a separate company - Kotak Securities Investment Banking Division incorporated into a separate company – Kotak Mahindra Capital Company.
- 1996: - The Auto Finance Business is hired off into a separate company – Kotak Securities investment Banking Division Incorporated into a separate company - Kotak Mahindra Capital Company.
- 2000: - Enters the Mutual Fund Marker with the launch of Kotak Mahindra asset Management Company.
- 2000: - Kotak Mahindra tie up with old Mutual PIC for the life insurance business.
Kotak Securities launches its on-line broking site (www.kotak securities .com)
- 2001: - Matrix sold to Friday Corporation launches insurance Services
- 2003: - Kotak Mahindra Finance Limited converts to a Commercial Bank – The first Indian Company to do so.
- 2004: - Launches India growth fund, a private equity fund.
- 2005: - Kotak group realigns Joint Ventures in ford credit; Buys Kotak Mahindra prime and sells ford credit Kotak Mahindra.Launches a Real-estate Fund.

REVIEW OF LITERATURE

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual

Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

The flow chart below describes broadly the working of a mutual fund:



The investors are known as unit holder. The fund pools money from a number of all investors and invest the in the securities according the objectives of the scheme to generate returns to the investors on their investment.

FINDINGS

Through the analysis of my study, these are the findings of various schemes of Mutual funds;

1. Kotak Opportunities is an open-ended equity growth scheme, it has the flexibility of investing in upcoming sectors. If we take the performance of this scheme although it has breached the bench mark index by 21.85% for one year.
2. Kotak Global India is an open-ended equity growth scheme mainly investes in globally competitive Indian companies. The performance of his fund is quite good, with its returns 56.9% in one year allocation.
3. Kotak MNC is an open-ended equity growth scheme it is a scheme who will invest in MNC'S, if we see the performance graph it is not performed well. Since allotment returns are very low. The poor performance can be attributed to the higher allocation for pharmaceuticals in which most Indian companies dominating the MNC.
4. Kotak 30 is an open-ended equity growth scheme is a large cap diversified scheme whose investment mostly on large caps for medium and long term. They followed the strategy of 70-30. It has yielded almost double the return than BSE Sensex and Nifty.
5. Kotak ELSS is an open-ended equity linked savings scheme, this scheme is mainly meant for to avail income tax rebate. The investment strategy is 80-100%.

SUGGESTIONS

1. By adopting more flexible methods the overall performance will be more advisable.
2. The schemes have conservative allocation than it should be more dynamic.
3. Kotak Global India can be made more productive if the software allocation is more.
4. Kotak Large Cap can be more attractive if the large cap mid cap ratio is 60 to 40 than 70-30.
5. Kotak MNC scheme can be improved if the investment switches over to telecom, industrial capital goods sector.

DATA ANALYSIS

I have done data analysis on the mutual funds and its development in India with a special reference to kotakmahindra securities on the bases of two things

a) Current investment portfolio of respondents

SI. NO.	ATTRIBUTES	NO.OF.RESPONDENTD	PERCENTAGE
1	Govt securities and bonds	61	61
2	Mutual funds and company fd's	18	18
3	Equity shares	21	21
	Total	100	100

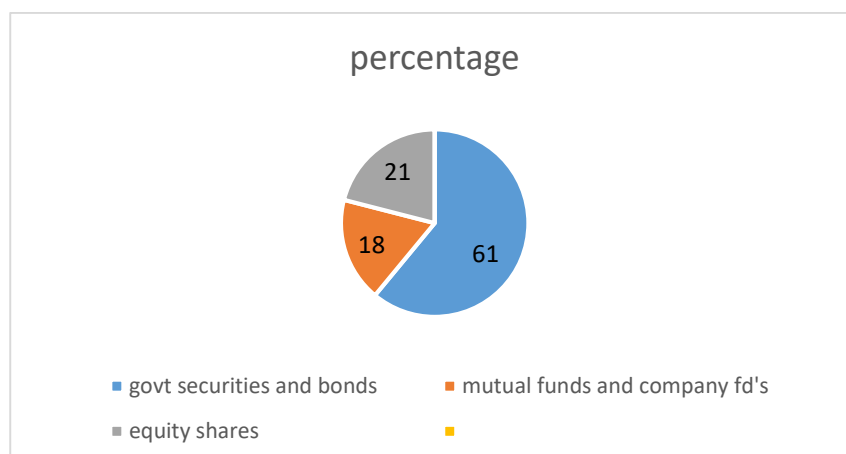
INTERPRETATION:

It is clear from the table that out of 100 respondents,

61% of the investors invest in the govt securities and bonds

18% of the investors invest in the mutual funds and company fd's

12% of the investors invest in the equity shares

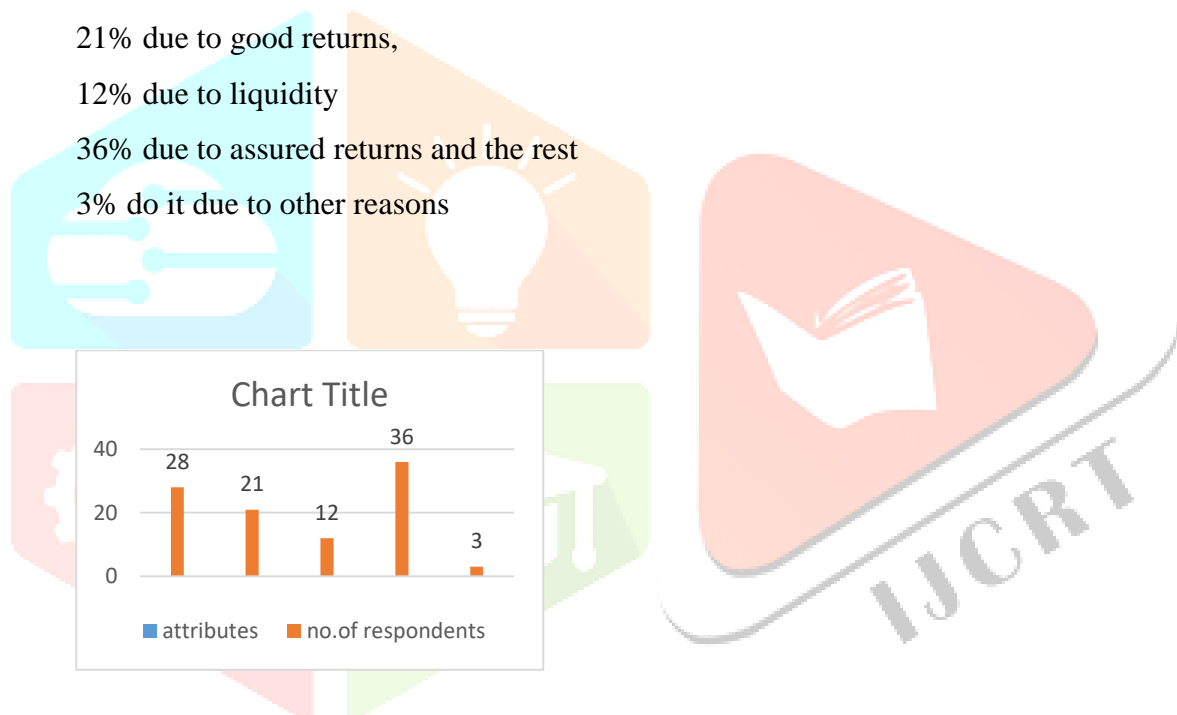


b) Investment preference to invest in the following things

SI.NO	ATTRIBUTES	NO.OF.RESPONDENTS	PERCENTAGE
1	Less risk	28	28
2	Good returns	21	21
3	Liquidity	12	12
4	Assured returns	36	36
5	Other reasons	3	3
	Total	100	100

INTERPRETATION:

It is clear from the table that out of 100 respondents, 28% of the respondent prefer to investment due to less risk, 21% due to good returns, 12% due to liquidity 36% due to assured returns and the rest 3% do it due to other reasons



CONCLUSION

1. Kotak Dynamic FOF is a closed multi managers FOF scheme with a maturity period of 3 years, mainly this scheme allocates assets across the diversified large cap schemes and liquidity schemes in a specific proportion. The performance of the scheme breached bench mark return by 9%.
2. Kotak Income Plus is an open-ended income with investment strategy of 80% to 100% in debt and money market instruments. The performance of the scheme is very good with its returns @ 11.14%.
3. An increased allocation of government securities may be advisable as allocation to gilt portfolio helps in benefiting from additional liquidity.

4. Kotak should understand that in the period of market uncertainty it should emphasize the benefits of maintaining a diversified portfolio.

REFERENCE

BOOKS:

- Financial Management** - **PrasunRakshit**
- Practical Aspects of Financial Management** - **MohitBahal**

WEBSITES:

- www.sebi.gov.in
- www.kotaksecurities.com
- www.kotakmutualfunds.com
- www.mutualfunds.com

NEWSPAPER:

The Economics Times

