Exploring Investment Analysis and Management: A deep dive into SHAREKHAN's Strategies.

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ABSTRACT

This research project analyses Share khan's investment strategies, focusing on stock selection, portfolio management, risk management, and other factors. Using secondary data sources, the study provides a detailed analysis of Share khan's strategies, sector-wise performance, and portfolio performance from April 2020 to March 2023. Employing empirical research with quantitative and qualitative information, the research highlights variations in performance across sectors, the influence of quality stocks on returns, and the outcomes of Share khan's mixed strategies. The findings offer valuable insights for investors, emphasizing the need for risk awareness and a well-diversified portfolio to achieve consistent returns while managing risk. The findings underscore the importance of individual stock performance over specific strategies.

Key Words*:* Investment analysis, investment management, risk and return, stocks performance.

I. INTRODUCTION

The financial intentions of individuals evolve over time, influenced by the balance between risk and return and their level of risk aversion. Establishing a successful investing plan requires understanding one's risk tolerance and constructing a well-diversified portfolio. Investment research involves analysing financial data and market trends to make informed decisions, while investment management actively manages a portfolio to maximize yield and minimize risk. Investment managers utilize various analytical tools and techniques to optimize performance and enhance the value of investments, aiming for consistent return.

Statement of problem

"Share khan" is a financial services firm that offers a variety of investment services to its consumers. However, as the investment landscape becomes increasingly complex and competitive, it is important for investors to have a comprehensive understanding of Share khan's investments. Therefore, there is a need to explore and analyse ShareKhan's investment strategies to provide valuable insights for investors.

Scope of the study:

The study will explore the various investment strategies utilized by Sharekhan, including their approach to stock selection, portfolio management, risk management, and other relevant factors. The study will be conducted by utilizing secondary data sources, including reports and disclosures, to analyse monthly data from the stock market. The purpose of this project report is to give insights into Sharekhan's investing methods, with the aim of helping investors to make educated investment decisions.

Objectives of the research:

1. To provide a detailed analysis of Sharekhan's investment and management strategies.
2. To assess the sector wise performance of Sharekhan's investments.
3. To compare the performance of portfolio during the period from April 2020 to March 2023.

II. INDUSTRY PROFILE AND COMPANY PROFILE

Industry profile

The history of stock brokerage firms dates to the 18th century when the London Stock Exchange was established. Over time, brokerage companies expanded their services beyond executing trades, offering research and investment advice. The Securities and Exchange Commission (SEC) was established to regulate the industry and protect investors. The advent of electronic trading platforms revolutionized the brokerage industry, allowing investors to trade securities without a broker. The sector now includes a range of business models, from full-service to discount brokerage firms, as well as robo-advisors catering to changing investor preferences.

Company profile

Share khan, established in 2000 and later acquired by BNP Paribas in 2016, is a prominent online trading broker in India with a customer base of 2 million. With a widespread presence of branches and business partners across the country, Share khan has become one of the largest brokers in India, offering a comprehensive range of savings and investment products. BNP Paribas, a renowned European bank, has a strong presence in India for over 160 years, providing corporate banking, investment solutions, and retail banking services in partnership with local entities.

Investment strategies of Share khan

Prime Picks includes two distinct portfolios which are Quality folio and Alpha Portfolio in one scheme.

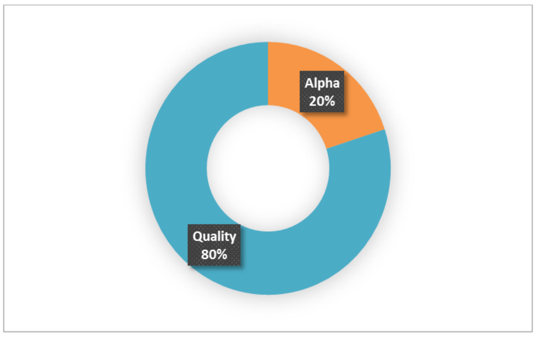
PARTICULARS	QUALITY PORTFOLIO	ALPHA PORTFOLIO
Investment Philosophy	Companies of superior quality with a multi-year structural growth theme.	An aggressive focused strategy that invests in early multibaggers stocks and special situations.
Company Profile	Companies that exhibit sustainable earning growth surpassing the growth of their respective industries.	Investment is made in tomorrow's leaders that possess a scalable business model and may be subject to temporary weak market perceptions. Such investments may also provide a large arbitrage due to low coverage.
Holding period and price Volatility	With a long-term holding strategy, the portfolio is cushioned by low price volatility.	The strategy involves both long-term and tactical churn.

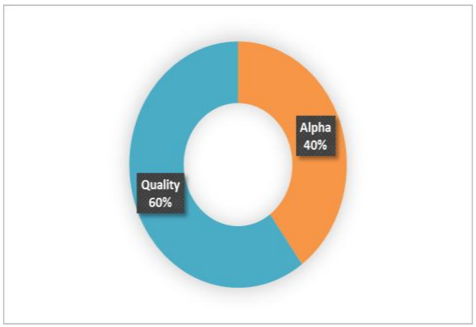
(Source: Official Share khan's Website)

There will be 3 different approaches for investment under this strategy viz. Conservative, Moderate and Aggressive in Quality and Alpha portfolio based on client risk profile / preference as shown below.

Different Share Khan's Strategies.

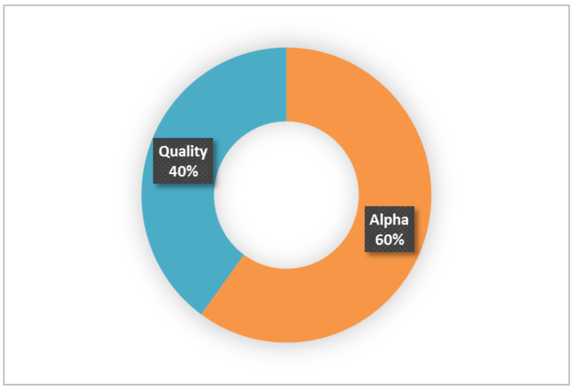
CONSERVATIVE **MODERATE**





(Source: Official Sharekhan's website)

AGGRESSIVE



(Source: Official Sharekhan's Website)

III. REVIEW OF LITERATURE

1. Dr Bhadrappa Haralayya (2022) This study aims to provide investors with a fundamental understanding of mutual fund investments and motivate them to invest in areas that offer the highest return on investment, utilizing risk and return analysis as a statistical tool and primary data. The study concludes that investors prefer to invest in mutual funds due to their minimal risk of loss and potential for yielding returns, making them a suitable investment opportunity.

2. Dr. Raghu.G.Anand and Dr.Mala.K.M (2022) The study investigates changing investment patterns and the mindset of Indian citizens using primary and secondary data. It emphasizes the significance of investing and its benefits for individuals and the national economy. The study acknowledges the market's high volatility and encourages readers to leverage the situation for better development. Additionally, it highlights the distinctiveness of each financial service and the growth of the securities market and banks, conforming to RBI (Reserve Bank of India) norms. Contrary to the notion that saving alone can increase wealth, the study emphasizes the importance of making informed investment choices to enhance value.

3. Chandresh Patel (2022) This research examines factors influencing investor behaviour and ethical investment practices, using primary and secondary data. The study reveals that investment is vital for a healthy lifestyle, with investors favouring long-term, low-risk, high-return plans. Financial advisors, self-analysis, and family consultation play important roles. The research also highlights male dominance in financial product investment and identifies key objectives of investor codes of conduct.

4. Tejendrakumar, L. H., & Gondaliya, V. (2022) This study investigates how investors' investment choices are influenced by their demographics and perceptions. It explores the impact of factors such as demographics and perceptions on the decision-making process for various investment platforms. The research aims to provide valuable insights to investors regarding investment options like Systematic Investment Plans, Gold, Public Provident Funds, Equity Share Markets, Bonds, and more. The findings reveal limited knowledge about Systematic Investment Plans among investors and demonstrate that age, gender, qualification, and occupation significantly influence investment choices. Overall, investors show a preference for safer and less risky investment platforms over higher-risk options.

5. Dr. Vaibhav Kale, Ms. Yashashree Kendre and Dr. Charulata Kulkarni (2022) This paper aims to analyse the investment patterns of affiliated clients and identify the factors influencing these patterns. The study reveals that most investors possess good knowledge about available investment options. Additionally, individuals with a graduation degree show higher interest in investing compared to those with lower or higher qualifications. However, despite being aware of tax-beneficial investment options, investors lack proper guidance and exhibit limited interest. To encourage more investors, investment companies should introduce attractive offers that benefit both investors and the companies.

6. Tibor Kovács, Andrea Ko and Asefeh Asemi (2021) The objective of this study is to explore the advantages of a two-stage clustering technique that combines neural-network-based Kohonen self-organizing maps with hierarchical clustering, for analyzing the investment patterns of potential retail banking clients. To achieve this, the research applies descriptive statistics and multiple correspondence analysis (MCA) to understand the variables and uses Kohonen self-organizing maps (SOMs) along with hierarchical clustering to identify customer groups and describe their characteristics. The findings indicate that the method is effective in identifying unique customer groups and describing their investment patterns and factors. What sets this research apart from previous studies is its innovative use of an AI-related approach to target "potential customers".

7. Jyothi and Dr. D. Jakir Hussian (2021) The objective of this study is to examine the investment behavior of Ultratech, SBI (State Bank of India), Dr. Reddy's Lab, Bharati Airtel, and Tata Motors, including their associated risks and returns, and to identify the optimal portfolio with statistical tools such as correlation and the Sharpe index. The study finds that organizing securities in a way that balances risk and return can result in a more profitable outcome.

8. Giridhar Maji, Debomita Mondal, Nilanjan Dey, Narayan C, Debnath and Soumya Sen (2020) This paper discusses the management of a diversified portfolio by analyzing multiple stocks from various business sectors. The analysis is conducted solely on the closing stock price, but it considers other factors such as dividends, bonuses, and stock splits. This approach simplifies the analysis process and avoids the need for complex tools. Additionally, the paper introduces a new methodology for constructing a mutual fund portfolio that aims to increase profits and mitigate risks over time. Investors seeking long-term returns will find this methodology useful, as it uses historical data and regression analysis to build a strong and stable portfolio.

9. Prof. Riteeka Rajeshwar Kamble (2020) The aim of this study is to analyze the effects of Covid-19 on investor behavior and compare the changes in investment behavior before and after the pandemic. Both primary and secondary data are used in this research, and trend analysis is utilized as a research tool. The paper concludes that Covid-19 has had a significant economic impact, with lockdown and social distancing measures creating instability in the financial sector due to the large population and challenging economic circumstances. As a result, individual investors' willingness to invest in mutual funds and the stock market has been negatively affected by these government control measures.

10. Dr. Ravi Maheshwari and Srashti Srivastava (2020) his paper examines various investment strategies in the Canadian market by analyzing past market data and their impact on trading. The study was conducted through a structured survey of investors in five major cities in India. ANOVA (analysis of variance) was used to analyze the data, and the study concludes that certain factors, such as the age and asset ratio of mutual funds, can impact their performance.

Older funds with high asset ratios tend to perform poorly, while those with a history of strong performance are more likely to perform well in the future. The study also notes that retail investors often lack the skills and tools to make complex investment decisions and tend to rely on simple and less time-consuming approaches to investing in equity securities.

IV. DATA AND METHODOLOGY

4.1 Research type:

"Empirical research" by utilizing both quantitative and qualitative information obtained through empirical research, readers can gain knowledge and understanding of Sharekhan's investment strategies, as well as assess the relevant information presented in the study.

4.2 Data requirement:

To conduct the research, secondary data was utilized, which was obtained from reports and specific disclosures.

4.3 Tools and techniques:

Descriptive analysis, ANOVA and Trend Analysis

4.4 Hypothesis

1. **H_0:** "There is no significant difference in the returns of the various Sectors".

H_1: "There is significant difference in the returns of the various Sectors".

2. **H_0:** "There is no significant difference returns of Quality stock and Alpha stocks".

H_1: "There is significant difference returns of Quality stock and Alpha stocks".

V. DATA ANALYSIS AND FINDINGS

5.1 Descriptive analysis

- According to the descriptive analysis, it is evident that Indo National Ltd has a higher standard deviation compared to other stocks under consideration. This behaviour typically occurs due to fluctuations in prices, resulting in the potential for higher returns at the cost of increased risk exposure.

- Perfect-Octave Media Projects Ltd exhibits the least variation among the compared stocks. Investing in such stocks is ideal for investors seeking lower risk levels and anticipating steady returns.

5.2 AVOVA for Sector wise comparison

Anova single factor

SUMMARY

Groups	***Count***	***Sum***	***Average***	***Variance***
Steel industry	12	98.02998	8.169165	630.1194296
banking and finance	12	3.619863	0.301655	5.767528808
textile manufacturing	12	12.68582	1.057152	13.9096978
Chemicals industry	12	12.66936	1.05578	28.44625383
Cement industry	12	18.22622	1.518851	35.11629718
Engineering industry	12	0.020935	0.001745	0.0000365
others	12	12.12313	1.010261	9.663967755
transportation	12	4.302156	0.358513	0.919708643
aerospace and defence	12	0.650632	0.054219	0.004172702
healthcare industry	12	-0.08764	-0.0073	0.00276152
media and entertainment	12	0.153579	0.012798	0.003097095

ANOVA

Source of Variation	***SS***	***df***	***MS***	***F***	***P-value***	***F crit***
Between Groups	670.42	10	67.042 6	1.01866934 6	0.43184 3	1.90979 2
Within Groups	7963.4 8	121	65.813 9			
Total	8633.9 0	131				

(Source: Author's own calculation using company's disclosure data and data obtained through BSE (Bombay Stock Exchange) website)

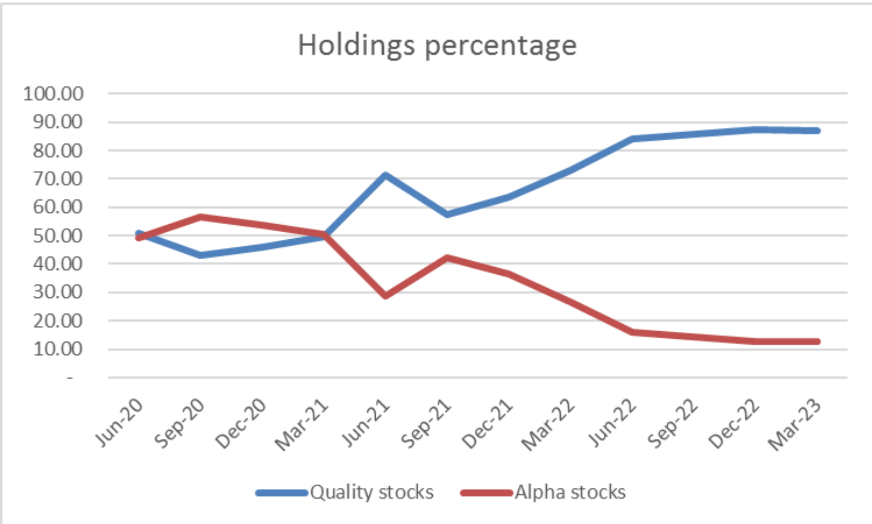
- In the ANOVA analysis conducted above, it is observed that the steel industry has a comparatively higher average return of 8.17, outperforming other industries. On the other hand, the healthcare industry exhibits the lowest average return of -0.08, resulting in a negative return.

- When considering variance, it is evident that the steel industry has a higher value of 630.12 compared to other industries, while the engineering industry has the lowest variance of 0.00004. This variance provides valuable insights into the risk factors associated with different sectors.

- Sum of squares used for measuring variation between groups and within the groups. The value for between groups is 670.42 and within groups is 7963.42. This shows that variation between groups is less compared to variation within the groups.

- F statistic and P value are 0.1.019 and 0.431 respectively. This suggest that we must accept null (level of significance is 0.05 and p value is 0.431). Therefore, there is no significant difference between various sector's returns.

5.3 TREND ANALYSIS of Quarterly - wise summarized holdings data



(Source: Author's own calculation using company's disclosure data)

- In the first quarter of March 2020, the company allocated more investments towards alpha stocks. Over the following months until March 2021, there was a gradual shift in the company's portfolio composition, with a combination of quality stocks and alpha stocks. As time progressed, the company progressively directed more of its investments towards quality stocks rather than alpha stocks.

- In December 2020, there was a higher acquisition of alpha stocks, whereas in December 2022, the focus shifted to purchasing quality stocks.

5.4 ANOVA calculation for comparing Quality stocks and Alpha stocks.

ANOVA: SINGLE FACTOR

SUMMARY

Groups	***Count***	***Sum***	***Average***	***Variance***
Quality stocks	12	114.3357	9.5280	648.6548
Alpha stocks	12	48.0584	4.0049	56.7127

ANOVA

Source of Variation	***SS***	***df***	***MS***	***F***	***P-value***	***F crit***
Between Groups	183.0284	1.0000	183.0284	0.5190	0.4789	4.3009
Within Groups	7759.0421	22.0000	352.6837			
Total	7942.0705	23.0000				

(Source: Author's own calculation using company's disclosure data and data obtained from BSE website)

- The ANOVA analysis indicates that Quality stocks have an average return of 9.53, while Alpha stocks have an alpha value of 4.0. This suggests that, in comparison, Quality stocks exhibit a higher average return, indicating potentially better performance than Alpha stocks.

- Variance in ANOVA refers to variation in the quality of the stock in this case this defines the amount of risk involved in selected stocks. The variance of quality stocks is 648.6548 and Alpha stocks is 56.7127. From this we can confirm that quality stocks are more risker than Alpha stocks but can also yield more returns because of this nature.

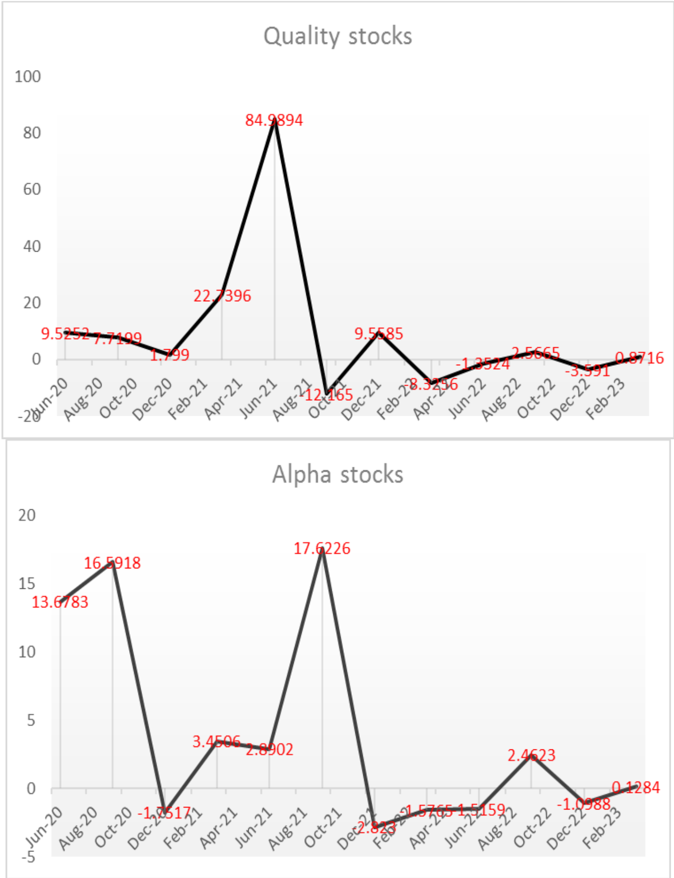
- Sum of squares used for measuring variation between groups (Quality stock and Alpha stock) and within the groups. The value for between groups is 183.0284 and within groups is 7759.0421. This shows that variation between groups is less compared to variation within the groups.

- F statistic and P value are 0.5190 and 0.4789, respectively. This suggest that we must accept null hypothesis (level of significance is 0.05 and p value is 0.4789). Therefore, there is no significant difference between returns of Quality stock and Alpha stocks.

Based on the interpretation, it becomes apparent that Alpha stocks exhibited lower risk but generated lower returns compared to Quality stocks. This can be attributed to the company's adoption of a more moderate and conservative approach rather than an aggressive one. Consequently, the company allocated a larger portion of its investment to Quality stocks rather than Alpha stocks.

When a particular investment receives greater emphasis or weightage, it can have a significant influence on the overall portfolio. In this scenario, such an influence is evident, resulting in Quality stocks displaying higher variance and delivering better returns. This outcome can be attributed to the company's strategic decision to allocate more resources to Quality stocks, which led to a stronger performance in terms of risk and returns.

5.5 Pictorial representation of quarterly - wise returns of Quality stocks and Alpha stocks



The company's investment strategies varied throughout the period, with a mix of moderate, aggressive, and conservative approaches. Quality stocks and alpha stocks showed varying levels of performance, with different strategies resulting in different returns. Alpha stocks played a significant role in compensating for lower contributions from quality stocks in some cases, while quality stocks outperformed alpha stocks in others. Overall, the company's investment decisions and strategy choices influenced the returns generated by these stocks.

VI. FINDINGS, SUGGESTIONS AND CONCLUSION

Findings

The study's descriptive statistical analysis reveals that HAL has a higher mean price, indicating it is an expensive acquisition. Indo National Ltd carries a higher risk factor and holds a cautious approach with a lower investment percentage. DIC India Ltd shows a low average return, requiring further evaluation for potential improvement. EPIC Energy Ltd has underperformed with a negative average return, calling for strategic measures to enhance profitability. The study highlights that individual stock performance and economic conditions can lead to varied outcomes. ANOVA analysis demonstrates that the steel industry exhibits significantly higher variance, while the healthcare sector displays lower variance. Price fluctuations within sectors outweigh variations between sectors, and Quality stocks exhibit higher price variance, but better returns compared to Alpha stocks. The company's predominant strategy is a mix of moderate and conservative approaches, with the conservative strategy delivering better performance. However, consistent positive returns cannot be guaranteed by any strategy.

Conclusion:

The analysis reveals that certain companies exhibit higher risk factors and adopt a conservative investment approach, while others underperform or achieve low average returns. Additional evaluations and strategies for improvement are necessary to address these issues effectively.

Performance variation exists across sectors, with the steel industry demonstrating higher variability than the healthcare sector. Quality stocks have greater price variance but yield better returns, potentially influenced by their higher percentage of holdings. The company's moderate and conservative strategies outperform aggressive strategies overall, but consistent positive returns cannot be guaranteed. The mixing of strategies resulted in varying outcomes, with profitable returns in some quarters and negative returns in others. The underperformance of majority stocks suggests that stock performance has a stronger influence on returns than specific strategies employed.

Suggestions:

To optimize investment decisions, it is crucial to conduct a thorough analysis of each stock, considering performance, financials, market conditions, and competition. Diversifying the portfolio across sectors can reduce risk and potentially enhance returns. Staying informed about economic conditions and adjusting strategies accordingly is essential. Regularly evaluating and adapting investment strategies based on effectiveness is recommended. Implementing a reliable system for monitoring and tracking stock performance allows for the identification of trends and areas for improvement.

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