



MUTUAL FUND: AN OVERVIEW OF SBI EQUITY HYBRID FUND AND HDFC EQUITY HYBRID FUND

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Abstract:

Over the past few years mutual fund have been emerging as a preferred investment product. Mutual fund pools money from many investors and create an investment portfolio comprising of several securities as per the investment mandate. Professional fund managers make the investment decisions in mutual fund further backed by the research analysts. The main objective of all mutual fund companies is to provide best return on investment (ROI) by decreasing the risk linked with that of capital market. SBI mutual fund is one of the largest mutual fund in India with an investor base around 6 million. Since its inception SBI mutual fund is always been giving a better value to its investors. And even HDFC mutual fund is actively managed equity fund in India and has a record of 16.2% market share in actively managed equity oriented schemes in FY 2018-19. The main objective of this paper is to compare the performance of SBI equity hybrid fund with that of HDFC equity hybrid fund for the FY 2020-21. This paper tries to find out the risk and return associated with SBI equity hybrid fund and HDFC equity hybrid fund. The paper also tries to highlight the pros and cons of mutual fund investment.

Key Words: Mutual fund, Investment Portfolio, Research Analyst, Capital market, Return on Investment.

Introduction:

Mutual fund investment is the best investment avenue in today's scenario. Traditionally India had a higher household savings rate where most of the people invested money in the products that use to give a fixed or guaranteed income and such returns were much lesser. But today one can invest the savings in many asset classes like mutual fund, bank fixed deposit, money market instruments, equity, commodity etc. Mutual fund companies (asset management companies) offer a variety of schemes where the investor can invest as per their risk taking capacity as there are moderate risk investments and balanced risk investments also. Mutual fund ensures diversification as funds are invested in several companies.

Mutual fund companies achieve diversification in 2 ways, first depending on the type of mutual fund you are considering; it may contain a mix of stocks and bonds. Bonds are relatively safer investments than stocks. So mixing them in the portfolio helps to decrease risk. Secondly, even when mutual fund holds 100% stocks, those stocks are all not in one company. If a single company gets hit by a scandal, that causes the share price to fall, a mutual fund investor won't be hit as hard as an investor that only owns that company's stock. Hence the risk factor in mutual fund is completely low.

SBI mutual fund was set up in the year 1987 and was incorporated in the year 1992. It was India's second largest mutual fund after UTI. The SBI mutual fund is registered with SEBI. According to the latest report the SBI mutual fund has witnessed a 7% growth in AUM (asset under management) in 2019. This is more than any other competing mutual fund. HDFC mutual fund is the largest and actively managed equity mutual fund in India and has a record of 16.2% market share in actively managed equity oriented schemes in FY 2018-19. The company manages the assets worth Rs.3.43 lakh crore as of March 2019.

Advantages of Mutual Fund:

- **Liquidity:** The most important benefit of investing in mutual fund is liquidity. Unlike fixed deposits the mutual fund is flexible and pre exit penalty should be taken into consideration.
- **Diversification:** Diversification reduces the risk involved in building a portfolio thereby reducing the risk for an investor. As mutual fund consists of many securities, investor's interest is safeguarded if there is a downfall in other securities so purchased.
- **Expert Management:** The other advantage of investing in mutual fund is that the experts manage and operate the mutual fund. The experts pool the money from all the investors and allocate the money in different asset classes, thereby helping the investors to gain more profit. The experts keep an eye on every entry and exit and take care of all the challenges. This is one of the most important advantages of mutual fund.
- **Flexibility to Invest in Small Amount:** Among the other benefits of mutual fund, the most important benefit is its flexibility. Investors need not put huge amount of money to invest in a mutual fund. Investments can be as per the cash flow position.
- **Accessibility:** Mutual fund are easily accessible and one can start investing and buy mutual fund from anywhere in the world. An asset management company (AMC) offers funds and distribute through

channels like brokerage firms, agents and banks etc. This factor makes mutual fund universally available and easily accessible.

- **Safety and Transparency:** With introduction of SEBI guidelines, all products have been labeled. This means that all mutual fund schemes will have colour coding which helps the investors to ascertain the risk level of his investments, thus making the entire process safe and transparent
- **Best Tax Saving Options:** Mutual fund provides the best tax saving options. ELSS (equity linked saving schemes) mutual fund have a tax exemption of Rs.1.5 lakh a year under section 80 c of Income Tax Act.

Disadvantages of Mutual Fund:

- **Dilution:** Due to dilution it is not recommended to invest in too many mutual funds at the same time. Diversification although saves an investor from major losses, also restricts one from making higher profit.
- **Lock - in Period:** ELSS have a longer lock in period of 3 years. This debars an investor from withdrawing the investment before the lock in period is over. However withdrawing these funds before the lock in period could lead to huge penalties.

Review of Literature:

Leelamma M. (2004) examined investors' confidence, faith on SBI Mutual Fund, Performance of Schemes, effect of investment size on performance ,it also document 101 investors response toward SBI Mutual Fund. The present study was conducted for the period 1991 to 2001. The researcher examined the Performance by following parameters, Percentage Change in NAV, Regression Analysis, Internal Rate of Return, Average Annual Growth Rate, Correlation co-efficient .The study generates finding as fluctuations in market do adversely effects on returns of Fund.60% Schemes show failing trend in performance on the evaluation of percentage change in NAV, IRR and AR. The researcher concluded that funds size effects on the performance of Mutual Fund Schemes and also revealed that inverse relationship between Expenses Ratio with performance.

N. Lakshmi (2007) has made analytical study of 25 Growth schemes, performance during the period 1997 to 2006. The study has found out industry had grown 57% & Assets under Management has grown 14% during the selected period. The study concentrates only the selected investor and fund manager had agreed investment in Mutual Fund is less risky. For selecting Mutual Fund Organization investors mostly looks for Goodwill of Asset Management Company. The study revealed that selected sample respondents had modestly satisfied about Asset Management Companies Performance and service offered by them.

K. Duraipandi (2012) revealed the performance of Mutual Funds Institutions, operational performance ,influencing factors for investors researcher has selected 16 schemes out of the 148 schemes of the four public sector mutual funds and 24 schemes out of the 734 schemes of the 6 private sector mutual funds using stratified random sampling method. Average Return, Sharp Ratio, Treynor Ratio, Nifty, Beta, SD such statistical tools has applied to analyses data, to test operational performance researcher has used Ratio like operating expenditure to gross income to investible funds, return on Invt.Net income to Gross Income .The conclusion of the research highlights overall operating performance of the mutual funds organization during selected period were more efficient. The research also highlights the overall operating expenditure to investible funds ratio is good from 0.52 in 2005 to 0.48 in 2009.

Objectives of the Study:

- To understand about mutual fund investments.
- To identify the performance of SBI Equity Hybrid fund and HDFC equity Hybrid fund
- To analyze and compare the performance of SBI Equity Hybrid fund and HDFC equity Hybrid fund

Scope of the Study:

This study gives a clear idea about the performance of the SBI Equity Hybrid fund and HDFC equity Hybrid fund for the FY 2020-21.

Limitations of the Study:

- This study is done with 1 year data.
- This study is based on historical data and information provided in the report.
- All the limitations of primary and secondary data are applicable for the study.

Research Methodology:

The nature of study of this project is analytical study. In analytical study, one has to use facts or information already available and analyze these to make critical evaluation of the material. Secondary data are those data which have already collected and stored. Secondary data may collected from

- Annual reports of the banks
- Bulletins
- Periodicals
- News letters
- Internal reports of the bank

Tools Used in Analysis:

- Camel Framework

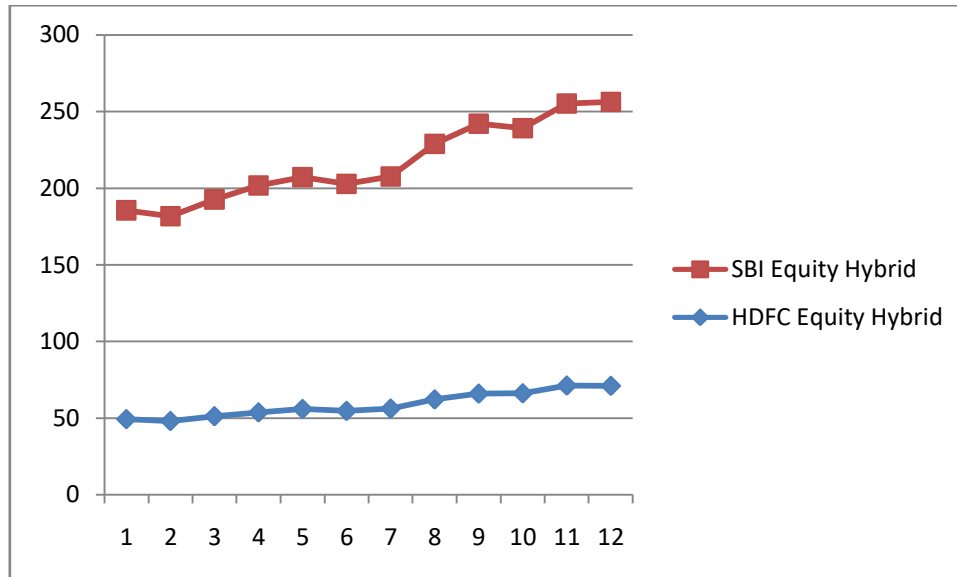
Period of Study:

The study covers the four years period from 2020-2021

Analysis and Interpretation:

Table 1: Net Annual Value

Month / Year	NAV (FY 2020-21)	
	HDFC Equity Hybrid	SBI Equity Hybrid
Apr-20	49.26	136.29
May-20	48.04	133.68
Jun-20	51.18	141.48
Jul-20	53.69	148.04
Aug-20	55.89	151.24
Sep-20	54.65	148.09
Oct-20	56.16	151.42
Nov-20	62.13	166.72
Dec-20	65.93	176.03
Jan-21	66.13	173
Feb-21	71.19	183.96
Mar-21	71.02	185.17



HDFC hybrid equity fund is an aggressive hybrid mutual fund scheme from HDFC mutual fund. This fund has been in existence since 8 years. HDFC hybrid mutual fund has 416669 crore worth of Asset under Management as on 31.3.2021 and is medium sized fund of its category. The fund has an expense ratio of 1.16% which is higher than what most of the other aggressive hybrid fund charges. Currently the fund has 74.65% allocation to equity and 21.49% to debt.

HDFC hybrid equity fund returns of last 1 year are 48.73%. Since its launch it has delivered 15.26% average annual returns. The fund has doubled the money invested in 6 years. This schemes ability to deliver returns consistently is in line with most funds of its category. Its ability to control losses in a falling market is average. The funds equity portion is primarily invested in financial, engineering, energy and construction sectors. The top 5 holdings are ICICI Ltd, Infosys Ltd, and HDFC Bank Ltd.

HDFC Hybrid Equity Fund Returns			
1-year	3-year	5-year	since its inception
48.73%	9.22%	12.54%	15.26%

SBI equity hybrid fund is an aggressive hybrid mutual fund scheme from SBI mutual fund. This fund has 505373 crore worth of Assets under Management as on 31.3.2021 and is medium sized fund of its category. The fund has an expense ratio of 0.98% which is close to what most other aggressive hybrid charge. Currently the fund has 69.3% allocation to equity and 20.34% to debt.

SBI equity hybrid fund returns of last 1 year are 39.25%, since launch it has delivered 15.36% average annual return. This fund also doubles the money invested in 6 years. This schemes ability to deliver return

consistently is in line with most funds category. Its ability to control losses in falling market is above average. The funds equity portion is primarily invested in financial, healthcare, technology, energy and construction sectors. The funds top 5 holdings are HDFC Bank Ltd, Divis Laboratories, Bharti Airtel and Bajaj Finance Ltd. The scheme seeks to provide long term capital appreciation along with liquidity of an open ended scheme by investing in a mix of debt and equity.

SBI Hybrid Equity Fund Returns			
1-year	3-year	5-year	since its inception
39.25%	11.64%	13.63%	15.36%

Camel Analysis:

Table 2: Capital Adequacy Ratios

Ratios	HDFC Equity Hybrid	SBI Equity Hybrid
Capital Adequacy Ratios	17.02	19.70
Debt Equity Ratio	6.50	4.53
Advances to asset ratio	59.97	56.96
Government Securities to total investments	57.56	64.17

From the above table, it is found that SBI Equity Hybrid Capital adequacy ratio was highest in the year 2020-2021, Debt equity ratio was highest in HDFC Equity Hybrid, Advance to asset ratio was highest in HDFC Equity Hybrid and Government Securities to total investments was highest SBI Equity Hybrid.

Table 3: Assets Quality Ratios

Ratios	HDFC Equity Hybrid	SBI Equity Hybrid
Net NPA to total advances ratio	1.61	0.97
Total investments to total assets ratio	28.87	39.76
Net NPA to total assets ratio	0.99	0.35

From the above table, it is found that HDFC Equity Hybrid Net NPA to total advances ratio was highest in the year 2020-2021, Total investments to total assets ratio was highest in SBI Equity Hybrid and Net NPA to total assets ratio was highest in HDFC Equity Hybrid.

Table 4: Management Efficiency Ratios

Ratios	HDFC Equity Hybrid	SBI Equity Hybrid
Total advances to total deposits ratio	107.18	102.04
Business per employee	112938140.26	192849708.72
Profits per employee	1684887.74	1358302.69
Return on equity ratio	14.3	16.7

From the above table, it is found that HDFC Equity Hybrid Total advances to total deposits ratio was highest in the year 2020-2021, Business per employee was highest in SBI Equity Hybrid, Profits per employee was highest in HDFC Equity Hybrid and Return on equity ratio was highest in the SBI Equity Hybrid.

Table 5: Earning Quality

Ratios	HDFC Equity Hybrid	SBI Equity Hybrid
Operating profit to total asset ratio	3.05	5.79
Net profit to total asset ratio	1.73	3.65
Interest income to total income ratio	98.13	90.90
Net interest margin to total asset ratio	5.48	3.33

From the above table, it is found that SBI Equity Hybrid Operating profit to total asset ratio was highest in the year 2020-2021, Net profit to total asset ratio was highest in SBI Equity Hybrid, Interest income to total income ratio was highest in HDFC Equity Hybrid and Net interest margin to total asset ratio was highest in HDFC Equity Hybrid.

Table 6: Liquidity Ratios

Ratios	HDFC Equity Hybrid	SBI Equity Hybrid
Liquid asset to total asset ratio	6.55	6.98
Liquid asset to total deposit ratio	11.70	14.51
Liquid asset to demand deposit ratio	85.43	96.03
Government securities to total asset ratio	18.62	16.12

From the above table, it is found that HDFC Equity Hybrid Liquid asset to total asset ratio was highest in the year 2020-2021, Liquid asset to total deposit ratio was highest in SBI Equity Hybrid, Liquid asset to demand deposit ratio was highest in SBI Equity Hybrid and Government securities to total asset ratio was highest in HDFC Equity Hybrid.

Conclusion:

The overall financial performance of SBI Equity Hybrid in India for the period of 2020-2021 was better than HDFC Equity Hybrid .It is found that under the capital adequacy ratio parameter bank was at the average, asset quality parameter HDFC Equity Hybrid was moderate, management efficiency parameter SBI

Equity Hybrid was in an increasing trend, earning quality parameter the HDFC Equity Hybrid was in an growing trend and liquidity parameter SBI Equity Hybrid were on the top position.

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