



## ANALYSIS OF RISK AND RETURN OF SELECTED FMCG SCRIPS AT BSE

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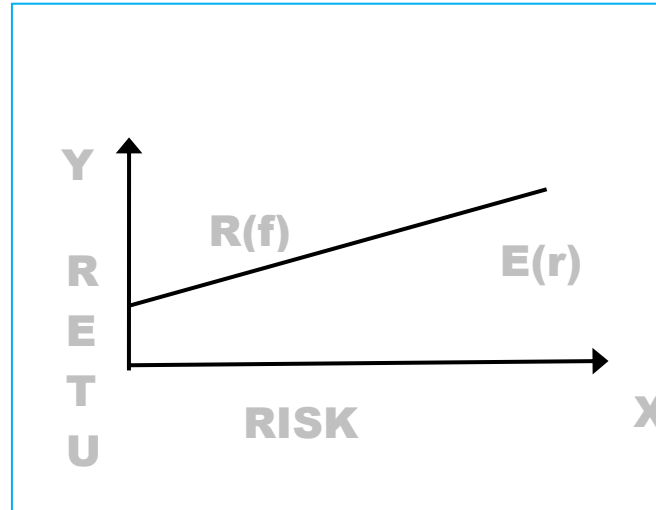
### **ABSTRACT**

*This study aims to compare the stocks of selected companies from FMCG sectors in the form of their risk and return. This study is also creating awareness about stocks among the investors to invest in particular company in this FMCG sectors. The risk and return relationship is fundamental concept in not only financial analysis but in every aspect of life. It is necessary that every individual or institutions consider the combined influence of risk and return. This analysis using the standard deviation and average return tools to discuss and quantify the trade-off between risk and return.*

**Key words:** FMCG, Risk, Return etc.

### **INTRODUCTION**

Return expresses the amount which an investor actually earned on an investment during a certain period. Return includes the interest, dividend and capital gains; while risk represents the uncertainty associated with a particular task. In financial terms, risk is the chance or probability that a certain investment may or may not deliver the actual/expected returns. The risk and return trade off says that the potential return rises with an increase in risk. It is important for an investor to decide on a balance between the desire for the lowest possible risk and highest possible return.



- Risk is measured along the horizontal axis and increases from the left to right.
- Expected rate of return is measured on the vertical axis and rises from bottom to top.
- The line from 0 to R (f) is called the rate of return or risk less investments.
- Commonly associated with the yield on government securities.
- The diagonal line from R (f) to E(r) illustrates the concept of expected rate of Return increasing as level of risk increases.

#### NEED FOR THE STUDY:

- Investing money in the assets where the risk is less has always been difficult to decide, that means the investor would like to see risk and return before investing.
- The main purpose of the study is to find the risk & returns associated with the selected stocks and also to find the stocks with maximum return & minimum risk.

#### OBJECTIVES OF THE STUDY:

- To find the returns and risks of select FMCG company scrips.
- To find out the Beta of select companies.
- To evaluate the performance of select FMCG companies with the Index (sensex).
- To find the optimum combination of two security portfolio any select FMCG Companies.



## SAMPLING DESIGN

For this study all information has collected from secondary sources like internet, money control, BSE and from books.

Tools used in this research to find out objectives:

- Rate of Return
- Variance
- Standard Deviation

## LIMITATIONS:

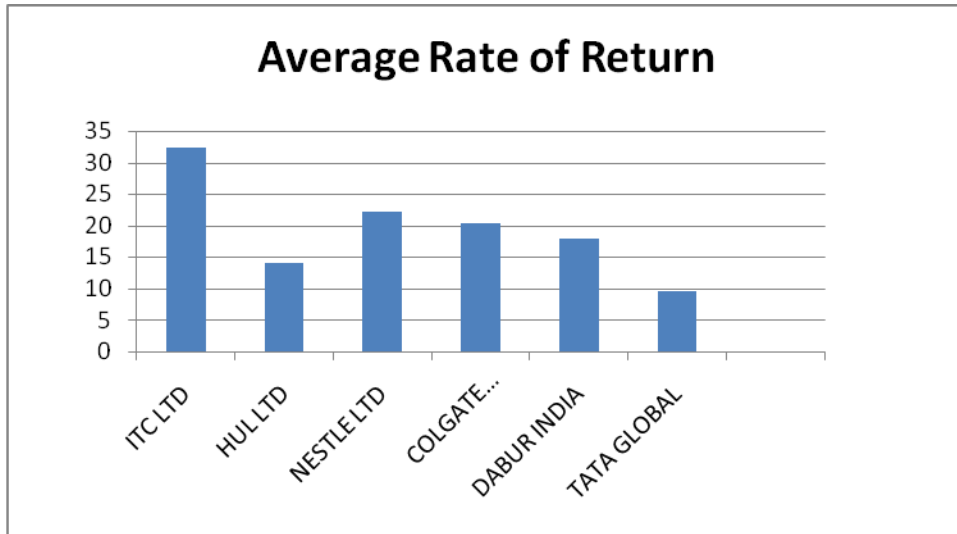
- Very few selected FMCG scrips have been selected for the study.
- Only 12 years data has been considered for the calculation of risk and return.

## DATA ANALYSIS

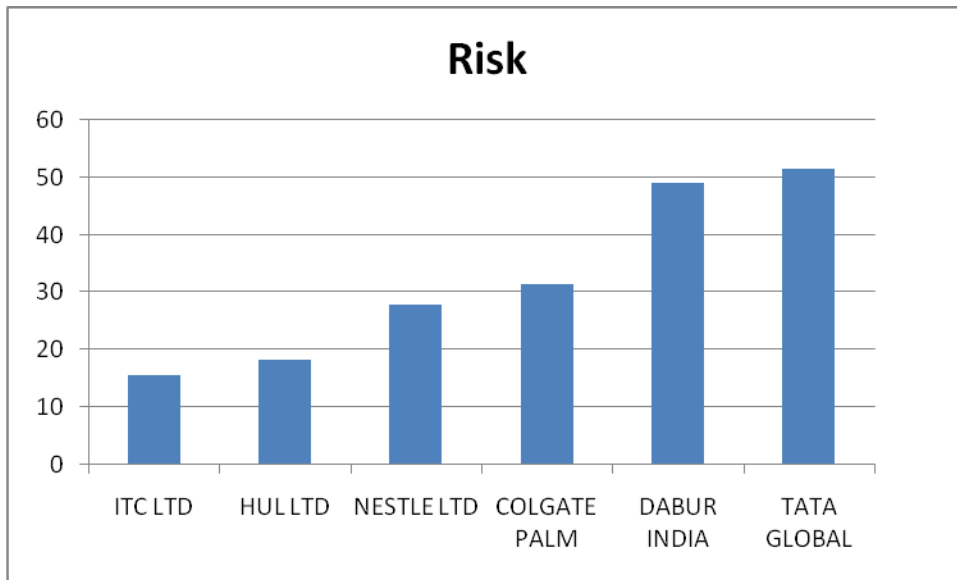
### Calculations of Average Return and Risk for the Period of 2004to 2015

Company	Average Rate of Return	Risk
ITC LTD	32.28309	15.72034
HUL LTD	13.97946	18.39324
NESTLE LTD	22.20069	27.8631
COLGATE PALM	20.32318	31.4412
DABUR INDIA	17.938	49.0717
TATA GLOBAL	9.50595	51.5653

### Average Return of Selected Companies



### RISK OF SELECTED COMPANIES



### INTERPRETATION

Above table showing the Average Returns and Risks of selected companies. ITC Ltd Return (32.28309), Risk (15.72034) and NESTLE Ltd Return (22.20069), Risk (27.8631) has showing the highest average returns. From the selected companies half of the companies are showing the low returns. TATA GLOBAL and DABUR INDIA has showing the highest rate of risk and ITC LTD, HULLTD and NESTLE LTD have low rate of risk.



## FINDINGS

1. From the study it is found that ITC LTD scrip has provided 32.28% of average return with a standard deviation (risk) of 15.72 over a period of 12 years.
2. HUL has provided only 13.97% of average return with a 18.39 standard deviation. to the investors. It means ITC has performed better than HUL scrip in providing good returns.
3. The study revealed that, Nestle Ltd scrip has provided 22.20% of average return with a risk of 27.86% over a period of 12 years.
4. Colgate palm has provided average return (20.32%) and Risk (31.44) over a study period of 12 years.
5. When compared to other scrips, Dabur India has given low average returns of 17.94% with a standard deviation of 49.07 which indicates this scrips having high Risk.
6. It is found that Tata global has provided 9.50% of average return with standard deviation (risk) of 51.56 over a period of 12 years and it is higher risk compare to DABUR INDIA scrips.

## SUGGESTIONS

- Fundamental details of the stocks listed and set for trade should be available to all investors easily and quickly.
- As observed from the study the investors who are risk averse can invest in ITC LTD and NESTLE LTD in a proportion of 46.85% and 53.15% respectively.
- The investors who are more risk seekers can invest in COLGATE PALM and NESTLE LTD in a proportion of 51.30% and 48.70% respectively.
- Investors should go for long-term investment.
- Speculators and traders can take advantage of market volatility.
- Before investing, shareholders should use the variables like fundamental analysis, technical analysis, to determine the stock price effectively.

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