

FINANCIAL PERFORMANCE ANALYSIS OF RELIANCE PHARMA FUND, IN MADURAI

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A mutual fund is an investment vehicle where a person or group of persons, called mutual fund managers, choose a group of stocks and sell them in one package.

Mutual funds are not an American invention. The first was started in the Netherlands in 1822, and the second in Scotland in the 1880s originally called investments trusts, the first American one was the New York stock trust, established in 1889. Most that followed were begun in Boston in the early 1920s, including the state street fund, Massachusetts investors trust (now called mutual fund), fidelity, scudder, pioneer, and the Putnam fund. The Wellington fund, the first balanced fund that includes both stocks and bonds, was founded in 1928, and today is part of the giant Vanguard group fund.

In the 1960s there was a phenomenal rise in aggregate growth fund (with very high risk), sometimes called “go-go” or “hot-shot” funds, they received the majority of the billions of dollars flowing into mutual funds at that time. In 1968 and 1969, over 100 of these new aggressive growth funds were established.

A severe bear market began in the autumn of 1969 people became disillusioned with stocks and mutual fund. “the market toast it ‘ll never get back to where it was!” was echoed by panicked investors.

Mutual funds are also recommended for those who do not have the time, energy or desire to research their own stocks. Every mutual fund and fund family comes with a prospectus read the prospectus before investing. The prospectus not only helps you to understand what you are investing in, but it helps you to understand mutual funds and stocks in general.

A mutual fund’s business is to invest the funds thus collected, according to the wishes of the investors who created the pool. In many markets these wishes are articulated as “investment mandates.” Usually, the investors appoint professional investment managers create a “product,” and offer it for investment to the investor.

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve.

Risks Involved in Invests in Mutual Fund

Mutual Funds do not provide assured returns. Their returns are linked to their performance. They invest in shares, debentures and deposits. All these investments involve an element of risk. The unit value may vary depending upon the performance of the company and companies may default in payment of interest/principal on their debentures,

bonds, deposits. Besides this, the government may come up with new regulation which may affect a particular industry or class of industries.

All these factors influence the performance of Mutual Funds.

- The Risk-Return Trade-off
- Market Risk
- Credit Risk
- Inflation Risk
- Interest Rate Risk
- Political/Government Policy Risk
- Liquidity Risk

Characteristics of Mutual Fund

- The ownership is in the hands of investors who have pooled in their funds
- The investor's share is denominated by "units" whose value is called as "NET ASSET VALUE (NAV)" which changes everyday
- The investment portfolio is created according to the stated investment objectives of the fund
- It is managed by a team of investment professionals and other service providers

Statement of the Problem

- This study is undertaken to analyze the banking fund performance using various measures.
- An attempt is also made in this study to understand the behavior of mutual fund industry.

Objectives

The main aim of the study is to ascertain financial performance analysis of Reliance pharma fund for the past five years.

- To study the performance and development of the Reliance pharma fund.
- To find the growth of the pharma fund.
- To study the financial performance of the pharma fund.

Scope of the Study

The scope of the study is limited to collecting the financial data published in the annual reports of the company with reference to the objectives stated above and an analysis of the data with a view to suggest favorable solution to various problems related to financial performance

- Any company should ensure sustainable growth over period.

- The study will highlight the positive factors and negative factors in the analysis.
- According to the company can take immediate corrective action for negative factors and improve upon its positive factors.

Tools of Analysis

- Ratio analysis
- Trend Percentage analysis

Current Ratio

Table 1 Current Ratio

Year	Current assets (Rs in crs)	Current liabilities (Rs in crs)	Ratio
2007-2008	807.96	664.72	1.21
2008-2009	327.52	208.68	1.56
2009-2010	474.56	351.31	1.35
2010-2011	658.1	365.23	1.8
2011-2012	1439.68	851.5	1.68

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

From (2008-2012) the table, it is inferred that the current ratio has increased as 1.8 during the year 2010-2011. The current ratio has increased 1.68 during the year 2011-2012. The current ratio has increased 1.56 during the year 2008-2009. The current ratio has increased 1.35 during the year 2009-2010. The current ratio has increased 1.21 during the year 2007-2008 this indicates that the company has mobilized the funds effectively.

Liquid Ratio

Table 2 Liquid Ratio

Year	Liquid assets (Rs in crs)	Current liabilities (Rs in crs)	Ratio
2007-2008	529.08	664.72	0.8
2008-2009	114.62	208.68	0.54
2009-2010	211.8	351.31	0.6
2010-2011	304.58	365.23	0.83
2011-2012	781.24	851.5	0.91

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

From (2008-2012) the table, it is inferred that the Liquid ratio has increased as 0.91 during the year 2011-2012. The Liquid ratio has increased 0.83 during the year 2010-2011. The Liquid ratio has increased 0.8 during the year 2007-2008. The Liquid ratio has increased 0.6 during the year 2009-2010. The Liquid ratio has increased 0.54 during the year 2008-2009 this indicates that the company has mobilized the funds effectively.

Solvency Ratio

From the table, it is clear that the highest solvency ratio is 0.8 in the year 2012 which implies that the greater amount of firm's creditor's money was being used to generate profits for the firm's owners. The lowest ratio is 0.21 in the year 2009. The solvency ratio of the firm seems to be satisfactory.

Table 3 Solvency Ratio

Year	Total liabilities(Rs in crs)	Total Assets(Rs in crs)	Ratio
2007-2008	1792.63	4886.33	0.36
2008-2009	842.36	4219.08	0.21
2009-2010	1018.94	2985.64	0.34
2010-2011	958.18	4138.71	0.23
2011-2012	2187.82	2520.23	0.86

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

Working Capital Turnover Ratio

Table 4 Working Capital Turnover Ratio

Year	Net sales(Rs in crs)	Working capital(Rs in crs)	Ratio
2007-2008	1167.6	143.24	8.15
2008-2009	1440.6	118.84	9.6
2009-2010	1045	123.25	8.5
2010-2011	2235.4	292.87	7.63
2011-2012	2540.6	588.18	4.32

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

From (2008-2012) the table, it is inferred that the Working capital turnover ratio has increased as 9.6 during the year 2008-2009. The Working capital turnover ratio has increased 8.5 during the year 2009-2010. The Working capital turnover ratio has increased 8.15 during the year 2007-2008. The Working capital turnover ratio has increased 7.63 during the year 2010-2011. The Working capital turnover ratio has increased 4.32 during the year 2011-2012.

Net Profit Ratio

Table 5 Net Profit Ratio

Year	Net Profit(Rs in crs)	Net sales(Rs in crs)	Ratio
2011-2012	244.1	2540.6	9.6
2010-2011	211.2	2235.4	9.4
2009-2010	93.1	1045	8.9
2008-2009	121.1	1440.6	8.4
2007-2008	86.3	1167.6	7.4

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

From (2008-2012) the table, it is inferred that the Net Profit ratio has increased as 9.6 during the year 2011-2012. The Net Profit ratio has increased 9.4 during the year 2010-2011. The Net Profit ratio has increased 8.9 during the year 2009-2010. The Net Profit ratio

has increased 8.4 during the year 2008-2009. The Net Profit ratio has increased 7.4 during the year 2007-2008.

Profitability Ratio

Table 6 Profitability Ratio

Year	Profit after tax(Rs in crs)	Sales(Rs in crs)	Ratio
2011-2012	40.7	2540.6	1.6
2010-2011	34.15	2235.4	1.52
2009-2010	25.02	1045	2.39
2008-2009	35.18	1440.6	2.44
2007-2008	20.09	1167.6	1.72

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

From (2008-2012) the table, it is inferred that the Profitability ratio has increased as 2.44 during the year 2008-2009. The Profitability ratio has increased 2.39 during the year 2009-2010. The Profitability ratio has increased 1.72 during the year 2007-2008. The Profitability ratio has increased 1.6 during the year 2011-2012. The Profitability ratio has increased 1.52 during the year 2010-2011.

Trend Percentage Analysis

Table 7 Trend Percentage of Net Sales

Year	Net sales(Rs in crs)	Trend (%)
2007-2008	1167.6	100
2008-2009	1440.6	123.38
2009-2010	1245	106.62
2010-2011	2235.4	191.45
2011-2012	2540.6	217.6

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

From the above trend analysis showing, it is inferred as base year 2007-2008. Net sales has been increased during the year 2011-2012 Net sales is 2540.6 was 217.6. its increases in trend compared 4 year.

Trend Percentage of Gross Profit

Table 8 Trend Percentage of Gross Profit

Year	Gross Profit(Rs in crs)	Trend (%)
2007-2008	100.9	100
2008-2009	162.6	161.14
2009-2010	115.1	114.07
2010-2011	261.5	259.16
2011-2012	307.2	304.45

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

From the above trend analysis showing, it is inferred as base year 2007-2008. Gross profit has been increased during the year 2011-2012 Gross profit is 307.2 was 304.45. Its increases in trend compared 4 year.

Trend Percentage of Reserves and Surplus

Table 9Trend Percentage of Reserves and Surplus

Year	Reserves and surplus(Rs in crs)	Trend (%)
2007-2008	954.51	100
2008-2009	1432.25	150.05
2009-2010	1648.67	172.72
2010-2011	1773.86	185.83
2011-2012	1906.77	199.76

Source: Annual Report (2008-2012) of Reliance mutual fund, Madurai

From the above trend analysis showing, it is inferred as base year 2007-2008. Reserve and surplus has been increased during the year 2011-2012. Reserve and surplus is 1906.77 was 199.76. Its increases in trend compared 4 year.

Conclusion

From the analysis it is found that most of the customers go with bank deposits because of current needs. They should divert their investors mind from bank saving deposit and make them aware of the high returns gained by investing in mutual fund.

Guidance is an important criterion for the investors to make them aware about mutual fund schemes and their returns. Hence asset management companies should start promotional campaigns for exploring the knowledge and information about the mutual fund.

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