A STUDY ON RISK RETURN ANALYSIS IN EQUITIES WITH REFERENCE TO SMC GLOBAL SECURITIES LTD

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ABSTRACT

The equity market plays a significant role in the financial system by providing investors with opportunities for wealth creation and long-term capital appreciation. Equities are among the most preferred investment avenues due to their potential to generate higher returns compared to many traditional investment options. However, equity investments are subject to market fluctuations and uncertainties, making the assessment of risk and return an essential component of investment decision-making. This study focuses on the risk and return analysis of selected equities with reference to SMC Global Securities Ltd.. The primary objective of the study is to examine the relationship between risk and return and to evaluate the performance of selected stocks over the period of study. The research is based on secondary data collected from annual reports, stock exchange records, company publications, financial journals, market reports, and other reliable sources of information. Various financial and statistical tools were employed to analyze stock price movements, return patterns, volatility, and overall investment performance. The study compares selected equities from different sectors to understand their risk-return characteristics and investment potential under varying market conditions. The findings reveal that stocks with higher return potential generally carry higher levels of risk, whereas comparatively stable securities tend to provide moderate but consistent returns. The analysis also indicates that market trends, economic conditions, industry performance, and company-specific factors significantly influence equity returns and risk levels. Furthermore, the study highlights the importance of diversification, portfolio management, and systematic evaluation in minimizing investment risk and enhancing returns.

KEYWORDS

Equity Investments, Risk Analysis, Return Analysis, Stock Market Performance, Volatility, Investment Decisions, Portfolio Management, Financial Markets, Securities Analysis, SMC Global Securities Ltd.

1. INTRODUCTION

Investment is an essential component of financial planning and wealth creation. Individuals and institutions invest their funds in various financial instruments with the objective of earning returns and achieving long-term financial goals. In the field of finance, the concepts of risk and return are closely related and play a significant role in investment decision-making. Every investment carries a certain degree of risk, and investors expect to be compensated for taking that risk through potential returns. Therefore, understanding the relationship between risk and return is crucial for making informed investment decisions. Risk refers to the possibility that the actual return from an investment may differ from the expected return and represents the uncertainty associated with future outcomes. It can arise due to market fluctuations, economic conditions, industry performance, and company-specific factors. Return, on the other hand, is the gain or loss earned from an investment over a particular period and serves as the primary motivation for investors to commit their funds. The relationship between risk and return is commonly referred to as the risk-return trade-off, which states that higher returns are generally associated with higher levels of risk. Investors must therefore evaluate both factors carefully before making investment decisions. Different investors have different risk preferences depending on their financial goals, investment horizon, and tolerance for uncertainty. Some investors prefer safer investments that provide stable returns, while others are willing to take greater risks in pursuit of higher profits. As a result, the assessment of risk and return has become an important aspect of investment management and portfolio analysis. Various theories and models have been developed to explain and measure the relationship between risk and return. Among them, the Capital Asset Pricing Model (CAPM) is one of the most widely accepted approaches for estimating the expected return on an investment based on its systematic risk. The model helps investors understand how risk influences expected returns and assists in making rational investment choices. This study focuses on examining the risk and return relationship of selected companies, namely Bharath Petroleum Ltd., BPL, ITC, India Infoline Ltd., and Reliance Industrial Infrastructure Ltd. The study evaluates the returns generated by these companies and analyses the level of risk associated with their securities. It also examines the relationship between risk and return to determine whether higher levels of risk result in higher returns. The findings of the study are expected to provide valuable insights for investors, financial analysts, and researchers in understanding investment behaviour and making informed investment decisions.

1.1 NEED FOR THE STUDY

Investment decisions are influenced by various objectives and expectations. While some individuals invest to gain ownership, control, or social recognition, most investors are primarily motivated by the goal of earning returns on their investments. Return serves as the fundamental reward for committing financial resources and remains the principal driving force behind investment activities.

Since investment performance is largely evaluated based on the returns generated after considering the associated risks, the measurement of returns plays a significant role in financial analysis. Historical returns are commonly used to assess past performance and serve as an important basis for estimating future returns, thereby assisting investors in making informed investment decisions.

1.2 OBJECTIVES OF THE STUDY

- To reckon the risk and return of the associations and to estimate either it is trustworthy to the financier to install a suggestion of correction.
- To resolve miscellaneous risks and returns patterns of Equity shares.
- To measure the acting of shares by utilizing miscellaneous mathematical forms.
- To see the scope of evaporation available retail.
- To comprehend the price vacillations and to reasoning's the determinants doing on share prices.
- To commemorate the adjustment 'tween risk and return of equities.

1.3 SCOPE OF THE STUDY

This research covers five selected companies, namely Bharath Petroleum Ltd., BPL, ITC, India Infoline Ltd., and Reliance Industrial Infrastructure Ltd. Attention is given to the behaviour of these securities with reference to their risk and return characteristics during the period considered for the investigation. The boundaries of the work are restricted to these companies alone and do not extend to other listed securities. The outcome of the investigation is expected to provide a clearer understanding of the risk-return relationship associated with the selected companies and support investment-related evaluation.

1.4 LIMITATIONS OF THE STUDY

The present project work has happened tackled to supply facts concerning risk return on equities. The following are the disadvantages of the study

- The analysis is based only on secondary data.
- The study is restricted to five selected companies.
- Actual returns may vary from expected returns due to market fluctuations.
- Limited time was available for conducting the study.

2. REVIEW OF LITERATURE

Ansan (2014) Examined the relationship between risk and return under different market conditions. The study found that there was no consistent overall relationship between expected return and total risk.

Ratna (2013) Conducted a comparative analysis of selected stocks using survey and t-test techniques. The findings suggested that proper stock selection helps investors achieve favourable investment outcomes.

Anmaei (2012) Investigated the risk structure of companies listed on the Tehran Stock Exchange. The study observed variations in market performance across different sectors during the selected period.

Rheen (1986) Analysed systematic and unsystematic risks within firms. The research identified business, financial, operating, and internal organizational risks as important factors affecting performance.

Mrs. Vimala S., Mrs. Saranya P.B., and Ms. Saranya R. Studied the share price behaviour of selected IT and Healthcare companies. Simple Moving Average and RSI techniques were used to assist investment decisions

Swarnalakshmi (2013) Examined volatility patterns in sectoral indices of the Indian stock market using the ARCH model. The study found differences in volatility levels among various sectors.

RESEARCH GAP

Previous studies on risk and return have mainly concentrated on stock market performance, portfolio management, and risk assessment of selected companies across different sectors. However, limited attention has been given to analysing the risk and return characteristics of selected equities with reference to SMC Global Securities Ltd. Furthermore, studies focusing on individual equity performance using risk-return measures are relatively few. Therefore, the present study seeks to examine the relationship between risk and return of selected equities and evaluate their investment performance through a systematic analysis.

3. RESEARCH METHODOLOGY

1. The present study is analytical in nature and aims to examine the risk and return characteristics of selected equities. The research is mainly based on secondary data collected from various reliable sources for the purpose of analysis.
2. Return and risk are calculated using standard financial methods including percentage return and standard deviation.
3. The study covers a period of four years from 2022 to 2025.

3.1 SOURCES OF DATA

The study is based on primary and Secondary data collected from:

• Newspapers and financial websites

• SMC Global Securities Ltd reports

• Company annual reports and publications

• www.nseindia.com

• www.bseindia.com

3.2 SAMPLE DESIGN

The study adopts purposive sampling method to select equities for analysing risk and return. The selected equities are chosen from different companies based on their relevance to the study and availability of continuous price data.

3.3 PERIOD OF THE STUDY

The data for this study covers a period of 4 years, that is, 2022 to 2025, and will be collected from different reliable sources available for analysis in the study.

3.4 TOOLS AND TECHNIQUIES FOR THE ANALYSIS

The following tools are used for analysis:

• Return and Risk Calculations

• Return = (Closing price – opening price) / opening price × 100

• Risk (SD) S.D. = $\sqrt{\sum d^2} / N$

• Charts

• Graphical Representation

• Tables, Percentages, Charts, and Graphs

4. DATA ANALYSIS AND INTERPRETATION

4.1 RETURN CALCULATION OF BHARAT PETROLEUM LTD

YEAR	OPEN PRISE	CLOSE PRISE	RETURN
2022	635.55	658.40	3.5953
2023	662.00	477.80	-27.8247
2024	484.90	356.35	-26.5106
2025	357.50	347.90	-2.6853
Total			-53.4253
Average			-19.356

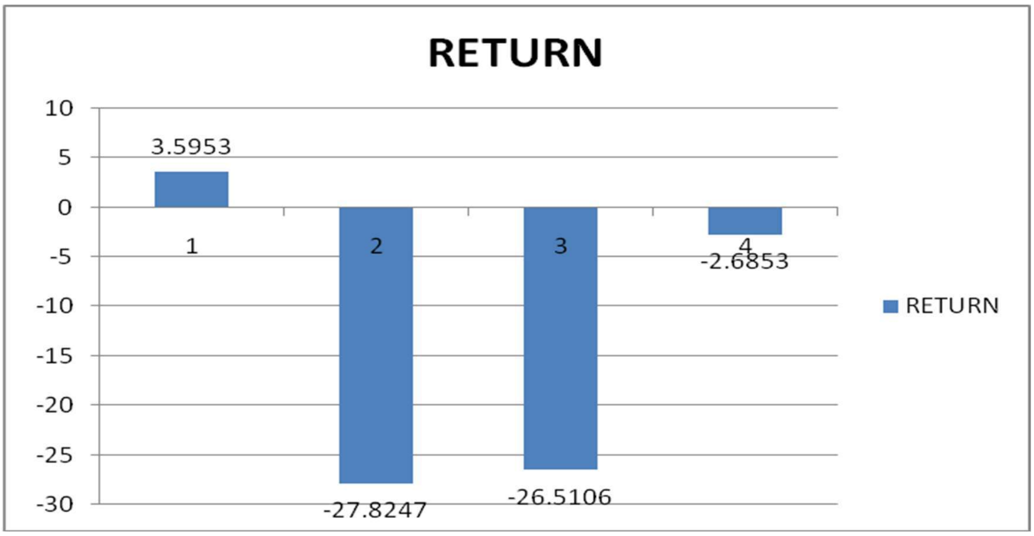
Table 4.1: Return= closing price-opening price / opening price * 100

CALCULATION OF RISK

RETURNS (X)	AVERAGE EXP (X)	X-exp(x)=d	D2
3.5953	-19.356	22.9519	287.3465
-27.8247	-19.356	-20.4687	209.3432
-26.5106	-19.356	-19.2146	173.0435
-2.6853	-19.356	10.6707	119.8638
∑d2 = 783.597			

S.D. (⌐) = √∑d2/N

S.D = 19.9964



INTERPRETATION

The above table shows return & risk guide the price change of BPCL LTD. It has an average return of -19.356 and risk is 19.9964.

4.2 RETURN CALCULATION OF BPL

YEAR	OPEN PRISE	CLOSE PRISE	RETURN
2022	38.25	32.90	-19.9869
2023	33.40	22.00	-52.0958
2024	22.21	18.80	22.4086
2025	18.85	20.25	-24.4031
Total			-74.3998
Average			-18.5999

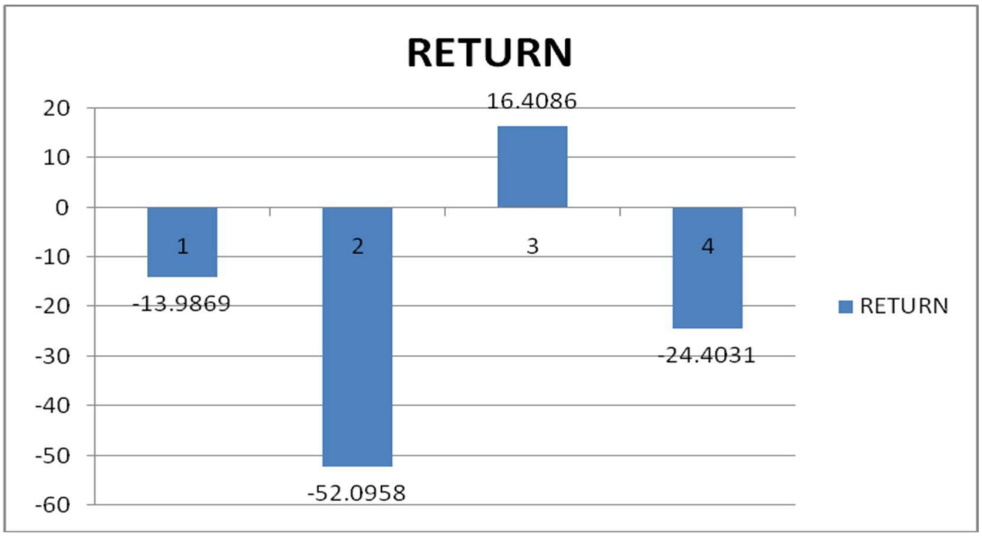
Table 4.2: Return=closing price-opening price / opening price *100

CALCULATION OF RISK

RETURNS (X)	AVERAGE EXP(x)	X-exp(x)=d	d2
-19.9869	-18.5999	4.619	21.2797
-52.0958	-18.5999	-33.4959	1121.9753
22.4086	-18.5999	35.0085	1225.5907
-24.4031	-18.5999	-5.8032	33.677
∑d2 = 2402.5227			

S.D. (⌐) = √∑d2/N

S.D = 24. 5077



INTERPRETATION

The above table shows return & risk guide the price evolution of BPL LIMITED. It has an average return of -18.5999 and risk is 24.5077

4.3 RETURN CALCULATION OF IIFL

YEAR	OPEN PRISE	CLOSE PRISE	RETURN
2022	190.20	82.21	-36.9047
2023	83.25	43.55	-47.6876
2024	43.35	85.90	98.2145
2025	86.45	62.30	-27.9352
Total			-20.373
Average			-3.59325

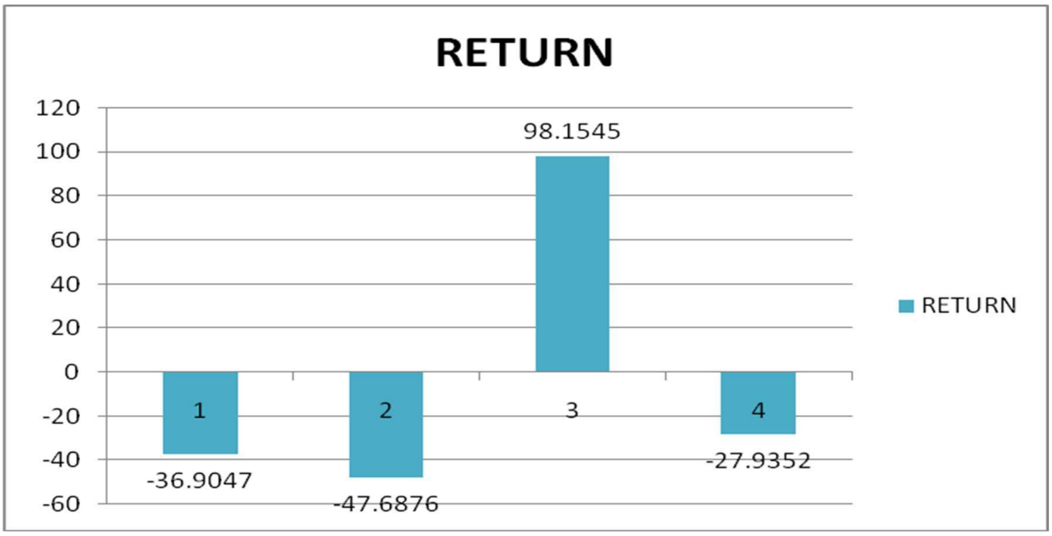
Table 4.3: Return=Closing price-opening price / opening price*100

CALCULATION OF RISK

RETURNS(x)	AVERAGE EXP(x)	X-exp(x)=d	d2
-36.9047	-3.59325	-33.3720	1119.6520
-47.6876	-3.59325	-44.0943	1944.3094
98.2145	-3.59325	101.7477	10352.5995
-27.9352	-3.59325	-24.3419	592.5293
∑d2 = 20003.0902			

S.D. (⌐) = √∑d2/N

S.D = 59.2273



INTERPRETATION

The above table shows return & risk guide the price shift of INDIA INFOLINE LTD. It has an average return is -3.59325 and risk is 59.2273

4.4 RETURN CALCULATION OF ITC LTD

YEAR	OPEN PRISE	CLOSE PRICE	RETURN
2022	253.00	174.65	-30.9683
2023	175.95	201.30	19.5225
2024	201.85	286.80	42.0857
2025	287.35	321.85	12.0062
Total			42.6486
Average			10.6621

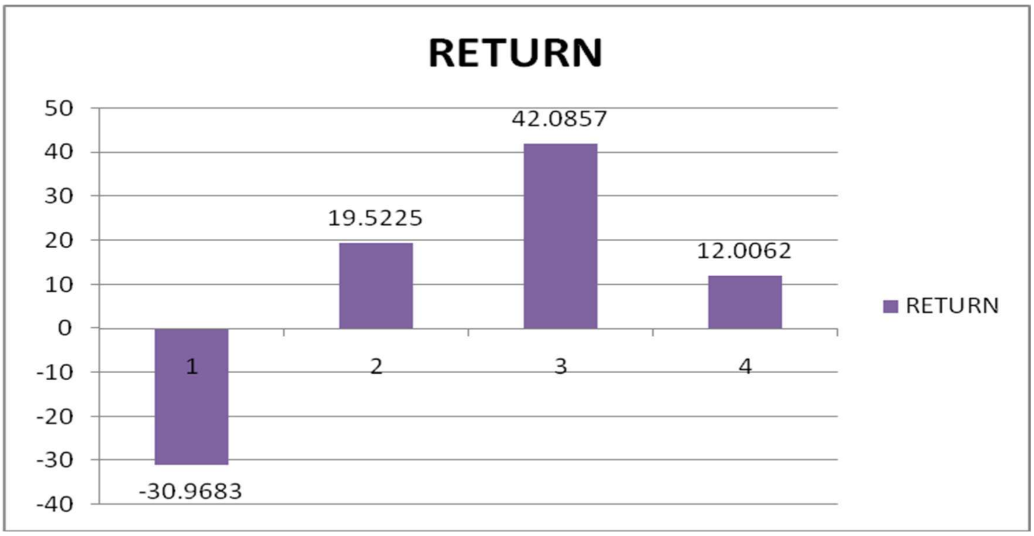
Table 4.4: Return=Closing price-opening price / opening price * 100

CALCULATION OF RISK

RETURNS(x)	AVERAGE EXP(x)	X-exp(x)=d	d2
-30.9683	10.6621	-41.6304	1733.0902
19.5225	10.6621	8.8604	78.5066
42.0857	10.6621	31.4236	987.4426
12.0062	10.6621	1.3441	1.8066
∑d2 = 2800.8294			

S.D. (⌐) = √∑d2/N

S.D = 26.4620



INTERPRETATION

The above table shows return & risk guide the price campaign of ITC LTD. It has an average return 10.6621 and risk is 26.4620

5. FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- The study risk return interpretation is achieved project by able to be contracted differing bonds that is to say Bharath lubricate, BPL, India Info line, ITC ltd and Reliance Infrastructure.
- The returns and risk Associated with miscellaneous bonds is famous and the study is molded.
- The return & risk guide the price flow of BHARAT PETROLUM LTD. It has an average return of -19.356 and risk is 19.9964.
- The return & risk guide the price action of BPL LIMITED. It has an average return of -18.5999 and risk is 24.5077
- The return & risk guide the price shift of INDIA INFOLINE LTD. It has an average return is -3.59325 and risk is 59.2273

SUGGESTIONS

- Most financiers are risk opposing and attempt to be dramatic their money at the minimum risk.
- Risk maybe shortened to a minimum but cannot be entirely removed or removed
- The greater the risk one is not quite recognize, the better the returns he is smart to obtain.
- If one or financier is risk applicant, he will certainly select or purchase India information line.
- Investor usually would like to analyses the risk determinants and an all-encompassing information of risk helps him to plan welcome envelope in aforementioned an approach so concerning underrate the risk guide the grant.

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