A STUDY ON RISK RETURNS ANALYSISOF BLUE CHIP STOCKS

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ABSTRACT

This study examines the risk-return profiles of five prominent companies in the stock market: Adani Ports and Special Economic Zone Ltd., Tata Consumer Products Ltd., Hero Motorcorp Ltd., Titan Company Ltd., and Larsen and Toubro Ltd. Through analysis of their average returns, variances, risks, and coefficients of variance, each company's investment potential is evaluated.

Adani Ports and Special Economic Zone Ltd. exhibits high risk with negative returns, suggesting a turbulent period for investment. Tata Consumer Products Ltd. shows average returns with a slightly negative coefficient of correlation, indicating a need for cautious observation of its market patterns. Hero Motorcorp Ltd. presents a balanced risk-return ratio, making it a favorable investment choice. Titan Company Ltd. demonstrates negative returns, signaling unfavorable market conditions for investment. Conversely, Larsen and Toubro Ltd. display relatively low risk with moderate returns, positioning it as a promising investment opportunity.

The conclusion highlights the trade-off between risk and return in investment decisions, where some companies offer higher potential returns at the expense of increased risk, while others provide lower risk with corresponding lower returns. Understanding this relationship is crucial for making informed investment choices in the stock market.

1.INTRODUCTION

A security is the budgetary instrument which has some financial worth i.e., a fluid resource which can be effectively changed over to money. Protections are exchanged on stock trades which can be claimed by any individual having Demat and exchanging account. The individual who possesses the protections is the proprietor and speaks to the situation in the organization who can sell their protections any whenever in the auxiliary market. The individual who holds the protections may either be an investor or a loan boss.

Protections are extensively arranged into two sorts. They are:

(i) Equities

(ii) Debts

EQUITIES:

Equities are the piece of capital i.e., shares the individual who possesses value offers are the genuine proprietors of the organization. Their isolated installment isn't steady yet procures from capital additions when they sell the protections.

Subsequent to accomplishing a degree of development further capital is required for future development. Consequently, an organization requires colossal capital who offers its offers to overall population called Initial Public Offer (IPO) and further issue of offers is called pursue on open offer (FPO). The value investors are given democratic rights and their risk is constrained up to the measure of speculation.

KINDS OF EQUITY SHARES:

Coming up next are the different sorts of value shares.

a. **Rights issue:**

This is the sort of issue of offers to the current investors of the organization in a proportion previously held by them.

b. **Bonus shares:**

Extra offers are the offers given by the organization to its investors free of expense from the collected benefits earned in past.

c. Preferred stocks:

These investors get inclination during the hour of installment of profits and liquidation of the organization. Profit is paid on standard interims to these holders independent of misfortunes.

OBLIGATIONS:

Obligation protections are likewise called as bonds or debentures. This is the credit acquired from people in general for a fixed timeframe and pay enthusiasm on standardpremise. Obligation protections incorporate government securities, corporate securities, and authentications of store.

Speculation is the responsibility of cash or cash-flow to buy monetary instruments or different resources so as to increase beneficial returns as premium, salary, or energy about the estimation of the instrument. Venture is identified with sparing or concedingutilization.

monetary conditions.

NEED FOR THE STUDY:

The need to concentrate blue chip offers is to make the financial specialists mindful ofthe organizations driving the market which furnishes the steady comes back with okay. In blue chip shares high speculation gives stable returns. For the most part, blue chip offers are considered as steady and safe venture and won't have enormous measure of liabilities.

SCOPE OF THE STUDY

1. This examination covers just risk and return of the interest in blue chip portions of 5 areas.
2. This investigation examine the instability of the interest in blue chip shares.
3. To examine the soundness of profits in blue chip stocks.

This examination helps in best venture choice to the people at retirement organize because of stable returns.

OBJECTIVES OF THE STUDY

1. To investigation about blue chip shares.
2. To dissect the hazard and return of the chose blue chip shares.

3. To comprehend, break down and select the best protections.

4. To see whether the hazard is less in blue chips than in different organizations that doesn't have blue chip status.

5. To see whether the speculation is yielding acceptable and consistent returns.

RESEARCH METHODOLOGY:

The information is gathered in two different ways. They are:

a. Primary information

b. Secondary information

Secondary information:

Secondary information is the information which as of now exist. This incorporates information gathered from:

- Books
- Magazines
- Journals
- websites and so on.,

This investigation is totally founded on auxiliary information accumulation. The information is gathered from books and different sites. The information utilized for investigation is taken from BSE site i.e., auxiliary information.

LIMITATIONS OF THE STUDY

1. The examination limits to the previous 3 months and restricted to the inclusion of all the related issues in a nutshell.
2. The information is gathered from auxiliary sources, so subject to slight variety than what the investigation incorporates into the real world.
3. The precision and rightness can be estimated uniquely to the degree of what the example gathering has outfitted.

2.REVIEW OF LITERATURE

Blue Chip Stocks

A blue-chip stock is a stock of monetarily stable and settled organizations, which have a huge market capitalization and are pioneers in their separate area or industry. They convey solid budgetary outcomes and prizes investors with ordinary profits. Even though profit installment isn't the fundamental attribute of these organizations, rather they have a long reputation for rising profit installment and expanding investor esteem. Additionally, these organizations are a piece of the presumed advertise lists like Nifty 50 and Sensex. To qualify as a blue-chip stock, the stock should have a steady and entrenched reputation over a more drawn out time frame. This shows that the organization is sound and proficient enough to withstand the crazy ride cycle common in the stock market. Some of the parameters to qualify a stock as a blue-chip remembers predictable yearly development for both top-line and primary concern over a greater time skyline, stable obligation equity proportion, normal premium inclusion proportion, and ROE, development in profit payout and so forth.

Blue Chip as a level of the general portfolio

Even though blue-chip stocks are appropriate for building a portfolio, be that as it may, they shouldn't be your whole portfolio. An all-around broadened portfolio ought to have a legitimate blend of equity, bonds, and cash. So if we restricted down our view on equity, there ought to be acceptable expansion as far as blue-chip stocks, little tops, and mid-tops.

Security of blue-chip stocks Although a blue-chip organization has gone through a few market cycles and endure various difficulties previously so it shouldn't be seen as a protected investment perpetually as it may not generally be the case. Some of the great organizations all-inclusive like Lehman Brothers and General Motors have even battled hard during the hour of extraordinary worry in the economy in 2008.

Blue-chip organizations meaning

A blue-chip organization is a broadly perceived, entrenched, and monetarily sound company. These are fundamentally the 100 greatest organizations recorded on the stock trade. This classification of organizations, by and large, sells high-caliber and broadly acknowledged items and administrations to a huge client base. A blue-chip holds the most elevated incentive in the round of poker. However, the term stuck and is presently used to characterize organizations that are the main 100 biggest organizations.

3.INDUSTRY PROFILE AND COMPANY PROFILE

The securities market achieves one of the most important functions of channeling idle resources to productive resources or from less productive resources to more productive resources. Hence in the broader context the people who save and investors who invest focus more towards the economy's abilities to invest and save respectively. This enhances savings and investments in the economy, the two pillars for economic growth. The Indian Capital Market has come a long way in this process and with a strong regulator it has been able to usher an era of a modern capital market regime. The past decade in many ways has been remarkable for securities market in India. It has grown exponentially as measured in terms of amount raised from the market, the number of listed stocks, market capitalization, trading volumes and turnover on stock exchanges, and investor population. The market has witnessed fundamental institutional changes resulting in drastic reduction in transaction costs and significant improvements in efficiency, transparency and safety.

Stock market:

When investors think of the stock market, they Nov imagine a specific place - such as a stock exchange. In fact, the stock market is the abstract idea of stock trading and stock exchange. All selling of stocks - at stock exchanges and in other ways - affects the market overall. Following stock market information in the news can help you make the right decisions about stock market investing.

Need of stock market:

The stock market is simply a term for the overall market or industry that is concerned with buying and selling company stock, both private and publicly traded securities. The stock market does many things. It helps to set prices of stocks. The more a stock is traded on the market and the more in demand the stock, the higher is its value. Having a stock market that is interconnected with stock markets around the world helps traders and investors to see how Specific stocks are doing.

in this line.

COMPANY PROFILE

Sharekhan is one of the top retail brokerage houses in India with a strong online trading platform. The company provides equity based products (research, equities, derivatives, depository, margin funding, etc.). It has one of the largest networks I the country with 704 share shops in 280 cities and India's premier online trading portal www.sharekhan.com. With their research expertise, customer commitment and superior technology, they provide investors with end-to-end solutions in investments. They provide trade execution services through multiple channels - an Internet platform, telephone and retail outlets.

Sharekhan was established by Morakhia family in 1999-2000 and Morakhia family, continues to remain the largest shareholder. It is the retail broking arm of the Mumbai- based SSKI [SHANTILAL SHEWANTILAL KANTILAL ISWARNATH LIMITED] Group.

SSKI which is established in 1930 is the parent company of Sharekhan ltd. With a legacy of more than 80 years in the stock markets, the SSKI group ventured into institutional broking and corporate finance over a decade ago. Presently SSKI is one of the leading players in institutional broking and corporate finance activities.

Sharekhan offers its customers a wide range of equity related services including trade execution on BSE, NSE, and Derivatives. Depository services, online trading, Investment advice, Commodities, etc.

4.DATA ANALYSIS AND INTERPTRTATION

A TABLE SHOWING THAT RISK AND RETURN ANALYSIS OF ADANI PORTS AND SPECIAL ECONOMIC ZONE LTD.

Date	OPEN	close	RETURNS	AVERAGE RETURNS	DIFFERENCE	D*D
28-Mar-24	1334.0000	1341.8500	0.5850	-0.0199	0.6049	0.3659
27-Mar-24	1315.0000	1322.8000	0.5897	-0.0199	0.6096	0.3716
26-Mar-24	1281.6000	1304.2000	1.7329	-0.0199	1.7528	3.0722
22-Mar-24	1262.4500	1281.6000	1.4942	-0.0199	1.5141	2.2926
21-Mar-24	1260.0000	1262.4500	0.1941	-0.0199	0.2140	0.0458
20-Mar-24	1248.0000	1245.4000	-0.2088	-0.0199	-0.1889	0.0357
19-Mar-24	1271.0500	1241.2000	-2.4049	-0.0199	-2.3850	5.6884
18-Mar-24	1250.0000	1266.6000	1.3106	-0.0199	1.3305	1.7702
15-Mar-24	1273.8000	1283.0000	0.7171	-0.0199	0.7370	0.5431
14-Mar-24	1210.0000	1267.8500	4.5628	-0.0199	4.5827	21.0015
13-Mar-24	1307.0000	1209.5500	-8.0567	-0.0199	-8.0368	64.5904
12-Mar-24	1335.0000	1301.3000	-2.5897	-0.0199	-2.5698	6.6040
11-Mar-24	1331.0000	1326.9500	-0.3052	-0.0199	-0.2853	0.0814
07-Mar-24	1329.8000	1325.4500	-0.3282	-0.0199	-0.3083	0.0950
06-Mar-24	1342.7000	1324.8000	-1.3511	-0.0199	-1.3312	1.7722
05-Mar-24	1344.0500	1338.3000	-0.4296	-0.0199	-0.4097	0.1679
04-Mar-24	1345.2500	1342.6000	-0.1974	-0.0199	-0.1775	0.0315
02-Mar-24	1326.9000	1338.3000	0.8518	-0.0199	0.8717	0.7599
01-Mar-24	1335.0000	1322.1000	-0.9757	-0.0199	-0.9558	0.9136
29-Feb-24	1300.0000	1320.5000	1.5524	-0.0199	1.5723	2.4723
28-Feb-24	1334.5000	1299.5000	-2.6933	-0.0199	-2.6734	7.1473

27-Feb-24	1336.8500	1329.4500	-0.5566	-0.0199	-0.5367	0.2881
26-Feb-24	1320.0000	1338.1500	1.3564	-0.0199	1.3763	1.8941
23-Feb-24	1312.0500	1320.7000	0.6550	-0.0199	0.6749	0.4554
22-Feb-24	1296.0000	1310.9500	1.1404	-0.0199	1.1603	1.3463
21-Feb-24	1304.8000	1291.0000	-1.0689	-0.0199	-1.0490	1.1005
20-Feb-24	1311.0000	1300.5000	-0.8074	-0.0199	-0.7875	0.6201
19-Feb-24	1313.4000	1307.0000	-0.4897	-0.0199	-0.4698	0.2207
16-Feb-24	1269.8000	1306.8500	2.8351	-0.0199	2.8550	8.1508
15-Feb-24	1275.0000	1267.0500	-0.6274	-0.0199	-0.6075	0.3691
14-Feb-24	1261.9500	1267.8500	0.4654	-0.0199	0.4853	0.2355
13-Feb-24	1249.9500	1264.8000	1.1741	-0.0199	1.1940	1.4256
12-Feb-24	1278.0000	1249.3500	-2.2932	-0.0199	-2.2733	5.1679
09-Feb-24	1252.6000	1271.5000	1.4864	-0.0199	1.5063	2.2690
08-Feb-24	1264.0500	1245.2000	-1.5138	-0.0199	-1.4939	2.2318
07-Feb-24	1280.0000	1255.6500	-1.9392	-0.0199	-1.9193	3.6838
06-Feb-24	1266.0000	1273.1000	0.5577	-0.0199	0.5776	0.3336
05-Feb-24	1269.5000	1258.5500	-0.8700	-0.0199	-0.8501	0.7228
02-Feb-24	1233.0500	1261.4500	2.2514	-0.0199	2.2713	5.1587
01-Feb-24	1213.6000	1218.8500	0.4307	-0.0199	0.4506	0.2031
31-Jan-24	1195.8000	1207.6500	0.9812	-0.0199	1.0011	1.0023
30-Jan-24	1200.0000	1187.3500	-1.0654	-0.0199	-1.0455	1.0931
29-Jan-24	1155.0000	1196.6500	3.4805	-0.0199	3.5004	12.2531
25-Jan-24	1122.1500	1146.3000	2.1068	-0.0199	2.1267	4.5228
24-Jan-24	1138.0000	1120.6000	-1.5527	-0.0199	-1.5328	2.3496
23-Jan-24	1199.1500	1137.1000	-5.4569	-0.0199	-5.4370	29.5606
20-Jan-24	1158.9000	1193.0000	2.8583	-0.0199	2.8782	8.2843
19-Jan-24	1162.2500	1152.4500	-0.8504	-0.0199	-0.8305	0.6897

18-Jan-24	1171.0500	1154.0500	-1.4731	-0.0199	-1.4532	2.1117
17-Jan-24	1180.0000	1166.8500	-1.1270	-0.0199	-1.1071	1.2256
16-Jan-24	1203.6000	1193.3500	-0.8589	-0.0199	-0.8390	0.7040
15-Jan-24	1214.0000	1203.1000	-0.9060	-0.0199	-0.8861	0.7852
12-Jan-24	1210.4000	1207.1000	-0.2734	-0.0199	-0.2535	0.0643
11-Jan-24	1221.0000	1202.9500	-1.5005	-0.0199	-1.4806	2.1921
10-Jan-24	1220.0000	1214.3500	-0.4653	-0.0199	-0.4454	0.1984
09-Jan-24	1182.0000	1197.1000	1.2614	-0.0199	1.2813	1.6417
08-Jan-24	1160.0000	1168.8500	0.7572	-0.0199	0.7771	0.6038
05-Jan-24	1129.1000	1154.2500	2.1789	-0.0199	2.1988	4.8347
04-Jan-24	1117.0000	1123.2000	0.5520	-0.0199	0.5719	0.3271
03-Jan-24	1105.0000	1094.2500	-0.9824	-0.0199	-0.9625	0.9264
02-Jan-24	1047.8500	1078.4000	2.8329	-0.0199	2.8528	8.1385
01-Jan-24	1026.5500	1047.8500	2.0327	-0.0199	2.0526	4.2133
			-0.0199			243.4213

AVERAGE RETURNS= -0.0199
VARIANCE= ∑D^2/(n-1)
= 243.4213/63

= 3.8638

RISK = √variance

= 1.9657

5.1 FINDINGS

- the ADANI PORTS AND SPECIAL ECONOMIC ZONE LTD. Has average returns of, -0.0199 Variance of 3.8638 Risk of 1.9657 and COEFFICIENT OF VARIANCE of -98.7661.
- the TATA CONSUMER PRODUCTS LTD. Has average returns of, -0.1822Variance of 2.5715Risk of 1.6036and COEFFICIENT OF VARIANCE of-8.8013.
- the HERO MOTORCROP LTD . Has average returns of, 0.1544Variance of 2.9186 Risk of 1.7084 and COEFFICIENT OF VARIANCE of11.0647
- the TITAN COMPANY LTD. Has average returns of, -0.1352Variance of 1.8056 Risk of 1.3437and COEFFICIENT OF VARIANCE of9.9386
- the LARSEN AND TOUBRO LTDHas average returns of, -0.1352Variance of 1.8056 Risk of 1.3437and COEFFICIENT OF VARIANCE of9.9386

5.2 SUGGESTIONS

- FROM THE GIVEN SITUATION ,WE CAN SEE THAT THE ADANI PORTS AND ECONOMIC ZONE LTD IS FACING A SERIOUS TURMOIL AT THE CURRENT TIME .SO I SUGGEST NOT TO INVEST AT RIGHT NOW.
- THE TATA CONSUMERS PRODUCTS LTD ARE HAVING A AVERAGE RETURN OF FROM THE STOCKS ,WHICH DOESN'T AFFECT THE COEEFICIENT OF CORELATIIN IS IN POSTIVE,SO WE NEED TO SEE THE MOVEMENTJ OF PATTERN THROUHGLY.
- BASED ON THE DATA OF THE HERO MOTORCROP HAVING THE NO LOSS OR PROFIT WHICH IS IN A SWING POSITION,WHERE IT IS GOOD TO INVEST IN IT.
- THE TITAN COMPANY LTD HAS THE NEGATIVE RETUTN ,WHICH IS NOT A GOOD SIGN TO INVEST AT RIGHT NOW BECAUSEE THE MARKET CONDITIONS NOT SUITABLE NOW.
- FROM THE ABOVE STOCKS THE ,MOST SUCCESSFUL STOCK TO INVEST IS LARSEN AND TURBO BECAUSE A GOOD AMOUNT RETURN AND COEFFICENT IS THERE.

5.3 CONCLUSION

The risk-return relationship shows a trade-off, where some companies have higher risk and potentially higher return, while others have lower risk and potentially lower return.Adani Ports and EZ Ltd. has the highest risk but a negative return. Larsen & Turbo Ltd. has the lowest risk but also a low return. Without considering other factors, companies in the upper right corner would be riskier but could offer potentially higher returns.

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