

A STUDY ON RISK MANAGEMENT OF ANGEL BROKING LTD

BHOGADI SRAVYA
[PG Scholar]
Department of management
studies
MBA(Finance)
Marri Laxman Reddy
Institute of Technology and
Management

KSG. CHANDRAVATHY
[Guide];
Department of management
studies
MBA(Finance)
Marri Laxman Reddy
Institute of Technology and
Management

Dr.K. VEERAI AH(PhD)
[Head of the Department]
Department of management
studies
MBA(Finance)
Marri Laxman Reddy
Institute of Technology and
Management

ABSTARCT:

Angel Broking is one of the largest independent full-service retail broking houses in India in terms of active clients on NSE. Investment in securities is susceptible to market risks which cannot be predicted. All investment decisions revolve around the trade-off between risk and return. All rational investors want a substantial return from their investment. An ability to understand, measure and properly manage investment risk is fundamental to any intelligent investor or a speculator. An investor who does not fully appreciate the risks in security investments will find it difficult to obtain continuing positive results. The Risk Management Policy is not an insurance against losses; these are measures and precautions that are adopted to contain risks to the minimum. IT is subject to change according to risk perceptions of the market and SEBI/Exchange regulations for the time being in.

KEYWORDS: Risk, Risk management, Policies, Rewards, Investors.

INTRODUCTION

Risk may happen at any place in the wealth linked world. It happens when financial specialist who frequently buys safe and sound government affirmations over increasingly insecure commercial protections, when an extra boss backings his hard cash management with money subordinates and when a stockpile plays out be careful for an individual before giving an personage credit amplification. Stockbrokers use budgetary instruments like decisions and destinies, and wealth executives use frameworks like portfolio and knowledge development, to effortlessness or amiably direct peril.

In the currency allied world, option of the executives is the game plan of categorical affirmation, examination and authorization or help of weak point on a basic altitude decisions. Chance affiliation happens at whatever position a pollster or store manager disengages and attempts to verify the prospective for procedures in an endeavor and at some position later makes the accurate progress, known his endeavor targets and jeopardy adaptableness.

Menace the board is a very big way of making preparations for affiliations. The technique of risking the board is projected to diminish or accomplish the threat of indisputable sorts of events occurring or disturbing the business.

Techniques for Risk Management

Risk the board is a system for seeing, looking over, and filtering through perils of different sorts. Precisely when the dangers are seen, the risk boss will make a course of action oblige or decline the impact of negative events. A variety of approaches is open, subordinate upon the kind of risk and the sort of business. There are a few dangers the board rules, including those made by the Project Management Institute, the International Organization for Standardization (ISO), the National Institute of Science and Technology, and actuarial social requesting

OBJECTIVES OF THE STUDY:

- To pursue out the policy and game-plan to study the risk possibilities.
- To Study the absolute constitution and history of ANGEL BROKING LIMITED.
- To understand a variety of strategies open for FICO score and understanding the ranking arrangement utilized in ANGEL BROKING LIMITED.
- To obtain bits of facts into the hazard the board exercises of the ANGEL BROKING LIMITED.
- Taking into consideration of the credit approach management on Comparative evaluations of Public piece and concealed division.

RESEARCH METHODOLOGY:

Central source

By means of a survey involving some project management professionals, it was possible to establish a chart to study the subject matter of risk management.

Additionally, the information is collected from the course of books and different magazines.

Assistant source

Books and internet

Duration Period 2 months in the company

Sample size: 5 years.

To learn risk, return and loads.

Tools and Techniques:

The kinds of tools and techniques which are used in Portfolio management are Average Return, Standard Deviations, mean, median

LIMITATION OF THE STUDY:

1. The chance that hazards are incongruously reviewed and sifted through, time can be wasted in managing the risk of debacles that are not meant to happen.
2. Contributing a massive amount of essentialness in investigating and coordinating bizarre hazards which can occupy assets that could be utilized much more beneficially.
3. Unthinkable occasions occurs yet on the off chance that the peril is effectively fantastical to happen, it might be progressively wise to just hold the hazard and deal with the result if the tragedy occurs.
4. The different approaches in calculating risk can lead to different results with the same portfolio.
5. Computation of risk for a portfolio not only requires one to estimate the risk and return of the asset but also the correlations among them. Thus, the greater the figure or diversity of assets in a portfolio, calculating risk will be difficult.

THEORETICAL CONCEPTS

Risk the board is the ID, assessment, and prioritization of perils trailed by ready and reasonable custom of assets for infringement point, screen, and manage the probability just as the impact of inexcusable events or to improve the confirmation of possibilities. Threats can ascend out of flaw in cash associated markets, adventure disillusionments, rightful liabilities, credit prospect, disasters, typical causes and disasters similarly as an attack from a foe, or events of vague or precipitate fundamental driver. A couple of perils the official's policies have been made together with the Project Management Institute, the National Institute of Science and Technology, actuarial social requirements, and ISO models. Methodologies, definitions and destinations change for the most part as showed by the peril the board system concerning the officials, safety, planning, existing strategies, cash related portfolios, actuarial assessments, or wide-ranging prosperity.

The frameworks to manage the risk normally consolidate moving the danger to another common affair, escaping the risk, retreating the negative effect or chance of the peril, or continuing a couple or the whole of the possible or factual results of a particular risk.

Certain pieces of limitless risk the official's benchmarks have gone under analysis for having no quantifiable advance for possibility, whether or not the trust in evaluations and decisions come into view to enhance.

The technique of risk which the officials contains a couple of stages as follows:

Setting up the one of a kind circumstance

Setting up the setting incorporates

1. Detection of menace in a chosen subject of interest.
2. Preparing the residue of the technique.
3. Mapping out the going with:
 - The collective degree of jeopardy of the administrators.
 - The character and objectives of accomplices.
 - The principle whereupon perils will be evaluated.
4. Defining a constitution for the activity and stimulation for recognizing confirmation.
5. Developing an evaluation of the perils to draw in with the system.
6. Mitigation or explanation of perils by available automatic, individual and justifiable resources.

Recognizing evidence

The accompanying stage during the time spent to regulate risk is by recognizing possible threats. Perils are about actions that, when initiated, cause issues. The chance noticeable confirmation starts with the fountain of issues, or with the issue itself at this stage.

- Source assessment Risk occurs inside or outside of the structure.
- Occasions of peril sources are accomplices of an enterprise, laborers of an organization or the ambiance over an air terminal.
- Problem assessment Risks are related to familiar threats. For example the danger of losing money there is peril of mistreatment of confidential information or the danger of disasters and misfortunes. The perils may subsist with a range of components, speculators, customers and respected bodies.

DATA ANALYSIS AND INTERPRETATION:**Computation of return of CIPLA**

Year	Beginning price(Rs)	Ending price(Rs)	Dividend(Rs)
2016-2017	320.00	448	3.50
2017-2018	447.95	251.35	2.00
2018-2019	251.5	214.65	2.00

Return=Dividend+ (Ending Price-Beginning price)

*** 100**

Beginning Price

Return (2016) = 3.50+ (448-320.00)

$$\frac{\quad}{320} \quad * 100 \quad = \quad 41.09\%$$

Return (2017) = 2.00+ (251.35-447.95)

$$\frac{\quad}{447.95} \quad * 100 \quad = \quad -43.44\%$$

Return (2018) = 2.00+ (214.65-251.5)

$$\frac{\quad}{251.5} \quad * 100 \quad = \quad -16.65\%$$

Computation of return of RANBAXY

Year	Beginning price(Rs)	Ending price(Rs)	Dividend(Rs)
2016-2017	1468	362.75	16.50
2017-2018	363	391.8	8.50
2018-2019	391	425.5	8.50

Return=Dividend+ (Ending Price-Beginning price)

*** 100**

Beginning Price

Return (2016) = 16.50+ (362.75-1468.00)

$$\frac{\quad}{1468.00} \quad * 100 \quad = \quad -70.24\%$$

$$\text{Return (2017)} = \frac{8.50 + (391.8 - 363)}{363} * 100 = 10.27\%$$

$$\text{Return (2018)} = \frac{8.50 + (425.5 - 391.00)}{391.0} * 100 = 10.99\%$$

Computation of standard deviation of CIPLA

Year	Return (R)	- R	- R-R	- (R-R) ²
2016-2017	41.09	-7.744	48.834	2384
2017-2018	-43.44	-7.744	-35.696	1474
	-38.72			14197.692

$$\text{Average (R)} = \frac{\sum R}{N} = \frac{-38.72}{2} = -7.744$$

$$\begin{aligned} \text{Standard Deviation} &= \sqrt{\text{Variance}} \\ &= \sqrt{1 (14197.692)} \\ &= 55.22 \end{aligned}$$

Computation of standard deviation of RANBAXY

Year	Return (R)	- R	- R-R	- (R-R) ²
2016-2017	-70.24	10.19	-80.42	6467
2017-2018	10.27	10.19	0.09	0.0081
	50.89			14181

$$\text{Average (R)} = \frac{\sum R}{N} = \frac{50.89}{2} = 10.19$$

$$\text{Variance} = \frac{1}{n-1} \sum (R-R)^2$$

$$\begin{aligned} \text{Standard Deviation} &= \sqrt{\text{Variance}} \\ &= \sqrt{1 (14181)} \\ &= 55.15 \end{aligned}$$

Correlation between CIPLA & RANBAXY

Year	DEVIATION OF CIPLA RA-RA	DEVIATION OF RANBAXY RB-RB	COMBINED DEVIATION (RA-RA) (RB-RB)
2016-2017	48.834	-80.42	-3927.23
2017-2018	-35.696	0.09	-3.215
			448.667

$$\text{Co-variance (COVAB)} = \frac{1}{n} \sum_{t=1}^n (\text{RA-RA}) (\text{RB-RB})$$

$$\begin{aligned} \text{Co-variance (COVAB)} &= \frac{1}{5} 448.667 \\ &= 89.7334 \end{aligned}$$

$$\begin{aligned} \text{Correlation - Coefficient (PAB)} &= \frac{\text{COV AB}}{(\text{Std. A})(\text{Std. B})} \\ &= \frac{89.7334}{(55.22)(55.15)} \\ &= 0.0295 \end{aligned}$$

CORRELATION COEFFICIENT

COMPANY	R
BAJAJAUTO&RANBAXY	0.605
CIPLA&RANBAXY	0.0295
RANBAXY&WIPRO	0.354
CIPLA&BAJAJ	0.690

PORTFOLIO WEIGHTS

Formula:

$$X_a = \frac{(\text{Std. b})^2 - p_{ab} (\text{std. a})(\text{std. b})}{(\text{std. a})^2 + (\text{std. b})^2 - 2 p_{ab} (\text{std. a})(\text{std. b})}$$

$$X_b = 1 - X_a$$

Where $X_a = \text{CIPLA}$

$$X_b = \text{RANBAX}$$

$$\text{Std.a} = 55.22$$

$$\text{Std.b} = 55.15$$

$$p_{ab} = 0.0295$$

$$X_a = \frac{(55.15)^2 - 0.0295 (55.22) (55.15)}{(55.22)^2 + (55.15)^2 - 2 (0.0295) (55.22) (55.15)}$$

$$X_b = 1 - X_a$$

$$X_a = 0.49918$$

$$X_b = 0.50084$$

Two Portfolios	Correlation Coefficient	COMPANY Xa	COMPANY Xb	PORTFOLIO RETURN Rp	PORTFOLIO RISK σp
WIPRO&CIPLA	0.5206	0.8199	..0.1901	116.24	31.16
BAJAJ & RANBAXY	0.5008	0.0563	0.9497	26.835	22.77
CIPLA& RANBAXY	0.605	0.49918	0.50084	1.2335	49.43
WIPRO &BAJAJ	0.0295	1.6206	-0.620	142.61	191.22

PORTFOLIO RETURN (Rp)=(Ra)(Xa) + (Rb) (Xb)

PORTFOLIO RISK= _____

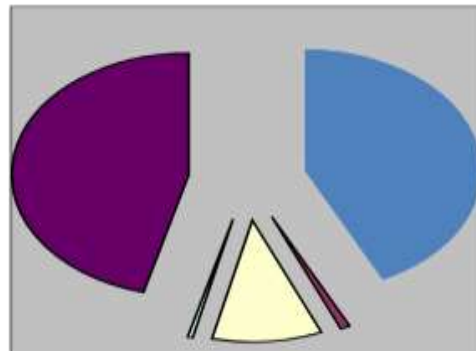
$$\sigma_p = \sqrt{X_1^2\sigma_1^2 + X_2^2\sigma_2^2 + 2(X_1)(X_2)(X_{12})\sigma_1\sigma_2}$$

Portfolio return Rp

WIPRO&CIPLA	116.24
BAJAJ & RANBAXY	26.835
CIPLA& RANBAXY	1.234

WIPRO &BAJAJ	142.61
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PORTFOLIO RETURN



INTERPRETATION:

From the above able we can figure, that portfolio return of Wipro and Cipla are high i.e. 116.24 when compared to other portfolios returns. The portfolio return for cipla and Ranbaxy is very low among four returns i.e. 1.234.

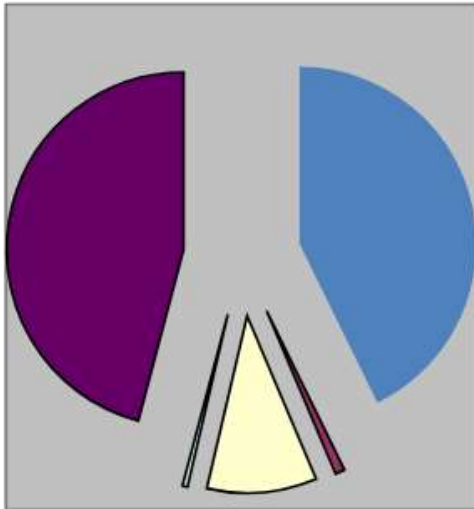
Portfolio risk

WIPRO&CIPLA	31.16
BAJAJ & RANBAXY	22.77
CIPLA& RANBAXY	49.43
WIPRO &BAJAJ	191.22



INTREPRETATION:

From the table we can figure, that Wipro and Bajaj has high portfolio risk of 191.22 among four other portfolios. The portfolio of Wipro and Ranbaxy has lowest risk of 22.77.

PORTFOLIO RETURN**FINDINGS****WIPRO and CIPLA**

The blend of WIPRO and CIPLA gives the level of the hypothesis of 0.0478 and 0.4025. Considering the standard deviations, the standard deviation for WIPRO is 70.47 and for CIPLA is 22.2.

Right now, budgetary specialist should put their central concentrates more in CIPLA when showed up particularly about WIPRO as the peril pulled in with CIPLA and the standard deviation of CIPLA isn't as much as that of WIPRO.

CIPLA&RANBAXY

The mix of CIPLA and RANBAXY gives the degree of the hypothesis as 0.49917 and 0.50084 respectively. Considering the standard deviations, CIPLA is 55.22 and RANBAXY is 55.14. The risk is in every practical sense not defined, consequently, the danger is relative when assets are set into both of the security.

CONCLUSIONS

In case of perfectly associated securities or stocks, the risk can be condensed to a minimum point.

In case of negatively correlative securities the risk can be reduced to a zero which is company's risk, but the market risk overcome the same for the security or stock in the portfolio.

The following are the conclusions of the study.

- Risk management underscores the fact that the endurance of an organization depends deeply on its capabilities to anticipate and prepare to adjust rather than just waiting for the change and respond to it.
- The purpose of risk management is not to exclude or avoid risk taking activity, but to make sure that the risks are knowingly taken with full information, obvious purpose and understanding so that it can be precise and mitigated.

SUGGESTIONS

- Investor would be able to accomplish when the proceeds of shares and debenture from diversified portfolio. Thus portfolio construction would address itself to three major via. Selectivity, timing and diversification
- Investors may invest their money for long run, as both the combinations are most suitable portfolios. A lucid investor would continuously examine his chosen assortment both for average return and risk.

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