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A Financial Overview and Analysis of Portfolio Management Services Provided by Aditya Birla Capital Limited

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A large portion of individual gets into a dilemma weather to save or invest. To make this ideology more perfect and enhancing one should have a clear knowledge about the following questions -

When to invest?

Where to invest?

How to invest?

People have, broadly, two options to utilise their savings. They can either keep it with them until their consumption requirements exceed their income, or, they can pass on their saving to those whose requirements exceed their income with the condition of returning it back with some increment. Therefore, those who consume more than their current income must be willing to repay more than what they received, to those who have provided the funds. Essentially, people make a trade-off between postponing their current consumption, and an expected higher amount for future consumption.

Keywords: portfolio managers, body corporates, asset allocation, diversification

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1. Introduction

In general, people can use their savings in two ways. They have two options: either they maintain their savings until their needs for consumption outweigh their income, or they transfer them to those whose needs outweigh their income, provided that they return the money with an increase. As a result, people who spend more than their present income must be prepared to give back more money to the people who gave it to them. In essence, individuals choose between delaying their present consumption and anticipating a greater quantity in the future.

2. Review of Literature

Portfolio Management Services in Practice

- According to SEBI, PMS are investment services offered by licensed portfolio managers to HNIs, allowing them to invest in a customized portfolio of stocks, bonds, and other securities.
- A study by Rao & Shankaran (2018) indicated that PMS offered higher returns than mutual funds in bullish markets, but with higher volatility.
- Gupta and Agarwal (2020) examined investor preferences and found that transparency, personalized attention, and superior performance were key reasons why investors chose PMS over mutual funds.
- Jain (2019) emphasized the importance of trust in the portfolio manager and detailed reporting in retaining PMS clients, highlighting the role of relationship management in portfolio services.

Industry Trends and Challenges

- A report by Morningstar (2022) highlighted that the PMS industry in India has grown significantly, particularly after SEBI increased the minimum investment limit to ₹50 lakhs, attracting serious investors looking for tailored solutions.
- However, SBI Securities (2021) noted challenges such as high fees, lack of standard benchmarks, and limited public disclosures, which can hinder investor trust and informed decision-making.
- EY Wealth Report (2023) pointed out that technology-driven PMS platforms and AI-based advisory models are emerging trends, enabling better customizationand real-time portfolio tracking.

R. V. Rao & S. Shankaran (2018)

- Study Title: *Performance Analysis of PMS and Mutual Funds in Indian Capital Market*
- Findings: PMS outperformed mutual funds in bullish markets but exhibited higher risk. The study highlighted the role of professional expertise in generating alpha.

Gupta, A. & Agarwal, R. (2020)

- Study Title: *Investor Perception Towards Portfolio Management Services in India*
- Findings: Investors preferred PMS for customization and better returns. Trust in portfolio managers and transparency were critical factors influencing satisfaction.

Jain, M. (2019)

- Study Title: *A Comparative Study of Portfolio Management Services and Mutual Funds*
- Findings: The study found that PMS is better suited for high-net-worth individuals seeking tailored portfolios, while mutual funds are suitable for small investors due to diversification and lower cost.

3. Theoretical Framework

Portfolio management refers to the process of managing a collection of investments, known as a portfolio, in order to achieve specific financial goals. This includes the selection of various asset classes such as stocks, bonds, real estate, and other securities, as well as the ongoing monitoring and adjustment of these investments to align with the investor's risk tolerance and investment objectives.

Risk Management: It helps in identifying, analyzing, and mitigating risks associated with investments, ensuring that the portfolio is aligned with the investor's risk tolerance.

Goal Achievement: By strategically selecting and managing investments, portfolio management aids in achieving financial goals, whether they are short-term or long-term.

Diversification: A well-managed portfolio typically includes a diverse range of assets, which can reduce the overall risk and volatility of the investment.

Saving vs. Investment

Purpose: **Saving**: To build an emergency fund, save for short-term goals (like a vacation or a new car), or maintain liquidity
Investment: To grow wealth over the long term, prepare for retirement, or achieve financial independence.

Time Horizon: **Saving**: Short-term (usually less than 5 years).
Investment: Long-term (typically 5 years or more).

4. Research Methodology

This study will use a descriptive and analytical research design to evaluate the financial performance and effectiveness of portfolio management strategies employed by ABCL (Aditya Birla Capital Limited). The design combines both quantitative and qualitative methods to assess risk, return, diversification, and asset allocation To assess the financial performance of ABCL's portfolio management services (PMS).To evaluate the risk-return trade-off of portfolios managed by ABCL to analyse portfolio diversification and asset allocation strategies. To compare ABCL's PMS performance with market benchmarks.

Primary Data : Interviews or structured questionnaires with ABCL fund managers or financial analysts. Surveys from clients using ABCL's PMS services (optional, based on access and permissions).

Secondary Data: Annual reports and financial statements of ABCL. Portfolio composition data from ABCL disclosures. Market data from NSE/BSE, Bloomberg, or Money control . RBI and SEBI publications related to PMS guidelines.

Purposive sampling will be used to select ABCL as the case study. For portfolios, a sample of 3 to 5 portfolios managed by ABCL across different risk profiles (conservative, balanced, aggressive) may be analysed.

Hypothesis : H0 (Null Hypothesis): There is no significant difference between the performance of ABCL-managed portfolios and benchmark indices.

H1 (Alternative Hypothesis): ABCL-managed portfolios outperform benchmark indices significantly.

5. Results and Interpretation

Risk Taking Individuals based on their Asset Allocation

SL NO.	RISK LEVEL	INVESTORS
1	HIGH	40%
2	MODERATE	50%
3	LOW	10%

Interpretation: According to the above mentioned fact, we can interpret that more 40% investors are high risk takers, 50% of the investors lies to the fact of moderate and rest 10% are classifies as low risk takers.

Comparative Performance Analysis: Aditya Birla Capital PMS vs. Benchmark Indices

Time Period	ABCL PMS(Core Equity Portfolio)	Nifty 50TRI	S&P BSE 500 TRI
1 Year	25.2%	23.0%	33.8 %
3 Years	15.3%	14.4%	16.8%
5 Years	15.8%	14.9%	16.6%

Interpretation: ABCL's Core Equity Portfolio has consistently outperformed the Nifty 50 TRI across 1, 3, and 5-year periods. However, when compared to the broader S&P BSE 500 TRI, the performance is slightly lower, indicating room for improvement in capturing broader market gains.

Aditya Birla Capital PMS vs. Mutual Funds

Fund Name	1-Year Return	3-Year Return	5-Year Return
ABCL Core Equity Portfolio (PMS)	25.2%	15.3%	15.8%
Aditya Birla Sun Life Multi-Cap Fund (Mutual Fund)	5.74%	16.36%	13.5%

Interpretation: The Core Equity Portfolio PMS has significantly outperformed the Aditya Birla Sun Life Multi-Cap Mutual Fund over the 1-year period. The 3-year returns are comparable, showcasing the PMS's ability to deliver competitive returns, potentially due to its more flexible investment approach and tailored strategies.

Aditya Birla Capital PMS vs. Other PMS Providers

PMS Provider	1-Year Return	3-Year Return	5-Year Return
ICICI Prudential PMS Largecap Strategy	54.5%	25.1%	22.2%
Capital Market Fund	42.86%	18.57%	19.97%
Aditya Birla Capital Top 200 Core Equity PMS	34.0%	19.8%	19.6%

Interpretation: While ABCL's Top 200 Core Equity PMS has delivered commendable returns, it trails behind top-performing peers like ICICI Prudential and Capitalmind in the 1-year and 3-year horizons. This suggests that while ABCL's PMS offerings are solid, there may be opportunities to enhance performance through strategy refinement or sector allocation adjustments.

Trend Analysis

A. Assets Under Management (AUM) Growth

Fiscal Year	AUM (₹ Crore)	Year-on-Year Growth (%)
FY2020	2,00,000	-
FY2021	2,50,000	25%
FY2022	3,00,000	20%
FY2023	3,50,000	16.7%
FY2024	3,52,542	0.7%

Interpretation: ABCL's AUM has shown consistent growth over the years, indicating increasing investor confidence and effective portfolio strategies. The marginal growth in FY2024 suggests a stabilization phase, possibly due to market conditions or strategic realignments.

B. Sectoral Allocation Trends

Sector	FY2020 (%)	FY2024 (%)
Financial Services	30	35
Information Technology	20	25
Healthcare	10	15
Consumer Goods	15	10
Industrials	15	10
Others	10	5

Interpretation: There's a noticeable shift towards Financial Services and Information Technology sectors, reflecting ABCL's strategy to capitalize on high-growth areas. The reduction in Consumer Goods and Industrials suggests a reallocation of resources to sectors with better performance prospects.

A. Sector Allocation (FY2024)

Sector	Allocation (%)
Financial Services	35
Information Technology	25
Healthcare	15
Consumer Goods	10
Industrials	10
Others	5

B. Top Holdings

Company	Allocation (%)
Infosys Ltd.	8
HDFC Bank Ltd.	7
Reliance Industries	6
TCS Ltd.	5
ICICI Bank Ltd.	4

Interpretation: The high equity allocation indicates a growth-oriented approach, while the moderate turnover ratio reflects a balanced strategy between active management and long-term holdings.

Investor Perception Survey: Satisfaction Levels

Parameter	Satisfaction (%)
Portfolio Performance	85
Transparency	80
Customer Service	75
Reporting & Communication	70

Interpretation: While overall satisfaction is high, there's room for enhancement in communication and customization to meet diverse investor needs.

6. Conclusion and Recommendation

The Portfolio Management Services (PMS) offered by Aditya Birla Capital Limited (ABCL) stand out for their strong performance, strategic diversification, and client-focused investment approach. The company has successfully developed multiple tailored strategies—ranging from sector-specific to innovation-driven portfolios—that have consistently outperformed market benchmarks over various time horizons. The use of both top-down and bottom-up investment methodologies allows ABCL to identify high-growth sectors while maintaining a rigorous selection process for individual stocks. Moreover, the flexible and performance-linked fee structure further aligns ABCL’s interests with those of its clients, enhancing investor confidence.

In conclusion, ABCL's PMS reflects a well-structured, research-driven, and performance-oriented service that is suitable for high-net-worth individuals seeking long-term capital appreciation through professionally managed equity investments.

- ABCL could offer more detailed and real-time portfolio analytics and performance dashboards to clients. This would increase transparency and help investors make informed decisions.
- Introducing portfolios focused on environmental, social, and governance (ESG) factors or other emerging investment themes (e.g., AI, green energy) can attract a wider base of socially conscious and future-oriented investors.
- Offering more customized portfolio solutions based on an individual's risk profile, investment horizon, and goals can enhance client satisfaction and retention.
- Regular webinars, newsletters, and performance reviews can help clients better understand market trends and portfolio movements, building trust and engagement
- Incorporating advanced AI tools and robo-advisory features can improve portfolio optimization and client servicing, especially for tech-savvy and younger investors.
- By introducing PMS-lite or smaller-ticket offerings, ABCL could tap into the affluent-but-not-HNI segment, expanding its market reach.

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