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A Comparative Study on the Performance and Risk Analysis of Pharma Sector Mutual Funds in India

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Abstract:

This study examines the financial performance and risk analysis of selected mutual funds in India's pharmaceutical sector. Mutual funds are becoming a popular investment avenue due to their diversification and professional management. However, investors often lack sufficient knowledge about risk factors, particularly in sector-specific funds like pharma. This study focuses on five leading pharma mutual funds: Nippon India Pharma Fund, Tata India Pharma & Healthcare Fund, SBI Healthcare Opportunities Fund, UTI Healthcare Fund and Aditya Birla Sun Life Pharma & Healthcare Fund. Using secondary data, including annual Net Asset Values (NAVs), asset size and returns over 1, 3, 5 years and during the COVID-19 period, the funds are analyzed using Sharpe's and Treynor's indices to assess risk-adjusted performance. Findings indicate that while Nippon India Pharma Fund consistently leads in returns, SBI Healthcare Opportunities Fund showed resilience during market downturns. COVID-19 caused negative returns across all funds, with ICICI Prudential Pharma Fund experiencing the largest decline. The study highlights the need for investor awareness regarding risk and recommends diversified portfolio strategies for better decision-making.

Keywords: Pharma sector; mutual funds; risk analysis; Sharpe index; Treynor index; asset size; NAV; COVID-19 impact; investment strategies.

Introduction

Stock exchange is a spot where stock sellers exchange stocks. Affiliation could have to get their stock recorded on stock substitute. A stock moreover be obtained and purchased handiest if it is recorded on a substitute. The exchange supplies progressing bought and offring grasping on the recorded protections, empowering rate divulgence. India's most important stock exchange are the Bombay stock exchange and National stock exchange. For common people these are done by:

- **Research design**

- Statement of problem**

- “Poor information in the investors of risk related to mutual funds in pharma sector.”

- **Need of the study**

1. This review study talks essentially about the five best - performing pharma mutual assets, like, Nippon India pharma Fund, Tata India Pharma and healthcare fund, SBI



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healthcare opportunities fund, UTI Healthcare fund and Aditya Birla Sun Life Pharma and Healthcare fund

2. These five explicit mutual fund assets in pharma sector are looked irrespective of their dangers and return.
3. This investigation depends on the return and NAV of each mutual fund asset. Other AMC execution pointers are not viewed as in the review. it considers the yearly NAVs and benchmark values

Objective of study

1. To investigate the financial exhibitions of the chosen common pharma mutual funds.
2. To evaluate the exhibition of the chose common mutual funds with risk changes. The hypothetical boundaries suggested by Sharpe's and Treynor's index.
3. To know the connection between the chosen mutual fund assets and NSE Nifty Index.

Scope of study

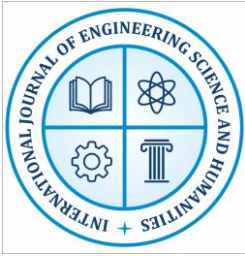
1. Liquidity
2. Minimal expense
3. Proficient administration
4. Likely return
5. Adaptability
6. Reasonableness
7. All around managed
8. Expansion
9. Straightforwardness

Research Methodology

Data was collected was of 5 mutual funds in pharma sector in India. In data the return of following factors was taken into consideration

1. AS – Asset size
2. NAV – Net asset value
3. Return in first year / since inception
4. 3-year return (2015 - 2018)
5. 5-year return (2013 - 2018)
6. Return during Covid (2019 - 2022)
7. Return in 2021

The data collected for this study is a secondary data easily available from various online sources, majorly from their websites and SEBI. The statistical study done for this study for sample collection is random sampling, for analysis of data the comparative mean and standard deviation was done.



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- **Data analysis and interpretation**

Findings

Upon comparison of the funds in term of asset size and net asset value, the Nippon India pharma fund came to be highest and the lowest was Aditya Birla Sun life pharma and healthcare fund.

The performance comparison of the return percentage from the inception years, relived that the Nippon India pharma fund is leading the others in the study. It is interesting to note that the ICICI Prudential pharma healthcare and diagnostics fund is around 14 years younger and has return difference of 0.8% from the Nippon fund.

The 3-year return data shows that the ICICI fund is the highest among the others. The Nippon fund is just behind by 0.64%.

The Covid time data showed that the return percentage came to be negative for all the funds taken in this study. The lowest downfall was of SBI healthcare opportunities fund, followed by the Nippon India pharma fund. The highest fall was of ICICI prudential pharma fund.

Conclusions:

The analysis of five leading pharma mutual funds revealed mixed performance across time periods. Nippon India Pharma Fund emerged as the most consistent performer with strong returns since inception, while ICICI Prudential Pharma Fund displayed strong short-term gains but greater volatility. During the COVID-19 period, all funds recorded negative returns, emphasizing the vulnerability of sector-specific investments to market shocks. SBI Healthcare Opportunities Fund exhibited the least decline, indicating better risk management. Key takeaways include: Sectoral funds like pharma can provide high returns but carry higher risk; suitable for investors with higher risk tolerance. Diversification remains essential; investors should not rely solely on one sector. Regular performance review and knowledge of risk-adjusted measures (Sharpe, Treynor) can improve investment decisions. Young investors with higher risk appetite can consider pharma mutual funds for long-term growth. Moderate or risk-averse investors should allocate only a small portion of their portfolio to sector-specific funds and balance it with diversified equity or hybrid funds.

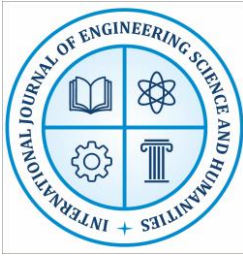
- **Suggestions and recommendations**

If an investor is young and some who can afford to take risk can go for pharma sector mutual fund as the returns will be high. If an investor wants stable and moderate risk, then he/ she should always consider pharma sector mutual funds because the return returns are good.

The best portfolio selection is the key for successful investment.

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