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Appraisal of Select Pharma and Healthcare Funds in Covid Scenario

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Introduction

Mutual fund is a professionally managed institution for pooling the funds of investors and allocating the same in equities, bonds and other assets to produce capital gains and income for its investors. The schemes of mutual funds can be classified on the basis of nature of business, nature of securities and so on. Sectoral fund is one among them which invests money in different business sectors like utilities, energy, infrastructure etc. Pharma and healthcare sector has a massive growth during recent years due to Covid scenario. It is a sector-specific fund that invests in different pharmaceutical and healthcare companies. Due to a huge population of India, there has always been a high demand for medicines and other health care needs because of which pharma companies have been earning good profits. Globally, India is the third largest pharmaceutical market in terms of volume.

Statement of the Problem

The pandemic has shown a great positive impact on the pharma and healthcare sector in India. There has been a continuous demand for the pharmaceutical and healthcare products like medicines, surgical equipments, sanitizers, face masks etc. during recent years due to Covid environment. Though there are slowdowns in the progress of pharmacy industry in the past, it is one of the booming business sectors now. There arises a need for a research work to find out the performance of select pharma and healthcare sector funds in this pandemic era. The current study tries to give answers to the following research questions. What is the net asset employed by the select pharma and healthcare funds during the study period? How do these funds performed in terms of Net Asset Value (NAV) during the period of study?

Profile of Select Pharma Funds

The researcher has selected the best performing top listed pharma sector based funds (regular and growth option) into consideration namely Nippon India Pharma fund, TATA India Pharma and Healthcare Fund and UTI Healthcare fund. The Nippon India Pharma fund was floated on 5th June, 2004 by the AMC named Nippon Life Asset Management Ltd. Its primary investment objective is to generate consistent returns by investing in equity and equity related or fixed income securities of Pharma and other associated companies. TATA India Pharma & Healthcare Fund was launched on 28th December, 2015 with an investment objective of seeking long term capital appreciation by investing at least 80 per cent of its net assets in equity/equity related instruments of the companies in the pharma & healthcare sectors in India. UTI Healthcare fund was initiated on 28th June, 1999 with the investment objective of capital appreciation through investments in equities and equity related instruments of the pharma & healthcare sectors.

Objectives of the Study

The present research has been carried out with two motives. To know the value of net assets of the select pharma and healthcare mutual funds. To study the performance of these schemes in terms of Net Asset Value (NAV).

Research Methodology

Nature The research work is descriptive in nature which exhibits the facts about select pharma and healthcare sector funds in India during the study period. Data Collection The study used only secondary data which were collected from concerned websites. Period The period of study is from 1st April, 2020 to 31st March, 2021. Some of the financial information related to this study period was analyzed by the researcher.

Limitations of the Study

The present research work is not free from limitations. Certain errors in published sources can lead to inaccuracy in results. The inherent limitations of secondary data apply to the current research work also. Moreover the study period is limited to one year. The post Covid scenario may also be showing a different picture in future.

Analysis and Discussion

Net assets employed Net assets employed by the select schemes are studied here. Dr.Reddy's Laboratories Ltd., Sun Pharmaceuticals Industries Ltd., Aurobindo Pharma Ltd., Cipla Ltd. are some of the leading companies where the investments are made by all the three schemes.

TABLE 1. Net Assets Employed

Name of the scheme	Net Assets (in Crores)	Composite Percentage
Nippon India Pharma Fund	5238	79
TATA India Pharma & Healthcare Fund	534	8
UTI Healthcare Fund	852	13
Total	6624	100

Source: Computed from web source data (<https://www.fincash.com>)

Table – 1 clearly shows the net asset base of the study schemes. The Nippon India Pharma fund has 79 per cent of the total asset base of these three funds which is followed by UTI Healthcare fund covering 13 per cent. The TATA India Pharma & Healthcare Fund has contributed 8 per cent to the total asset base of these funds. It is evident that the net asset base of Nippon India Pharma fund is considerably more than that of the remaining funds. Mean and Trend Analysis of NAV The Net Asset Value (NAV) of a mutual fund serves as a benchmark to assess the performance of that fund concerned. Net asset value represents a fund's per share market value. NAV is calculated by dividing the total value of all the cash and securities in a fund's portfolio, minus any liabilities, by the number of outstanding shares. The NAV calculation is important because it tells us how much one share of the fund is worth.

TABLE 2. Mean and Trend Analysis of NAV

Month & Year	Monthly Average and Trend Percentage of NAV (in Rs.) (Calculated)					
	Nippon India Pharma Fund (Monthly average)	Trend Percentage	TATA India Pharma & Healthcare Fund (Monthly average)	Trend Percentage	UTI Healthcare Fund (Monthly average)	Trend Percentage
April-2020	172.54	100.00	10.51	100.00	95.91	100.00
May-2020	180.46	104.48	10.82	102.94	99.97	103.96
June-2020	190.42	110.25	11.30	107.50	105.37	109.58
July-2020	194.61	112.67	11.44	108.84	108.19	112.51
August-2020	219.54	127.11	12.97	123.39	124.07	129.03
September-2020	220.73	127.80	13.13	124.91	125.48	130.49
October-2020	228.49	132.29	13.65	129.86	130.26	135.47
November-2020	228.43	132.26	13.63	129.67	129.57	134.75
December-2020	246.92	142.96	14.71	139.95	138.91	144.46
January-2021	255.95	148.19	15.17	144.32	142.80	148.51
February-2021	251.39	145.55	14.87	141.47	139.40	144.97
March-2021	246.53	142.74	14.46	137.57	137.05	142.53
Mean	219.66	127.19	13.05	124.20	123.08	128.02

Source: Computed from web source data of daily NAV (www.mf.nipponindiaim.com, www.amfindia.com & www.utimf.com) Table – 2 shows the monthly average of the NAV of the select mutual fund schemes and the trend thereon. All the NAVs were converted into trend percentages. With regard to the monthly NAVs, all the three funds have shown a stable growth over the period of study. The mean value of UTI Healthcare fund is 128.02, Nippon India Pharma fund is 127.19 and Tata India Pharma and Healthcare fund is 124.20.

Conclusion

Sectoral funds are an excellent investment option for long term financial requirements. But volatility and liquidity risks are also common. Pharma and healthcare sector has shown a booming environment due to the pandemic situation. The current research paper has analyzed only the net assets value of the select schemes. The asset base of Nippon India Pharma fund is very large when compared with the other two schemes. It is evident that UTI Healthcare fund has outperformed than its peers. Nippon India Pharma fund and Tata India Pharma and Healthcare fund have also shown a progressive report on par with the UTI Healthcare fund.

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