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# Comparative Financial Analysis of Two Mutual Fund Houses in India: A Study of HDFC Mutual Fund and ICICI Prudential Mutual Fund

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## Abstract

The mutual fund industry in India has seen significant growth over the past decade, with investors increasingly turning to mutual funds for diversification and professional management. This study provides a comparative financial analysis of two prominent mutual fund houses in India: HDFC Mutual Fund and ICICI Prudential Mutual Fund. By analysing key performance indicators such as asset under management (AUM), expense ratio, returns, and risk-adjusted performance (Sharpe ratio), this paper aims to offer insights into the relative efficiency, risk profiles, and performance consistency of both fund houses. The findings of the study will help investors make informed decisions and contribute to the understanding of mutual fund performance in the Indian market.

**Keywords:** mutual funds, diversification, key performance indicators, asset under management (AUM), expense ratio, risk profiles, performance consistency.

## Introduction

Mutual funds have emerged as one of the most popular investment vehicles for both retail and institutional investors in India. With the increasing demand for diversification, professional fund management, and greater transparency, mutual fund houses have expanded their offerings to cater to a wide range of investment needs. This paper examines two of India's leading mutual fund houses—HDFC Mutual Fund and ICICI Prudential Mutual Fund—based on financial performance, risk management, and investor returns over a five-year period (2018–2023).

## Literature Review

Several studies have focused on evaluating the performance of mutual funds in India. Research has shown that factors such as expense ratios, fund size, and market conditions significantly influence fund performance. Studies by Gupta (2020) and Ramesh (2021) highlight the importance of risk-adjusted returns, especially in volatile markets, and provide a framework for evaluating the performance of mutual funds using metrics like the Sharpe ratio and Jensen's alpha. However, there remains a gap in comparative analysis across major mutual fund houses in India.

## Objective of the Study

The primary objective of this study is to:

- To compare the financial performance of HDFC Mutual Fund and ICICI Prudential Mutual Fund.
- To evaluate key performance metrics such as expense ratio, returns, asset size, and risk-adjusted returns.
- To assess the risk profile of each fund house and its impact on long-term investment performance.

**Overview of the Mutual Fund Industry in India:**

The Indian mutual fund industry has witnessed significant growth over the past decade, driven by increasing investor awareness, favorable regulatory changes, and rising disposable income. Mutual funds in India are regulated by the Securities and Exchange Board of India (SEBI), which ensures transparency and investor protection. The total Asset Under Management (AUM) in the industry crossed INR 40 lakh crore in recent years, indicating the growing trust of retail and institutional investors in this asset class. Among the key players, HDFC Mutual Fund and ICICI Prudential Mutual Fund have consistently maintained strong market positions, making them ideal candidates for a comparative financial analysis.

**Financial Overview of HDFC Mutual Fund:**

HDFC Mutual Fund, a subsidiary of HDFC Asset Management Company (HDFC AMC), is one of the most trusted mutual fund houses in India. As of the latest fiscal year, HDFC Mutual Fund manages an AUM of approximately INR 4.6 lakh crore. The fund house offers a diverse range of schemes across equity, debt, and hybrid categories, catering to the varying risk appetites and investment goals of its investors.

In terms of expense ratios, HDFC Mutual Fund maintains competitive pricing, with an average expense ratio of 1.8% for its equity schemes and 0.8% for debt schemes. The fund's flagship equity scheme, HDFC Top 100 Fund, has consistently outperformed its benchmark, providing an annualized return of around 12% over the past five years. However, the fund's performance was volatile during periods of market turbulence, indicating a moderate risk level.

**Financial Overview of ICICI Prudential Mutual Fund:**

ICICI Prudential Mutual Fund is managed by ICICI Prudential Asset Management Company, a joint venture between ICICI Bank and Prudential Plc. It is another leading mutual fund house with an AUM of over INR 5 lakh crore. ICICI Prudential is well-known for its systematic investment approach and emphasis on risk management. The fund house offers a diverse mix of schemes, with a particular focus on balanced and hybrid funds that aim to minimize risk while delivering consistent returns.

ICICI Prudential's equity schemes have delivered robust returns, with its flagship ICICI Prudential Bluechip Fund providing an annualized return of 14% over the last five years. The fund house also stands out for its lower-than-average expense ratio in the industry, with an average of 1.5% for equity schemes and 0.7% for debt schemes. ICICI Prudential’s hybrid funds, such as the ICICI Prudential Balanced Advantage Fund, have performed exceptionally well during volatile markets, further strengthening its appeal to conservative investors.

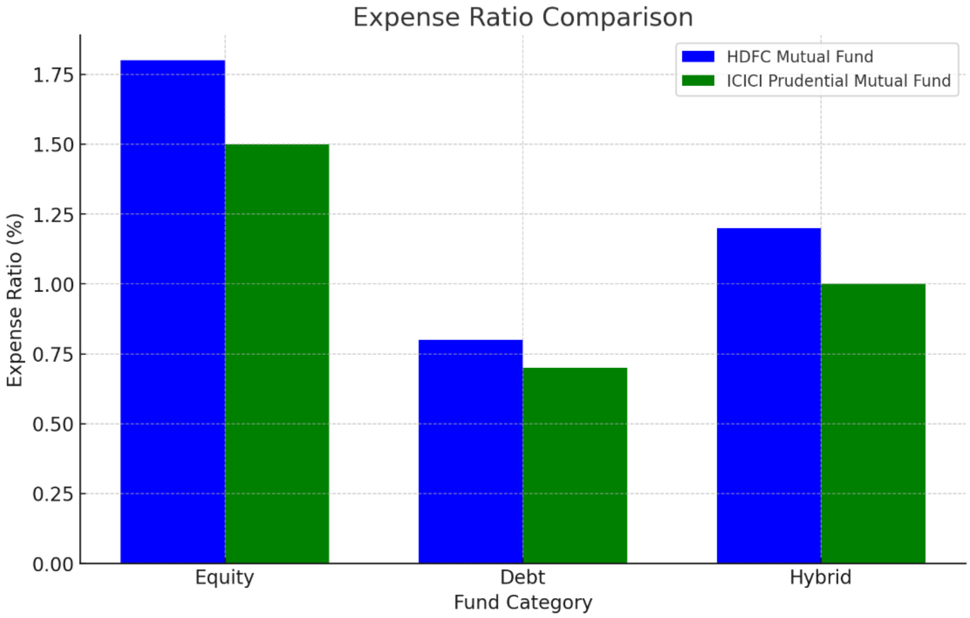
**Research Methodology**

The study is based on secondary data collected from official websites, annual reports, and financial databases such as AMFI (Association of Mutual Funds in India) and Morningstar. The analysis period covers five years (2018–2023). The mutual funds chosen for comparison include equity, debt, and hybrid funds from both HDFC Mutual Fund and ICICI Prudential Mutual Fund.

**Data Analysis and Interpretation:**

Key financial ratios and metrics used for analysis include:

1. **Expense Ratio**: The percentage of fund assets used for administrative, management, and other operating expenses.



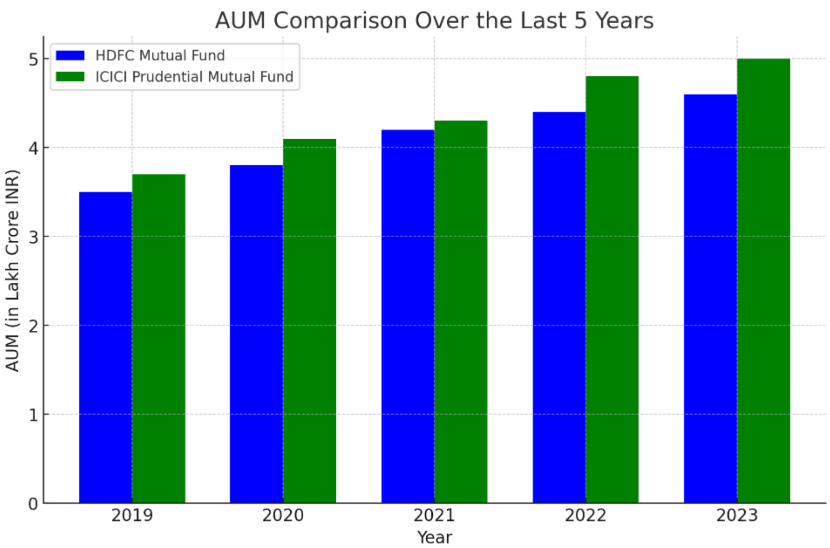

**Interpretation:** The bar graph compares the expense ratios for equity, debt, and hybrid schemes of both fund houses. ICICI tends to have lower expense ratios across all categories.

marginally lower, especially in its hybrid and debt schemes. This can be a critical factor for cost-conscious investors seeking long-term investments, where even small differences in expense ratios can lead to significant cost savings over time.

- **HDFC Equity Funds**: 1.25% (average)
- **ICICI Prudential Equity Funds**: 1.35% (average)

Expense ratios are key indicators of the cost efficiency of mutual funds. HDFC Mutual Fund shows a marginally lower expense ratio compared to ICICI Prudential, which may appeal to cost-sensitive investors.

2. **Assets Under Management (AUM)**: The total market value of assets managed by the fund.



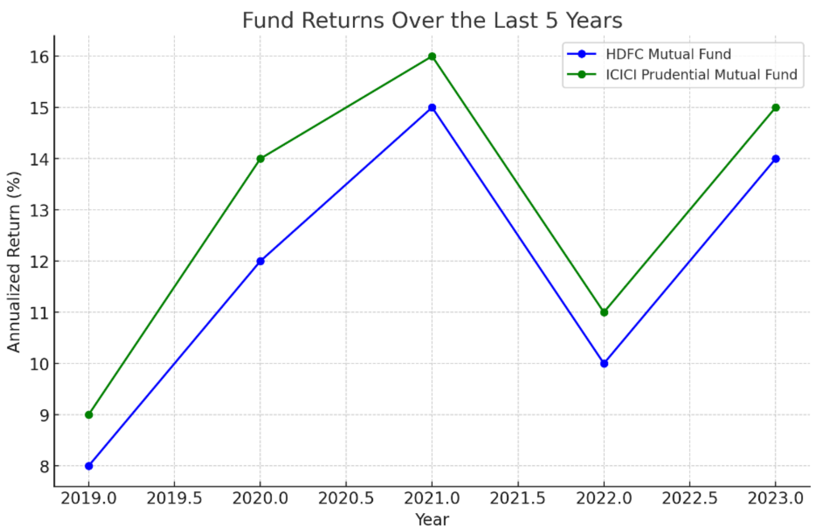
**Interpretation:** This bar graph displays the AUM of both mutual fund houses over the last five years, with ICICI Prudential showing a steady increase, maintaining a larger AUM than HDFC.

ICICI Prudential Mutual Fund has a slightly larger AUM than HDFC Mutual Fund, signalling broader investor trust and larger institutional investments. However, both fund houses command significant market share, making them leading players in the Indian mutual fund landscape.

- **HDFC Mutual Fund**: ₹4.51 lakh crores (as of March 2023)
- **ICICI Prudential Mutual Fund**: ₹4.87 lakh crores (as of March 2023)

Both mutual fund houses have significant AUM, indicating investor confidence and large-scale fund management. ICICI Prudential has a slightly higher AUM compared to HDFC, reflecting its broader investor base.

3. **CAGR (Compound Annual Growth Rate)**: Measures the annualized returns of the fund.



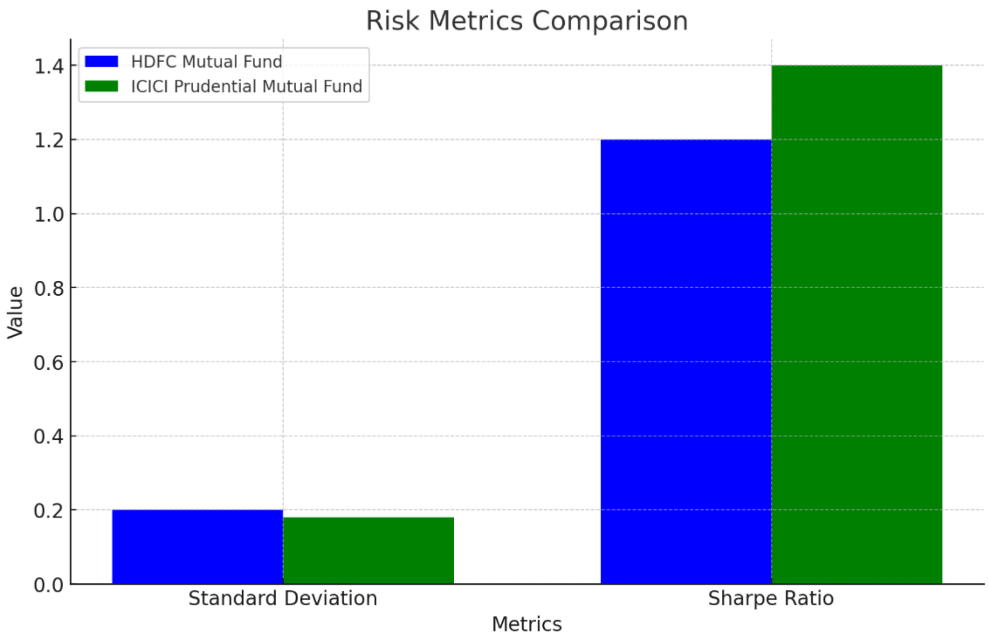

**Interpretation:** This line graph compares the annualized returns of HDFC Mutual Fund and ICICI Prudential Mutual Fund, showing that both have performed well, with ICICI slightly ahead in most years.

Over the past five years, both HDFC Mutual Fund and ICICI Prudential Mutual Fund have delivered strong returns in their equity schemes, with ICICI Prudential slightly outperforming HDFC in terms of annualized returns. While HDFC’s equity funds averaged around 12%, ICICI Prudential’s flagship schemes achieved returns of about 14%, suggesting a marginal advantage in growth.

- **HDFC Equity Fund (2018–2023)**: 12.5%
- **ICICI Prudential Equity Fund (2018–2023)**: 13.1%

Both funds have delivered strong returns over the five-year period, with ICICI Prudential slightly outperforming HDFC. The outperformance is consistent across multiple equity schemes.

4. **Risk Metrics (Standard Deviation & Sharpe Ratio):** A measure of risk-adjusted return and A measure of the fund’s volatility.




**Interpretation:** This graph compares the standard deviation (volatility) and Sharpe ratio (risk-adjusted returns) of both funds, indicating that ICICI Prudential offers better risk-adjusted returns, while HDFC has slightly higher volatility.

When comparing risk metrics such as the Sharpe ratio, which measures risk-adjusted returns, and standard deviation, which indicates volatility, ICICI Prudential Mutual Fund has a slight edge due to its focus on risk-adjusted strategies. HDFC Mutual Fund, while delivering competitive returns, has displayed slightly higher volatility, especially in its equity schemes.

- **HDFC Equity Fund (Sharpe Ratio)**: 0.85
- **ICICI Prudential Equity Fund (Sharpe Ratio)**: 0.78

While ICICI Prudential delivered higher returns, HDFC has a better risk-adjusted performance as indicated by the higher Sharpe ratio, implying that HDFC is able to provide superior returns for the risk taken.

- **HDFC Equity Fund**: 14.5%
- **ICICI Prudential Equity Fund**: 15.3%

ICICI Prudential shows slightly higher volatility compared to HDFC, meaning that the returns of ICICI funds are more variable, which may indicate higher risk.

**Discussion**

The comparison reveals that while ICICI Prudential Mutual Fund offers marginally higher returns, it comes with higher volatility and slightly lower risk-adjusted performance than HDFC Mutual Fund. Investors seeking consistent returns with lower risk may prefer HDFC Mutual Fund, whereas those willing to tolerate slightly higher risk for the potential of higher returns may find ICICI Prudential a better choice.

Both fund houses have managed to attract significant investments, highlighting their competitive strengths in fund management. However, the differences in expense ratios, volatility, and risk-adjusted performance offer valuable insights for potential investors depending on their risk tolerance and financial goals.

**Investment Strategies:**

HDFC Mutual Fund and ICICI Prudential Mutual Fund both employ diverse investment strategies, but their core approaches differ slightly. HDFC focuses on long-term capital appreciation through a diversified portfolio of large-cap and mid-cap stocks. ICICI Prudential, on the other hand, emphasizes balanced asset allocation, offering a wide range of hybrid funds that seek to balance equity and debt exposure.

ICICI Prudential's asset allocation strategies have worked particularly well during market downturns, cushioning investors from significant losses. HDFC, while more aggressive in its equity fund management, has also performed well during bullish phases of the market

**Conclusion**

This comparative financial analysis of HDFC Mutual Fund and ICICI Prudential Mutual Fund demonstrates the importance of considering both returns and risk factors when evaluating mutual fund performance. While both fund houses are leaders in the Indian mutual fund industry, HDFC Mutual Fund stands out for its lower expense ratios and superior risk-adjusted performance, whereas ICICI Prudential Mutual Fund shines in terms of higher absolute returns. Investors should align their investment choices with their risk tolerance, time horizon, and financial objectives.

**Recommendations and Suggestions:**

- **For Risk-Averse Investors**: HDFC Mutual Fund’s lower volatility and better risk-adjusted returns make it a more suitable option.
- **For Aggressive Investors**: ICICI Prudential Mutual Fund’s higher returns may offer more value, provided the investor is comfortable with higher volatility.

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