SOMAIYA VIDYAVIHAR UNIVERSITY

Semester: Jan – Mar 24		
Maximum Marks: 50 **Examination: ETE Exam** **Date: 01/04/2024** **Duration: 3 Hrs.**		
Programme code: MBA (Finance Minor) **Programme: 01**	**Class:** SY	**Semester/Trimester: VI**
College: K. J. Somaiya Institute of Management	**Name of the department/Section/Center:** **Finance**	
Course Code: 217P01M608	**Name of the Course: Project Finance and Appraisal**	

Instructions:

1. Question No.1 is compulsory for 20 marks.
2. Solve any **THREE** from the remaining 10 marks each.

Question No.		Max. Marks
1	ABC Ltd. is an established business engaged in manufacturing of industrial paints. It is now evaluating an opportunity in manufacturing decorative paints which has shown good consumer demand. A detailed analysis was carried out to understand the feasibility of the project. Following details were derived from the analysis for 5 years: - The project would require a total investment of Rs.350 lakhs which would consist of Rs.200 lakhs in fixed assets & Rs.150 lakhs in current assets - The project would be financed by Equity shares of Rs.75 lakhs, Preference Shares of Rs.25 lakhs, Term Loan of Rs.150 lakhs, Working Capital Loan of Rs.75 lakhs & Trade Credit of Rs.25 lakhs - Preference Shares carry a dividend rate of 15% p.a. and would be redeemed at the end of 5 years - The term loan is repayable in 5 equal annual instalments payable at the end of each year at an interest rate of 16% p.a. - The levels of working capital loan and trade credit will remain same throughout the life of project & will be paid back at the end of project. Interest on working capital loan to be considered as 20% p.a. - Sales in the first year would be Rs.500 lakhs, post which it would increase by 10% every year - Variable costs would be 60% of Sales - Fixed costs other than depreciation attributable to the project would be Rs.32 lakhs per year. Depreciation on Fixed Assets would be @25% on Written Down Value (WDV) basis - By investing in the decorative paints project, ABC Ltd would be losing revenues in industrial paints business by Rs.110 lakhs every year - Corporate wants to allocate additional overheads of Rs.20 lakhs every year - these overheads would be incurred even if project would not have been executed - The fixed assets would be sold at remaining book value at the end of project. - Current assets would also be recovered at the end of the project subject to bad debts of Rs.50 lakhs which would be allowed for taxation purposes - The company has a taxation rate of 50% & cost of capital of 10% As the financial manager for ABC Ltd., you are required to prepare a projected cash flow statement from Equity Funds point of view You are also required to calculate the following considering cash flows calculated above: a) Net Present Value (NPV) b) Profitability Index (PI) c) Discounted Payback Period (DPB) d) One of the Directors of the company is of the opinion that cost of capital should be considered at 16% which would impact the NPV of the project. Advise the company whether project would be feasible if the Director's opinion is considered e) Another Director was of the opinion that cash flow should be prepared on Long Term Funds point of view. What would you additionally consider or eliminate if cash flow is to be prepared on Long Term Funds point of view? *(Detailed Cash Flow statement is not required for Long Term Funds point of view)* f) Final Recommendation	20
2	PQR Ltd has funds of Rs.1.30 crores which it could invest in either Project A or Project B. The present (PV) of cash inflows of both projects under certain scenarios are given as follows: *(Rs. In '000)*	10

Scenario	Probability	PV of Cash Inflows

		Project A	**Project B**
Pessimistic	0.25	12,096	5,548
Most Likely	0.50	16,370	16,370
Optimistic	0.25	22,918	29,466

You are required to calculate the following for both projects:

a) Expected NPV
b) Range
c) Standard Deviation
d) Coefficient of Variation
e) Semi-Variance
f) Semi Standard Deviation

Kindly advise PQR Ltd on the project it should consider for investment with reasons

3 Following table provides information pertaining to various activities of a project. The budgeted duration & cost of each activity alongwith actual cost incurred & completion percentages at the end of the 8th day are as follows: **10**

Activity	Predecessor Activity	Budgeted Duration (Days)	Budgeted Cost (Rs. Lakhs)	Actual Cost (Rs. Lakhs)	% Actual Completion
A	-	6	12	12	100%
B	-	18	30	12	40%
C	-	5	6	6	95%
D	A	15	30	4	7%
E	C	9	20	-	0%
F	A	21	22	16	7%
G	B, D, E	12	20	-	0%

Calculate the following:

a) CV
b) SV
c) CPI
d) SPI
e) Estimated cost of completing project
f) Estimated time to complete project
g) VAC

4 (A) XYZ Ltd has given the following details relating to a project **6**

Activity	EST (Months)	LST (Months)	Duration (Months)	Total Cost (Rs.)
A	0	0	2	5,000
B	0	1	2	10,000
C	1	2	3	21,000
D	2	3	7	28,000
E	3	4	4	33,500
F	5	5	5	37,000

Costs for each activity are incurred evenly throughout duration of the activity

Calculate the monthly budget for the project using both the EST's & LST's

Identify the critical activities & also state the months which show the highest budget allocation under both EST's & LST's

(B) What is Scenario Analysis? State the various advantages & disadvantages of Scenario Analysis **4**

5 (A) Explain the various sources of finance for Startups. **5**

(B) Explain Stand-Alone perspective of risk analysis. Why is Stand-Alone perspective preferred over other perspectives? **5**