Knowledge Alone Liberates
Somaiya Vidyavihar

SOMAIYA
VIDYAVIHAR UNIVERSITY

Dr. Shantilal K. Somaiya School of Commerce and Business Studies

QUESTION PAPERS

BRANCH: Bachelor of Commerce (Financial Market)	**SEM: III**
ATKT	**JUN - 2026**

Sr. No.	Subject	Available
1.	231U04201 – Equity Research	
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SOMAIYA VIDYAVIHAR UNIVERSITY

March 2026			
Examination: End Semester Examination March 2026 (UG Programme)			
Programme code: 04 **Programme: Financial markets**		**Class:** SYFM	**Semester: III**
Name of the School: Dr. Shantilal K Somaiya School of Commerce & Business Studies		**Name of the Department: Accounting and finance**	
Course Code: 231U04_201	**Name of the Course: Equity research**		
Duration : 1 Hr.	**Maximum Marks : 20**		
Instructions: 1) Use of calculator is allowed 2) Figures to the right indicate full marks			

Question No.		**Max. Marks**	**CO**
Q1	Attempt the following questions	15	
a)	Government introduces stricter environmental laws for chemical industries. **Questions:** 1. Identify external factor affecting industry. 2. Explain impact on profitability. 3. Suggest investor decision strategy.	5	CO1 and 2
b)	An EV manufacturing industry shows rapid growth and innovation. **Questions:** 1. Identify the life cycle stage. 2. Explain its characteristics. 3. Suggest investment suitability.	5	CO2
c)	An investor estimates cost of equity using: Rf = 6%, Rm = 14%, Beta = 1.2 **Questions:** 1. Identify the valuation approach used. 2. Explain each component of the formula. 3. Describe how beta affects investment decisions.	5	CO3
Q2			
A	(see table below)	15	CO3

Factors	**A ltd**	**B ltd**	**C ltd**
Ra (rate of return on retained earnings)	20%	15%	10%

Rc (cost of capital)	25%	20%	10%
E (Earning per share)	₹12	₹5	₹15
D (Dividend per share)	₹5	₹10	₹5

From the following particulars given in the table calculate the market share price using Walter's approach to dividend model. Also comment on all 3 companies dividend policy.

OR

B | 15 | CO3 & CO4

ABC Manufacturing Ltd. is a mid-sized consumer electronics company that produces home appliances such as air coolers, mixers, induction stoves, and electric kettles. Over the past five years, the company built a strong reputation in regional markets due to affordable pricing and reliable product quality.

In the financial year 2024–25, the company reported a 15% increase in total revenue, rising from ₹800 crore to ₹920 crore. This growth was primarily driven by expansion into new Tier-2 and Tier-3 cities, introduction of two new product lines, and aggressive promotional campaigns across online platforms.

However, despite the increase in revenue, the company's net profit margin declined from 12% to 7%, and operating profit also showed only marginal growth compared to the previous year.

Further financial review revealed the following developments:

- Raw material costs increased by 18% due to supply chain disruptions and higher import prices.
- The company invested heavily in advertising and digital marketing campaigns.
- Employee expenses rose after hiring additional staff for expansion into new markets.
- Distribution expenses increased due to expansion into rural and semi-urban areas.
- The company reduced product prices slightly to compete with new entrants offering similar appliances at lower prices.
- Interest expenses increased because the company borrowed funds to finance warehouse expansion and logistics infrastructure.

Although management remains optimistic about future growth and expects profitability to improve over the next two years, some investors are concerned about the declining margins and rising operational costs.

Industry analysts suggest that the consumer electronics sector is becoming increasingly competitive, with several domestic and international brands entering the affordable appliances segment.

The company's share price initially increased after the announcement

	of higher revenue but later showed volatility following the release of the full financial results highlighting reduced profit margins. **Questions for Analysis** 1. Interpret the financial performance of ABC Manufacturing Ltd. based on the increase in revenue but decline in profit margins. 2. Identify the possible reasons that may have contributed to the decline in the company's profit margins despite higher sales. 3. As an investor, what actions would you recommend after analysing the company's financial situation? Support your answer with justification.		
Q3			
A	XYZ Ltd provides the following financial information for 2025:Income Statement Data: • Revenue = ₹ 5,000,000 • Operating Expenses (excluding depreciation) = ₹ 3,200,000 • Depreciation = ₹ 300,000 • Interest Expense = ₹ 150,000 • Tax Rate = 25% Balance Sheet Information: • Net Fixed Assets increased from ₹ 2,000,000 to ₹ 2,600,000 • Current Assets increased by ₹ 400,000 • Current Liabilities increased by ₹ 150,000 Required: Calculate FCFF and FCFE	15	CO4
	OR		
B	Apple Inc. continues expanding its presence in developing markets while maintaining its premium brand positioning globally. The company is focusing on: • increasing manufacturing in India • expanding services ecosystem revenue • strengthening supply chain diversification • launching mid-range variants for emerging economies However, Apple faces increasing competition from Asian smartphone manufacturers offering feature-rich products at lower prices. Perform SWOT and PESTLE analysis	15	CO1
Q4			
A	**Equity Research Report Recommendation** An analyst issues a "Buy" recommendation after valuation shows stock		

	undervaluation. **Questions:** 1. Explain basis of recommendation. 2. Identify valuation methods used. 3. Discuss investor interpretation.		
	OR		
B	**Ratio Analysis of Alpha Manufacturing Ltd.** **Financial Data (FY 2025)** • Revenue: ₹500 crore • Net Profit: ₹50 crore • Current Assets: ₹200 crore • Current Liabilities: ₹100 crore • Inventory: ₹80 crore • Total Debt: ₹150 crore • Shareholders' Equity: ₹250 crore • Total Assets: ₹400 crore **Ratios** • Current Ratio = 2.0 • Quick Ratio = 1.2 • Net Profit Margin = 10% • Return on Assets (ROA) = 12.5% • Return on Equity (ROE) = 20% • Debt-to-Equity Ratio = 0.6 • Inventory Turnover = 6.25 times Question 1: Alpha Manufacturing Ltd. has a Current Ratio of 2.0 and a Quick Ratio of 1.2. • What do these ratios suggest about the company's ability to meet short-term obligations? • Why might the Quick Ratio be considered a more conservative measure than the Current Ratio? Question 2: The company's Return on Equity (ROE) is 20%, while its Debt-to-Equity Ratio is 0.6. • How does the debt level influence the ROE? • Do you think the company's capital structure is risky or balanced? Justify your answer using the ratios. Question 3:		

	Alpha's Inventory Turnover is 6.25 times per year. • What does this ratio indicate about the company's inventory management? • How might this compare to industry benchmarks in manufacturing, and what could it imply if the turnover were significantly lower? Question 4: The company's Net Profit Margin is 10% and its ROA is 12.5%. • How do these ratios together reflect the company's ability to generate profit from both sales and assets? • If ROA were lower despite a healthy margin, what might that suggest about asset utilization?		