

**JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA**

**PGDM / PGDM (SM) /PGDM(M)**

**IV TRIMESTER (Batch 2017-19)**

**END TERM EXAMINATIONS**

Course Name	<b>Equity Research</b>	Course Code	<b>FIN</b>
Max. Time	<b>2 hour</b>	Max. Marks	<b>40</b>

Note: Attempt all question. Be precise and specific in your answers

Q1. As an analyst at Prime Securities, your supervisor has asked her to evaluate and recommend following Small Cap category equity mutual fund they have invested:

- a) Reliance Small Cap Fund
- b) L&T Emerging Business Fund
- c) Franklin India Smaller Company fund

Set the risk return objectives of the investor and Suggest which fund/ s have performed well in terms of their ability to meet the investor's objectives based on following parameters: (10 marks)

1. Jenson's Alpha Generated
2. Risk Adjusted Returns (Sharpe and Treynor)
3. Style Analysis

Following is the actual data available for these funds

Average SD of small cap Mutual funds: 18  
SD of BSE Small Cap Index (SDm) = 20  
Rf= 7%

Actual data Observed in the last 3 years for these funds:

<b>Fund</b>	<b>3years Actual Return</b>	<b>Beta</b>	<b>3Years SD</b>	<b>Style</b>
Reliance Small Cap Fund	21%	0.92	19.5	





(Remaining get cancelled) and next day price of ITC closes at 300. The brokerage cost is Re. 1 per share.

Q4. Below is the financial data of a Company (Current Market price Rs. 1900/-), calculate and interpret the investment suitability of the same, based on objective Investment parameters and comparable valuation parameters (like P/E, Price/ Sales, Price/ Book, etc.) Compare these parameters with the valuations of Nifty50 Index (Take P/E of Nifty as 27x) (15 marks)

#### 4 Years Income Statement

(in Cr.)	2017	2016	2015	2014
Revenue	1,042.61	926.85	874.54	818.33
Other Income	11.20	14.05	9.80	13.20
Total Income	1,053.81	940.90	884.35	831.53
Expenditure	-927.99	-834.11	-782.51	-747.64
Interest	-7.27	-12.13	-15.40	-16.25
PBDT	125.82	94.66	86.44	67.64
Depreciation	-49.79	-44.22	-52.01	-45.55
PBT	76.03	50.44	34.43	22.09
Tax	-20.05	-16.22	1.69	-7.07
Net Profit	55.98	34.22	36.13	15.02
Equity	5.95	5.95	5.95	5.95
EPS	94.13	57.56	60.76	25.25
CEPS	177.88	131.92	148.22	101.86
OPM %	12.07	11.52	11.64	10.25
NPM %	5.37	3.69	4.13	1.83

# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2017

(Currency : ₹ in Lakhs except otherwise specified)

Particulars	Note No.	As At March 31, 2017	As At March 31, 2016
<b>Equity and Liabilities</b>			
<b>Shareholders' Funds</b>			
(a) Share Capital	3	594.63	594.63
(b) Reserves and Surplus	4	29,607.82	24,083.05
		<u>30,202.45</u>	<u>24,677.68</u>
<b>Non-Current Liabilities</b>			
(a) Long-Term Borrowings	5	1,118.42	1,906.55
(b) Deferred Tax Liabilities (Net)	6	911.56	1,585.18
(c) Long-Term Provisions	7	809.75	614.96
		<u>2,839.73</u>	<u>4,106.69</u>
<b>Current Liabilities</b>			
(a) Short-Term Borrowings	8	2,948.45	8,634.72
(b) Trade Payables	9.1		
Total outstanding dues of micro enterprises & small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises & small enterprises		16,393.51	12,636.43
(c) Other Current Liabilities	9.2	4,382.48	3,957.65
(d) Short-Term Provisions	7	225.55	663.83
		<u>23,949.99</u>	<u>25,892.63</u>
<b>Total</b>		<u>* 56,992.17</u>	<u>54,677.00</u>
<b>Assets</b>			
<b>Non-Current Assets</b>			
(a) Fixed Assets			
Tangible Assets	10.1	19,570.81	23,040.42
Intangible Assets	10.2	902.49	1,303.31
Capital Work-in-Progress	10.3	71.23	385.85
(b) Non-Current Investments	11.1	2,049.84	1,799.78
(c) Long-Term Loans and Advances	12	825.63	1,867.49
(d) Other Non-Current Assets	14.2	10.50	12.27
		<u>23,430.50</u>	<u>28,409.12</u>
<b>Current Assets</b>			
(a) Current investments	11.2	7,518.82	2,893.80
(b) Inventories	13	7,247.19	8,287.85
(c) Trade Receivables	14.1	10,951.13	10,203.31
(d) Cash and Other Bank Balances	15	6,071.82	3,720.35
(e) Short-Term Loans and Advances	12	1,607.10	836.80
(f) Other Current Assets	14.2	165.61	325.77
		<u>33,561.67</u>	<u>26,267.88</u>
<b>Total</b>		<u>56,992.17</u>	<u>54,677.00</u>



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

(Currency : ₹ in Lakhs except otherwise specified)

PARTICULARS	Note No.	For the year ended March 31, 2017	For the year ended March 31, 2016
<b>A Cash Flow From Operating Activities</b>			
Net Profit before taxation & Extraordinary Items		7,685.37	4,963.50
Adjustment for:			
Depreciation written off		5,005.66	4,432.43
Interest Income		(382.71)	(304.64)
Finance Cost		686.55	1,213.19
Profit on Sale of Fixed Assets (Net)		(233.04)	(602.62)
Profit on Sale of Investments (Net)		(168.60)	(14.69)
Amount written off (net)		10.27	(32.40)
Pre-Operative Expenses Written Off		738.87	359.25
Diminution in value of asset held for sale		176.40	-
Tax adjustment of earlier year		262.36	69.98
Unrealised Gain/ Loss on Reinstatement		9.54	(13.87)
<b>Operating profit before Working Capital changes</b>		<b>13,790.67</b>	<b>10,070.13</b>
Adjustment for:			
Decrease / (Increase) in Trade Receivables		(747.82)	(297.09)
Decrease / (Increase) in Inventories		1,040.66	381.79
Decrease / (Increase) in loans and advances		2,270.21	257.39
Decrease / (Increase) in Other Receivables		(173.88)	(940.01)
Increase / (Decrease) in Trade Payable		3,782.79	660.22
Increase / (Decrease) in Other Payables		424.83	117.65
Increase / (Decrease) in Provisions		(2,780.34)	87.14
<b>Cash Generated from operation</b>		<b>17,607.12</b>	<b>10,337.21</b>
Direct Taxes paid (Net of Income Tax Refund)		(1,998.65)	(1,143.65)
<b>Net Cash flow from Operating Activities (A)</b>		<b>15,608.47</b>	<b>9,193.56</b>
<b>B Cash Flow From Investing Activities</b>			
Sale of Fixed Assets		822.26	2,952.94
Purchase of Fixed Assets/Technical know-how		(1,989.32)	(3,295.40)
Changes in Investment		(4,371.59)	(2,880.13)
Interest Received		382.72	304.64
Bank Deposit made		(2,007.20)	(3,401.00)
Creditors for Capital Expenditure		-	181.90
<b>Net Cash used in Investing Activities (B)</b>		<b>(7,163.13)</b>	<b>(6,137.04)</b>