

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

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

IV TRIMESTER (Batch 2017-19)

END TERM EXAMINATIONS

Course Name	Equity Research	Course Code	FIN
Max. Time	2 hour	Max. Marks	40

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:

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



Q2. Drew Bradley is a 45-year-old corporate lawyer employed by an international firm. He is married with one eighteen year old son who is about to start his college education. Bradley is very successful and independent minded. He has managed his own investment portfolio and was the only one in his family who earned a college degree and became known as an expert in his field. Bradley is quick to make decisions and his portfolio is concentrated in higher risk stocks because he says that he is a smart investor and knows when to pick the right stocks that will outperform the market. Bradley considers himself self-made and believes he can control the outcomes of investing since he has done very well in controlling non-investment activities. He is very particular about the choices he has made in selecting stocks and has a portion of his investments in his employer's stock.

Identify the two biases exhibited by Drew Bradley (Overconfidence, Illusion of Self Control, Lossaversion and Confirmation). Justify your response with one reason for each bias. (5 marks)

Q3. Below is the real time order book of ITC shares available, you are required to find out the following: (10 marks)

Buy Qty	Buy Price	Sell Price	Sell Qty		
3836	296	297.1	800		
2500	295.5	297.6	1500		
1800	295.1	298	500		

- 1. Best two buy and sell prices.
- 2. Quoted Spread
- 3. Effective Spread
- 4. Implementation shortfall assuming you have given order to buy 1000 shares maximum @ 297/- per share and out of that you are able to buy only 700 shares @ 296/- per share

(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
РВТ	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

		(Currency : ₹ in Lakhs except otherwise specified)		
Particulars	Note No.	As At March 31, 2017	As At March 31, 2016	
Equity and Liabilities	1998-1999 (1999) - 1999 (1999) - 1999 (1999) - 1999 (1999) - 1999 (1999) - 1999 (1999) - 1999 (1999) - 1999 (19			
Shareholders' Funds		-		
(a) Share Capital	3	594.63	594_63	
(b) Reserves and Surplus	4	29,607.82	24,083.05	
		30,202.45	24,677_68	
Non-Current Liabilities	1111111			
(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	
		2,839.73	4;106_69	
Current Liabilities				
(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	
		23,949.99	25,892_63	
Total		\$ 56,992.17	54,677.00	
Assets				
Non-Current Assets				
(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	
		23,430.50	28,409.12	
Current Assets		•••••••••••••••••••••••••••••••••••••••		
(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	
이 사람이 많은 것이 가지 않는 것이 없는 것이 없는 것이 없다.		33,561.67	26,267.88	
Total		56,992.17	54,677.00	

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2017

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017 (Currency : . * in Lakhs except otherwise speecified)

PARTICULARS		Note	For the year ended	d For the year emded	
~	Crack Flow Form One office Adduttion	NO.	March 31, 2017	March 31, 2016	
A	Cash Flow From Operating Activities		7 605 27	1053 50	
	Net Profit before taxation & Extraordinary items		7,080.37	4,903.00	
	Adjustment for:		5 005 00	(100.10	
	Depreciation written off		5,005.66	4,432.43	
	Interest Income		(382.71)	(30-4.64)	
	Finance Cost		686.55	1,213.19	
	Profit on Sale of Fixed Assets (Net)		(233.04)	(60 2.62)	
	Profit on Sale of Investments (Net)		(168.60)	(1-4.69)	
	Amount written off (net)		10.27	(3-2.40)	
	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)	
	Operating profit before Working Capital changes		13,790.67	10,070.13	
	Decrease / (Increase) in Trade Receivables		(747 82)	(297 09)	
	Decrease / (Increase) in Inventories		1 040 66	381.70	
	Decrease / (Increase) in loans and advances		2 270 24	257.39	
	Decrease / (Increase) in Other Receivables		(173.88)	(94.0.01)	
	increase / (Decrease) in Trade Pavable		3 782 79	660.22	
	Increase / (Decrease) in Other Payables		424.83	117.65	
	Increase / (Decrease) in Provisions		(2 780 34)	87 14	
	Cash Generated from operation		17 607 12	10.337.21	
	Direct Taxes paid (Net of Income Tax Refund)		(1 998 65)	(1 143 65)	
	Net Cash flow from Operating Activities (A)		15 608 47	9,193,65	
B	Cash Flow From Investing Activities				
	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 50)	(2,880,13)	
	Interest Received		382 72	304 64	
	Bank Donosit mada		(2 007 20)	13 40 1 001	
	Creditors for Capital Expanditure		(2,007.20)	(0,401.00)	
	Net Cash used in Investing Activities (D)		/7 163 121	(6 137 04)	
	ner oash used in investing Activities (D)		(1,100,10)	[0,107.04]	

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