

**SPJCM SINGAPORE – GMBA 2007-08****End-Term Examination, Time: 120 Minutes, Total Marks: 60**

NAME: \_\_\_\_\_

ROLL # \_\_\_\_\_

**INSTRUCTIONS**

**This is a closed book examination; No Laptops, Only Calculators allowed.** But, you are not allowed to borrow calculators, books, etc. **Answer all questions.** In case of multiple-choice questions, you are required to write the appropriate choice in the question paper in the last page attached; You are also required to work the calculation out in the blank answer sheets provided.

Anyone who resorts to unfair practices, as judged by the examiner, the minimum penalty will be zero in this segment of evaluation, while the maximum penalty could be expulsion from the institute. There will be no further warnings.

**Question 1 (Max Marks: 25)**

We provide you limited details of a company below. You are required to find the intrinsic value of each equity share of this company. Please mention clearly the valuation model adopted and your assumptions for arriving at the intrinsic value (i.e., assumptions behind your computations). Please be specific in your answer (writing irrelevant things would result in negative marks).

**Company Description**

Jaihind Constructions Ltd (JCL) has 'Heavy Construction' as its main industrial activity. JCL is today one of the emerging companies in the Indian Infrastructure Sector. JCL, is a part of the famous Jaihind Group and was promoted in 1996. It is considered to be politically well connected and powerful. Presently based in Delhi, JCL has its presence felt in Engineering and Construction, Cement and Hospitality businesses. Its cement business is progressing steadily via well known brands like Jaihind. The company owns 3 cement plants in Madhya Pradesh which are designed to produce 300,000 bags of cement per day (7 mtpa). JCL's cement market is limited to Central India and North India. Its clientele includes National Thermal Power Corporation, Indian Railways and Gas Authority of India Ltd.

**Companies with Similar Main Activities**

Afcons Infrastructure Ltd. - Atlanta Ltd. - Engineers India Ltd. - Gayatri Projects Ltd. - Hindustan Construction Co. Ltd. - I V R C L Infrastructures & Projects Ltd. - Jaiprakash Associates Limited - M S K Projects India Ltd. - Mackintosh Burn Ltd. - Madhucon Projects Ltd. - Nagarjuna Construction Co. Ltd. - P B A Infrastructure Ltd. - Patel Engineering Ltd. - Punj Lloyd Ltd. - Sadbhav Engineering Ltd. - Tantia Constructions Ltd. - Unity Infraprojects Ltd.

**Details of its Equity:**

Par Value of Each Equity Share: Rs. 50; Current Beta: 1.39; Average Volume of Shares Traded per day: 304K (Source: Reuters); Market Based Debt-to-Equity Ratio: 1:1

<b>Jaihind Constructions Limited</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>End date of reporting period</b>	3/31/2007	3/31/2006	3/31/2005	3/31/2004	3/31/2003
<b>Balance Sheet</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Total assets</b>	11,196	9,128	6,154	4,793	5,967
<b>Gross fixed assets</b>	6,785	4,701	3,563	3,200	4,730
Capital WIP	2,228	876	354	683	2,139
Less: cummulative depreciation	1,635	1,357	1,157	931	847
<b>Net fixed assets</b>	5,150	3,344	2,406	2,269	3,835
<b>Revalued assets</b>	309	536	10	10	10
<b>Investments</b>	1,779	1,557	1,192	754	13
In group / associate cos.	1,714	1,508	1,088	753	1
<b>Marketable / quoted investment</b>	480	481	661	67	12
<b>Deferred tax assets</b>	9	7	5	5	77
<b>Inventories</b>	1,265	1,212	600	509	455
<b>Receivables</b>	1,563	1,338	1,221	1,029	654
Sundry debtors	452	422	370	285	366
<b>Cash &amp; bank balance</b>	1,430	1,670	727	223	250
<b>Intangible / DRE not written off</b>	0	1	2	5	87
<b>Total liabilities</b>	11,196	9,128	6,154	4,793	5,967
<b>Net worth</b>	2,873	2,682	1,235	1,075	1,082
Paid-up equity capital	219	215	176	176	176
<b>Reserves &amp; surplus</b>	2,654	2,467	1,059	899	746
Free reserves	2,056	1,713	852	652	566
Share premium reserves	665	571	255	255	298
<b>Borrowings</b>	5,477	4,153	3,156	2,053	3,102
Bank borrowings	2,812	1,715	962	1,058	1,127
Financial institutional borrowings	279	272	441	342	772
Debentures / bonds	524	821	1,023	317	813
<b>Deferred tax liabilities</b>	499	490	488	409	432
<b>Current liabilities &amp; provisions</b>	2,347	1,803	1,275	1,256	1,351
<b>Income Statement</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Sales</b>	3,801	3,432	2,991	2,616	2,489
<b>Manufacturing</b>	1,640	1,944	1,767	1,620	988
<b>Other operating income</b>	2,161	1,488	1,224	996	1,501
<b>Other income</b>	100	158	138	120	67
<b>Non-recurring income</b>		361		0	1
<b>Expenditure Operating expenses</b>	1,247	1,311	1,162	964	453
<b>Expenditure Energy (power &amp; fuel)</b>	490	431	394	358	376
<b>Expenditure Wages &amp; salaries</b>	166	128	103	91	96
<b>Expenditure Indirect taxes</b>	293	240	209	191	645
<b>Expenditure Insurance premium</b>	33	26	26	26	178
<b>Expenditure Repairs &amp; maintenance</b>	275	169	155	153	154
<b>Expenditure Amortisation</b>	21	18	22	96	0
<b>Expenditure Other expenses</b>	490	395	348	283	136
<b>Expenditure PBDIT</b>	1,081	1,214	760	642	521
<b>Expenditure Financial charges</b>	298	298	298	248	215
<b>Expenditure PBDT</b>	783	916	462	395	306
<b>Expenditure Depreciation</b>	163	152	134	127	118
<b>Expenditure PBT</b>	620	765	329	267	188

Jaihind Constructions Limited	2007	2006	2005	2004	2003
Expenditure Tax provision	205	125	121	98	127
Expenditure PAT	415	640	208	170	61
Appropriation of profit Dividends	91	66	48	30	30
Appropriation of profit Equity dividends	79	58	42	26	28
Appropriation of profit Retained earnings	324	574	159	140	32

**Question 2 (Max Marks: 13)**

During the computations of 'cost of equity' we come across the concept of *country risk premium*. What are the three factors on which country risk premium is dependent on? Mention the three methods described in Damodaran to compute country premium? Please be specific in your answer.

**Question 3 (Max Marks: 10)**

Please explain the historical cost approach and price-to-sales ratio approach for brand valuation (to the extent feasible). Please be specific in your answer.

**Question 4 (Max Marks: 10)**

**Match the Following (based on the submitted analyst reports)**

**NOTE: USE ARROWS TO FIND THE BEST FIT**

**Column A**

**Column B**

A B B Switzerland

Wrong Company Submission

Andhra Petrochemicals

Valuation Using Relative Multiples

Cummins Inc USA

A Buy Report being put up (written as) a Hold

Heineken Netherlands

Consumer / Non-Cyclical

J J Exporters

Buzzing Stock (as mentioned in the report)

Mastek

Using Stars to convey the strength of the stock

Pfizer Inc USA

Used EV/EBIDTA while making use of relative multiples

Samkr

Auto Ancillaries Player

Excluding our group from analysis, **in my view, the following two analyst reports were the best reports<sup>1</sup>**

Company Name of the Analyst Report
1.
2.

Excluding myself, **in my view, the following group-mate contributed most in our group work**

Roll No.	Name

**Signature:** \_\_\_\_\_

<sup>1</sup> The key to your assessment could be – (a) what is written, (b) how well are the logic and arguments supported, (c) how well are they laid out, and (d) how current/original/ local/relevant are the analyst facts.