

Name \_\_\_\_\_

Batch No \_\_\_\_\_

Roll No \_\_\_\_\_

**Open Book (Course Pack Compulsory) Examination – Internet / Wireless Not Allowed – Answer all the questions  
... please show computations below (to the extent feasible)**

A. Please refer to the HBS Note# 9-206-086 on Financial Forecasting, Problem III, Cash Budgets for Havital Departmental Store. Please prepare the Cash Budget for the store from October to December. [10 marks]

B. In the Indian context, the Table 3.9a selected financial ratios of eight Indian steel players listed in the database. Based on the same, please answer the following questions.

**Table 3.9a: Selected Ratios of Players in Indian Steel Industry for FY2007**

<b>Company →</b>	Aditya Ispat	Bhusan Steel	Ispat Industries	Jindal Steel	JSW Steel	Lloyd Steel	Steel Authority of India (SAIL)	Tata Steel
<b>Selected Ratios ↓</b>								
Short-term solvency ratios								
• Current ratio	10.58	1.87	1.58	1.13	0.75	0.81	1.59	1.74
• Quick ratio	7.55	1.07	0.80	0.72	0.44	0.41	1.01	1.46
Long-term solvency ratios								
• Debt-equity ratio	0.20	2.67	14.87	1.41	0.84	NA	0.24	0.69
• Times interest earned ratio	10.42	7.53	1.48	8.35	6.99	2.08	33.12	29.18
Turnover ratios								
• Inventory turnover ratio	5.86	5.84	10.72	6.99	11.04	8.08	7.50	8.47
• Fixed assets turnover ratio	3.17	1.42	0.57	0.71	0.81	0.78	1.16	1.09
Profitability ratios								
• Profit margin (%)	0.86	8.14	-0.12	19.75	14.98	-3.83	17.38	23.42
• Return on equity (ROE) (%)	1.24	25.79	-1.50	28.20	24.79	NA	36.09	30.71
Market value ratio								
• Price-earnings ratio	172.9	10.8	-435.7	50.7	11.0	-3.9	12.0	11.1

Note: NA indicates figures are not available

(a) Identify the companies that would be having the highest asset utilization ratio? [3 marks]

(b) What is the reason for the wide range of price-earnings ratios? [3 marks]

(c) Identify the companies with the highest equity multiplier? [4 marks]

C. In a span of just 9 years, Mercedes Bikes Limited has risen to become the second largest private sector bicycling. One of the methods used by the firm is to consistently fund its expansions through direct private placement of medium term debentures with a few financial institutions. The following table shows some of the direct private placement outstanding in FY2012.

Direct Private Placements of Mercator Lines Limited (in Dh/. million)	
Secured Loans – Debentures	
12,00,000, 12.5% Non-convertible secured debentures maturing in 2018	Dh. 300.00
30,00,000, 10.0% Non-convertible secured debentures maturing in 2018	Dh. 2,100.00
1,600, 7.5% Non-convertible secured debentures maturing in 2021	Dh. 13,437.50

Question 1: if Ram wants to buy the 12.5% debenture with an expected rate of return of 10% then its intrinsic value would be \_\_\_\_\_ [take the face value as Dh. 1,000] [3 marks]

Question 2: if Rahim wants to buy the 10% debenture with an expected rate of return of 12.5% then its intrinsic value would be \_\_\_\_\_ [take the face value as Dh. 1,000] [3 marks]

Question 3: if Dubai Investments I. wanted to buy all the above three instruments completely with a discounting rate of 6% then the intrinsic value of the above debt would be \_\_\_\_\_ [4 marks]

D. Jamil needs Dh. 200,000 to buy a bike and plans to make a down payment of 15% and borrow the remaining amount at [Your Roll Number]%. The loan has to be repaid in 8 equal annual installments beginning 4 years from now (i.e. the first payment will be at the end of fourth year). What should be the amount of the annual loan payments? [5 marks]

E. If Dh. 1,000 is invested now, Dh. 1,500 two years from now, and Dh. 800 four years from now at an interest rate of [Your Roll Number]% compounded annually, what will be the total amount in 10 years? [5 marks]