

**PGDM, 2019-20**  
**CORPORATE FINANCE**  
**IB 303**

**Trimester –III, End-Term Examination: June 2020**

Time allowed: 1 Hrs 30 Min

Max Marks: 30

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

**Instruction:** Students are required to write Roll No on every page. Anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously. Please carry a non-programmable calculator.

**Case Study**

**M/s Vithal Enterprises**

**1) Introduction:**

Shri Vishal Shantilal Hajeri is the Sole Proprietor of M/s Vithal Enterprises. Mr. Hajeri has passed BE Electronics from Pune University, in first class in the year 2002. He has also passed his MBA from Pune University in the year 2005. He started his own manufacturing unit in July 2006 under the firm name and style of M/s Vithal Enterprises.

**2. Scope for Business:**

He is on the approved list of manufacturers for supply of spare parts to ordinance factory of the Defence Department since 2006. The department has to purchase the spare parts only from the approved list. To that extent the competition is limited.

**3. Constitution:** The business is a proprietary concern

**4. Infrastructure:**

a) Premises: He is doing business in rented premises at Pune at the following address: Opposite Dhayareshwar Mangal Karyalaya, Dhayari Phata, Sinhagad Road, Pune-51. His father has purchased land at Ambegaon Budruk for Rs. 3.00 lacs admeasuring 10 R ( Sq.Feet) on 26-10-2004. Since the present rented premises his very small,

Mr. proposes to build a factory shed admeasuring 1200 sq. feet on the plot. The project report is for the purpose of loan for constructing the premises.

b) Suppliers of raw materials: Raw materials viz. Ferrous and Non ferrous Metals required by him are available at Pune and Mumbai.

c) Employees: There are 7 employees with a minimum service of 2 years. Two are DME and the rest are ITI qualified.

d) Electricity: He needs 20 HP connection for which he will submit the application as soon as the construction starts.

e) Machinery: He has purchased necessary machinery out of his funds.

f) Furniture: Necessary furniture is already purchased.

5. a) Cost of the Project:

| Sr.No | Particulars                              | Amount in Lacs |
|-------|--|----------------|
| 1     | Land                                     | 3.00           |
| 2     | Construction of premises and electricity | 8.00           |

|   |                                  |              |
|---|----------------------------------|--------------|
| 3 | Margin money for working capital | 1.00         |
|   | <b>Total</b>                     | <b>12.00</b> |

b) Means of Finance:

| Sr.No | Particulars                             | Amount (Lacs) |
|-------|---|---------------|
| 1     | Margin Money ( 58% of the project cost) | 7.00          |
| 2     | Term Loan from Bank (42% of the cost)*  | 5.00          |
|       | <b>Total</b>                            | <b>12.00</b>  |

6. Profitability Estimates:

Amount In lacs

|    | <b>Profit and Loss A/c for</b>      | 31-3-07     | 31-3-08     | 31-3-09     |
|----|-------------------------------------|-------------|-------------|-------------|
| 1  | Sales                               | 9.46        | 11.70       | 13.46       |
| 2  | Interest/other income               | 0.00        | 0.00        | 0.00        |
| 3  | Total income                        | 9.46        | 11.70       | 13.46       |
| 4  | Manufacturing expenses              | 6.14        | 7.97        | 9.29        |
| 5  | Selling and Administrative expenses | 0.52        | 0.59        | 0.77        |
| 6  | Depreciation                        | 1.37        | 1.28        | 1.25        |
| 7  | Total Interest                      | 0.34        | 0.78        | 0.72        |
| 8  | Profit before tax                   | 1.09        | 1.08        | 1.43        |
| 9  | Provision for tax                   | 0.01        | 0.01        | 0.04        |
| 10 | <b>Net profit</b>                   | <b>1.08</b> | <b>1.07</b> | <b>1.39</b> |

7. Projected balance sheet:

| As on                     | 31-3-07      | 31-3-08      | 31-3-09      |
|---------------------------|--------------|--------------|--------------|
| Liabilities               | Actual       | Estimated    | Projected    |
| Capital and Reserves      | 6.90         | 7.12         | 7.44         |
| Total Term loans          | 5.26         | 4.80         | 4.29         |
| Total current liabilities | 1.62         | 1.63         | 1.64         |
| <b>Total Liabilities</b>  | <b>13.78</b> | <b>13.55</b> | <b>13.37</b> |
| Assets                    | 31-3-07      | 31-3-08      | 31-3-09      |
|                           | Actual       | Estimated    | Projected    |
| Total Fixed assets        | 11.85        | 10.57        | 10.32        |
| Total Non current assets  | 0.00         | 0.50         | 0.20         |
| Debtors                   | 0.45         | 0.65         | 0.75         |
| Inventory                 | 1.42         | 1.76         | 2.02         |
| Cash and Bank Balance     | 0.06         | 0.07         | 0.08         |
| Other Current Assets      | 0.00         | 0.00         | 0.00         |
| <b>Total Assets</b>       | <b>13.78</b> | <b>13.55</b> | <b>13.37</b> |

## Questions

- 1) Evaluate whether the firm can convert itself into a Private limited Co. (3) (CILO 3)
- 2) Advise the firm about different sources of finance available to them. (5) (CILO 1)
- 3) Calculate the capital mix and cost of capital of the firm. (5) (CILO 2)
- 4) Advise the firm about the Marketing Strategy to be adopted. (3) (CILO 3)
- 5) Assess the working capital requirements of the firm. (5) (CILO 2)
- 6) Compute and Analyse the liquidity, solvency and asset utilization ratios of the company. (9) (CILO 3)