

PGDM & IB, 2018-20

Financial Services, Products and Markets

Subject Code: DM-312/IB-310

Trimester III, End Term Examination: March 2019

Time Allowed: 2 hrs 30 min

Roll No.: _____

Max Marks: 50

Instruction: Students are required to write Roll No on every page of the question paper, writing **anything** except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of the Admit Card should be followed meticulously.

Make assumptions wherever necessary and write them down at the beginning of the solution. For theory questions, gadding shall be viewed negatively.

Section A: Answer any 3 out of 5 questions. Each question carries 5 marks.

Sectional instruction: Answers to theoretical questions should not exceed 40 words

A1. What are the four main legal entities involved in setting up of a Mutual Fund India? Explain in short.

A2. What are the two choices that an investor in the ABS / MBS has to liquidate his investment?

A3. The subprime crisis was a failure of the global banking system only. Do you agree with the statement? Reason out your opinion.

A4. Globally, the size of the leasing industry is growing. What are the 3 advantages that leasing offers any lessee over purchasing the asset?

A5. ABC Company starts a new mutual fund with the following details: Entry Load of 2% on investment made by investor, exit load of 1% on the withdrawal request, dividends paid in cash were 20% of the growth in securities; fund expenses, including commission to brokers, is 10% of the growth in securities. What shall be the net return to the investor if growth in securities during the year has been 15%?

Section B: Answer any 2 out of 3 questions. Each question carries 10 marks.

Sectional instruction: Answers to theoretical questions should not exceed 2 pages

B1. Fitch Rating, an international credit rating agency has downgraded Oman's (an oil producing nation) sovereign debt, to 'junk' in December 2018. What would have been the 5 major factors that Fitch would have taken into consideration?

B2. How are the following related to each other:

- a. Alternate Investment Fund and Hedge Fund
- b. Hedge Fund and Private Equity
- c. Private Equity and Venture Fund
- d. Venture Fund and Mutual Fund
- e. Mutual Fund and PMS

B3. A new fund registered itself with SEBI for a total corpus of Rs. 100 Mn. Capital is divided into three tranches with 40% and 55% contributed by A and B respectively while the general partners agreeing to contribute balance 5%. Investment period is 3 years, Fund administering charges were 8% (one time), carried interest (without catch up clause) 25% for A and 22.5% for B with 30% catch up. If the hurdle rate is 8%, the corporate tax rate is 30% and the fund has earned an after-tax IRR of 30%, how much is the IRR that each tranche of the corpus makes?

Section C: Case Study

Infrastructure lender, IL&FS is into deep trouble. It has defaulted on its debt, with suits against it flying all around. The management has hired you as a financial analyst. You are required to assess the issue – primary and secondary and provide suggestions. With so much news much of it is a rumor as you believe, you are confused where to start from. General election at a hitting distance has made this problem look larger than its core.

Management has requested you to substantiate your opinions, analysis, and suggestions with key data points, restricting the length of the deliverable to 3 pages. Submission of the report is on 30th March 2018 by 12.30pm. Time is short, you realize you better hurry and pull this well, to continue in the existing job, it is your first big assignment. Indirectly, management has signaled that it repose a lot of trust in you.

You decide to draft an analyst note presenting your perspective on the 'Rise and Fall of IL&FS: Can it play a phoenix?' In addition to other points, you have decided to emphasize on various financial services that IL&FS can use to help solve the existing problem, as a short term measure, and for good thereafter. Present your note as per the above case.