

VPM's
DR VN BRIMS, Thane
Programme: MMS (2023-25)
Second Semester Regular Examination April 2024

Course Name:	Analysis of Financial Statements	Course Code	C211
Roll No.		Marks	60
Total No. of Questions	6	Duration	3 Hours
Total No. of printed pages	8	Date	26-04-2024

Course Outcome Statements:

CO1: DEFINE basic terminologies in relation to Analysis of Financial Statements.

CO2: EXPLAIN the concepts & formulas required for Analysis of Financial Statements.

CO3: MAKE USE OF various formulas and frameworks pertaining to Common Size, Comparative, Trend Analysis, CAGR, Ratio Analysis, EVA, MVA, Cash Flows, Time Value of Money, Financial Modelling and Equity Valuation.

CO4: EXAMINE the various types of financial statements and data for making relevant inferences.

CO5: INTERPRET financial information to take appropriate managerial decisions.

Instructions: -

Q. No 1 (All Questions are Compulsory)

Marks

BL

CO

Q. No.	Questions	Marks	BL	CO																								
Q. 1	<p>The Indian Hotels Company Limited (IHCL) is an Indian hospitality company that manages a portfolio of hotels, resorts, jungle safaris, palaces, spas etc.</p> <p>The company is part of India's Tata Group IHCL was founded in 1902 by Jamshedji Tata and is headquartered in Mumbai where its flagship hotel Taj Mahal Palace Hotel is also located.</p> <p>IHCL and its subsidiaries bring together a group of brands and businesses that offer a fusion of warm Indian hospitality and world-class service. These include 'Taj' – the iconic brand for the most discerning travellers and ranked as the World's Strongest Hotel Brand and India's Strongest Brand across sectors; 'SeleQtions' – a named collection of handpicked, storied hotels; 'Vivanta' – a chain of contemporary upscale hotels that celebrate joy; 'Ginger' – a brand that is revolutionizing the lean-luxe segment, and Amã – Stays & Trails, a charming portfolio of private bungalows and villas set in picturesque locales.</p> <p>The Consolidated P&L Account, Balance Sheet of the company along with Common Size Statements and Ratios are given to you [See Annexure]</p>																											
a.	Analyse the financial performance of IHCL and draw inferences on its profitability.	6	Level 4	CO4																								
b.	Assess the Turnover and Solvency to highlight the Top-line performance and concerns if any related to the financial stability of the company.	6	Level 5	CO5																								
Q. 2	Answer Any one from the following.																											
a.	<p style="text-align: right;"><i>(Rs. in Crores)</i></p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Mar-19</th> <th>Mar-20</th> <th>Mar-21</th> <th>Mar-22</th> <th>Mar-23</th> </tr> </thead> <tbody> <tr> <td>EBITDA</td> <td>30</td> <td>100</td> <td>-70</td> <td>-340</td> <td>-210</td> </tr> <tr> <td>Net Cash from Operating Activities</td> <td>30</td> <td>80</td> <td>480</td> <td>-480</td> <td>-170</td> </tr> <tr> <td>Net Cash from Investing Activities</td> <td>-140</td> <td>-40</td> <td>-1,570</td> <td>-3,200</td> <td>-240</td> </tr> </tbody> </table>	Particulars	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	EBITDA	30	100	-70	-340	-210	Net Cash from Operating Activities	30	80	480	-480	-170	Net Cash from Investing Activities	-140	-40	-1,570	-3,200	-240	6	Level 5	CO5
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	b.	<table border="1"> <thead> <tr> <th>Ratios</th> <th>Happiest Minds</th> <th>Sonata Software</th> </tr> </thead> <tbody> <tr> <td>Financial Leverage</td> <td>1.5</td> <td>5</td> </tr> <tr> <td>Asset Turnover</td> <td>0.95</td> <td>0.65</td> </tr> <tr> <td>Net Profit Margin</td> <td>25%</td> <td>20%</td> </tr> </tbody> </table> <p>Compare the companies based on Du-pont Analysis (ROA and ROE) and suggest which company would most likely be better for investment.</p>	Ratios	Happiest Minds	Sonata Software	Financial Leverage	1.5	5	Asset Turnover	0.95	0.65	Net Profit Margin	25%	20%	6	Level 5	CO5												
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Q. 3		Answer Any one from the following.																											
	a.	<p>You are in the advisory team under the leadership of Chief Financial Officer of 'Zypp', a start-up firm operating in the electronic two-wheeler segment. Your team wants to publish a 'Negative News' from the current quarter's financial statements for press release. The news currently reads as "Company's Q4 net losses have amounted to Rs.2 Crore."</p> <p>List 6 possible pointers, which if added to the 'Negative News', will bring in 'Positive Perspective' to the same news without changing the facts of the matter.</p>	6	Level 4	CO4																								
	b.	<p>A regulatory committee from RBI is conducting evaluation of Kotak Mahindra Bank. Examine the following ratios to make appropriate analytical comments on the performance of the bank and necessary steps it needs to take if any.</p> <table border="1"> <thead> <tr> <th>Ratio</th> <th>Kotak's Ratio</th> <th>Ideal Ratios as per RBI</th> </tr> </thead> <tbody> <tr> <td>Capital Adequacy Ratio (CAR)</td> <td>10.5%</td> <td>12%</td> </tr> <tr> <td>Gross NPA</td> <td>3%</td> <td>2%</td> </tr> <tr> <td>Net NPA</td> <td>0.5%</td> <td>1%</td> </tr> <tr> <td>CASA</td> <td>45%</td> <td>40%</td> </tr> <tr> <td>Net Interest Margin (NIM)</td> <td>7%</td> <td>4%</td> </tr> <tr> <td>CRR</td> <td>6%</td> <td>4.5%</td> </tr> <tr> <td>SLR</td> <td>20%</td> <td>18%</td> </tr> </tbody> </table>	Ratio	Kotak's Ratio	Ideal Ratios as per RBI	Capital Adequacy Ratio (CAR)	10.5%	12%	Gross NPA	3%	2%	Net NPA	0.5%	1%	CASA	45%	40%	Net Interest Margin (NIM)	7%	4%	CRR	6%	4.5%	SLR	20%	18%	6	Level 4	CO4
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Q. 4		Answer Any two from the following.																											
	a.	<p>i) Ms. Lara Croft expects to receive Rs.90,000 maturity value at the end of 3 years from an investment scheme. She plans to invest a constant amount in 3 equal annual parts. The annual investments will occur at the beginning of the year. Apply Time Value of Money to calculate the annual amount Ms. Lara will put in the investment scheme if the rate of interest is 9% p.a.</p> <p>ii) What happens if she decides to invest a constant amount in 6 semi-annual periods in the same investment scheme?</p>	6	Level 3	CO3																								

	b.	Particulars	Amount (Rs. Cr.)	6	Level 3	CO3
		Sales	15,000			
		Operating Expenses	6,000			
		Depreciation	1,500			
		Interest	2,000			
		Tax rate	30%			
		Capex	2,000			
		Decrease in NWC	900			
		Debt Raised	2,000			
Solve FCFF and FCFE for JK Cement Ltd.						
	c.	Cigniti Technologies Ltd. had declared a dividend of Rs.15 last year. The dividends are expected to grow at 18% for next 4 years and post that they would stabilize at the growth rate of 8% till perpetuity. Assuming the investors' required rate of return is 12%, Solve for the Intrinsic Value of equity shares using multi-stage dividend discount model.		6	Level 3	CO3
Q. 5	Answer Any two from the following.					
	a.	Outline the important points to be considered while valuing an e-commerce company.		6	Level 2	CO2
	b.	Explain how the CAMEL model is useful in evaluating the performance of the bank.		6	Level 2	CO2
	c.	Summarize the difference between Absolute Valuation and Relative Valuation		6	Level 2	CO2
Q. 6	Answer Any two from the following.					
	a.	What is the meaning of i) EVA ii) DRHP and iii) Inter-corporate Investments		6	Level 1	CO1
	b.	Recall the importance of Financial Modelling.		6	Level 1	CO1
	c.	What is the top-down & Bottom-Up approaches to investing?		6	Level 1	CO1

Annexure

Consolidated Profit & Loss Account for the year ended

Rs.in Crore

Particulars	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Operating Revenue	4,300	4,241	1,496	2,918	5,582
Other Operating Revenue	212	222	79	139	228
Total Operating Revenue	4,512	4,463	1,575	3,056	5,810
Operating & Direct Expenses	1,355	1,303	616	972	1,620
Employee Benefit Expenses	1,471	1,495	894	1,150	1,582
Other Expenses	856	698	426	529	803
Total Operating Expenses	3,682	3,496	1,937	2,651	4,005
EBITDA	830	968	-362	405	1,805
(-) Depreciation & Amortisation Expenses	328	404	410	406	416
EBIT	502	563	-771	-1	1,389
(-) Finance Costs	190	341	403	428	236
(+) NOI Other Income	83	132	165	155	139
Exceptional Items	7	41	160	16	3
EBT	402	396	-850	-258	1,295
(-) Total Tax Expenses	157	45	-155	-36	323
PAT	245	351	-694	-222	971

Common Size Profit & Loss Account for the year ended

Particulars	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Operating Revenue	95%	95%	95%	95%	96%
Other Operating Revenue	5%	5%	5%	5%	4%
Total Operating Revenue	100%	100%	100%	100%	100%
Operating & Direct Expenses	30%	29%	39%	32%	28%
Employee Benefit Expenses	33%	33%	57%	38%	27%
Other Expenses	19%	16%	27%	17%	14%
Total Operating Expenses	82%	78%	123%	87%	69%

EBITDA	18%	22%	-23%	13%	31%
(-) Depreciation & Amortisation Expenses	7%	9%	26%	13%	7%
EBIT	11%	13%	-49%	0%	24%
(-) Finance Costs	4%	8%	26%	14%	4%
(+) NOI Other Income	2%	3%	10%	5%	2%
Exceptional Items	0%	1%	10%	1%	0%
EBT	9%	9%	-54%	-8%	22%
(-) Total Tax Expenses	3%	1%	-10%	-1%	6%
PAT	5%	8%	-44%	-7%	17%

Consolidated Balance Sheet as on 31st

Rs.in Crore

Particulars	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Equity Share Capital	119	119	119	142	142
Reserves and Surplus	4,229	4,238	3,530	6,920	7,840
Minority Interest	800	765	635	593	660
Total Shareholders Fund	5,148	5,122	4,283	7,655	8,642
Long Term Borrowings	1,688	2,126	2,224	1,388	331
Deferred Tax Liabilities [Net]	377	187	78	88	157
Other Long-Term Liabilities	180	2,062	1,888	1,900	2,313
Long Term Provisions	102	121	92	95	107
Other Non-current Liabilities	2,346	4,496	4,282	3,471	2,908
Short Term Borrowings	36	166	243	597	487
Trade Payables	325	389	318	387	477
Other Current Liabilities	1,581	1,191	2,217	784	936
Short Term Provisions	148	154	171	196	219
Total Current Liabilities	2,089	1,901	2,948	1,964	2,119
Total Liabilities	9,584	11,518	11,513	13,090	13,669
Goodwill	583	615	611	623	654
Tangible Assets	5,233	6,854	7,258	7,239	7,615

Intangible Assets	606	590	569	553	550
Capital Work-In-Progress	116	243	165	193	324
Intangible Assets Under Development	0	1	-	0	8
Net Fixed Asset	6,538	8,303	8,603	8,609	9,151
Non-Current Investments	1,124	990	1,035	1,064	1,134
Deferred Tax Assets [Net]	69	77	118	158	158
Long Term Loans and Advances	16	17	5	-	3
Other Non-Current Assets	677	695	599	584	633
Total Non-current Asset and Investment	1,887	1,778	1,756	1,807	1,928
Current Investments	211	436	449	902	757
Inventories	80	94	93	101	109
Trade Receivables	321	290	220	255	446
Cash And Cash Equivalents	241	316	154	1,188	1,053
Short Term Loans and Advances	3	5	17	6	6
Other Current Assets	301	297	222	221	217
Total Current Assets	1,159	1,437	1,154	2,674	2,590
Total Assets	9,584	11,518	11,513	13,090	13,669

Common Size Balance Sheet as on 31st

Particulars	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Equity Share Capital	1%	1%	1%	1%	1%
Reserves and Surplus	44%	37%	31%	53%	57%
Minority Interest	8%	7%	6%	5%	5%
Total Shareholders Fund	54%	44%	37%	58%	63%
Long Term Borrowings	18%	18%	19%	11%	2%
Deferred Tax Liabilities [Net]	4%	2%	1%	1%	1%
Other Long-Term Liabilities	2%	18%	16%	15%	17%
Long Term Provisions	1%	1%	1%	1%	1%
Other Non-current Liabilities	24%	39%	37%	27%	21%

Short Term Borrowings	0%	1%	2%	5%	4%
Trade Payables	3%	3%	3%	3%	3%
Other Current Liabilities	16%	10%	19%	6%	7%
Short Term Provisions	2%	1%	1%	1%	2%
Total Current Liabilities	22%	17%	26%	15%	16%
Total Liabilities	100%	100%	100%	100%	100%
Goodwill	6%	5%	5%	5%	5%
Tangible Assets	55%	60%	63%	55%	56%
Intangible Assets	6%	5%	5%	4%	4%
Capital Work-In-Progress	1%	2%	1%	1%	2%
Intangible Assets Under Development	0%	0%	0%	0%	0%
Net Fixed Asset	68%	72%	75%	66%	67%
Non-Current Investments	12%	9%	9%	8%	8%
Deferred Tax Assets [Net]	1%	1%	1%	1%	1%
Long Term Loans and Advances	0%	0%	0%	0%	0%
Other Non-Current Assets	7%	6%	5%	4%	5%
Total Non-current Asset and Investment	20%	15%	15%	14%	14%
Current Investments	2%	4%	4%	7%	6%
Inventories	1%	1%	1%	1%	1%
Trade Receivables	3%	3%	2%	2%	3%
Cash And Cash Equivalents	3%	3%	1%	9%	8%
Short Term Loans and Advances	0%	0%	0%	0%	0%
Other Current Assets	3%	3%	2%	2%	2%
Total Current Assets	12%	12%	10%	20%	19%
Total Assets	100%	100%	100%	100%	100%

Financial Ratios

Particulars	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Net Profit Margin	5%	8%	-44%	-7%	17%
EBIDTA Margin	18%	22%	-23%	13%	31%
Operating Profit Margin	11%	13%	-49%	0%	24%
ROE	x	5%	7%	-12%	-3%
ROCE (ROI)	x	6%	6%	-8%	0%
ROA	x	2%	3%	-6%	-2%
Asset Turnover Ratio	x	0.43	0.39	0.13	0.23
Fixed Asset Turnover Ratio	x	0.61	0.53	0.18	0.34
Long Term Debt Equity Ratio	0.36	0.82	0.96	0.43	0.31
Total Debt Equity Ratio	0.37	0.85	1.02	0.51	0.36
Proprietary Ratio	54%	44%	37%	58%	63%
Interest Coverage Ratio	2.64	1.65	-1.91	0.00	5.88
Current Ratio	0.55	0.76	0.39	1.36	1.22
Quick Ratio	0.52	0.77	0.39	1.88	1.52