

**UNIVERSITY OF PETROLEUM & ENERGY STUDIES
DEHRADUN**

End Semester Examination –April 2017

Name of the Program: BBALLB(CORPORATE LAW)
Subject Name : Project Finance
Subject Code : BBCF133

Semester – X
Max. Marks : 100
Duration : 3 Hrs

SECTION – A (20 Marks)

Attempt all the questions. Each question carries 2 mark.

Ques.1. Abbreviate and state the purpose:

- | | |
|----------|----------|
| 1. CFADS | 6. EBIT |
| 2. LLCR | 7. WBS |
| 3. DSRA | 8. PERT |
| 4. PLCR | 9. DPR |
| 5. DSCR | 10. BOOT |

SECTION - B

Attempt all questions. Each question carries 10 marks.

Ques.1. From the above data, what is the total time required completing the project?

Activity	Description	Immediate Predecessors	Estimated Time (weeks)
A	Set up the project acquisition team	—	2
B	Write down the software requirements	A	2
C	Develop a contractor evaluation grid that will be used to evaluate proposals	B	1
D	Identify and select potential contractors	A	1
E	Develop and send out a request for proposal to potential contractors	B, D	4
F	Audit candidate contractors, select one contractor, negotiate and sign an agreement contract with the selected contractor	C, E	2
G	Prepare the definition of functional specifications	F	5
H	Develop a software testing plan	G	2
I	Software customization phase I	G	12
J	Purchase and install the hardware	G	2
K	Test the first release	H, I, J	1
L	Develop a training plan for key users	K	1
O	Train key users	L, N	2
M	Software customization phase II	K	6
N	Test the second release	M	1
P	Software customization phase III	N	3
Q	Test the final release	P	2
R	Software deployment and project sign-off	Q	4

Ques.2. In a project financing, because the project company is an SPV, the liabilities and obligations associated with the project are one step removed from the sponsors. This provides a number of structural advantages to the sponsors. Highlight mentions advantages.

SECTION – C

Attempt any five questions out of six. Each question carries 6 marks.

Ques.1. Private Finance Initiative (PFI) which began in 1992 in UK, has been actively promoted and managed by the successive British government since then. PFI is the commoditization of PPP. What is PPP?

Ques.2. Apart from core project stakeholders, there are typically a host of other advisors, experts and professional whom are either directly or indirectly involved in a project financing. List those stakeholders.

Ques.3. The **VGF scheme of the Government of India** is an example of an institutional mechanism for providing financial support to public-private partnerships in infrastructure. Explain the mechanism.

Ques.4. A company's share with a face value of Rs 10 each are quoted at Rs 50 in the stock market. Current rate of dividend is 50% and this is expected to grow at a steady rate of 5% p.a. calculate the cost of equity capital of the company.

Ques.5. A company has obtained quotes from two different manufacturers for an equipment. The details are as follows:

PRODUCT	COST (RS million)	ESTIMATED LIFE (Years)
X	4.50	10
Y	6.00	15

Ignoring operation and maintenance cost, which one would be cheaper? The company's cost of capital is 10%

Ques.6. It is a common problem in execution of the projects that the actual cost on the project would exceed than the estimated cost. Similarly, the project would not be completed within the time schedule for various reasons. State those reasons.

SECTION-D

Case study analysis. Each question carries 10 marks

Mr. Dixit was the president of Shiva Cements Ltd., which was incorporated in 1990. The registered office of the organization was at Allahabad. Till 1996, the organization was the largest seller of cement in India. In the same year, Mr. Dixit decided to enter the paint industry under the brand name of XX Paints. He put his proposal in board meeting and the proposal was accepted. However, the long term and medium term financing was needed for the new project. Mr. Rajiv was the finance manager of the organization. He prepared the capital structure for the new investment project and explained to Mr. Dixit. According to the capital structure, 40% of capital was from issuing debentures, 30% of capital was from term loans, 20% of capital was from public deposits, and 10% of capital was from retained earnings of the parent organization. Mr. Rajiv was not in the favor of raising capital by issuing shares because he did not want the interference of shareholders in the internal decisions of the organization. The product was launched in the market in 1999 by the team effort of XX Paints and Shiva Cements. The new product got good start in the market. After the end of two financial years, XX Paints found that it is making loss. There were several reasons for the

loss, such as the paint market was filled with MNCs that were selling low price paints with better quality and other organizations were strongly advertising their products. Initially XX Paints was making moderate profit, which went in paying interests of loans and meeting other expenses. In 2002, public deposits matured and XX Paints paid their liability out of the profits made by Shiva Cements. Mr. Rajiv was forced to resign and Mr. Alok was appointed as the finance manager by Mr. Dixit.

Q.1. Do you think Mr. Rajiv was right. Explain?

Q.2. What were the main issues in front of XX Paints?

Q.3. What will be the challenges in front of Mr. Alok?