

Jagan Institute of Management Studies
End-Term Examination, September, 2016
Trimester IV – PGDM 2015-17

Financial Modelling
ET_PG_FM_0310

Time: 2 Hrs.

M. Marks: 40

INSTRUCTIONS: Attempt any FOUR questions. All questions carry equal marks.

Q 1 If you are required to create a financial model for a proposed textile manufacturing plant. Explain the various steps (the various worksheets that you would create) for creation of a financial model, and what details would you calculate in each such worksheet. **10**

Q 2 Answer the following questions:

a) Explain the concept of Interest during Construction (IDC) and the way it is incorporated in the financial model with details of circular reference.

b) Calculate the current assets, current liabilities, working capital requirements and working capital loan (assuming 75% WC financing) for a company with the P&L statement provided in Annexure 1. Assume the following working capital norms.

Raw Material Inventory	1 month
Consumables, Stores & Spares	1.5 months
Debtors	1 month
Creditors	1.5 months

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Q 3 What is an Escrow Account and what is its relevance in project financing. Also detail out the cash outflow priority from the Escrow Account among Operating Expenses, Depreciation, Interest, Tax and Dividend. Also mention the rationale for the same. **10**

Q 4 What is the difference between SLM depreciation and WDV depreciation? In which scenarios these two types of depreciation are used. Please calculate the depreciation for 3 years by assuming SLM depreciation rate of 5 % and WDV rate of 15%. Assume the gross block to be depreciated is Rs 100 cr. **10**

Q 5 Please explain the below mentioned ratios (with their formulae's) and explain their relevance.

- a) FACR.
- b) DSCR
- c) Interest Coverage ratio.
- d) Project IRR.
- e) Equity IRR.

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ANNEXURE 1

<i>For the financial year 2015-2016</i>	<i>INR crores</i>
No. of months	12
Revenue from sales	743.64
Other income	9.10
Total	752.74
Expenses	
Raw material costs	319.63
Other consumables	44.72
Power Cost	62.77
Personnel / Labour cost	65.58
Administrative expenses	27.75
Selling expenses	52.46
EBITDA	179.83
Financial Expenses	25.41
Depreciation	61.40
PBT	93.02
Tax	15.19
PAT	77.83
