

Registration no:

--	--	--	--	--	--	--	--	--	--

Total Number of Pages:

MBA
MGT 303B

3rd Semester Regular / Back Examination 2015-16
PROJECT APPRAISAL

BRANCH: MBA

Time: 3 Hours

Max marks: 70

Q.CODE: T459

Answer Question No.1 which is compulsory and any five from the rest.
The figures in the right hand margin indicate marks.

Q1 Answer the following questions: **(2 x 10)**

- a) State which of the following is not a project characteristic; (i) Time bound (ii) Management skills (iii) Multidisciplinary (iv) Risk and uncertainty
- b) State which of the following is a desired attribute of a Project Manager; (i) Complexity (ii) Life cycle (iii) Risk averse (iv) Optimal resource allocation
- c) Mention two tax incentives generally extended to new projects.
- d) Which of the following is not a component of standard project appraisal by a Commercial Bank while considering a proposal for SME financing; (i) Financial Appraisal (ii) Commercial Appraisal (iii) Economic Appraisal (iv) Management Appraisal
- e) How do you classify a project as government project? Name two government projects.
- f) State two differences between financial risk and business risk.
- g) Which of the following is not an infrastructure project; (i) Mahatma Gandhi National Rural Employment Guarantee (ii) Delhi Metro (iii) Six-laning of Chandikhol-Jagatpur-Bhubaneswar highway (iv) Bangalore International Airport.
- h) State two restrictive covenants imposed by FIs while sanctioning term loan for a project.
- i) Give full forms of the following abbreviations related to your PA course; (i) UNIDO (ii) PPP (iii) PERT (iv) SEZ
- j) Name two agencies which conduct project audit.

Q2 Read the below Case carefully and answer the questions those follow in brief.

Snapdeal was started by Kunal Bahl, a Wharton graduate and Rohit Bansal, an alumnus of IIT Delhi in February 2010. Initially from a company that sold discount coupons, first offline and then online, they made the transition to building a marketplace-based ecommerce company. Its network includes more than 100,000 sellers shipping to more than 5000 cities / towns in India with a customer base of more than 25 million. In September 2011, it expanded to become an online

marketplace. Snapdeal today is one of the largest online marketplaces in India offering a huge assortment of products across diverse categories. It adds a new product every 10 seconds and earns a commission ranging from 5 to 30 percent for on each item sold.

Snapdeal's ads don't attract the majority of its customers. It is rather the word of mouth based on good customer services and repeat customers. Almost 75% of the visits on the site come organically, without clicking on any ads. 90% of transactions happen without people having to click an ad to go to the company website. In March 2015, Snapdeal brought actor Aamir Khan for the promotion of its website in India.

From a 20 member team in 2010, Snapdeal has grown to nearly 5000 strong employees based at its Gurgaon campus. Hiring people on demand is at the core of Snapdeal's HR philosophy and never on a whim or as an experiment.

The company has received seven rounds of funding as follows:

Round 1: In January 2011, Snapdeal received a funding of \$12 million from Nexus Venture Partners and Indo-US Venture Partners.

Round 2: In July 2011, the company raised a further \$45 million from Bessemer Venture Partners, along with existing investors.

Round 3: Raised funding worth \$50 million from eBay and received participation from existing investors.

Round 4: Received funding of \$133 million in Feb. 2014. This round of funding was led by eBay with all the current institutional investors, including Kalaari Capital, Nexus Venture Partners, Bessemer Venture Partners, Intel Capital and Saama Capital participating.

Round 5: Received funding of \$105 million in May 2014. It included investments by Blackrock, Temasek Holdings, Premji Invest and others. The round valued SnapDeal at \$1,000,000,000.

Round 6: Received funding in Oct 2014 from Softbank with investments worth \$647 million in fresh capital which makes SoftBank the largest investor in Snapdeal.

Round 7: Received funding in Aug 2015 from Alibaba Group, Foxconn and SoftBank with investments worth \$500 million in fresh capital

High charges for Cash-on-Delivery (COD) and customer returns are quoted as two contentious issues hurting many e-commerce companies. Snapdeal's however has a lower COD charge compared to expenses of online payments and encourage customers buying on COD. As per contract, the courier companies returning products don't charge Snapdeal. The returns are still single-digit figures, which doesn't eat much into Snapdeal's sales.

The company has also received many prestigious awards including e-Retailer of the Year & Best Advertising campaign of the year - Indian e-Retail awards 2012 organized by Franchise India in Feb. 2012 and Herring Asia Awards 2011.

Kunal believes in working backwards in fulfilling what the customer wants and then aligning supply chain, technology, product management, and customer support towards this objective. His business vision is to transform Snapdeal into India's number one B2C marketplace considering the fact that out of \$ 500 billion worth of business in retail sector in India only 10% is catered by the organized sector and that e-commerce is just 0.25 percent of India's total retail activity.

Questions on case:

(2.5x4)

- I. While starting a project like Snapdeal, based on which factors the promoters would have assessed the market demand for its business.
- II. Why do you think Mr Kunal Bahl and Mr Rohit Banshal did not approach the conventional FIs like commercial Banks for funding the venture at different stages of its growth?
- III. What would have the major evaluation criteria of Softbank while pumping in \$ 647 million as fresh capital into Snapdeal.
- IV. From the case, state three 3 major differences in the business strategy of Snapdeal compared to other e-commerce companies in India.

- Q3 a)** What are the key considerations in determining the debt-equity ratio of a project? **(5)**
- b)** What are the advantages and disadvantages of equity capital? **(5)**
- Q4** You have been assigned the task of Technical Appraisal of a large manufacturing project. What aspects you of the project you would look into and how, during the appraisal process. **(10)**
- Q5 a)** What are the differentiating features of an infrastructure project? **(5)**
- b)** What are the problems faced by major infrastructure projects in India? **(5)**
- Q6 a)** What are the various sources of risks in a project? **(5)**
- b)** How is sensitivity analysis carried out by an FI to assess risk of variation in input costs, selling prices etc.? **(5)**
- Q7 a)** What are the various types of project terminations? **(5)**
- b)** What are the objectives and phases of post-audit? **(5)**
- Q8** Write short notes on any two: **(5 x 2)**
- a)** Zero based project formulation
 - b)** Project Organisation
 - c)** Social Cost Benefit analysis