

Registration No. :

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

Total number of printed pages – 4

MBA

MBA 305 B

## Third Semester Examination – 2013

### PROJECT APPRAISAL

QUESTION CODE : C- 533

Full Marks – 70

Time : 3 Hours

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

1. Answer the following questions : 2×10
- Name four typical characteristics of a project and briefly explain one of these.
  - Name two major social sector projects under implementation in Odisha. Who are the targeted beneficiaries of these projects ?
  - What do you understand by Environmental Impact Assessment of a mega project ?
  - “Interest on term loan during project implementation period” is booked to which sub-component of project cost and why ?
  - Differentiate between a forward integration project and a backward integration project.
  - State two characteristics specific to Infrastructure projects and name two major infrastructure projects under implementation in the country.
  - Interest on Term Loan is a tax deductible item. Explain this statement.
  - What is PERT ? Explain its significance in project execution.
  - What are the full forms of PPP, BOLT, SEZ and FDI in the context of projects ?
  - State two good reasons, why a first generation entrepreneur should or should not seek venture capital funding for his/her project.

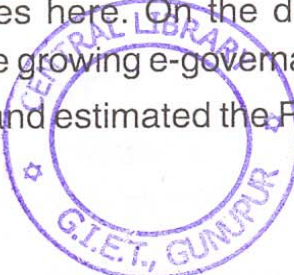
P.T.O.

## 2. Case Study :

Read the given Case carefully and answer the questions that follow :

ZYX Software and Services Pvt. Ltd., is an IT unit proposed to be set in Bhubaneswar by Ms. Nilima Patnaik. After successfully completing MS (Computer Science) from Texas A&M University, USA and four years of work experience in Google (at Silicon Valley), she came back to India with a dream to promote her own software development unit. She has developed good contacts with many large and medium size IT units in Silicon Valley and hopes to get business outsourced by them to India considering the relatively lower cost of manpower and other support services here. On the domestic front, she is exploring business opportunity from the growing e-governance sector.

She has prepared a project proposal and estimated the Project Cost as shown below :



(i) Preliminary expenses :	Rs. 02.50 lakhs
(ii) Pre-operative expenses :	Rs. 07.50 lakhs
(iii) Land and land development cost :	Rs. 27.00 lakhs
(iv) Building (5000 sft @ Rs.1200/- per sft) :	Rs. 60.00 lakhs
(v) Computers (50) and other hardware :	Rs. 37.00 lakhs
(vi) System and Application Software :	Rs. 24.00 lakhs
(vii) Misc FA (Furniture, Air Conditioners etc.) :	Rs. 13.00 lakhs
(viii) Provision for contingencies :	Rs. 07.00 lakhs
(ix) Margin money for Working Capital :	Rs. 05.00 lakhs

---

**Project Cost :** **Rs. 183.00 lakhs**

She has USD 100,000.00 of savings from her earnings in US equivalent to nearly Rs.62.00 lakhs at the current exchange rate. She has prepared an Implementation Schedule of 18 months from the date of approval of the project by the FI / Bank for funding assuming that she will go for construction of the building for the unit.

She has applied for half an acre of land to IDCO (a State govt. organization which holds land banks at different locations in the State for allotment to industrial units at concessional rate) and is hopeful that the land will be allotted to her at a concessional rate of Rs. 25.00 lakhs per acre based on which she has estimated the project cost. However, hers being a new unit, if she fails to qualify for

allotment of land at concessional rate, the options left to her are (a) to acquire private land at market rate which could cost her more than Rs. 75.00 lakhs or (b) set up and operate the unit initially from a rented premises which could cost her @ Rs. 30,000/- to Rs. 45,000/- per month depending on the location.

Answer the following questions clearly stating assumptions made if any :

- (I) Assuming that Ms Patnaik does not qualify for allotment of land at concessional rate, choose between Options (a) and (b) indicated in the last paragraph of the case. Give your rationale for the choice made. 2.5
- (II) Based on choice made at (I) above, revise the project cost if required. Suggest "Means of Finance" for the project assuming that a nationalized Bank is willing to extend Term Loan for the project to the extent of 85% of the cost tangible assets (software excluded) only. 2.5
- (III) What risks you foresee for this project and what steps she should take in advance to deal with those risks. 2.5
- (IV) In an IT unit of this kind engaged in software development and software services (which are not products), what considerations generally go into computation of the Working Capital requirement? 2.5
3. (a) What precautions are taken by it in the process of appraisal by an FI to arrive at the optimal quantum of term loan that could be sanctioned against a loan application of a new project? 5
- (b) What essential details the term loan Sanction Letter contains and state 3 restrictive covenants the FI generally impose while sanctioning a term loan. 5
4. Discuss, in detail, the various aspects of Technical Appraisal of a project. 10
5. (a) What is Post audit of a Project and what are the phases of Post audit? 5
- (b) How is Post audit related to formal Project Closure? 5
6. (a) What is Management Appraisal of a Project? How is it done? 5
- (b) Explain with an example the necessity of doing the Commercial Appraisal for a project. 5

7. In the last 3 to 4 years, many large infrastructure projects in all sectors including Roads, Ports, Airports, Telecom and Power are suffering from inordinate delay in implementation. Briefly narrate :
- (a) What are the major causes for this delay ? 5
- (b) What are the possible remedies cutting across the projects, the Govt. should initiate for expediting these projects saddled with time and cost overruns ? 5
8. Write short notes on any **two** of the following . 5×2
- (a) Social cost and benefit analysis
- (b) Project Organisation
- (c) Internal Rate of Return (IRR) of a project.
- 