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Question 1

Question Type: MultipleChoice

"Following four entities operate in the Indian IT and BPO space. They all are into same segment of providing off-shore analytical services. They all operate on the labour cost-arbitrage in India and the countries of their clients. Following information pertains for the year ended March 31, 2013.

| Particular | Beautiful | Handsome | Glowing | Glamorous |
|----------------------------|-----------|----------|---------|-----------|
| Number of Employees | 300 | 450 | 700 | 1200 |
| Major clients based out of | UK | USA | USA | UAE |
| Billing currency | GBP | INR | USD | USD |

| Particular | Beautiful | Handsome | Glowing | Glamorous |
|---------------------------------|-----------|----------|---------|-----------|
| Revenue | 36 | 72 | 116 | 188 |
| Employee Cost | 16 | 22 | 44 | 88 |
| Other Delivery Cost | 2 | 3 | 4 | 6 |
| Administrative and Selling Cost | 2 | 3 | 3 | 5 |
| Finance Cost | 1 | 2 | 1 | 4 |
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| Assets | | | | |
| Fixed Assets | 10 | 24 | 24 | 37 |
| Short Term Investments | 3 | 7 | 6 | 8 |
| Debtors | 6 | 18 | 22 | 48 |
| Total | 19 | 49 | 52 | 93 |
| Liabilities | | | | |
| Equity Share Capital | 2 | 8 | 12 | 10 |
| Reserves and Surplus | 5 | 12 | 24 | 43 |
| Term Loans | 8 | 16 | 6 | 24 |
| Working Capital Borrowings | 4 | 11 | 9 | 12 |
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The year FY13, was typically a good year for Indian IT companies. For FY14, the economic analysts have given following predictions about the IT Industry:

A) It is expected that INR will appreciate sharply against other USD.

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While analyzing the four entities, you come across following findings related to Glowing:

Glowing is promoted by Mr.M R Bhutta, who has earlier promoted two other business ventures, He started with ABC Entertainment Ltd in 1996 and was promoter and MD of the company. ABC was a listed entity and its share price had sharp movements at the time of stock market scam in late 1990s. In 1999, Mr. Bhutta sold his entire stake and resigned from the post of MD. The stock price declined by about 90% in coming days and has never recovered. Later on in 2003, Mr. Bhutta again promoted a new business, Klear Publications Ltd (KCL) an in the business of magazine publication. The entity had come out with a successful IPO and raised money from public. Thereafter it ran into troubles and reported losses. In 2009, Mr. Bhutta went on to exit this business as well by selling stake to other promoter(s). There have been reports in both instances with allegations that promoters have siphoned off money from listed entities to other group entities, however, nothing has been proved in any court."

Based on your findings in the case of Glowing, how will you handle the same as a credit rating analyst:

Options:

A) Be more cautious and skeptical on any information received from Glowing and give negative marks in management risk and use it as an overriding factor to lower the credit ratings.

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Answer:

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Answer:

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Question 3

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Based solely on Total Debt to EBITDA and Interest Coverage, which of the four entities is best amongst the four respectively:

Options:

- A) Glamorous and Glamorous
- B) Glamorous and Glowing
- C) Glowing and Beautiful
- D) Glamorous and Glamorous

Answer:

B

Question 4

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Which entity is best in terms of overall gearing ratio and net gearing ratio respectively:

Options:

- A) Glowing and Beautiful
- B) Handsome and Handsome
- C) Glamorous and Glowing

D) Glamorous and Glamorous

Answer:

C

Question 5

Question Type: MultipleChoice

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Which of the following risks do not exist for Indian IT industry?

Options:

- A) Raw material price risk, Exchange rate Risk
- B) Interest rate risk, Skilled Manpower Risk
- C) Exchange Rate Risk, Interest rate risk
- D) Domestic and international regulatory risk, technological risk

Answer:

B

Question 6

Question Type: MultipleChoice

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Answer:

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- A) It is expected that INR will appreciate sharply against other USD.
- B) Given high inflation and attrition in IT Industry in India, the wages of IT sector employees will increase more sharply than Inflation and general wage rise in country.
- C) US Congress will be passing a bill which restricts the outsourcing to third world countries like India.

While analyzing the four entities, you come across following findings related to Glowing:

Glowing is promoted by Mr.M R Bhutta, who has earlier promoted two other business ventures, He started with ABC Entertainment Ltd in 1996 and was promoter and MD of the company. ABC was a listed entity and

its share price had sharp movements at the time of stock market scam in late 1990s. In 1999, Mr.Bhutta sold his entire stake and resigned from the post of MD. The stock price declined by about 90% in coming days and has never recovered. Later on in 2003, Mr.Bhutta again promoted a new business, Klear Publications Ltd (KCL) an in the business of magazine publication. The entity had come out with a successful IPO and raised money from public. Thereafter it ran into troubles and reported losses. In 2009, Mr.Bhutta went on to exit this business as well by selling stake to other promoter(s). There have been reports in both instances with allegations that promoters have siphoned off money from listed entities to other group entities, however, nothing has been proved in any court."

Which of the following risks do not exist for Indian IT industry?

Options:

- A) Raw material price risk, Exchange rate Risk
- B) Interest rate risk, Skilled Manpower Risk
- C) Exchange Rate Risk, Interest rate risk
- D) Domestic and international regulatory risk, technological risk

Answer:

B

Question 10

Question Type: MultipleChoice

"Following four entities operate in the Indian IT and BPO space. They all are into same segment of providing off-shore analytical services. They all operate on the labour cost-arbitrage in India and the countries of their clients. Following information pertains for the year ended March 31, 2013.

| Particular | Beautiful | Handsome | Glowing | Glamorous |
|----------------------------|-----------|----------|---------|-----------|
| Number of Employees | 300 | 450 | 700 | 1200 |
| Major clients based out of | UK | USA | USA | UAE |
| Billing currency | GBP | INR | USD | USD |

| Particular | Beautiful | Handsome | Glowing | Glamorous |
|---------------------------------|-----------|----------|---------|-----------|
| Revenue | 36 | 72 | 116 | 188 |
| Employee Cost | 16 | 22 | 44 | 88 |
| Other Delivery Cost | 2 | 3 | 4 | 6 |
| Administrative and Selling Cost | 2 | 3 | 3 | 5 |
| Finance Cost | 1 | 2 | 1 | 4 |
| Depreciation | 2 | 6 | 6 | 9 |
| Taxes | 2 | 8 | 9 | 12 |

| Particular | Beautiful | Handsome | Glowing | Glamorous |
|----------------------------|------------------|-----------------|----------------|------------------|
| Assets | | | | |
| Fixed Assets | 10 | 24 | 24 | 37 |
| Short Term Investments | 3 | 7 | 6 | 8 |
| Debtors | 6 | 18 | 22 | 48 |
| Total | 19 | 49 | 52 | 93 |
| Liabilities | | | | |
| Equity Share Capital | 2 | 8 | 12 | 10 |
| Reserves and Surplus | 5 | 12 | 24 | 43 |
| Term Loans | 8 | 16 | 6 | 24 |
| Working Capital Borrowings | 4 | 11 | 9 | 12 |
| Creditors | 0 | 2 | 1 | 4 |
| Total | 19 | 49 | 52 | 93 |

The year FY13, was typically a good year for Indian IT companies. For FY14, the economic analysts have given following predictions about the IT Industry:

A) It is expected that INR will appreciate sharply against other USD.

B) Given high inflation and attrition in IT Industry in India, the wages of IT sector employees will increase more sharply than Inflation and general wage rise in country.

C) US Congress will be passing a bill which restricts the outsourcing to third world countries like India. While analyzing the four entities, you come across following findings related to Glowing:

Glowing is promoted by Mr. M R Bhutta, who has earlier promoted two other business ventures, He started with ABC Entertainment Ltd in 1996 and was promoter and MD of the company. ABC was a listed entity and its share price had sharp movements at the time of stock market scam in late 1990s. In 1999, Mr. Bhutta sold his entire stake and resigned from the post of MD. The stock price declined by about 90% in coming days and has never recovered. Later on in 2003, Mr. Bhutta again promoted a new business, Klear Publications Ltd (KCL) an in the business of magazine publication. The entity had come out with a successful IPO and raised money from public. Thereafter it ran into troubles and reported losses. In 2009, Mr. Bhutta went on to exit this business as well by selling stake to other promoter(s). There have been reports in both instances with allegations that promoters have siphoned off money from listed entities to other group entities, however, nothing has been proved in any court."

Based solely on Total Debt to EBITDA and Interest Coverage, which of the four entities is best amongst the four respectively:

Options:

- A) Glamorous and Glamorous
- B) Glamorous and Glowing
- C) Glowing and Beautiful
- D) Glamorous and Glamorous

Answer:

B

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