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Roll No. ....

Sr. No. of Question Paper	:	
Unique Paper Code	:	**2923070020**
Name of the Paper	:	Private Equity
Name of the Course	:	BBA (FIA)
Semester	:	VIII
Duration	:	3 Hours
Maximum Marks	:	90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of the question paper.
2. Attempt any five questions.
3. Attempt all parts of a question together.
4. Marks are indicated against each question.

Q1. (a) Explain the meaning and evolution of Private Equity. Discuss the major types of Private Equity investments and key players involved in the PE ecosystem. Also explain the relationship of Private Equity with debt and public capital markets. (10)

(b) A PE firm invested ₹80 crore in a manufacturing company using ₹30 crore equity and ₹50 crore debt. After 5 years, the company was sold for ₹180 crore and the outstanding debt at exit was ₹20 crore.

Calculate:

1. Equity value at exit
2. Total gain to PE investors
3. Return multiple on equity invested

Comment on how leverage contributed to value creation. (8)

Q2. (a) Discuss the complete Private Equity process starting from fundraising to exit. Explain how PE firms enhance the valuation of portfolio companies during the holding period. (10)

(b) A private equity firm has successfully raised a large fund and is planning to invest in mid-sized companies in the healthcare and renewable energy sectors. During the investment process, the firm faces challenges related to identifying suitable targets, improving operational efficiency, and planning profitable exits.
Analyze the role of a PE firm at different stages of the Private Equity process with suitable examples. (8)

Q3. (a) What is the J-Curve effect in Private Equity? Explain the opportunities and risks associated with PE investments for institutional investors. (8)

(b) A Private Equity investor plans to acquire a mid-sized pharmaceutical company through a leveraged buyout. The company has stable cash flows and strong market presence, but the transaction involves significant debt financing. Economic uncertainty and changing healthcare regulations may affect future profitability.
Discuss the advantages and risks of leveraged buyouts in Private Equity investments. Also explain how excessive leverage can impact both investors and portfolio companies. (10)

Q4. (a) Explain various valuation techniques used in Private Equity in highly leveraged settings. Discuss how deal structuring helps PE firms realize value. (8)

(b) A Private Equity firm invested in a retail company expecting rapid expansion in urban markets. However, after two years, the company faced declining sales, increased competition from e-commerce platforms, rising operational costs, and management conflicts. The PE investors are now reassessing their investment strategy and considering possible corrective measures.
Analyze the challenges faced by the PE firm in managing the investment. Suggest suitable strategies that can help improve the performance of the portfolio company and protect investor returns.

(10)

Q5.(a) Explain the significance of leverage in Private Equity transactions. Discuss its advantages and associated risks for investors and portfolio companies. (9)

(b) A PE firm invested ₹75 crore in a technology startup. After due diligence, the following risk probabilities were identified:

Risk Event	Probability	Estimated Loss
Regulatory Issue	20%	₹10 crore
Technology Failure	15%	₹20 crore

Market Competition	25%	₹12 crore

Calculate the expected total risk exposure of the investment. Suggest how due diligence can reduce these risks. (9)

Q6. Read the following case carefully and answer the questions:

A Private Equity firm is considering investing in a healthcare startup expanding rapidly across India. The company shows strong revenue growth, but there are concerns regarding compliance, scalability, and governance practices. The PE investors believe operational improvements and strategic guidance can significantly increase company value over the next five years.

Answer the following:

1. What factors should the PE firm examine before investing?
2. Which type of due diligence would be most critical in this case and why?
3. Suggest suitable exit strategies for the PE investor.
4. How can the PE firm create value in this investment?

(18)