7506

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) Define Private Equity and explain its importance in modern financial markets. Discuss the various forms of Private Equity investments and their role in business growth and restructuring. (10)

(b) A PE firm acquired a company for ₹150 crore using ₹60 crore equity and ₹90 crore debt. After 4 years, the company was sold for ₹260 crore and the outstanding debt at exit was ₹30 crore.
Calculate:

1. Equity value at exit
2. Total profit earned by PE investors

3. Return multiple on equity invested

Explain the impact of leverage on investor returns. (8)

Q2. (a) Explain the stages involved in the Private Equity investment cycle and discuss the major challenges faced by PE firms at each stage. (10)

(b) A Private Equity firm plans to invest in technology and logistics startups in India. The firm faces difficulties in identifying scalable businesses, managing operational risks, and maintaining profitability during expansion.

Analyze the role of PE firms in identifying investment opportunities and improving the long-term performance of portfolio companies. Support your answer with suitable examples. (8)

Q3. (a) Discuss the opportunities and risks associated with Private Equity investments. Explain why institutional investors allocate funds to Private Equity despite its long investment horizon and limited liquidity. (8)

(b) A Private Equity firm invested in a food processing company that had strong brand recognition but weak supply chain management and declining profit margins. The investors plan to improve operational efficiency, strengthen management practices, and expand into international markets. However, the company also faces risks arising from changing consumer preferences, inflation, and market competition.

Discuss how the PE firm can improve the company's financial and operational performance. Also explain the major challenges and risks associated with the investment. (10)

Q4. (a) Explain the concept of valuation in Private Equity investments. Discuss different valuation approaches used by PE firms while evaluating highly leveraged transactions. (10)

(b) A Private Equity firm is planning to exit from an investment made six years ago in a consumer electronics company. The company has achieved stable growth and improved profitability under PE ownership. The investors are now evaluating different exit routes including IPO, strategic sale, and secondary buyout.

Discuss the factors that should influence the PE firm's exit decision. Also explain the advantages and limitations of different exit strategies available to Private Equity investors. (8)

Q5. (a) Discuss the role of leverage in Private Equity deals. Explain the benefits and risks associated with the use of debt financing in leveraged buyouts. (9)

(b) A Private Equity firm is evaluating a fintech startup for investment. Although the company has shown strong growth potential, the investors are concerned about uncertainties related to government regulations, cyber risks, and intense competition in the fintech industry. The PE firm estimates that there is a 25% probability of regulatory changes that may result in a loss of ₹18 crore, a 10% probability of cybersecurity failure causing a loss of ₹25 crore, and a 20% probability of increased market competition leading to a loss of ₹15 crore.

Calculate the expected total risk exposure for the investment. Also explain the importance of due diligence in identifying and minimizing investment risks in Private Equity transactions.

(9)

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

A Private Equity firm is evaluating an investment in an electric vehicle startup that is expanding rapidly across multiple Indian cities. The company has shown significant growth in revenues and customer demand, but concerns exist regarding cash flow stability, regulatory compliance, operational scalability, and corporate governance. The PE investors believe that strategic guidance and financial restructuring can substantially improve the company's long-term value.

Answer the following:

1. What factors should the PE firm evaluate before making the investment?
2. Which type of due diligence would be most important in this case and why?
3. Discuss the major risks associated with the investment.
4. Suggest strategies through which the PE firm can improve the company's performance and market value.
5. Explain suitable exit options available to the PE investors. (18)