**MB 118 A**

# Third Semester M.B.A. Examination, July 2010
## Elective – A : FINANCIAL MANAGEMENT (Freshers)
## Course – 18 A : Management of Infrastructure Financing

Time : 3 Hours Max. Marks : 75

SECTION – A

Answer **any five** of the following sub-questions. **Each** sub-question carries **2** marks. **(5×2=10)**

1. a) What are interest rate risk ?

   b) Define tariffs.

   c) Name four leading players in infrastructure financing in India.

   d) Explain the meaning of financial closure.

   e) Define concessions.

   f) What is a special purpose vehicle in project financing ?

   g) What are turnkey projects ?

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks. **(4×5=20)**

2. What are the essentials of sound PPPs ? Explain.

3. Write a note on Telecom regulatory Authority of India.

4. Give a brief description of memorandum of understanding in infrastructure projects.

5. What is construction risk ? How is it mitigated ?

6. What is mezzanine finance ? Explain.

7. What are the salient features of infrastructure financing ?

**P.T.O.**

## SECTION – C

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

8. Critically evaluate the role played by multilateral development agencies in financing infrastructure projects.

9. What are factors responsible for the evolution of private and commercially financed project in India ?

10. What are the difference between BOOT and BOO arrangement ?

11. The initial cash outlay of a project is Rs. 200,000 and it can generate cash inflow of Rs. 80,000, Rs. 60,000, Rs. 1,00,000 and Rs. 40,000 in year 1 through 4. Assume a 10 per cent rate discount. Calculate the net present value and profitability index of the project (Note : Present value at10% year 1 through 4 are 0.909, 0.826, 0.751, 0.683, 0.621)

12. Explain the project appraisal mechanism followed by financial institution in infrastructure projects.

## SECTION – D

13. Case study (**Compulsory**): **(1×15=15)**

Indian Railways has proposed four public-private partnership (PPP) models – cost-sharing freight rebate, full contribution, SPV and private line – for network expansion. A meeting is scheduled for April 17 2010 between rail ministry officials and representatives of private sector companies on the issue. Termed as railways infrastructure initiative for industry (R3i) the scheme to develop the rail lines is focused on incentivising the private sector to work in tandem with railway and provide connectivity to the areas that are not covered. As per the cost-sharing freight rebate model, the contribution of the applicant should not be less than 50%.

"The applicant will recover its investment through a rebate of 10-12% on incremental traffic. This will be valid till the advance contribution made by it is recovered or for a period of 10 years, whichever being earlier. This is, however, subject to the condition that 30% of the advance should be recovered within the first five years after the commissioning of the line," said the draft policy document on R3i.

In the full contribution apportioned earning model, the applicant will make 100% contribution to the project cost. The applicant will construct and maintain the line for a period of 25 years.

"Railways would levy a licence of 2% from the applicant's share of earnings net of operations and maintenance (O & M) costs for the first 10 years from the date of commissioning and 4% thereafter till the completion of 25 years," it said. At the end of the 25 year period, the revenue would accrue to the railways. In the SPV model, the railways share in the special purpose vehicle will be 26%. "SPV shall be granted a concession, a share in the revenues generated on the project line, in lieu of construction, operation and maintenance of the line", it said. Private line model would apply when a private line is built by the applicant on privately acquired land and connectivity is sought to the Railways' network. The applicant will construct and maintain the line for a period of 30 years and pay licence fee of 2% to 4% to the railways through the period.

**Questions :**

1) Critically examine the operations of the Public Private Partnership arrangement of the Indian Railways.
2) What are the advantages of the above arrangement to the private players ?