

[Time:2.30 Hrs]		[Marks:75]
Please check whether you have got the right question paper.		
N.B:	<div>1. Question No.1 and Question No. 8 is compulsory.</div> <div>2. Attempt any four questions from Question No. 2, 3,4,5,6 and 7.</div> <div>3. Figures to the right indicate full marks.</div> <div>4. Use of simple calculator is allowed.</div>	

Q. 1

(20)

A Select the most appropriate answer.

(10)

1. Due diligence in a PE investment typically includes:

- a) Financial audits only
- b) Legal and regulatory reviews only
- c) Market analysis only
- d) A comprehensive review of financial, legal, and operational aspects

2. Which document outlines the rights and obligations of the investors and the company?

- a) Memorandum of Association
- b) Shareholders Agreement
- c) Business Plan
- d) Prospectus

3. Which exit strategy is most commonly pursued by VCs in India?

- a) Secondary buyout
- b) Management buy-in
- c) Initial Public Offering (IPO)
- d) Liquidation

4. What challenge is typically faced by PE firms during the exit process in India?

- a) High market valuations
- b) Low interest from strategic buyers
- c) Excess cash reserves
- d) Overly optimistic projections

5. In India, which regulatory body oversees Private Equity funds?

- a) Reserve Bank of India (RBI)
- b) Securities and Exchange Board of India (SEBI)
- c) Ministry of Finance
- d) Industry Ministry

6. What is the investment limit prescribed by SEBI for Alternative Investment Funds (AIFs) in India?

- a) No limit
- b) ₹1 crore per investor
- c) ₹25 lakhs per investor
- d) ₹50 lakhs per investor

7. What tax structure is most favourable for PE investments in India?

- a) Ordinary income tax
- b) Capital gains tax

c) Corporate tax

d) Sales tax

8. For venture capital investments in India, which type of funding can qualify for exemption under certain conditions?

a) Debt funding

b) Equity funding

c) Hybrid funding

d) Convertible funding

9. Which factor is crucial for the success of PE investments in developing markets like India?

a) High operational costs

b) Established market presence

c) Strong regulatory framework

d) Growth potential and scalability

10. What is a common risk associated with private equity investments in developing markets?

a) Over-regulation

b) High competition

c) Political instability

d) Excessive capital mobility

B State whether following statements are True or False (10)

1. Venture capital in India primarily targets early-stage startups in technology and innovation sectors.
2. The process of securing private equity funding in India typically involves a longer due diligence phase compared to venture capital.
3. Investment selection in India's private equity sector is often influenced by the regulatory environment surrounding startups and SMEs.
4. Fundraising challenges in India for private equity funds are predominantly due to lack of investor interest.
5. Common valuation methods used in Indian venture capital include Discounted Cash Flow (DCF) and Market Comparable.
6. Term sheets for venture capital in India are generally less formal and structured compared to those used in private equity transactions.
7. Documenting investment conditions in India is less important due to a more informal investment culture.
8. Exit strategies for private equity investors in India often include IPOs, mergers, and secondary sales to other private equity firms.
9. The regulatory framework for private equity funds in India is governed primarily by the Securities and Exchange Board of India (SEBI).
10. Taxation on private equity investments in India is similar to that of capital gains tax applicable to individual investors.

Q. 2 Answer any Two of the following (10)

- A What are the key players involved in the venture capital and private equity ecosystem?
- B Define the term "angel investor" and describe its role in the early stages of funding.
- C What are the typical stages of capital financing for startups, from seed funding to exit?

Q. 3 Answer any Two of the following (10)

- A Discuss the common ways private equity funds raise capital.
- B Highlight common problems related to investment selection in venture capital.
- C Discuss the factors that influence investment selection in venture capital.

Q. 4 Answer any Two of the following (10)

- A Describe the importance of building relationships with investors during the funding process.
- B How does the negotiation process differ for venture capital compared to private equity investments?
- C What are the common reasons a venture capital or private equity firm might reject an investment proposal?

Q. 5 Answer any Two of the following (10)

- A How do macroeconomic factors influence the investment selection process in India?
- B Discuss the importance of the management team in the investment selection process.
- C What challenges do startups often face when trying to secure venture capital funding?

Q. 6 Answer any Two of the following (10)

- A What is the role of "pre-money" and "post-money" valuation when raising funds?
- B Discuss how risk factors are incorporated into the valuation of private equity investments.
- C Why is it essential for startups to have a clear understanding of their valuation during negotiations?

Q. 7 Answer any Two of the following (10)

- A What is the significance of liquidation preferences in a term sheet?
- B Describe how vesting schedules are structured in terms sheets for startup founders and employees.
- C In what ways can negotiating terms in a term sheet impact the future of a

startup?

Q.8 Write Short notes on any three of the following

(15)

- A Seed Funding
- B leveraged buy-out
- C Limited Partnership Agreement (LPA)
- D IPO