

	S Co.	R Co.
PAT (Rs '000)	200	500
Number of Shares ('000)	100	250
EPS (Rs)	2	2
Market Price Per share (Rs)	100	40
P/E ratio (times)	50	20
Total Market Value (Rs '000)	10,000	10,000

What is the combined EPS? Calculate the P/E ratio of the combined firm. Has any wealth been created for shareholders?

SECTION – II

- Q3 India Pharma Ltd., An India based MNC is evaluating an overseas investment proposal. [17]
 India Pharma's export of Pharmaceuticals has increased to such an extent that it is considering a project to build a plant in USA. The project will entail an initial outlay of \$100 million and is expected to generated the following cash flows over its four years life:

Year	1	2	3	4
CF (in million \$)	30	40	50	60

The current spot exchange rate is RS 45 per USD. The Risk- free Rate in India is 11% and the Risk Free Rate in US is 6%. These rates are observed in the financial markets. India Phrma's required Rupee return on a project of this kind is 15%. Should India Phrama undertake this project?

OR

- Q3 Describe foreign exchange exposure and methods of managing foreign exchange [17]
 exposure.
- Q4 What are the risks associated with International project financing? [18]
- OR
- Q4 Enlist and explain various sources of international financing. [18]

