



MBA DEGREE EXAMINATIONS: NOV / DEC 2024

(Regulation 2021A)

Second Semester

MASTER OF BUSINESS ADMINISTRATION

P21MBE0547: Security Analysis and Portfolio Management

COURSE OUTCOMES

CO1: Outline the functioning of the capital market and define the products traded in the Indian Capital Market.

CO2: Formulate Fundamental and Technical analyses for investments

CO3: Construct optimal portfolios for making investment decisions.

Time: Three Hours

Maximum Marks: 100

PART A (1Q x 20 Marks = 20 Marks) Case Study

- 1 Yes Bank was once one of the fastest-growing private sector banks in India, renowned for its innovative services and aggressive loan growth strategy. By 2018, it was a preferred choice for investors due to its consistent profitability and attractive return on equity (ROE). However, cracks started to appear when the Reserve Bank of India (RBI) flagged concerns about its asset quality and governance practices. By 2020, Yes Bank faced a severe liquidity crisis due to mounting bad loans and questionable corporate governance practices. The stock, which traded at ₹400 per share in 2018, plummeted to ₹10 in 2020. In response, the RBI implemented a restructuring plan and brought in new leadership. As of December 2024, Yes Bank has partially recovered, trading at ₹25 per share. Analysts and investors remain divided on whether the bank represents a turnaround opportunity or a cautionary tale of unresolved risks. Evaluate the yes bank financial situation over the last 5 years. The restructuring plan, which included a capital infusion and leadership changes, aimed to stabilize the bank, but its recovery remains a mixed outlook, with investors cautious about the long-term risks and the ability to regain its previous market position. CO2 [K₅]

Financials	2018	2020	2024
Net Profit Margin	18%	-15%	8%
(NPA)	2%	16%	5%
Loan Growth	22%	-10%	8%
Price-to-Book (P/B) Ratio	3.5x	0.5x	1.2x
ROE	18%	-20%	10%

1. Compare the changes in Yes Bank's Net Profit Margin and Non-Performing Assets (NPA) from 2018 to 2024. What do these trends indicate about the bank's financial recovery?
2. Evaluate Yes Bank's Price-to-Book (P/B) ratio in 2024 compared to 2018 and 2020. Does the current P/B ratio suggest the stock is undervalued, overvalued, or fairly valued?
3. Discuss the key risks associated with investing in Yes Bank in 2024. How should investors weigh these risks against potential returns?
4. Based on the given data, do you believe Yes Bank has the potential to return to its pre-crisis profitability? Why or why not?
5. If you were an equity analyst, would you recommend buying, holding, or selling Yes Bank shares in 2024? Provide a detailed justification for your recommendation.

PART B (5Q x 6 Marks = 30 Marks)

- | | | |
|---|---|-----------------------|
| 2 | How do industry-specific risks impact the risk-return tradeoff in portfolio management? Provide examples from sectors such as IT, Banking, and Pharma. | CO2 [K ₁] |
| 3 | Explain how the Capital Asset Pricing Model (CAPM) is used by industry professionals to estimate the expected return of a stock. Provide a real-world example from the Indian stock market. | CO2 [K ₂] |
| 4 | Discuss how portfolio managers use industry diversification to reduce unsystematic risk. | CO3 [K ₆] |
| 5 | Why is sectoral analysis critical in security selection? Discuss its relevance with examples from cyclical and defensive industries. | CO2 [K ₁] |
| 6 | Explain the basic principles in fundamental analysis | CO2 [K ₂] |

Part – C (5Qx10 Marks = 50 marks) Answer Any Five Question only

- | | | |
|----|---|-----------------------|
| 7 | Explain the use of technical analysis tools like Moving Averages and RSI in predicting stock trends for volatile sectors | CO2 [K ₂] |
| 8 | Discuss the important steps in portfolio revision | CO3 [K ₆] |
| 9 | Compare the application of Dividend Discount Model (DDM) and Price-to-Earnings (P/E) ratio in the valuation of companies in the FMCG and automobile sectors. | CO2 [K ₄] |
| 10 | Explain the important technical analysis tools to identify overbought and oversold condition | CO2 [K ₂] |
| 11 | Explain the important types of risk faced by investors in stock market | CO1 [K ₂] |
| 12 | Explain the importance of Markowitz theory in portfolio selection process | CO3 [K ₂] |
| 13 | What are stock market indices, and why are they important indicators of market performance? Discuss the construction methodology of indices like BSE Sensex and NSE Nifty based on the Free Float Market Capitalization approach. | CO1 [K ₁] |
