



**IBA**  
UNIVERSITY OF DHAKA



I B A C C

# *FIN* *ITZ* <sup>2017</sup>

Sponsored By:

**LR**  **GLOBAL**  
BANGLADESH ASSET MANAGEMENT COMPANY LTD.

## Online Round Case

## Guidelines for answering the following cases:

- You are provided with two documents.  
Document 1: Cases(s) to be solved (PDF)  
Document 2: Demo Answer Sheet (Doc)
- You need to write your answers in our provided document using Microsoft Word. The answers have to be computer typed, not hand written. There will be designated spaces where you should type the answers
- Please, note that word limits are assigned to a number of answers. Your case solutions will be disqualified automatically if your answers cross the assigned word limit.
- Once you are done typing the answers, save the DOC file in a PDF format before sending the email.
- Name your PDF as per your team name
- Mail your PDF to [finwitz.iba@gmail.com](mailto:finwitz.iba@gmail.com) by 12:00 pm noon, November 14, 2017, Tuesday.
- The subject of your email should be your TEAM NAME
- Please note that late submission will be heavily penalized which will have an effect in your selection

These cases are prepared for FINWITZ 2017 by LR Global Bangladesh Asset Management Company. Any kind of usage without permission is strictly prohibited.

**CASE 01:** On November 22 of 2016, Uber, an ambitious global ride-hailing and logistics company, launched its services in Dhaka. At the time of its launch, Uber did not have any competition in Bangladesh, and the company received overwhelming response in Dhaka. Over the next one year, the company was viewed as the hands-down winner of capturing the market share in the ride-hailing industry in Bangladesh.

However, since July of 2017, a Bangladeshi ride-hailing start-up called Pathao started gradually making dent on Uber’s market share. The unique point of the Pathao rides is the mode of transport, which unlike the cars of Uber, is a motorbike. Pathao became extremely popular within a very short amount of time as one can skim swiftly through the stagnant traffic of Dhaka city and reach the destination in the fastest possible way.

Even though the primary modes of transportation were different for Uber and Pathao, the ride-hailing business models were very similar. Drivers of both of the companies were independent contractors and neither of the companies owned cars or bikes. Pathao offered an 80/20 split for the ride receipts, with 80% going to the drivers and 20% going to Pathao. Uber offered a 75/25 split. However, the surface level similarity hid the cutthroat competition among the two companies. Both of the companies are offering their drivers incentives to join as well as switch from the competitor. They are also offering customers discounts and free rides to switch from the other company.

As bikes are becoming the popular mode of transportation in the traffic-congested Dhaka city, Uber decided to introduce a bike-sharing service called UberMOTO for its customers. On the other hand, the local start-up Pathao introduced the option of cars from November of 2017 following its success with motorbikes.

**Current Market Scenario:**

- Uber, Pathao and the other ride-hailing services register more than 10,000 rides a day. Average cost is BDT 150 to BDT 200 per ride. Estimates of current market size range from BDT 550.0 million to BDT 750.0 million.
- Charge of rides:

Service	Transportation	Base Fare	Per Kilometer Fare	Per Minute Waiting Charge
Pathao RIDES	Motorbike	30.0	14.4	0.6
UberMOTO*	Motorbike	-	-	-
Pathao CARS	Cars	50.0	20.0	2.5
UberX	Cars	40.0	18.0	3.0
UberPREMIER	Cars	80.0	22.0	3.0

\*Fare of UberMOTO is yet to be publicly announced

- Three other players are also needed to be considered in the current market context. Two of them are local players, Bahon (started in September of 2017) and Ezzyr (set to start in November); the other one is an Indian ride-hailing service company Ola.
- Bangladesh Road Transport Authority (BRTA) has drafted a ride-sharing guideline to regulate this industry.

**Competitive Landscape:**

- Uber was clearly going after the global market and was uninterested in forming partnership with local ride-sharing companies. During that time, Pathao's intention is to operate in the Bangladesh market, and may partner up with large ride-sharing companies in other markets.
- Even though both Pathao and Uber have been growing, Pathao has been growing at a faster rate in Bangladesh market in terms of the number of rides.
- Both Pathao and Uber are yet to make a profit as both companies are increasing expenditures for higher revenue growth.
- Pathao has been attempting to expand its ride-sharing model to the logistics market, particularly to package delivery and moving. Despite Uber's global attempt to expand its operations, Uber has stayed much more focused on the ride-sharing business in Bangladesh.

**Imagine, you are an investor with BDT 1.0 billion to invest in. Founders of both of the companies, Uber and Pathao, approached you for investing in their company. Which of the following two companies you would like to invest in, Uber or Pathao?**

*(Note: Focus on the qualitative aspects of your reasoning instead of overemphasizing on numerical analyses. You can use any available public information of the two companies)*

**CASE 02:** You are currently working as the Regional Head of McDonald's Asia Pacific segment. Your team has been appointed to evaluate whether Bangladesh would be an attractive investment destination for the company. You are scheduled to sit with a high-profile food industry expert of Bangladesh where you will have the opportunity to dig out information which will ultimately shape your investment decision.

**List down the top 5 questions you need to ask the experts in order to reach a conclusion, and justify why you think these questions would help you reach the conclusion.**

*(Note: feel free to use any online material for your analysis)*

**CASE 03:** These are some of the hypothetical headlines of leading national dailies from the last seven days.

			Company Name
Gas price set to hike from February 2018	Meteriologists forecast record rainfall in 2018	2017-18 to see a 40% higher Annual Development Program*	Grameenphone Square Pharmaceuticals Olympic Industries Heidelberg Cement Singer Bangladesh  <small>*Annual Development Program (ADP) is an organized list of projects in various sectors and the allocations for them for a year out of a five-year plan period for implementation of the Bangladesh Government's development policies, program and investments in the plan.            **TRIPS is The Agreement on Trade-Related Aspects of Intellectual Property Rights, an international legal agreement between all the member nations of the World Trade Organization.</small>
Sugar price to increase being influenced by higher demand in 2018	TRIPS** agreement to end for Bangladesh from mid 2018	Government goes on to ban Facebook until further notice	
Advance rent on commercial plots increases in Dhaka city	Demonitization hits Indian poor the most	Dhaka records highest temperature in 54 years	

You have USD 100 million invested in the companies listed above. **For each of the company, mention the piece of news that would MOST DIRECTLY have an effect on it. One piece of news can be attributed to only one company, and vice versa. Justify your point of view.**

**CASE 04:** The following table demonstrates the projected figures of the Companies “A”, “B” and “C” for 2017.

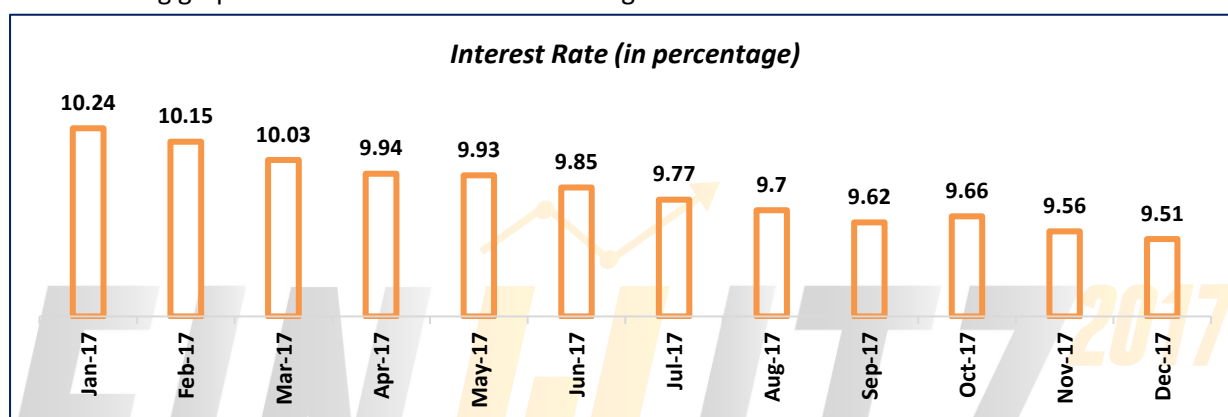
**Table (1): Projected Figures for 2017**

Company	Outstanding Loan*	Interest Expense*	Net Profit*	Shareholder’s Equity*	Number of Shares**
A	16,065	1,723	830	5,892	39
B	5,045	605	2,320	24,799	386
C	2,314	352	2,475	12,563	52

\*All the figures are in BDT million

\*\*Number of Shares are in millions

The following graph shows the movement in lending rates in Jan-Dec of 2017.



The companies pay their installments semi-annually; one in June and another one in December. As the interest rates fell sharply, all the three companies renegotiated the interest rates on their outstanding loans in May 2017. Corporate Tax rate for all the three companies is 25%.

- Calculate the Earning per Share (EPS) and Return on Equity (ROE) of all the three companies for 2017
- Calculate the revised Earning per Share (EPS) and Return on Equity (ROE) of all the three companies after renegotiation
- Explain how you reached the numbers in the designated text box in the answer sheet. You can incorporate any additional assumption behind your calculation.