Seat No.: ________ Enrolment No.__________

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER IV – EXAMINATION – WINTER 2019

Subject Code: 3549283 **Date:29/11/2019**
Subject Name: Investment Banking
Time:02.30PM TO 05.30 PM **Total Marks: 70**

Instructions:
1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q. No.			Marks
Q.1		Explain the following terms: (a) PIPE (b) Subprime Mortgages (c) Credit Default Swap (d) Underwriting services (e) Venture Capital (f) Municipal Bond (g) Dutch Auction	**14**
Q.2	**(a)**	Distinguish between Merchant banking & investment banking. Explain the function of investment banking.	**07**
	(b)	Define an investment bank and explain the evolution of investment banks in India.	**07**
		OR	
	(b)	Discuss the emergence of Investment Banks in the US and India.	**07**
Q.3	**(a)**	Discuss the cash flow based valuation models in detail.	**07**
	(b)	Briefly define the role of investment banks in structuring M&A transactions.	**07**
		OR	
Q.3	**(a)**	Explain the concept of bond, types and its valuation with hypothetical example.	**07**
	(b)	What is due diligence? Explain any three areas of due diligence.	**07**
Q.4	**(a)**	State the difference between private equity and venture capital. Discuss the investment banking perspective in Private equity	**07**
	(b)	ABC Ltd. make an issues of 10,000 shares of Rs.10 each at par aggregating to Rs.1,00,000. The issue has been underwritten fully by two underwriters X and Y to the extent of Rs. 50,000 each. The issue has been closed and the following is the information available on the subscriptions.	**07**

Particulars	Amount(Rs.)
Valid subscriptions received	76,500
Received through underwriter X	27,500
Received through underwriter Y	34,800
Direct subscriptions received	14,200
Examine the underwriters' development.	

OR

Q.4 (a) What is Venture Capital? What are the factors considered by Venture capital firms before they finance a venture? **07**

(b) What do you understand by Corporate Debt Restructuring (CDR)? Explain the process and importance of CDR for companies in Distress **07**

Q.5 **CASE STUDY:**

Novelty Ltd., a consumer durable manufacturer, reported earnings per share of Rs. 3.20 in 2010 and paid dividends per share of Rs. 1.70 in that year. The firm reported depreciation of Rs. 350 lakh in 2010 and capital expenditure of Rs. 475 lakh. There were 160 lakh outstanding shares traded at Rs. 51 per share. The ratio of capital expenditure to depreciation is expected to be maintained in the long term. The working capital needs are negligible. Novelty had a debt outstanding of Rs. 1600 lakh and intends to maintain its current financing mix of debt and equity to finance future investment needs. The firm in the steady state, and earnings are expected to grow at 7% per year. The stock had a Beta of 1.05, the Treasury bill rate is 6.25% and the market premium is 5.5%.

(a) Estimate the value per share using dividend discount model. **07**

(b) How would you explain the difference between Dividend yield method and Dividend discount model to estimate value of equity and business? **07**

OR

Q.5 (a) Estimate the value per share, using the FCFE model (Free Cash Flow to Equity) **07**

(b) How would you explain the difference between the two models, and which one would you use as a benchmark to compare with the market price? **07**

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