

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA (IB) – SEMESTER III – EXAMINATION – WINTER 2019**

**Subject Code:1539341****Date:04/12/2019****Subject Name: INVESTMENT BANKING****Time:10.30 am to 01.30 pm****Total Marks: 70****Instructions:**

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

**Q.1. Answer the following questions** **14**

1. Explain the meaning of QIB.
2. What is ADR and GDR?
3. Define junk bonds.
4. Discuss the concept of underwriting.
5. What is private placement?
6. Define P/E and explain its significance in analyzing the value of the company.
7. Explain the meaning of convertible bonds.

**Q.2 (a)** Explain the core services offered by the investment bankers and how are they different from commercial banking? **07**

**Q.2 (b)** Discuss the regulatory framework for the Investment Banking in India. **07**

**OR**

**Q.2 (b)** Explain in detail how the credit rating agencies can help the investor as well as the issuer in raising the funds. **07**

**Q.3 (a)** Briefly discuss the role of various participants in the Primary market. **07**

**Q.3 (b)** Mr. Niraj Pathak has developed an app for the local retailers in Ahmedabad and wants to convert this idea into a profitable opportunity. He wants to pitch this idea to the venture capital investors. Kindly suggest him the factors considered by the venture capitalists in funding the venture. **07**

**OR**

**Q.3 (a)** Briefly discuss various funding options available to the company in international market. **07**

**Q.3 (b)** Vikas Ltd, an agribusiness solution provider, wants to acquire Akash Ltd, a small firm operating in contract farming business. Discuss the implication of this acquisition for the acquirer and the target firm. **07**

**Q.4 (a)** Discuss the role of the investment banker in structuring the merger and acquisition deal. **07**

**Q.4 (b)** The free cash flow of a firm is projected to grow at a compound annual average rate of 30% for the next 5 years. Growth is then expected to slow down to a normal 5% annual growth rate. The current year's cash-flow to the firm is Rs. 5,00,000. The firm's cost of capital is 18% during high growth period and 12% beyond the 5th year, as growth stabilizes. Estimate the value of the firm. **07**

[PVIF @18% for year 1 to 5: 0.847, 0.718, 0.609, 0.516, 0.437]

**OR**

**Q.4 (a)** What is LBO? Explain features and the economics of LBO. **07**

**Q.4 (b)** ABC Ltd. wants to acquire XYZ Ltd. However, the management of the company is in dilemma regarding the valuation of XYZ Ltd. The management of ABC Ltd. seeks your help. As an investment banker, present an overview of various models available for business valuation, to the management of ABC Ltd. **07**

**Q.5** Green Fuel Ltd is a private limited company based in Ahmedabad. The company is engaged in providing sustainable energy solutions with a vision to contribute to clean energy generation through bioenergy, including solid bio-fuel, liquid bio-fuels, bio-power, and other forms of clean energy generation. The company is having good presence in Gujarat and now wants to explore the possibility of expansion across India.

The company was set up in the year 2012. It has been seven years since its establishment and it is operating upon a very successful and profitable business model. Since, last five years, the company has not incurred any losses. The company has a net worth of Rs. 15 crore in each of the preceding three years. Further, the company is having the net tangible assets of Rs. 6 crore. The company has large clientele base and a progressive future ahead.

The management of the company is facing a dilemma at present. For national expansion programme, the company needs funds to the extent of Rs. 50 to 60 crores. The company has already taken loans from banks in the past. For further expansion, the company wants to explore the possibility of coming out with an IPO. At present, the management of the company is not having a clear idea regarding the process and the intermediaries involved in this process.

You are appointed as a lead merchant banker for this IPO.

In relation to this situation, answer the following questions. You may make relevant assumptions to support your answer.

**Q.5 (a)** Considering the case facts, you are required to suggest the company whether it should go for private placement or IPO? Suggest the pros and cons for both the options for evaluation to the management of the company. **07**

**Q.5 (b)** As a merchant banker, briefly give an overview of the pre and post issue activities involved in the IPO process. **07**

**OR**

**Q.5 (a)** If the management of the company decides to go for an IPO, whether the company is eligible for coming out with the IPO? Evaluate all the conditions in the context of the case facts. **07**

**Q.5 (b)** As a merchant banker, you are required to suggest the pricing mechanism for this IPO. **07**

\*\*\*\*\*