

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 4 – EXAMINATION – SUMMER 2018

Subject Code: 2840601

Date: 01/06/2018

Subject Name: INVESTMENT BANKING

Time: 02:30 PM 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.1 (a)

6

- 1 No offer of buy-back shall be made within a period of ____ from the date of the closure of the preceding offer of buy-back
A 1 Year B 6 Month
C 2 Year D 1.5 Year
- 2 Which of the following are not the constituents of capital market?
A Issuers, Investors B Intermediaries
C Instruments, Infrastructure D None
- 3 A Rs100 par value bond carries a coupon rate of 12% and maturity period of 8 years. Interest is payable semi annually. Value of bond ____ if required rate of return is 14%.
A 95.5 B 90.5
C 80.5 D 85.5
- 4 Broad statement of deal structure that investor proposes to make with the company for given offering in response to offer made by company is known as
A Private equity B Term sheet
C Credit Rating D ESOP
- 5 A bank offers 8% nominal rate of interest with quarterly compounding. What is effective rate of interest?
A 8% B 8.24%
C 9% D 9.24%
- 6 Business of floating and managing pools of public funds or private funds for profits from capital market investment is known as
A Assets Management B Security Business
C AMCC D CRISIL

- Q.1 (b)** 1. Private Equity **04**
 2. Assets Reconstruction Companies. (ARC)
 3. HNI
 4. QIB
- Q.1 (c)** Discuss the “Lock in of Shares” as preventive tool used by regulator **04**
- Q.2 (a)** Discuss conditions for buyback of shares as per Companies Act, 2013 **07**
(b) If Current EPS is 5 per share and current P.E multiple is 8, the current market price would be Rs40. If Present return on net worth is 10%, then compute premium can be paid at the time of buyback and also calculate buy back price. **07**

OR

- (b)** The following are the balance sheet of D ltd and G ltd as on 31.3.2016 **07**

Particulars	D ltd	G ltd
Liabilities:		
Equity share capital of Rs.10 each	400000	180000
General Reserve	500000	100000
P&L a/c	300000	80000
Debentures	350000	
Creditors	200000	100000
Bills Payable	50000	40000
	<u>1800000</u>	<u>500000</u>
Assets:		
Fixed assets	700000	300000
Investment	500000	
Current Assets	600000	200000
	<u>1800000</u>	<u>500000</u>

The Board of Directors D ltd approved to takeover G ltd as on 30th Sept, 2016. Find out the ratio of exchange of shares on the basis of book values.

- Q.3 (a)** What are the segments of security market? Difference between primary market and secondary market. **07**
- (b)** M co ltd is studying possible acquisition of N co ltd by way of merger. The following data are available in respect of following companies. **07**

Particulars	M co. ltd	N co. ltd
Earnings After Tax	8000000	2400000
No of equity shares	1600000	400000
Market price per share	200	160

- If merger goes through by exchange of equity and the exchange ratio is based on current market price what is new EPS of M co. ltd.
- Compute number shares to be issued by M co ltd to N co ltd if exchange ratio is calculated based on EPS.

OR

- Q.3 (a)** Discuss the role of investment banking in primary market. **07**
(b) X ltd makes an issue of 10000 shares of Rs10 each at par aggregating to Rs100000. The issue has been underwritten fully by X and Y underwriter to the extent of Rs50000 each. Issue has been closed and following information is available. **07**
- | | |
|--------------------------------|-------|
| Valid subscription received | 76500 |
| Received through underwriter X | 27500 |
| Received through underwriter Y | 34800 |

Direct subscription received 14200
Examine underwriters devolvement.

- Q.4** (a) Discuss delisting types, process and requirements. **07**
(b) If the Free Cash Flow to Firm of 8th Year cash flow projection is Rs525 lakh, which is expected to maintain 5% constant growth thereafter and subject to weighted average cost of capital is 12.5%. What is terminal value of Free Cash Flow to Firm. **07**

OR

- Q.4** (a) As Government of India has initiated scheme “Start Up India”, “Make In India”, “Digital India”. Discuss how private placement and venture capital can play role for these schemes. **07**
(b) Justin ltd agrees to acquire Bibbers ltd. Based on capitalization of last 3 years profit of Bibbers ltd at an earnings yield of 21%. Calculate value of business on earning yield basis. **07**

Profit for the year	Rs.in lakhs
2008	75
2009	89
2010	82

- Q.5** Peperboard ltd is targeting Newsborad ltd. Following details are here. **14**

Particulars	Peperboard ltd	Newsboard ltd
No of shares	32000	16000
Current Market Price	Rs140	Rs120
Market Capitalization	4480000	1920000

You are required to compute Cost of Merger and Net gain if Peperboard ltd is ready to pay cash of Rs125 per share to Newsboard ltd assuming zero synergy gain.

OR

- Q.5** Bapa ltd wants to acquire Aapa ltd and has offered swap ratio of 1:2 (0.5 shares for every one share of Aapa ltd). Bapa ltd has profit available to shareholder would be Rs1800000 having six lakh shares outstanding. Bapa ltd somehow managed to yield price earning multiple 10 time in very cut throat competition in the market. While on the other hand, Aapa ltd, who is suffering from financial crisis and liquidity crunch and having over burden of interest payment and with high trading on equity co., had earning available to shareholder would only just Rs360000 having one lakh eighty thousand shares outstanding. Because of its non reputation in the market, Aapa ltd incurred price earnings multiple of just 7 times which is not considered as per industry standard. After considering various avenues for corporate reorganization, Bapa ltd decided to acquire Aapa ltd and restructure entire company and establish itself from saturation point to Introduction-Growth stage of Company life cycle. **14**

Required:

1. The number shares to be issued by Bapa ltd to Aapa ltd for such acquisition.
2. Earnings available to Bapa ltd after acquisition. Has Bapa took right decision for acquiring Aapa ltd.
3. Determine equivalent EPS of Aapa ltd.
4. Determine market capitalization after acquisition.(i.e. Merged Co.)
