7508

Unique Paper Code(UPC) : **2923060053**

Name of the Paper : **Investment Banking and Financial Services**

Name of the Course : BMS

Semester : **VIII**

Duration : 3 hours

Maximum Marks : 90 Mark

Instructions to Candidates

1. All questions carry equal marks.
2. Attempt any five questions.
3. Use of non-programmable scientific calculator is permitted.
4. If necessary, make suitable assumptions and state them clearly.

Question 1:

A leading Indian startup plans to raise funds through an Initial Public Offering (IPO). As an investment banking consultant, explain the complete process the company must follow from issue management to post-issue obligations. Also examine the role played by merchant bankers, underwriters, brokers, and Securities and Exchange Board of India in ensuring transparency and investor protection.

(18 Marks)

Question 2:

"Book Building and Green Shoe Option have improved efficiency in the Indian primary market." Critically analyse this statement by discussing the process of price discovery, investor participation, and stabilization of share prices in the capital market.

(18 Marks)

Question 3:

Nova Solutions a Delhi-based technology startup, has developed an AI-based accounting and inventory management application for small retailers and wholesalers. The company was started with an initial investment of 25 lakh by the founders and currently serves around 5,000 users across North India. Due to increasing demand, the company plans to expand its operations nationally, develop cloud infrastructure, and strengthen cybersecurity systems. For this purpose, the startup requires additional funding of 8 crore.

The founders approached commercial banks for a term loan at an interest rate of 13% per annum, but the loan application was rejected due to lack of collateral security, limited profitability, and uncertain future cash flows. A Venture Capital firm has offered to invest. 8 crore in exchange for 22% equity ownership in the company, while a Private Equity investor has shown interest in investing at a later expansion stage after evaluating the company's market performance. The estimated market valuation of the startup is currently 36 crore.

You are required to answer the followings:

(a) Analyse how Venture Capital and Private Equity financing can support technology startups at different stages of growth.

(b) Explain the Venture Capital investment process involved in funding such startups.

(c) Evaluate the advantages and limitations of Venture Capital financing compared to traditional bank finance for Nova Solutions.

(18 Marks)

Question 4:

An NBFC engaged in retail lending is facing liquidity constraints due to increasing long-term loan exposure. To improve liquidity and reduce credit risk, the company plans to adopt securitization of its loan assets. explain the process of securitization, discuss the role of various parties and instruments involved, and analyse the opportunities and challenges of securitization practices in India.

(18 Marks)

Question 5:

Explain any three of the following:

a) Promoter's Contribution and Minimum Subscription Requirements in Public Issues.
b) Prospectus and Its Importance in Investor Decision-Making.
c) Allotment Procedure and SEBI Guidelines for Public Issues.
d) Preferential Allotment and Private Placement of Securities.

(18 Marks)

Question 6:

ABC Manufacturing Ltd., a company engaged in the production of electronic equipment, is planning to modernize its operations by installing an advanced automated packaging machine. The management is evaluating two alternatives purchasing the machine through borrowed funds or acquiring it under a lease arrangement.

The machine can be purchased for 30,00,000 and is expected to have a useful life of 5 years with an estimated salvage value of 2,00,000 at the end of its useful life. The purchase would be financed through a bank loan carrying an interest rate of 18% per annum, repayable in five equal annual instalments payable at the end of each year.

Alternatively, the company may obtain the machine on lease by paying an annual lease rental of 8,50,000 for a period of five years, payable at the end of each year.

You are required to advise the management whether the company should purchase or lease the machine. Support your answer with appropriate financial analysis and justification.

Assumptions:

(i) The company follows the Written Down Value (WDV) method of depreciation at 20% per annum.

(ii) Corporate tax rate is 25%.

(iii) Lease rentals are tax deductible.

(18 Marks)