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| **C:\Users\ADMIN\Desktop\j.png** | **JAIPURIA INSTITUE OF MANAGEMENT, INDORE**  Post Graduate Diploma in Management (Batch 2022-24) |
| **Course Title: Investment Banking (Course Code: 40244)**  **Term-End Examination, Term - VI (April 2024)** | |
| **Time Duration: 2 Hours Total Marks: 40** | |

***General Instructions*:**

1. *This is a pen-and-paper exam. Students* ***can refer to physical copies of class notes, and textbook, if any (Open Book exam)****.*
2. *Answer the questions as directed. The break-up of the marks is given wherever necessary.*
3. *Usage of the* ***Internet is not allowed****.*
4. *Students can make use of calculators.*
5. *Do not write anything on the question paper except your roll number.*

**Q1.** Investment banking plays a pivotal role in the financial ecosystem, facilitating capital flows between investors and companies. Considering the complexities and dynamics of the investment banking industry, critically analyze the interdependence between stakeholders such as regulators, buy-side and sell-side analysts, and investment bankers. Discuss how conflicting interests and regulatory frameworks impact the functioning of investment banks and influence decision-making processes. ***Discover*** insights into the ethical dilemmas faced by investment bankers and explore strategies to navigate these challenges while maintaining integrity and professionalism. ***List*** your arguments using examples and propose recommendations for ensuring transparency, accountability, and sustainable growth within the investment banking sector. **(8 Marks)**

**Q2.** In the realm of Investment Banking services, analyze the significance of different security market segments such as bulk deals, block deals, and dual-class shares. How do these segments contribute to the overall functioning of the financial markets, and what roles do investment banks play in facilitating transactions within each segment? ***Classify*** examples to illustrate your understanding of these concepts and their implications for investors and issuers. **(5 Marks)**

**Q3.**  Read the case about the IPO of KP Green Engineering Limited and answer the questions following the case: **(10 Marks)**

KP Green Engineering IPO, a profit-making SME is a book-built issue of Rs 189.50 crores, entirely a fresh issue of 131.6 lakh shares. The KP Green Engineering IPO bidding started on March 15, 2024, and ended on March 19, 2024. The allotment for the KP Green Engineering IPO is expected to be finalized on Wednesday, March 20, 2024. The KP Green Engineering IPO will be listed on the secondary market, with a tentative date fixed as Friday, March 22, 2024.

KP Green Engineering's IPO price band is set at ₹137 to ₹144 per share. The minimum lot size for an application is 1000 Shares. The minimum lot size investment for HNI is two lots. [Beeline Capital Advisors Pvt Ltd](https://www.chittorgarh.com/report/ipo-lead-manager-review/112/192/) is the book-running lead manager of the KP Green Engineering IPO, while [Bigshare Services Pvt Ltd](https://www.chittorgarh.com/report/ipo-registrar-review/114/3/) is the registrar. Spread X Securities is the market maker for the KP Green Engineering IPO.

**KP Green Engineering IPO Details**

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| IPO Date | March 15, 2024 to March 19, 2024 |
| Listing Date | [.] |
| Face Value | ₹5 per share |
| Price Band | ₹137 to ₹144 per share |
| Lot Size | 1000 Shares |
| Total Issue Size | 13,160,000 shares (aggregating up to ₹189.50 Cr) |
| Fresh Issue | 13,160,000 shares (aggregating up to ₹189.50 Cr) |
| Issue Type | Book Built Issue IPO |
| Listing At | BSE SME |
| Shareholding pre issue | 36,840,000 |
| Shareholding post issue | 50,000,000 |
| Market Maker portion | 658,000 shares [Spread X Securities](https://www.chittorgarh.com/report/ipo-market-maker-vs-listing-gain/127/411/) |

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| IPO Open Date | Friday, March 15, 2024 |
| IPO Close Date | Tuesday, March 19, 2024 |
| Basis of Allotment | Wednesday, March 20, 2024 |
| Initiation of Refunds | Thursday, March 21, 2024 |
| Credit of Shares to Demat | Thursday, March 21, 2024 |
| Listing Date | Friday, March 22, 2024 |
| Cut-off time for UPI mandate confirmation | 5 PM on March 19, 2024 |

Source: <https://www.chittorgarh.com/>

1. ***Analyzing*** the KP Green Engineering IPO from the perspective of stock exchange listing, what are the portions allocated to Qualified Institutional Buyers (QIBs), Non-Institutional Investors (NIIs), and Retail Individual Investors (RIIs)? **(3 marks)**
2. ***Examine*** the impact of grey market premium (GMP) on the listing price of the KP Green Engineering IPO. Infer how GMP influences investor sentiment and demand for IPO shares. Furthermore, ***test for*** the implications of a high or low grey market premium on the aftermarket trading performance of the IPO. **(3 marks)**
3. ***Inspect*** the role of anchor investors and market makers in an IPO such as KP Green Engineering Limited. Dissect how anchor investors and market makers contribute to the success of the IPO, their significance in providing credibility and stability to the offering, and the potential benefits they bring to both the issuer and other investors participating in the IPO. **(4 marks)**

**Q4.** As an investment banker advising Ishaan Ventures Ltd., outline a strategic plan for the company to execute a proposed share buyback of 25% to maximise shareholder value while ensuring financial stability. Ishaan Ventures Ltd has a substantial cash position, a Price/Earnings (P/E) multiple of 6, and a Return on Net Worth (RONW) of 12%, and considering a current share price of Rs. 233/- on the BSE, a pre-issue capital of 20,00,000 shares, a net worth of Rs. 4.5 crores and debt equity ratio of 1.33. ***Deduce*** the feasibility of the capital reduction and ***appraise*** the buyback price and number of shares that the company can buy back. **(6 marks)**

**Q5**. **A.** Swan Chemicals Ltd. Is acquiring Pearl Chemicals Ltd. Swan Chemicals will pay 0.5 of its shares to the shareholders of Pearl Chemicals for each share held by them. The data for the two companies are given below: **(7 marks)**

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| --- | --- | --- |
|  | Swan Chemicals Ltd. | Pearl Chemicals Ltd. |
| PAT (Rs. Lakhs) | 150 | 30 |
| Number of shares (Lakhs) | 25 | 8 |
| EPS (Rs.) | 6 | 3.75 |
| CMP (Rs.) | 78 | 33.75 |
| P/E ratio | 13 | 9 |

A.1 ***Determine*** the EPS of the surviving firm after the merger **(3 marks)**

A.2 If the P/E ratio falls to 12 after the merger, ***Compare*** the benefits of the merger of Swan Chemicals and Pearl Chemicals in terms of the share prices. **(4 Marks)**

**B.** Value unlocking is pivotal in demerger deals, driving strategic outcomes and enhancing shareholder wealth. ***Deduct*** the significance of value unlocking in demerger transactions, elucidating its impact on corporate strategy, financial performance, and stakeholder interests with the help of an example. **(4 Marks)**