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| **C:\Users\ADMIN\Desktop\j.png** | **JAIPURIA INSTITUE OF MANAGEMENT, INDORE**  Post Graduate Diploma in Management (Batch 2023-25) |
| **Course Title: Investment Banking (Course Code: 40244)**  **Term-End Examination, Term – IV (3rd October 2024)** | |
| **Time Duration: 2 Hours Total Marks: 40** | |

***General Instructions*:**

1. *This is a pen-and-paper exam.*
2. *This is a* ***closed book exam****.*
3. *Answer the questions as directed. The break-up of the marks is given wherever necessary.*
4. *Students can make use of any type of calculators.*
5. *For theoretical questions, cite suitable contemporary examples.*
6. *Do not write anything on the question paper except your roll number.*

Q1 C*ritically dissect* the interrelationships between investment banks, buy-side analysts, sell-side analysts, and regulatory bodies within the framework of the capital markets.

a) Conduct a thorough examination of how the mutual dependencies among these stakeholder’s shape market dynamics, influence capital flows, and drive decision-making processes.

b) Delve into the inherent conflicts of interest that may arise from these interactions and evaluate the implications of such conflicts on the financial markets' transparency, efficiency, and ethical standards.

Support your analysis with real-world examples. **(3+4 Marks)**

Q2 Read the case about the IPO of **P N Gadgil Limited** and answer the questions following the case: (**9 Marks)**

P N Gadgil Jewellers Limited, a profitable company launched an IPO of ₹1,100 crores, combining a fresh issue of ₹850 crores and an offer to sell ₹250 crores. The IPO opened on September 10, 2024, and closed on September 12, 2024. The IPO was subscribed 59.41 times overall, with high demand from institutional investors. The shares were listed at a remarkable premium of 830, a 72.92% increase over the issue price of 480 per share. The grey market premium (GMP) was ₹303.50 on the listing day. Below are the key IPO details:

**Details Information**

**IPO Size** ₹1,100 crore

**Fresh Issue** ₹850 crore

**Offer for Sale**  ₹250 crore

**Price Band** ₹456 to ₹480 per share

**IPO Open Date** September 10, 2024

**IPO Close Date** September 12, 2024

**Listing Date** September 17, 2024

**Subscription**  59.41x overall (QIB: 136.85x, NII: 56.08x, Retail: 16.58x)

**Issue Price** ₹480 per share

**Listing Price** ₹830 per share

**P N Gadgil Jewellers Day-wise GMP Trend:**

| **GMP Date** | **IPO Price** | **GMP** | **Sub2 Sauda Rate** | **Estimated Listing Price** | **Last Updated** |
| --- | --- | --- | --- | --- | --- |
| 17-09-2024 Listing | 480.00 | ₹303.50 https://www.investorgain.com/images/buttons/line.png | 7200/100800 | ₹783.5 (63.23%) | 17-Sep-2024 9:30 |
| 16-09-2024 | 480.00 | ₹303.50  https://www.investorgain.com/images/buttons/arrow_up.png | 7200/100800 | ₹783.5 (63.23%) | 16-Sep-2024 23:23 |
| 15-09-2024 | 480.00 | ₹300 https://www.investorgain.com/images/buttons/arrow_down.png | 7100/99400 | ₹780 (62.5%) | 15-Sep-2024 23:28 |
| 14-09-2024 | 480.00 | ₹330 https://www.investorgain.com/images/buttons/arrow_down.png | 7800/109200 | ₹810 (68.75%) | 14-Sep-2024 23:24 |
| 13-09-2024 Allotment | 480.00 | ₹345  https://www.investorgain.com/images/buttons/arrow_up.png | 8100/113400 | ₹825 (71.88%) | 13-Sep-2024 23:27 |
| 12-09-2024 Close | 480.00 | ₹333  https://www.investorgain.com/images/buttons/arrow_up.png | 7800/109200 | ₹813 (69.38%) | 12-Sep-2024 23:32 |
| 11-09-2024 | 480.00 | ₹268  https://www.investorgain.com/images/buttons/arrow_up.png | 6300/88200 | ₹748 (55.83%) | 11-Sep-2024 23:31 |
| 10-09-2024 Open | 480.00 | ₹258  https://www.investorgain.com/images/buttons/arrow_up.png | 6100/85400 | ₹738 (53.75%) | 10-Sep-2024 23:25 |

**Source:** https://www.chittorgarh.com/ipo/p-n-gadgil-jewellers-ipo/1841/

**Answer the following questions based on the case:**

a) *Analysing* the P N Gadgil Jewellers 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)**

b) *Examine* the impact of grey market premium (GMP) on the listing price of the P N Gadgil Jewellers IPO. Infer how GMP, SS rate, Kostak rate influences investor sentiment and demand for IPO shares. Furthermore, it tests for the implications of a high or low grey market premium on the aftermarket trading performance of the IPO. **(4 marks)**

c) *Inspect* the role of anchor investors and market makers in an IPO such as P N Gadgil Jewellers 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. **(2 marks)**

Q3 Avion Ltd. has provided the following financial data as per the recent audited balance sheet:

* Paid-up equity capital: ₹20,00,000 (200,000 shares of ₹10 each)
* Reserves and surplus:
  + General reserves: ₹6,00,000
  + Securities premium account: ₹10,00,000
  + Capital redemption reserve account: ₹5,00,000
  + Profit and loss account: ₹2,50,000
  + Debenture redemption reserve: ₹1,50,000
  + Total Debt: ₹65,00,000
* Current EPS: ₹25
* Market price: ₹200
* ROE = 12%

Considering the norms on the quantum of buyback and the principles of pricing, answer the following: **(Marks 4+2)**

a) *Discover* the maximum quantum of buyback by SEBI regulations, using the available reserves and surplus.

b) *Examine* the indicative buyback price is based on the current market price and the company's performance.

Q4 ABC Technologies is currently seeking investment from a venture capital firm. The following data is provided:

* Current level of revenues: ₹3 million
* Expected annual growth rate of revenue: 40%
* Capital required in the present funding round: ₹2 million
* The expected holding period for the VC: 4 years
* Expected PAT margin at the time of liquidity event: 15%
* Expected P/E ratio at exit: 15
* VC’s required rate of return: 35%

Using the Conventional VC Method, *simplify* the stake (%) that should be offered to the VC for their investment. **(6 Marks)**

Q5 BCD Ltd. is up for a potential Leveraged Buyout (LBO). The company has the following financial details:

* Current share price: ₹50
* Number of fully diluted shares outstanding: 10 million
* Cash balance always in the company from now till LBO exit: ₹100 million
* Last Twelve Months (LTM) Revenue: ₹5,000 million
* Growth rate of revenue = 20%
* LTM EBITDA: ₹1,000 million
* EV/EBITDA: 6
* Expected exit in 5 years at the same EV/EBITDA multiple
* Net debt can be four times the EBITDA
* The financial sponsor requires a return of 20% on their equity investment

Using the data provided:

a) *Determine* the enterprise value (EV) at the exit time based on the given EBITDA multiple.

b) *Estimate* the maximum amount the financial sponsor can invest to achieve their 20% return.  **(3+3 Marks)**

Q6) Anna Ltd. Is planning to purchase Zeta Ltd. Anna has 5 lakh shares outstanding of Rs. 100 each, having CMP of Rs. 250. Zeta has 2 lakh shares of Rs. 100 each, currently selling in the market at Rs. 170 per share. EPS are Rs. 32 and Rs. 24 for Anna Ltd and Zeta Ltd respectively.

Estimate the impact of a merger on the EPS, assuming that the share exchange ratio is to be in the relevant proportion of EPS of the two firms. Also determine the equivalent EPS after the merger with firm Zeta Ltd.

**(6 Marks)**