

GUJARAT TECHNOLOGICAL UNIVERSITY**MBA - SEMESTER– III EXAMINATION – WINTER 2020****Subject Code:1539341****Date:05/01/2021****Subject Name:Investment Banking****Time:10:30 AM TO 12.30 PM****Total Marks: 47****Instructions:**

1. Attempt any **THREE** questions from Q1 to Q6.
2. **Q7** is compulsory.
3. Make suitable assumptions wherever necessary.
4. Figures to the right indicate full marks.

- Q.1 a** Explain the terms. **06**
1. EPS
 2. LBO
 3. IPO
- Q.1 b** Explain the terms. **06**
1. Book Building
 2. Enterprise Value
 3. Underwriting
- Q.2** (a) Discuss Principal business of Investment Banks in India with Suitable Examples. **06**
- (b) Draw and Analyze the Difference between Merchant Banking, Investment Banking and Commercial Banking in India. **06**
- Q.3** (a) Write a detailed note on Private Placement as a method of raising funds with its merits and demerits. **06**
- (b) Credit Rating has crucial importance across Globe. Explain its core BFMF rating methodology. **06**
- Q.4** (a) Stock Market Indices are barometer of an economy. Discuss methodologies used to calculate these indices with suitable examples. **06**
- (b) Write a note on Merchant Banker's Role in Pre Issue obligations of IPO in India. **06**
- Q.5** (a) Explain DCF Valuation Method with its Pros and Cons. **06**
- (b) Write a note on Private Equity as an important source of Funding. **06**
- Q.6** (a) Explain with suitable example Enterprise value and key trading multiples of valuation. **06**
- (b) Explain Leverage Buyout and different forms of LBO. Also discuss **06**

advantages and disadvantages of LBO.

Q.7

Sunshine & Co.Ltd is a target company for Invest bank where you are Serving as chief Manager. After appropriate Financial Scrutiny company's Data is as follows. Company has total equity value of 451 lacs, total debt of 238 lacs and Cash equivalent worth value of 124 lacs. Tax rate applicable is 20%.

(in Lacs)

Year	2015	2016	2017	2018	2019
Revenue	3960	4080	4200	4326	4458
Raw Materials	1782	1792	1806	1860	1917
Production Cost	870	897	924	996	1026
Other Costs	396	408	420	432	447
EBITDA	912	981	1050	1038	1068
Depreciation	330	315	300	300	300
EBIT	582	666	750	738	768

To apply DCF valuation future cash flow is also projected considering all the Required factors. Outcome of said projection is depicted as below. Financial Structure of the company is as follows:

Equity -66.67% , Debt-33.336%, Cost of equity- 10% and Cost of Debt – 6%

FCF

(Estimated)

(in Lacs)

Year	1	2	3	4	5
CF	5862	5484	6574	7500	7854

Terminal Value at the end of the projected period is considered as 5500 lacs.

WACC is advised to discount the FCF and Terminal Value.

- (a) Calculate .EV, EV to EBITDA and EV to EBIT trading multiple. **5.5**
- (b) As a chief manager of an Investment Bank you are advised to interpret the financial health of the Sunshine &Co. ltd. **5.5**

OR

- (a) Apply DCF valuation. Calculate WACC and derive enterprise value. **5.5**
- (b) Share your inference with regards to calculations and result obtained through DCF Valuation regarding value of the Sunshine &Co. ltd. **5.5**
