VPM's
DR VN BRIMS, Thane
Programme: PGDM (2014-16)
Sixth Trimester (Finance) Examination April 2016

Subject	Investment Banking		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	21.04.2016

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.
Q1) 20 Marks (Compulsory)
Case Study : Buyback of shares by MNC'S in India
Abstract:
The case Buyback of Shares analyzes the buyback option introduced by the Government in 1998.
It provides a detailed understanding of the Buyback ordinance and its salient features. The case sets out the objectives of the buyback ordinance and the reasons given by the MNCs for pursuing a buyback.It also highlights the grievances expressed by the small investors against misuse of the buyback option by the MNCs through a set of examples.
Issues:
» Prohibiting MNCs from delisting

» Fair pricing of the open offer

The Buyback Option
In October 2000, Royal Philips Electronics of Netherlands (Philips), the Dutch parent of Philips India Limited, announced its first offer to buyback the shares of its Indian subsidiary..It provided a much needed exit option for shareholders in depressed market conditions. Buyback by the company usually indicated that the management felt that its stock was undervalued.
The open offer was initially made for 23% of the outstanding shares held by institutional investors, private bodies and the general public. The offer was made at Rs.105, a premium of 46% over the then prevailing stock market price. With this, Philips became one of the first multinational (MNCs) companies in India to offer buyback option to its shareholders. Soon after, the buyback option was offered by several multinational companies (MNCs) to increase their stake in their Indian ventures. Some of these companies were Cadbury India, Otis Elevators, Carrier Aircon, Reckitt Benkiser etc. Fund managers which held these companies' stocks felt that allowing buyback of shares was one of most favorable developments in the Indian stock markets.
It provided a much needed exit option for shareholders in depressed market conditions. Buyback by the company usually indicated that the management felt that its stock was undervalued.
This result is an increase in the price, bringing it closer to the intrinsic value and providing investors with a higher price for their investment in the company. However, critics of the buyback option claimed that large multinationals had utilized the buyback option to repurchase the entire floating stock from the market with the objective of delisting from the stock exchange and eliminating an investment opportunity for investors. Moreover, most MNCs that offered buyback option reported a steep decline in the trading volumes of the shares of their Indian ventures. The declining liquidity of these shares prompted critics to say that the Government of India's attempt to revive capital markets by allowing buyback of shares had failed.
Buy back of shares by MNC'S

Buyback Offer By MNCsIn the financial year 2001-2002, twenty MNCs made buyback offers. Some of the well-known MNCs which offered to buy back their shares were Philips India Limited (Philips), Cadbury India Limited (Cadbury), Britannia Industries Limited (Britannia), Carrier Aircon (Carrier) and Otis Elevators (Otis).

All these companies made open offers for the non-promoter shareholding in their Indian subsidiaries. To buy back shares, Cadbury paid Rs 9 billion, Philips Rs 2 billion, and Carrier, Otis and Reckitt Benkiser all paid over Rs 1 billion (Refer Table I for MNC buybacks). According to analysts, the increased buyback activity by MNCs was due to three reasons. They felt that the share prices of most MNCs were under priced and did not reflect the true value of the company. Moreover, the buyback of shares allowed MNCs to convert their Indian ventures into wholly owned subsidiaries (WOS). It also allowed them to delist the shares of these ventures from the stock markets and thus protect them from the volatility of the stock markets (caused by scams and other market manipulations)..

Questions:

1. a) Write the summary for the above case.

   b) State the Objective of the case.

   c) What are the benefits of buy back of shares?

   d) State the conclusion for the above case.

2. Briefly give your suggestions on whether to Buy or Not to Buyback shares?

Q2) ***Any two from (a) or (b) or (c) ————— (5×2) = 10 Marks***
a) What is capital market? Explain its functions and role.
b) What are the documents included under financial instruments? Explain it in detail.
c) When the companies are called Listing and Delisting of Companies? What are the types of delisting of companies?

Q3) ***Any two from (a) or (b) or (c) ————— (5×2) = 10 Marks***
a) Is there any difference between Investment banking and Merchant banking? Explain in brief.
b) State the name of any 5 reputed Investment Banks.
c) Write a short note on “Investment Banking “ Whether improving or not.

Q4) ***Any two from (a) or (b) or (c) ————— (5×2) = 10 Marks***
a) State the reasons for buy Back of shares.
b) What is Private Equity? Who is impacted by Private Equity?
c) State the highlights of schemes or policies under current Investment Banking.

Q5) ***Any two from (a) or (b) or (c) ————— (5×2) = 10 Marks***
a) Write a note on Syndication.
b) If you were the Investment banker then, what are the activities done by you for the improvement of today's Investment bank?
c) State the Investment Bank role as as an Advisor and Research.

Q6) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***
a) How did the company is raising the funds and why?
b) State any 5 highlights of Budget 2016-2017.
c) What is Securities market? Explain its levels.

Q7) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Explain the procedure of IPO.
b) What is Private placement of Securities?
c) Explain the role of Investment banking in mergers and Acquisitions.