

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA– SEMESTER - III-EXAMINATION- SUMMER-2023

Subject Code: 1539341**Date: 21/06/2023****Subject Name: Investment Banking****Time: 02:30 PM TO 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make Suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

Q.1 Explain the terms **14**

- a) Assets management
- b) Bulge bracket
- c) Leveraged buyout
- d) Chinese wall
- e) Junk bond
- f) Tombstone
- g) Arbitrage

Q.2 (a) Define term Investment Banking. Explain core activities of Investment Banking. **07**

Q.2 (b) Capital markets carry out the desirable economic function of directing capital to productive uses. Justify this statement with the reference to international capital market. **07**

OR

Q.2 (b) As a financial advisor in investment banking firm articulate pre activity in new capital issue. **07**

Q.3 (a) Why bonds are popular instrument in global financial market? Explain it with the reference of their classifications. **07**

Q.3 (b) Explain the dissimilarities between technical analysis and fundamental analysis. Justify your answer by describing various methods of technical analysis. **07**

OR

Q.3 (a) Describe essential difference between stocks- equity and bonds-credit markets. **07**

Q.3 (b) How Mortgage-backed Securities (MBS) is distinct from Asset-backed Securities (ABS)? **07**

Q.4 (a) A multilateral netting procedure is adopted to determine the net settlement obligations and clearing in case of Indian Capital Market. Elucidate. **07**

Q-4 (b) How you are going to carry out the duty as lead manager for post-issue activities? **07**

OR

Q.4 (a) Venture capital fills the void between sources of funds for innovation and traditional, lower-cost sources of capital available to ongoing concerns. Are you agree with the statement? Give rationale for your opinion. **07**

Q.4 (b) An assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation is one of the important task of Credit Rating Agency. Demonstrate it. **07**

Q.5 Case Study: **14**

InterFlex Group is a market leader in producing value-added flexible packaging for poultry, meat, produce and bakery companies. Its owner, Stephen Doyle, a hands-on investor, acquired the company in 1999 after an in-depth market study convinced him that a strategic approach to managing the niche manufacturing business could turn InterFlex into a significant growth opportunity. In his first years running the business, Doyle set his sights on improving efficiencies with a customer-centric focus. He streamlined and consolidated operations, built new plants, made acquisitions, and undertook building proprietary information systems that went well beyond just-in-time delivery. Doyle not only wanted InterFlex to analyze and anticipate customer needs – he wanted to use optimization systems to produce and deliver orders at the lowest cost to the customer.

As these initiatives neared completion, Doyle began to think about buying out his minority shareholders. The time was right: the company had weathered major challenges and was on an upward path. The question was whether to arrange the financing with subordinated debt using the in-house team or to seek outside advisory services. After all, Doyle came from a financial background in investment banking, consulting and private equity, and his CFO had been a senior lender. Experience told Doyle that his InterFlex team had its hands full running the business and it would be more productive to turn the project over to a firm that specialized in this type of transaction. Steve Doyle explains, "At about \$60 million in revenues, I knew we wouldn't be a fit for the major Wall Street firms. I was looking for a boutique investment banking firm focused on middle market companies in the size range of \$20 million to \$200 million, with established relationships with debt and equity capital sources that we could rely on for unbiased advice."

Reworking InterFlex's balance sheet became an urgent priority when InterFlex's main senior lender was acquired and the bank's new management decided InterFlex was not a fit anymore and should find a new lender. At the same time, Doyle was just beginning a restructuring of some operations that were not meeting expectations. "Time was of the essence," he said. "We didn't have time for an investment banker who had to learn the business." Doyle turned to Tom Courtney, whose work he had followed from a distance for over 15 years since they had been at business school together at Wharton. Courtney, whose expertise is advising middle-market businesses on financial matters, sprang into action.

- (a) What are the challenges faced by InterFlex?
- (b) Advice InterFlex as investment banker.

OR

- (a) Are you agree with decision of Doyle? Why?
- (b) What will you do if you were in the place of Stephen Doyle?
