

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA-SEMESTER-III-EXAMINATION-WINTER-2024

Subject Code: 2539321
Subject Name: Investment Banking
Time: 10:30 AM TO 01:30 PM

Date: 18/12/2024

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	<p>Explain the terms.</p> <p>(a) Floor Price (g) IPO</p> <p>(b) Brokers</p> <p>(c) Underwriters</p> <p>(d) WACC</p> <p>(e) Volatility</p> <p>(f) FPO</p>	14
Q.2	(a) Discuss various Investment Banks in India with examples	07
	(b) What is Primary Market? Explain the Stages in IPO	07
	OR	
	(b) Explain the evolution of Investment Banking India	07
Q.3	(a) Discuss the Regulatory framework for Investment banking	07
	(b) "Stock Market Indices are barometer of an economy." Justify this statement	07
	OR	
Q.3	(a) Differentiate between Investment Banking and Commercial Banking.	07
	(b) Discuss the Pre- Post issue activities of merchant banker	07
Q.4	(a) Explain the Credit Rating Concept and Process of Credit Rating	07
	(b) Discuss the main assumption of CAPM (Model) and role of beta in taking investment decision	07
	OR	
Q.4	(a) What is Issue Management? Discuss eligibility and types of offers	07
	(b) Discuss various types of Bonds with examples	07

A Healthcare Entrepreneur Seeks Liquidity and Partner to Reach the Next Level

Health Essentials was founded by Kim Pham in 1996 to provide mobile nursing-care services. Over the succeeding 15 years Kim expanded into other services, including hospice, home health, durable medical equipment, and pharmacy. By 2011, she had started seven companies, reaching over \$50 million in revenue.

In 2011, Kim hired The Courtney Group to sell one company, Hospice Touch, a leading hospice provider in the region. Kim had received an offer from a strategic buyer and sought to negotiate an increase.

After extensive diligence, The Courtney Group advised Kim that Hospice Touch on its own would not command a premium price. The Courtney Group recommended that Kim sell six of the seven companies she controlled as a consolidated package. The Courtney Group believed that the six companies, under the name Health Essentials, were well positioned to provide very high-quality, coordinated post-acute care for the frail elderly.

Strategic and financial buyers immediately validated the strategy.

Challenges Faced

Leading up to closing, Health Essentials faced major headwinds. Revenues declined, the CFO took a nine-month medical leave of absence, there was a surprise receivable write-off, and a regulatory investigation. During negotiations, Kim and the buyer each walked away from the table over seeming deal-breaking issues. One particularly vexing issue was a right of first refusal on certain future business opportunities held by a 50% shareholder in one of the entities. When this shareholder refused to either sell its interest or amend the shareholder agreement, the buyers walked away from the deal for two weeks.

Another challenge was obtaining a collective decision from a 50-physician medical group that held a 20% interest in one company on whether to roll their interest into the newly capitalized and consolidated company, or sell. The group was nearly equally divided between those who wanted to stay in, those who wanted to cash out, and those who wanted partial liquidity. The Courtney Group prepared information packages, held meetings with the entire physician group in attendance, and also hosted phone conferences to explain the transaction and the investment opportunity to the doctors. The group eventually agreed upon a partial sale of their stake.

Benefits of the Transaction

Despite the challenges, The Courtney Group negotiated a sale of a controlling interest in Health Essentials at a price that was 50% higher than any previous offer, and 20% over the seller's goal price. Benefits of the transaction to the sellers went far beyond the price and terms. From a risk-management standpoint, it had become very challenging for Kim to manage the compliance function of the individual businesses in an increasingly complex regulatory environment. The new investors brought vast experience and solutions to many of the most pressing compliance issues. Kim Pham had a substantial liquidity event and new partners able to help the company continue its growth trajectory.

- A. Discuss the Challenges faced by Kim due to closure of units.
- B. Why Liquidity is being sought by entrepreneur in the case given?

OR

- A. Discuss the issue faced by entrepreneur on varied proportions held by stakeholder at the time of closure.
- B. Discuss how challenges on account of closure were overcome.
