

III SEMESTER, MBA(BA)

END SEMESTER EXAMINATION

Nov/Dec-2019

MB-306 MANAGING FINANCIAL INSTITUTIONS AND MARKETS

Time: 3:00 Hours

Max. Marks: 60

Note: All questions are compulsory
Q.1 and Q.5 have internal choice
Please keep answers to the point & observe word limit

Q.1 Write short notes on *any three* of following:

(5 Marks each)

- a) Financial Intermediary
- b) Inter-Bank Money Market
- c) Mutual Funds
- d) Bombay Stock Exchange

(Max. 300 words)

Q.2 Elaborate stage I (Pre 1951 Organisation) and Phase II (post 1951 till mid-eighties) of evolution of financial system in India

(10 marks)

Q.3 Highlight the role played by Reserve Bank of India (RBI) as controller of credit and Note Issuing authority in India.

(10 Marks)

Q.4 Elaborate process of credit creation performed by the banking industry in an economy with suitable examples.

(10 Marks)

Q.5 Go through the brief case studies given below and explain concepts as applicable from New Issues Market:

1. IRCTC is the only entity authorized by Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations & trains.

77-1



Indian Railway
E-Ticket Booking



Indian Railway Catering and Tourism Corporation (IRCTC/NSE: 3.56 %), which recently concluded its Rs 645-crore initial public offering, will make its stock market debut on Monday. The shares will be listed on the BSE/NSE -0.84 % and the National Stock Exchange (NSE). "Effective from Monday, October 14, 2019, the equity shares of IRCTC Ltd shall be listed and admitted to dealings on the exchange in the list of 'B' Group of Securities," BSE said in a circular.

The IPO, which was open for subscription between September 30 and October 4, was subscribed 112 times at a price band of Rs 315-320 per share. The category meant for QIBs was subscribed 108.9 times, non-institutional investors (NIIs) category witnessed a subscription of 354.52 times while the same for retail investors stood at 14.65 times. The issue comprised an offer-for-sale of 2.01 crore shares of face value of Rs 10 each. Out of the total issue size, 1,60,000 equity shares are reserved for eligible employees

Yes Securities (India), SBI Capital Markets and IDBI Capital Markets & Securities were the merchant bankers of the issue.

In last trading session, shares of Indian Railway Catering and Tourism Corporation (IRCTC) surged as much as 6.41 per cent to hit an intraday high of Rs. 933.50 on the Bombay Stock Exchange (BSE). On the National Stock Exchange (NSE), IRCTC shares climbed as much as 6.50 per cent to hit an intraday high of Rs. 933.90.

Elaborate following concepts related to Primary Issues:

(4+3 = 7 Marks)

- Book-Building and Price Band
- Merchant Bankers to the Issue

2. Avenue Supermarts promoters plan to trim stake by Feb 2020 to meet SEBI rule:

D^{*}Mart

Avenue Supermarts, which operates pan India supermarket chain DMart, has initiated preliminary discussions with merchant bankers for a stake sale by the promoters in early 2020. The promoters, led by veteran stock market investor Radhakishen Damani, hold 80.21 percent stake in the company.

SEBI's minimum public shareholding (MPS) rule for listed companies stipulates that promoters cannot own more than 75 percent and that public shareholders should own a minimum 25 percent. "This will be a big share sale in excess of Rs 6000 crores as per the current m-cap," said one of the sources. "The company has met multiple merchant bankers recently for the same and is expected to shortlist them in the next two weeks," the source said. Newly listed companies are given a three-year window to comply with the SEBI rule

on minimum public shareholding. Avenue Supermarts listed on the bourses on March 21, 2017.

A 5.21% stake in Avenue Supermarts is valued at Rs 6,388 crores as per the company's current total m-cap of Rs 1,22,626 crores. Investors have been bullish on the Avenue Supermarts stock in 2019 and it has risen by more than 25% in the last three months.

"The mechanism hasn't been finalized as yet but the company could either opt for the OFS (offer for sale) route or maybe even attempt a combination of the OFS and QIP (qualified institutional placement) routes which is now permissible. That way, it can adhere to Sebi norms and also arrange for Capex for store expansion, penetration into more smaller cities.

From the launch of its first store in Powai, Mumbai in 2002, DMart today operates a retail business area of 5.9 mn square feet and has 176 stores across 11 states and 1 union territory, according to its 2018 annual report. In FY 18-19, Avenue Supermarts registered revenues of Rs 19,916 crores and a profit of Rs 936 crores. The supermarket chain which operates on a low-cost model is present in 3 segments, namely, foods, non-foods and general merchandise and apparel, with half of the revenues coming from the first segment.

Explain following (any two) concepts of Primary Issues in reference to case above:

(4x2=8 Marks)

- Qualified Institutional Private Placements
- Offer For Sale (OFS)
- Further Public Offering (FPO)