

END TERM EXAMINATION

FIFTH SEMESTER [BCOM(HONS)] DECEMBER 2024

Paper Code: BCOM303

Subject: Investment Banking
(BATCH 2021-2023)

Maximum Marks:75

Time: 03:00 Hours

Note: Attempt all questions as directed. Internal choice is indicated. Simple calculator and interest rate table is allowed.

- Q1 Answer any five from the following: (5×5=25)
- Difference between Private Equity funds and Hedge funds
 - Structure of PE firm
 - Pros and Cons of DCF method
 - Mezzanine debt
 - Revolving credit
 - Components of DCF
 - Motives for Merger
 - Synergy gain & Added value

- Q2 How has the investment banking evolved and changed in the last three decades? Discuss with suitable examples (12.5)

OR

- Q3 Discuss the structure and functions of Investment Bank? (12.5)

- Q4 Dassault Ltd has an EBIT(1-t) of Rs. 812.5 million and reinvestment amount is Rs. 285 million. Growth in the forecasted period in first year is 10%, then in second year 8% and third year is 6% and growth forecast for the terminal value is 4%. Find out the Value of the firm for the forecasted period of 3 years when additional information is also given. (12.5)

Particulars	Forecasted period	Steady state
Beta	1.07	1
Risk Free rate	5.50%	5.50%
Risk Premium	6.0 %	6.0 %
Debt ratio	10%	10%
Equity Ratio	90%	90%
Cost of Debt	5%	5%

OR

- Q5 A Sun Pharma Ltd has an EBIT(1-t) of Rs. 3675 million and reinvestment amount is Rs. 750 million. Growth in the forecasted period is 10% and growth forecast for the terminal value is 2%. Find out the Value of the firm for the forecasted period of 8 years when additional information is also given. (12.5)

Particulars	Forecasted period	Steady state
Beta	1.261	1
Risk Free rate	6.50%	6.50%
Risk Premium	8.50%	8.50%
Debt ratio	10%	10%
Equity Ratio	90%	90%
Cost of Debt	5%	5%

P.T.O.

- Q6 Explain with suitable examples the capital structure of LBO, particularly the debt structure. (12.5)

OR

- Q7 a) What is the criterion for selecting LBO candidate? (7.5)
b) What are the exit strategies for LBO? (5)

- Q8 Discuss the various takeover defenses available for a given target firm. (12.5)

OR

- Q9 a) Accretion and Dilution Effects (7.5)
b) Beta Ltd has the present value of Rs. 1,000 crores and Gamma Ltd has the present value of Rs. 600 crores. The present value of the cost saving expected from the merger is Rs. 150 crores. Beta Ltd pays Rs. 680 crores to acquire Gamma Ltd. The expenses incurred towards the merger are Rs. 20 crores. Compute the value of synergies. (5)
