

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
SIXTH TRIMESTER (Batch 2016-18)
END TERM EXAMINATION, APRIL-2018

Course Name	Investment Banking	Course Code	FIN602
Max. Time	2 hours	Max. Marks	40

INSTRUCTIONS:

All questions are compulsory.

1. Bandhan Bank IPO

The initial public offering (IPO) of Bandhan Bank got subscribed by 14.62 times on the third and final day of the bidding process on Monday, 19th March 2018. The IPO received bids for 1,22,10,47,920 shares as against the total issue size of 8,34,96,347. Kotak Mahindra Capital Company Ltd, Axis Capital Ltd, Goldman Sachs (India) Securities Pvt Ltd, JM Financial Institutional Securities and J P Morgan India Private Ltd are the book-running lead managers to the issue.

It raised Rs 1,342 crore from anchor investors, ahead of its initial share-sale. Among the anchor investors are Abu Dhabi Investment Authority - Behave, Blackrock India Equities (Mauritius), HSBC Indian Equity Mother Fund, UTI - Mastershare Unit Scheme, BNP Paribas Arbitrage, Amansa Holdings and Tata Balanced Fund. The QIB quota saw 38.68 times subscription, while the NII (Non-Institutional Investors) category was subscribed 13.89 times. RII (Retail Institutional Investors) saw 1.19 times subscriptions.

The IPO, comprised a fresh issue of 9,76,63,910 shares, an offer for sale for up to 14,050,780 shares by World Bank-controlled International Finance Corp (IFC) and up to 7,565,804 by IFC FIG Investment Co. The price band was fixed between Rs 370 and Rs 375 per share, with a face value of Rs 10 each. The entire proceeds of the offer would be utilised for capital requirements.

(Source://economictimes.indiatimes.com)

- Discuss the concept of Anchor investors in IPO. Also comment upon the Anchor investor subscription and its possible effect on retail subscription for Bandhan bank IPO. **5 Marks**
- Comment upon the role of Book Running Lead Managers in IPO. **5 Marks**
- Describe the salient points of difference between offer for sale and fresh issue in an IPO. **2 Marks**

2. "Investment bankers conduct many jobs for their clients. At some firms, each individual banker wears many hats, while at others, employees are specialized, with different bankers performing different jobs." Based on the given statement discuss the different types of Investment Banking firms and their peculiar functions. **8 Marks**

3. "A pitch book (also pitch deck) is a marketing presentation (information layout) used by investment banks around the world. It consists of a careful arrangement and analysis of the investment considerations of a potential or current client, and/or a reference for comparison for an employee in an investment or commercial bank." Comment upon the importance and usability of pitch books in Investment Banking.

8 Marks

4. IDFC Bank, Capital First to merge in share swap deal (With inputs from Reuters)

IDFC Bank and Capital First announced that their respective boards of directors at their meetings held on January 13, 2018 (Saturday), approved a merger of Capital First with IDFC Bank. Pursuant to the merger which is subject to regulatory and shareholder approvals, IDFC Bank will issue 139 shares for every 10 shares of Capital First. With this move, IDFC Bank has put the failed amalgamation bid with Shriram Group behind it.

Deal valuation: The deal values Capital First (owned more than a third by private equity firm Warburg Pincus) at Rs 938.25 a share based on the two companies' closing price on January 12, 2018 (Friday) and giving the company a market value of Rs 9,278 crore (\$1.46 billion), Reuters' calculations showed. That is a premium to Capital First's Friday closing price of Rs 837.50, or equal to a market capitalisation of about Rs 8,300 crore, according to Thomson Reuters data.

Retail focus: Post-merger, the combined entity of IDFC Bank and Capital First will have assets under management of Rs 88,000 crores; PAT of Rs 1,268 crores (FY 17); and a distribution network comprising 194 branches (as per branch count of December 2017 of both entities), 353 dedicated BC outlets and over 9,100 micro ATM points, serving more than five million customers across the country.

IDFC Bank, in a statement said, this announcement is pursuant to its stated strategy of "retailising" its business to complete their transformation from a dedicated infrastructure financier to a well-diversified universal bank, and in line with Capital First's stated intention and strategy to convert to a universal bank.

Capital First brings with it a retail lending franchise with a loan book of Rs 22,974 crores (September 2017), a live customer base of three million customers; and a distribution network in 228 locations across the country growing at a five-year CAGR of 27 per cent on AUM and 40 per cent in profits, with gross and net NPA at 1.63 per cent and 1.0 per cent respectively.

V Vaidyanathan, currently Chairman and MD of Capital First, will succeed Dr. Rajiv Lall as MD and CEO of the combined entity upon completion of the merger and necessary regulatory approvals. Post-merger, Rajiv Lall, Founding MD and CEO of IDFC Bank from 2015 to the present, will step into the role of non-executive Chairman of IDFC Bank, subject to regulatory approvals, and guide the transition process. He will replace Veena Mankar who will remain on the Board.

On previous day (12th January 2018), IDFC Bank shares closed down 1.31 per cent at Rs 67.65 on the BSE while Capital First shares ended 0.05 per cent higher at Rs 835.90.

a. Based on the case study discuss the type of acquisition that has been made. Also point out the other methods of acquisition.

5 Marks

b. Discuss the concept of Universal banks and elucidate the expected benefits of the deal to Capital First.

5 Marks

c. List all parameters of deal structure involved in the deal.

2 Marks