Set - I (New)

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

FOURTH TRIMESTER (Batch 2023-25)

END TERM EXAMINATIONS, SEPTEMBER 2024

Course Name	Financial Institutions and Markets	Course Code	20225
Max. Time	**2 hours**	Max. Marks	**40 MM**

INSTRUCTIONS:

a. It's a closed book exam
b. Attempt all questions.
c. Marks for each question are given in the parenthesis
d. Calculators are allowed. No exchange of calculators is permitted.

Q.1. (7+3 = 10 Marks) **(CLO 2 and BT III)**

TechNova Solutions, an emerging player in the IT sector, is planning to launch an Initial Public Offering (IPO) with an issue size of ₹100 crore using the book building method. The face value of the equity share is ₹ 10, and floor price is ₹ 100. The company aims to use the funds raised for expansion, technology upgrades, and research and development. You are required to:

A. Identify the step-by-step process (in brief) TechNova Solutions must follow to launch its IPO.

B. Identify the essential information that must be disclosed in a Red Herring Prospectus (RHP) for an initial public offering (IPO).

Q.2. (6+4 = 10 Marks) **(CLO 1 and 2 and BT V)**

A) XYZ Ltd., a leading FMCG company, needs to finance its working capital requirements for the next 90 days. The company's treasurer, Ms. Sharma, is exploring short-term funding options to meet the requirement of ₹50 crore.

Additional Information:

- XYZ Ltd. has a high credit rating (A1+).
- The company requires funds for 90 days.
- Interest rates in the money market are as follows:
  - Commercial Paper (CP): 5.5%-6.0% p.a.
  - Treasury Bills (T-Bills): 5.0%-5.5% p.a.

- Certificate of Deposit (CD): 6.0%-6.5% p.a.

Assess the suitability of Commercial Paper (CP), Treasury Bills (T-Bills), and Certificate of Deposit (CD) for XYZ Ltd.'s short-term funding requirement.

B) Money market instruments play a crucial role in the transmission of monetary policy in India". Do you agree with the statement? Support your answer by explaining how the RBI uses money market instruments (e.g., open market operations, T-Bills) to regulate liquidity and influence interest rates in the economy.

Q.3. (5+5 = 10 Marks) (CLO 2 and BT V and II)

A) ABC Inc., an agricultural company, expects to sell 1 million bushels of wheat in six months. The current spot price is Rs. 5.50 per bushel. To hedge against potential price fluctuations, ABC decides to use futures contracts. Explain how ABC can use futures contracts to lock in the selling price.

B) Also compare between forwards and futures contract.

Q.4. (4+6 = 10 Marks) (CLO1, 2, 3 and BT V and IV)

A. Rahul, a 35-year-old IT professional, has recently received a bonus of ₹500,000 and wants to invest it in a diversified portfolio. He has a moderate risk tolerance and aims to achieve long-term capital appreciation. Rahul approaches you, a financial advisor, for guidance.

Additional Information:

- Rahul's investment horizon is 5-7 years.
- He wants to invest ₹250,000 in equity and ₹250,000 in debt.
- Rahul is interested in exploring sectoral funds also.

Recommend a suitable mutual fund (e.g., growth fund, large-cap, mid-cap, sectoral, index fund, balanced fund) for Rahul, considering his investment objectives and risk tolerance.

B. A large corporation, Reliance Industries Ltd., issues stocks and bonds to raise capital for expansion. The issue is underwritten by investment banks (e.g., Goldman Sachs, Morgan Stanley) and listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

Analyze how the following components interact in this scenario:

1. Financial markets (primary and secondary)
2. Financial institutions (investment banks, stock exchanges)
3. Financial instruments (stocks, bonds)
4. Financial services (underwriting, brokerage)
5. Regulatory bodies (SEBI, RBI)