

M.B.A. DEGREE EXAMINATIONS: NOVEMBER 2009

Fourth Trimester

P07BA412 MERCHANT BANKING**Time: Three Hours****Maximum Marks: 100****Answer ALL Questions:-****PART A (1 x 20 = 20 Marks)**

1. Case Study:

Amidst all these developments, SEBI was probing the role of Parekh in the unusual price spurt in GTB stock prior to its merger announcement with UTI Bank. SEBI found that Parekh was one of the most active traders in the stock and had substantial purchases in the scrip during October to December 2000. Parekh also sold actively. SEBI sought client details from five entities, which were directly linked, to Parekh and scrutinized client details of some other brokerage houses to identify whether there was any concerted attempt to push up the share price. SEBI found that there was a prima facie case of manipulation owing to the nature of the spurt in the scrip price. In March 2001, in a report to the RBI, SEBI said there was evidence of price manipulation by GTB, and termed the price movement as “unusual” Commented a senior SEBI official, “There is also an element of insider trading pre-merger announcement when GTB share price touched Rs 114”. Parekh, it was alleged was granted a credit limit of over Rs. 400 crore. Parekh denied this and put his exposure with GTB at less than Rs. 100 crore. Meanwhile, in Hyderabad, Gelli was tight lipped over Parekh's hand in propping up the shares in a bid to wrangle a better swap ratio ahead of the merger announcement. However, sources said that GTB's total exposure to Parekh and his associate companies could be as much as Rs. 250-300 crore at one time, which was clearly above the prudential limit of 20% of net worth set by the RBI. In several meetings with Business world, Gelli admitted that GTB had given loans to over 200 brokers (including Parekh) in 2000. Gelli said that GTB had lent at least Rs. 118 crore to Parekh.

SEBI conducted an investigation to find out if Gelli used his influence with the brokers to rig the bank's scrip price to get a favorable swap ratio for the proposed merger. Parekh and his companies purchased huge chunks of GTB stock in the period November-December 2000, prior to the merger. In March 2001, Gelli for the first time admitted that Parekh held close to 4% stake in GTB with another 2% held in benami transactions. GTB however denied the insider trading allegations. It said that none of the promoters purchased or sold GTB shares in the past one year. SEBI planned to complete its investigations and hand over the reports to the RBI as soon as possible; but it did not set any deadlines for completing the work. Meanwhile, the RBI refused to comments on the entire merger issue. An RBI official said, “We are awaiting the SEBI report.” In mid March 2001, it became clear that the proposed merger of UTI Bank with GTB might not come through, as the SEBI preliminary investigation report found manipulation and rigging in the share price of GTB prior to the merger announcement. L. K. Singhvi, senior executive director, SEBI, said, “The investigation, prima facie, indicates that there was manipulation in GTB shares during October-December 2000. Since the merger proposal was pending with the Reserve Bank of India, we have sent our report to the RBI.” “He final report will be submitted shortly”, he added.

Another SEBI official hinted that the investigation revealed that the manipulation in the GTB scrip “was motivated and done with the help of the bank's senior management team”. SEBI's findings had not only questioned the merger proposal but also opened a Pandora's box that may put the

management in a major jam. Sources added that the final investigation was also looking at the shareholding pattern of GTB and the major beneficiaries from the swap ratio.

- (i) Explain the role of SEBI in the companies and bring out the regulatory framework for the above issue.
- (ii) Describe the shareholding pattern for the UTI Bank and also their listing procedures.

PART B (10X2=20 Marks)

2. What is a financial market?
3. What are the components of money market?
4. State the meaning of Underwriters.
5. Design a capital structure for a Multi National Company.
6. Explain the various terms used in Stock Exchange.
7. What is Merchant Banking?
8. Write a note on OTCEI.
9. What is NRI Marketing?
10. Brief the activities of a company after issue.
11. Write a note on offshore issues.

PART C (4x15 = 60 Marks)

- 12 a. Explain in detail the services offered by the Merchant bankers in India.

(OR)

- b. Discuss the legal and regulatory framework of Merchant Bank.

- 13 a. Explain the role of Merchant banking in the appraisal of projects.

(OR)

- b. State the role of Merchant Banking in the Indian scenario.

- 14 a. Discuss in detail the functioning of OTCEI.

(OR)

- b. Explain the legal framework of FEMA.

- 15 a. Explain the various parties to the IPO.

(OR)

- b. What are the different stages involved in the New Issue Market?
