

Discipline Specific Electives:

FD 501: INVESTMENT BANKING AND FINANCIAL SERVICES

Course Objective:

The objective of this paper is to know the different aspects of Investment banking, mergers and acquisition and the detailed SEBI guidelines on issue management. It also discusses the various financial services like Leasing and Hire Purchase.

Learning Outcomes

- Understand the importance and relevance of Investment Bankers in any Financial System.
- Understand the entire process of raising funds from primary markets along with the concerned regulations applicable in India.
- Understand the various financial services available in financial markets particularly in India along with the latest innovations and technological integration in the field of finance.

Course Contents:

Unit I

(2 weeks)

Introduction: An Overview of Indian Financial System, Investment Banking in India, Recent Developments and Challenges ahead, Institutional structure and Functions of Investment / Merchant Banking; SEBI guidelines for Merchant Bankers, Registration, obligations and responsibilities of Lead Managers, Regulations regarding Continuance of association of lead manager with an issue

References:

Pathak, B. on Indian Financial System (4th ed.) Pearson Publication [Chapter 1,17]
Shanmugham, R. on Financial Services (2nd ed.). Wiley Publications [Chapter 1, 4]

Unit II

(2 weeks)

Issue Management: Public Issue: classification of companies, eligibility, issue pricing, promoter's contribution, minimum public offer, prospectus, allotment, preferential allotment, private placement, Book Building process, designing and

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pricing, Green Shoe Option; Right Issue: promoter's contribution, minimum subscription, advertisements, contents of offer document, Bought out Deals, Post issue work & obligations, Investor protection, Broker, sub broker and underwriters. De-mat accounts: introduction, merits and limitations.

References:

Khan, M.Y. on Financial Services (8th ed.) Mc Graw Hill Education [Chapter 10,11]

Pathak, B. on Indian Financial System (4th ed.) Pearson Publication [Chapter 6]

Unit III

(3 weeks)

Leasing and Hire Purchase :Concepts of leasing, types of leasing – financial & operating lease, direct lease and sales & lease back, advantages and limitations of leasing, Lease rental determination; Finance lease evaluation problems, Hire Purchase interest & Installment, difference between Hire Purchase & Leasing, Choice criteria between Leasing and Hire Purchase mathematics of HP, Factoring, forfaiting and its arrangement, Housing Finance : Meaning and rise of housing finance in India, Fixing the amount of loan, repricing of a loan, floating vs. fixed rate, Practical problems on housing finance.

References:

Khan, M.Y. on Financial Services (8th ed.) Mc Graw Hill Education [Chapter 2,3,4,5]

Kunjukunju, B.& Mohanan, S. on Financial System & Financial Institutions in India (1st ed.) New Century Publication [Chapter 16,17]

Shanmugham, R. on Financial Services (2nd ed.). Wiley Publications [Chapter 5,10]

Unit IV

(3 weeks)

Alternative Investments: Venture Capital: Concept, history and evolution of VC, the venture investment process, various steps in venture financing, incubation financing, buy-outs.

Real Estate, Private Equities, Commodities: Concepts, Classification, history

Insurance: concept, classification, principles of insurance, IRDA and different regulatory norms, operation of General Insurance, Health Insurance, Life Insurance.

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Credit Ratings: Introduction, types of credit rating, advantages and disadvantages of credit ratings, Credit rating agencies and their methodology such as Merton Model, KMV, Credit Metrics, etc. International credit rating practices.

Securitization: concept, securitization as a funding mechanism, Traditional and non-traditional mortgages, Graduated-payment mortgages (GPMs), Pledged-Account Mortgages (PAMs), Centralized Mortgage obligations (CMOs), Securitization of non-mortgage assets, Securitization in India. US 2008 sub-prime mortgage crisis. Cases of Bear Stearn, Lehman Brothers

References:

Forbes India article on US Sub Prime Crisis 2008:

<https://www.forbes.com/sites/johntharvey/2018/09/17/four-lessons-not-learned-from-the-financial-crisis/#605db1a447bc>

Forbes India article on US Sub Prime Crisis 2008:

<https://www.forbes.com/sites/miltonezrati/2018/09/17/lehman-and-the-financial-crisis-what-went-wrong/#593d8b0f7790>

Khan, M.Y. on Financial Services (8th ed.) Mc Graw Hill Education [Chapter 5,6,7,14]

Pathak, B. on Indian Financial System (4th ed.) Pearson Publication [Chapter 16,19,21]

Shanmugham, R. on Financial Services (2nd ed.). Wiley Publications [Chapter 6,7,8,12]

Text Books:

1. M.Y.Khan: Financial Services, Tata McGraw –Hill.
2. Machiraju: Indian Financial System, Vikas Publishing House.

Additional Readings:

1. J.C.Verma: A Manual of Merchant Banking, Bharath Publishing House.
2. K.Sriram: Hand Book of Leasing, Hire Purchase & Factoring, ICFAI, Hyderabad.
3. Ennew.C.Trevor Watkins & Mike Wright: Marketing of Financial Services, Heinemann Professional

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Teaching Learning Process:

Class room lecture, Case study discussion, Numerical Problem solving, Class presentation on the assigned topic by students individually or in group, Workshop, Tutorials, Role play

Assessment Method:

1. Internal evaluation of 25% marks
 - a. Attendance 5% marks
 - b. Two internal evaluations by the teacher with 10% marks each out of which one must be a class test and other may be another test or home assignment or presentation. Faculty may take more than two assignments and (or) tests but total will be only 20% marks.
2. End term University Exam of 75% marks

Key words:

Investment Banking, Venture Capital, Credit Ratings, Leasing and Hire Purchase, Securitization