

BIRLA INSTITUTE OF TECHNOLOGY AND SCIENCE, PILANI
HYDERABAD CAMPUS
INSTRUCTION DIVISION
FIRST SEMESTER 2016-2017
Course Handout Part II

Date: 01-08-2016

In addition to part -I (General Handout for all courses appended to the time table) this portion gives further specific details regarding the course.

Course No. : FIN F314
Course Title : Investment Banking and Financial Services
Instructor-in-charge : Dr C Hussain Yaganti/ Dr Thota Nagaraju

1. Scope and Objective:

The objective of the course is to develop an understanding of the scope and content of the rapidly expanding function of investment in the Indian capital markets/worldwide markets and the procedures with respect to investment banking activities. This course aims at providing a comprehensive background to the world of modern Investment Banking Business. The course analyses the rules, procedures and regulations relating to the types of issues and their management including post and pre-issue management. It also gives an insight into raising funds in the international equity markets. It would also deal with the changing rules and regulations of SEBI and RBI pertaining to the financial services and changing scenario and requirements of the Indian financial system. It deals with capital restructuring, Mergers & Acquisitions.

2. Text Book: Pratap Giri S. “Investment Banking- Concepts, Analysis and Cases. Mc Graw Hill, 2nd Edition 2016.

3. Reference Books/ Materials:

R1. Joshua Rosenbaum & Joshua Pearl “Investment Banking: Valuation, Leveraged Buyouts, and Mergers and Acquisitions” Wiley University Edition, 2nd Edition, 2016.

R2. Fredric S. Mishkin and Stanley G. Eakins, “Financial Markets and Institutions” Pearson Ed.6th edition 2013

R3. Bhole and Mahakud “Financial Institutions and Markets”, Tata McGraw Hill, 5th Edition

R4. SEBI and RBI Guidelines issued from time to time relating to Merchant Banking and their operations

R5. Business dailies and magazines

4. Course Plan

Lecture No.	Learning Objectives	Topics to be Covered	Reference to
			Text Book
1-3	Understanding 1) The world of Global and Indian Investment Banking industry; 2) Various Investment Banking Business Verticals; The importance of the Glass- Steagall Act (Separation of Commercial Banking and Investment Banking); 3) Growth of Universal and Financial Conglomerates across the world; 4) Implications of global regulatory changes post 2008 on Investment Banking; 5) Regulatory environment in India and the conglomerate structure of Indian Investment Banking.	Concepts and Definitions. Merchant Banking; Investment Banking evolution in India, USA and Europe. The US Investment Bank crises in 2008. Some cases.	Ch. 2 TB1
4-6	Understanding 1) Capital Markets and Money Markets; 2) Various Derivative Products ; 3) Foreign Exchange Instruments and 4) Government Securities Markets	Review of Financial Markets: Securities Markets; Derivatives Markets (Forwards, Futures, Swaps, Options); Foreign Exchange Markets; Capital Markets Segments.	Ch. 1 TB1& Material
7-9	Understanding 1) the Primary Equity and Debt Market; 2) Primary Market Issuers and investors; 3) Fundamental concepts of Equity and Debt Markets; and 4) Types of Equity and Debt instruments	Introduction to Primary Market, Equity Capital Markets and Debt Capital Markets, Equity Capital Markets and Debt Capital Markets- Profile of role players, investment routes ; Financial concepts and Instruments, discussion on equity and debt instruments.	Ch. 3 TB1
10-14	Understanding 1) Need of various assumptions of these security valuation methods , data, methodology; and 2) to interpret the results;	Review of Financial Markets/Assets valuation Methods: DCF, CAPM, APT and WACC, EBITDA, PB and Earnings Multiple valuation methods.	Ch. 4 TB1
15-16	Understanding 1) Need for IPOs, Types of IPOs; 2) Regulatory framework for IPOs; Stock Exchange listing guidelines; 3) Various strategies of IPOs and Pricing Methods.	IPO – Listing Decision, FPO / Offer for Sale; Important provisions of SEBI Regulations and other statutory requirements for IPO / FPO; Issue Management and Process Overview; Rights Offers; Public Issue of Debt Securities.	Ch. 5 TB1
17-18	Understanding 1) Various concepts of underwritings; 2) Regulatory framework for underwritings; 3) Different types of underwritings; 4) Comparison between India and USA.	Underwriting – methodologies; Underwriting Business Model; Underwriting requirements in public offers; US model - Indian model comparison	Ch. 6 TB1

19-20	Understanding 1) Need of buy-backs ; 2) Regulatory framework for equity re-purchase and investment banking perspective of buy back; 3) Tax aspects of Share buy backs; Requirement and regulatory procedures of de-listing of a company	Equity Repurchase – theory, mechanisms, regulation, role of investment banks; De-listings – theory, methodology, regulations, role of investment banks	Ch. 8 TB1
21-24	Understanding 1) Need for Private equity and Placements ; 2) Process of private equity placement ; 3) venture capital ; 4) Regulatory framework for private equity placement; 5) valuing the private equity transactions; and 6) Exit mechanisms of private equity investors.	Venture Capital and Private Equity, Private Placements, PIPEs and QIPs; Valuation in Private Equity transactions; Transaction processes in private equity in unlisted companies, PIPEs and QIPs; Exit mechanisms– Investment banking perspectives, role of Investment Banker.	Ch. 9 TB1
25-29	understanding 1) The need for Corporate Restructuring; the Process of Corporate Restructuring; 3) various methods of assets transfers during Corporate Restructuring; 4)Regulatory framework of Corporate Restructuring	Overview and theory of Corporate Restructuring; Corporate re-organizations through transfer of assets - demerger, hive-off, slump sale through BTA; Corporate re-organizations through dilution, transfer of control – equity carve out, spin-off; Regulatory framework; Investment banking perspectives.	Ch. 10 TB1
30-34	Understanding 1) The need for LBOs ; 2) The participants of LBOs; 3) Different types of LBOs; 4) Nature of the regulatory framework of LBOs	Leveraged buyouts (LBOs): Key participants; characteristics of a strong LBOs; Economics of LBOs; LBOs financing structure	Ch. 4 R 1
35-38	Understanding 1) Why there are Mergers and amalgamations ; 3) Acquisitions and Takeovers - Methodologies , transactions, investment banking perspectives, regulations; 4) Valuation and transaction processes	Mergers and Acquisitions : Sell side and buy side.	Ch. 6 and 7 of R1
39-42	To Understand and apply Value at Risk (VaR), CAPM Model, Credit Risk and Market Risk Analytics	Some Empirical Valuation Methods and Applications - VaR, CAPM. Market Risk Analytics.	Class Notes

5. Evaluation Components:

Components	Duration	Weightage (%)	Date & Time	Nature of Component
Test -1	60 min.	20	10/9, 1.00 – 2.00 PM	CB
Assignments/Quizzes/Presentations		20		Will be announced later on CMS
Test-2	60 min	20	22/10, 1.00 – 2.00 PM	OB
Comprehensive	180 min.	40	01/12 FN	CB

6. Chamber Consultation hour: Tuesday & Thursday 4-5 PM.

7. Notices: All notices regarding the course would be put on the **CMS/Economics & Finance / LTC Notice Board.**

8. Make-Up Policy: Make-up will be given only on Doctor's/Warden's recommendation and with prior (at least 01 day before the test/exam) permission of the Instructor-in-Charge/Instructor. Make-up application via sms/messages is not acceptable .

**Instructor In-Charge
FIN C314**