

BALLARI INSTITUTE OF TECHNOLOGY & MANAGEMENT

(Autonomous Institute under Visvesvaraya Technological University, Belagavi)

USN Course Code

Third Semester MBA Degree Examinations, May/June 2023

FINANCIAL MARKETS AND SERVICES

Duration: 3 hrs

Max. Marks: 100

*Note: 1. Answer any FOUR full questions from Question No. 1 to 7.**2. Question No. 8 is compulsory**3. Missing data, if any, may be suitably assumed*

<u>Q. No</u>	<u>Question</u>	<u>Marks</u>	<u>(RBTL:CO:PO)</u>
1.	a. Define demat account?	03	(1 :1: 1)
	b. Explain objectives and factors affecting CIBIL score.	07	(2 :1: 1)
	c. Outline the features and understanding of OTCEI.	10	(2 :1: 1)
2.	a. Define capital market.	03	(1 :2: 2)
	b. Explain the term 'stock exchange' and illustrate its functions.	07	(2 :2: 2)
	c. List out the capital market instruments.	10	(4 :2: 2)
3.	a. Explain the term 'Money market'	03	(2 :3: 1)
	b. Summarise commercial bill and its operations in bill market.	07	(2 :3: 1)
	c. Explain T-Bills with its operations and participants.	10	(2 :3: 1)
4.	a. Define 'Prospectus'	03	(2 :4: 4)
	b. Interpret reforms in capital market of India.	07	(2 :4: 4)
	c. Illustrate the types of stock market order with NSE-NEAT system.	10	(2 :4: 4)
5.	a. What do you mean by insider trading.	03	(1 :5: 5)
	b. Explain the difference between money market and capital market.	07	(2 :5: 5)
	c. Discuss types of government securities with the advantages and disadvantages of it.	10	(3 :5: 5)
6.	a. Define venture capital.	03	(1 :1: 1)
	b. Explain the difference types of leases.	07	(2 :1: 1)
	c. Summarise the various types of factoring service.	10	(2 :1: 1)
7.	a. Explain the term 'Merchant bank'.	03	(2 :2: 2)
	b. Explain the challenges faced by the investment banker.	07	(2 :2: 2)
	c. Identify key credit rating agencies of India and write a short note on it.	10	(3 :2: 2)

Case study

The e-commerce valuation bar is rising with every round of funding, surprising given the sector's potential. Gurgaon-based consultancy Technopak reckons the Rs 13,800 crore (\$2.3- billion) Indian e-tailing will reach Rs 1.92 lakh crore (\$32 billion) by 2020 and account for three per cent of the country's retail market.

This means more investments into the fledgling e-commerce businesses. What has surprised many is the eye-popping valuations for companies across the board in the span of a year. Grant Thornton figures the Rs 20,000 crore investment in Indian e-commerce this year is driven by sky-high valuations.

In May, Flipkart acquired fashion portal Myntra for Rs 1,800-2,000-crore. Six months on, Amazon is speculated to be making its first acquisition in India, of fashion portal Jabong for Rs 6,000-7,200 crore.

Flipkart itself is seeking its third round of financing at a valuation of Rs 60,000 crore (or \$10 billion), according to media reports. Snapdeal received Rs 3,762 crore (\$627 million) funding recently, valuing it around Rs 18,000 crore (\$3 billion).

The valuation cut in e-commerce is not restricted to marquee names. Niche players like CBazaar (clothing), Pretty Secrets (lingerie), Happily unmarried (lifestyle products), Fashion and you, First cry (baby products), Lime road (fashion), Pepper fry (online furniture), Housing.com, Zomato (restaurant listings), Big basket (grocery), Urban Ladder (furniture) have all raised between Rs 1 crore and Rs 60 crore in multiple rounds of funding, valuing each of them at nearly 2-2.5 times their gross merchandise value (GMV) or total value of merchandise sold.

"I frankly do not understand the basis of these valuations," says Arvind Singhal, chairman of Technopak. "It defies logic. Looking at potential is fine, but valuations have to be sane." he adds.

"Smaller players don't have big funding and that is why these niche companies come up with great products and services. In the coming years, we will see more niche players growing at a staggering rate," says Mohit Bahl, partner, transaction services, KPMG India.

Industrialists Rata Tata, Azim Premji and Narayana Murthy have rushed in to make the most of this boom, backing Snapdeal, Myntra and Amazon at one end and smaller players like Bluestone, Urban Ladder and Yebhi.com at the other.

"There is an untapped potential for internet access. Also, goods and services are not accessible in tier two and three cities. I expect valuations in the short term to go up as the demand and supply mismatch is pushing them up" says Sushant Mitra, founder, Lead Angels.

Navroz Mahudawala, founder and managing director, Candle Partners, a Mumbai-based investment advisory firm, says, "The current e-commerce funding wave is similar to the one witnessed in the Indian retail sector between 2002 and 2007. Several retail companies were funded at exorbitant valuations. Profitability at even that point was a casualty."

How long will this bubble last? The broad consensus is another two or three years. "Yes, at least for another two to three years. we could be seeing valuations running up aggressively before they begin to stabilise. By which time, the smaller players will either fall by the wayside or be acquired by the bigger giants," says Harish HV, partner, Grant Thornton.

- a. Choose the different factors which the investor considers while investing into the stock of a particular company. **10** (3 :3: 4)
- b. Identify and explain different tools you will employ in order to determine the valuation of the company. **10** (3 :3: 5)

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MODEL QUESTION PAPER