

**ST. JOSEPH'S EVENING COLLEGE (AUTONOMOUS)**

**IV SEMESTER M.COM EXAMINATIONS - APRIL 2019**

**FINANCIAL MARKETS AND SERVICES**

**Duration: 2.5 Hours**

**Max. Marks: 70**

**SECTION - A**

**Answer any EIGHT of the following questions.**

**(8x2=16)**

1. What is meant by insider trading?
2. What is red herring prospectus?
3. What is the difference between ADR and GDR?
4. Outline the importance features of offer document.
5. Mention any two objectives of SEBI.
6. What do you mean by book building?
7. Name the participants in international financial markets
8. What is samurai bond?
9. Expand NASDAQ.
10. What is circuit breaker?

**SECTION - B**

**Answer any THREE of the following questions.**

**(3x8=24)**

11. Explain the trading mechanism of securities in BSE Ltd.
12. Highlights the various modes of issuing securities in the Indian Financial markets.
13. Write note on OTCEI.
14. Explain the clearing and settlement procedure of NSE ltd for secondary market transaction.
15. What are the listing requirements of NASDAQ?

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## SECTION - C

**Answer any ONE of the following questions.**

**(1x15=15)**

16. Explain the working of NYSE, Tokyo and NASDAQ stock exchanges.
17. Write note on a) Screen based trading b) Merchant banker c) Green shoe option
18. Explain the role of SEBI in regulating and controlling stock exchange in India.

## SECTION - D

**Analyze the case and answer the questions.**

**(1x15=15)**

It may appear strange that while buzz is so strong around India's e-commerce industry and companies like Flipkart and Snapdeal, the best-performing IPO in recent corporate history is a brick-and-mortar supermarket. Recent IPO of Avenue Supermarkets Ltd was a grand success.

Avenue Supermarkets Ltd, India's Walmart in the making, as a number of analysts have called it is the parent company behind a chain of supermarkets and hypermarkets called D-Mart. Incorporated in 2002, Avenue Supermarkets Limited is among the largest and the most profitable F&G retailer in India. Company offers a wide range of products with a focus on the Foods, Non-Foods (FMCG) and General Merchandise & Apparel product categories.

It is a company founded by Mr. Radhakishan Damani, an astute investor in the Indian equity market. The company has 112 stores located across 41 cities in India and it operates and manages all of them. The company also operates distribution and packing centres which form the backbone of the supply chain to support its retail store network. It has 21 distribution centres and six packing centres in Maharashtra, Gujarat, Telangana and Karnataka.

On 1st march D-Mart owner Avenue Supermarkets decided to go public and raise Rs 1870 crores through IPO of approximately 6 crore equity shares with a face value of Rs 10 each via book building route. The objective was to use the proceeds for repayment of loans, NCD (Non-convertible debentures) redemption, purchasing fit outs for new stores, & other general corporate purposes. In the long run the company plans to expand its store network in south and west of India and then gradually to other parts through its cluster focused expansion strategy.

The bid opened on 8th march for 3 days with a price band of Rs 295 – 299, with 50% shares reserved for qualified institutional buyers.

**Details of the bid**

BRLM (Book Running Lead Managers) – Kotak Mahindra Capital Co. Ltd, Axis Capital Ltd, Edelweiss Financial Services Ltd, HDFC Bank Ltd, ICICI Securities Ltd, Inga Capital Pvt Ltd, JM Financial Institutional Securities Ltd, Motilal Oswal Investment Advisors Pvt Ltd and SBI Capital Markets Ltd. Link Intime India Pvt Ltd is the registrar to the issue.

Bid Date – 8th to 10th March, 2017

Bid Range – Rs 295 – 299

Face value – Rs. 10

Number of shares – 4.43 crores (approx.)

Public listing date – 21st March, 2017

The IPO was oversubscribed 104.5 times on the final day of bidding with the total bids received amounting 463 crore as against 4.43 crore shares issued for bidding. The shares issued for qualified institutional buyers were oversubscribed 144 times and that of non-institutional investors 277 times. Retail investors category shares were oversubscribed 7 times.

Not only that, on the day of listing the stock opened at 600, more than twice the issue price of 299. It is currently trading at 743 which is 148% higher than the issue price. The shares of smart doubled on day-1, during the pre-open call auction, a 45 minute window before actual trading to allow price discovery of the share. During the actual trading on day-1 to curb volatility, stocks are allowed to move between the price band of +/-10% only, which in this case was 725 to 483 on an equilibrium price of 602.

- a) What is cap price and floor price in this IPO? (3 marks)
- b) Highlight the role of registrar to the issue? (5 marks)
- c) What are the reasons for the success of this IPO? (7 marks)