

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,

Vidyavihar, Mumbai- 400077

PGDM / IB / MMS – ELECTIVE – V TRIM

Financial Institutions & Markets

Maximum Marks: 50

Date: 19/01/2019

Duration: 3 Hrs

Answer any five questions each carries 10 Marks.

Question1:

- a. What do you mean by a stock index? How is it calculated? Explain any one index calculation
- b. Explain the impact of Macro Economic factors on SENSEX and NIFTY

Question No.2

From the following information calculate Sharpe Ratio, Treynor Ratio and comment on portfolio performance. Give the ranking to portfolios according to all the ratios.

	PORTFOLIOS		
	A	B	C
Beta	1.10	0.9	1.2
Return (%)	12	10	13
S.D(%)	18	15	20

Risk free rate of return is 6% and Market return is 12%. S.D for market index-17

Question No.3

- i) A Rs 100 par value bond bearing a coupon rate of 12% will mature after five years. What is the value of the bond, if the discount rate is 10% (PV factors @10% are 0.909,0.826, 0.751,0.683,0.621)
- ii) Explain various types of factors that influence bond pricing

Question No.4

A company is currently paying a dividend of Rs. 2.00 per share. The dividend is expected to grow at a 15% annual rate for three years, then at 10% rate for the next 3 years, after which it is expected to grow at 5% rate forever.

What is the present value of the share if the capitalization rate is 9%

If the share is held for three years, what shall be its present value?

PVIF values at 9% are 0.917,0.842,0.772,0.708,0.650,0.596

Question No.5

Explain the features of Treasury bills in India and state their importance in investments.

Question No.6

Name of the company: ICICI Banks

Extract from Red Herring Prospectus (100 percent Book building Issue)

“ICICI Bank’s equity public issue, which opened on 02.04.2016 and closed on 07.04.2016, comprised of Rs. 3050 crore public issue under 100% book building method of Rs. 10 each in a price band of Rs 255-295 in addition to the Green Shoe option of Rs 450 crore. The book running lead managers for the issue was DSP Merrill Lynch Ltd. JP Morgan India and Kotak Mahindra. DSP Merrill Lynch Ltd was appointed to act as the stabilizing agent to buy the bank’s shares whenever the price falls below the issue level. The life Insurance corporation of India, held 7.98% stake in the ICICI Bank, was the lender to lend shares worth Rs 450 core to DSP Merrill Lynch.”

From the above case, you are required to answer the following:

- a) Explain book building method with respect to “Dutch auction” method.
- b) Describe “Green Shoe Option” in the context of the public issue of equity shares
