

# Merchant Banking in India

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## ABSTRACT

This research is conducted to gain the understanding of merchant banking in India by having an outlook of its emergence and scope as well as its operations in the country.

Although merchant banking activity has been into operation decades ago across the globe, it was only in 1992 after the formation of Securities and Exchange Board of India (SEBI) that India saw an official recognition of the same as was the necessity of banks themselves which were in need of non - fund based income so as to improve their profitability margins by all means in the changing economic scenario.

**Making it unique is:** Acting as an advisor, broker and a principal, that has a longer term approach than a typical investment bank and is highly concerned with the viability of each investment opportunity and providing the right advice for a strong partnership with each client company.

This project gives an overview about the merchant banking in India starting from its origin, scope, regulations, recent developments, major players, its operations, structural view including the actual fees being charged by merchant banks globally, its contribution to the economy, the perspective of banks towards the same published by other reports as well as a brief comparison of few merchant banks based on parameters including revenues, profits, earnings available for equity shareholders, etc.

The urge to see the effect of economic downturns, etc. on the performance of these banks is what have also been studied.

## CHAPTER 1

### 1.1 INTRODUCTION

#### INTRODUCTONAL VIEW

#### 1.1.1

The origins of Merchant Banking can be traced from the thirteenth century when few families who owned and managed firms that engaged in sale and purchase of commodities were also found to be engaged in banking activity. Apart from acting as bankers to the kings of European States, they also financed coastal trade and borne exchange risk.

So, what is a merchant bank?

A Merchant Bank is a British term for a bank providing:

- various financial services such as accepting bills arising out of trade,
- providing advice on acquisitions, mergers, foreign exchange,
- underwriting new issues,
- portfolio management.

It can be generally described as a financial services company with a private equity investment arm offering investment banking and ancillary services as well.

Simply said, a merchant banker today is one who is able to create, be a watchdog and suggestion giver for major corporate actions including mergers and acquisitions, etc. to fulfill capital requirements

Major factors responsible for the bringing up of merchant banking into India are as follows:

- **Globalization:** Opening up of the Indian economy with the reduction of barriers in trade and smoother movement of goods, services, people, knowledge and cultural aspects, resulting in the emergence of scope for global investments in financial sector aroused the need for merchant banking in India.
- **Competition:** As a result of competition among public and private enterprises as well as due to globalization, provoking the fire of rivalry amongst the present players and hence the usage of this option as a mode of distinction.
- **Changes in consumer demographics:** According to Deloitte report published in September 2017, said: India has 65% of its population below 65 years and that

- a) it sits on demographic goldmine,
  - b) it is estimated that India has around 390 million millennial and about 440 million millennial in GEN Z-cohort,
  - c) while the median population age rests at 27.3 years against 35 years in China and 47 years in Japan. These rising working population has led to a demand for wiser investment needs and diverse options.
- Advancement in Technology: Technology today is helping in redefining modes and methodology of operations and as a result market players have newer pathways for improved ways of investment. The introduction of electronic form of the dematerialization account also called as Dematerialization Account is an example.
  - Governmental Reforms: Government of India is a major decision player in the financial market as it decides the proportion of limit of the investments, through policies that liberate as well as controls the competitive content. Major regulatory bodies such as RBI and SEBI are amongst the major authorities that are also responsible for deciding the fate of financial markets in India.

#### 1.1.1.1

#### ORIGIN OF MERCHANT BANKING

The history of merchant bank can be dated back to 17th & 18th centuries when it first started in Italy & France. This was started by the Italian grain and cloth merchants community and started to develop during the large European fair of St. Giles and then at the Champagne fairs (France).

Thomas Skinner's annual directories 'The London Banks' (1880) made an interesting study on the origin and growth of merchant banking activities in India. 'Agency houses' was the traditional name given to merchants trading in India and Far East. During 1813, trade and commerce developed in India through the agency houses based in London and John Palmer & Co. was the leading agency house, operated the banking activities from Calcutta.

Cropper Benson & Co., the premier cotton importers in 1820s to Europe operating in India and conducted a large trade through Calcutta for about three generations. Ogilvy Gillanden & Co. started in Calcutta in 1824 with a capital of £ 10,000 with Henry Nevitte Gladstone as partners. In 1830, Baring Brothers through Anglo- American merchant bank were moving into the finance of India and Far Eastern trade followed by that with Russia, South America and later some other institutions were also evolved.

In 1833, G.C. Arbuthnot joined the firm Ogilvy Gillanden & Co. Adding £ 20,000 to the partner's capital as senior partner and the reconstructed firm was known as Arbuthnot Ewart & Co., trading through Liverpool, to India. During nineteenth century East India House' an agency house representing a group that produced several merchant bankers, some of them went bankrupt and the two that remained in East India trade were Gladstone and the Arbuthnot, The other merchant bankers had to face a stiff competition with the new entrants and failed.

The development of these banks, namely Oriental Bank (1845), Chartered Bank of India and Chartered Bank of Asia (1853), the chartered Mercantile Flank of India, London & China and United Provinces Bank (1857), further reduced the chances of Merchant banking in India. (Gladstone brothers who came into Ogilvy,) Gillanders were concerned in Thomson Bonar, Old Russian mercantile house that was graduating into pure finance and in 1859, joined with Bischoffsheim & Goldschmidt of Brussels, Paris and Frankfurt to form a bank of industrial and commercial credit at Paris.

Most of the organizations floundered, but one with strong local mercantile support, the Hong Kong and Shanghai Banking Corporation (HSBC) Chartered in 1865, went from strength to strength leading far eastern merchant houses like Sassoon's, Dents and Jardine Matheson & Co., had fully supported the HSBC.

In the 1920s and 1930s Lord Kindersley and Lord Brand were probably the best-known figures in city of Merchant banking, regularly appearing as spokesman for the whole group<sup>36</sup>. However, this meritocracy despite its undoubted achievements and eminence had characterized the narrow security market, with ordinary share as predominant type of security, debenture and preference shares occupied limited space. Underwriting cannot be developed because of presence of managing agents. They distributed shares to their friends and relatives. Capital market could not be developed. Thus, their performance was subjected to rigorous criticism resulting in abolition of the system during early 1970s.

Dalai Bhupen explained that after the abolition of the managing agency system and the introduction of numerous regulations and statutory requirements by the government over the last two decades (i.e. in 1960s and 1970s decades), there arose a need for providing merchant banking services to the growing corporate clients. During the decade of 1970s there has been a tremendous evolution in the techniques of financial arrangement and in the game ring of the large number of new investors who have entered the field of equity and debenture investments.

#### *INDIA PAVING THE WAY FOR MERCHANT BANKING:*

The National Grindlays Bank was instrumental in opening a merchant banking division in 1969 after receiving the license from the Reserve bank of India in 1967. Lord Aldington, the then chairman of National Grind lays Bank, was the pioneer in the motion. The First National City Bank followed the footsteps of National Grindlay Bank (NGB) by opening a 'Management Consultant Division' in 1970. Both these banks acted as "Managers to the Issue." In 1972, the Banking Commission also recommended that the Indian Banks should start merchant banking services in addition to the regular

services offered to their clients.

These all concluded to The State Bank of India having merchant banking division since 1972, the other commercial banks followed the SBI were Central Bank of India, Bank of India, Syndicate bank in 1977, Bank of Baroda, Standard chartered Bank and Mercantile Bank in 1978, United Bank of India, United Commercial Bank, Punjab National Bank, Canara Bank and Indian Overseas Bank in 1979.

### 1.1.1.2 MEANING OF MERCHANT BANKING

Earlier in the 1800s and 1900s, merchant banking consisted of exactly what the literal meaning of the name can be derived which were the merchants who assisted in financing the trade of other traders in addition to their trade.

But, the term "Merchant Banking" is used differently in different countries, since it is widely and loosely used term and there is no precise definition for it.

As Sir Edward Reid of Baring Brothers & Co. commented, "a merchant bank is (a term) sometimes applied to banks which are not merchants, sometimes to merchants who are not banks, and sometimes houses who are neither merchants nor banks".

According to Michael T. Skully<sup>5</sup>, "Merchant banking within the same country may cover a wide range of financial activities and in process include a number of different financial institutions." As per Donald T. Brash<sup>6</sup>, "In part, the air of mystery which surrounds merchant banking has been deliberately fostered. In the U.K., where merchant banking was boom, some of the largest merchant banks do not even show their corporate titles on their doors".

Addressing to the Financial Times Conference, Michael Bentley said that internationally the position is even worse for, as one merchant banker explained "--it (is) easier to say what it (merchant banking) is not than to explain what it is. Since there are nearly as many mutations of the original as there are financial centers."

John Dick<sup>9</sup> complained, "Of its very nature as merchant banking is always evolving and definitions supplied today would perhaps not be the same as they were three or four years ago." Andrew Lidello explained, "This is a traditional strength in the quality of the earning of merchant banks, when one particular sector of the financial market is slack another will be achieve."

Hans-Peter Bauer suggested that a merchant bank should contain some eleven characteristics:

- high portion of decision - makers as a percentage of total staff,
- quick decision process,
- high density of information,
- intense contract with the environment,
- loose organizational structure,
- concentration of short and medium-term engagements,
- emphasis on fee and commission income,
- innovative instead of repetitive operation,
- sophisticated services on national and international level,
- low rate of profit distribution, and
- high liquidity ratio

In London, Merchant Banking refers to those who are members of British Merchant Banking & Securities House Association and carrying on loan syndication, Euro-credits, leasing, consultation, mergers and amalgamations, portfolio services, asset management etc.

In America, Merchant Banking is called Investment Banking. It is concerned with game ring savings of myriad's of thrifty people and directing the funds to business enterprises for the acquisition of plant and equipment.

The Merchant Banking has been on the Indian scene since 1969 which has gained prominence during 1983-84 due to new issue boom.

As per SEBI Act, Merchant Banker means any person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities or acting as manager, consultant, adviser or rendering corporate advisory service in relation to such issue management.

### 1.1.1.3 FUNCTIONS/SERVICES OF MERCHANT BANKERS

In order to provide the expert advice in diversified areas under a single roof to entrepreneurs to accelerate industrial development is where merchant bankers come into picture.

Some important areas where merchant bankers have decisive role are:

Bansal L. K.42 Classified merchant bankers' services into two broad categories as under:

i. *Service based functions:*

- Project counseling and pre-investment studies
- Credit syndication and project finance
- Capital Issue management
- Underwriting of capital issues
- Corporate counseling
- Portfolio management
- Stock broking and dealership
- Venture capital financing
- Advisory services for capital re-structuring through mergers, amalgamations and takeovers
- Debenture trusteeship
- Non-resident investment counseling and management

ii. *Fund based functions:*

- Bill discounting
- Venture capital
- Bought out deals
- Lease financing and hire purchase
- Factoring
- Underwriting

Viewing merchant banks performing few of the above functions as:

- **Project counseling and pre investment studies:** Project counseling refers to preparation of project report, decision on financing pattern of project, appraisal of project report and arranging funds with financial institutions or banks, etc. Corporate entities are advised by merchant bankers in respect to preparing project report, which includes technical feasibility, marketing survey and other information relating to project covering management aspects, location, means of financing, projected cost of production, working results, cash flow statements and balance sheets.

Project reports are prepared:

- (a) to have the approval of the project from the respective authorities,
- (b) to obtain financial assistance from financial institutions, banks and other sources,
- (c) to make planned utilization of recourses and implementation of the project within scheduled time,
- (d) to explore market for the proposed product,
- (e) to have an idea about specified technical process and engineering requirements for manufacturing of products and
- (f) to make plan for capital issues of corporate securities.

Arranging funds for project is another important aspect of project counseling. The sources of funds are comprised of owner's funds and borrowed funds. Owner's funds include promoter's contribution in the form of equity, public and right issues, retained earnings and issue of bonus shares for an existing company. On the other hand, borrowed funds are procured in the form of loans from banks, financial institutions and by issue of debentures from public. Merchant bankers are always there to make arrangement of funds, both indirectly and directly, for their clients.

- **Credit syndication and project finance:** Credit syndication refers to the services rendered by the merchant banks in arranging and raising credit from financial institutions, banks and other leading investment organization for financing the clients in regards to project cost or in meeting working capital requirements. Basically, credit syndication is the outcome of project counseling process through which various sources of funds could be traced to arrange finance. There are three types of periodic sources of funds, namely,
  - (g) short term funds,
  - (h) medium term funds and
  - (i) long term funds.



Short-term funds are obtained from commercial banks, trade credit, public deposits, business finance companies and customers in order to meet working capital requirements. Such funds are generally arranged for a very short period like one year. Medium term funds are procured from state financial corporations, commercial banks, and all India financial institutions, industrial finance corporations of India (IFCI), industrial development bank of India (IDBI), investment institutions and the general public by way of fixed deposits. These funds are required for permanent working capital, expansion or replacement of assets and such type of funds are arranged generally for a period of five years. Long term funds are for more than five years and such type of funds are required for initiating a new project, for modernization or for diversification of an existing unit of corporate entities and for other purposes. Loan syndication activity, basically, is concerned with arrangement of borrowed funds from different sources except the funds rose from the public. Once the decision to embark on a particular project or expansion or modernization scheme has been taken by the client company, then the merchant banker, on behalf of his client, has to locate the sources of funds and makes arrangement to comply with the formalities required in procuring such funds. The services generally include:

- (a) preparing project details,
  - (b) locating sources of funds,
  - (c) selecting suppliers of funds,
  - (d) preparing and filing of the loan applications,
  - (e) obtaining sanction letter,
  - (f) complying with the terms and conditions for the availability of the loan and,
  - (g) arranging bridge finance.
- **Capital Issue management:** The abolition of the managing agency system, the growth of the public limited companies in numbers and in sizes, the imposition of new rules and regulations regarding the public issues of securities by SEBI has given the merchant bankers a key role to play in managing the public issues of corporate houses in India. The performance includes procuring long term finance for their clients through issue of equity, preference shares, rights shares and debentures/bonds to the public. Capital issue management involves specialized marketing of corporate securities through offering securities to the public, procuring private subscription of securities (i.e. private placement) and granting securities to the existing shareholders of the company. In case of a public issue, a merchant banker in respect of pre-issue management (as lead manager) has:
    - (a) to take requisite actions as per SEBI guidelines;
    - (b) to appoint managers, bankers, underwriters, brokers, etc.;
    - (c) to advise the company on appointment of auditors, solicitors and board of directors;
    - (d) to draft prospectus and obtain consent from company's legal advisors, board of directors and other concerned parties;
    - (e) to file the prospectus with registrar;
    - (f) to make an application for enlistment with stock exchanges and finally;
    - (g) to make an arrangement for advertisement about the issue.
  - **Underwriting of public issues:** Underwriting is an agreement made between an issuing company and other party called as underwriter who binds himself to accept the under subscription of securities in consideration of certain amount of commission. A fully underwritten public issue spells confidence to the investing public, which generally ensures a good response to the issue. Keeping this in view, companies when float any public issues must have full understanding about such issue. Merchant bankers, managing an issue, have to decide very carefully after going through detail of the issue and also the issue amount to be underwritten. The underwriters must be the SEBI authorized and registered merchant bankers, brokers, banks, financial institutions, etc.
  - **Corporate Counseling:** Merchant Banks provide expertise knowledge to a corporate entity where, it covers a wide spectrum of services by providing guidance in connection with government rules and regulations, appraising product lines and analyzing their growth and profitability and forecasting future trends in the market. This is an intermediary function, which requires ability to develop strategies, expertise knowledge, skills and experience to resolve the business problems.

Scope: It ranges from managerial economics, investment and financial management to corporate, laws and the related legal aspects. The corporate counseling services concentrate on the following aspects:

- **Determination of organizational goals, size of the organization and its operational scale at large:** The merchant bankers take up the cudgels in relieving of pains of their corporate clients by setting up the business goal, in planning strategies to achieve the goal and also suggesting the future growth path of these entities. Generally, the size of the organization and the scale of operation are the determinants of the organizational goal. In this

aspect, certain factors are to be critically considered and evaluated by the merchant bankers in making their valued judgments. Few of such factors include:

- (a) resources available like technology, managerial skills and financial background,
  - (b) environmental support like government policies, regulations, incentives and protections,
  - (c) existence of favorable legislative framework,
  - (d) Cost of production as compared to other existing firms at the optimum scale of production, etc.
- Determination of optimum product line: The advice of the merchant banker may be sought by the corporate clients in regard to because some problems may be faced by the corporate enterprises in choosing between discontinuing an existing product and/or adding new products in order to capitalize an opportunity and also to fulfill the business objectives. In such cases, the merchant banker gives necessary guidance through techno-economic feasibility study and makes assessment of financial resources for determination of optimum product line.
  - Advising on overcoming problems of cost reduction: Rising costs of production is the common problem of business organizations and it is a very tedious task to find out the means for reduction of costs and also to enhance the profitability of the business. Merchant bankers render the specialized services of corporate counseling for developing the ways to overcome such problems. Generally, for cost reduction measures, the merchant bankers concentrate on factors like efficiency of management, degree of technological adaptation, size of plant, productivity and quality of input factors including manpower and the material.
  - Solving the problems of pricing policies: Problems relating to pricing of the products affect the revenue of the business. Pricing of the products is based on cost of inputs as well as quantum of output. Merchant bankers study the problem areas and find out the ready alternative solutions for pricing policies and decisions.
  - Assisting company in solving problems on corporate planning and control: Effective corporate planning usually depends upon appropriate corporate policy of the business organizations. Merchant bankers help companies in making appropriate functional policies within the overall corporate policy frame. Such functional policies include the production policy, marketing policy, purchasing policy, research and development policy, etc. There are certain other factors which are considered by the merchant bankers in rendering assistance to the clients through corporate counseling are:
    - (a) size of the organizations,
    - (b) organizational set-up,
    - (c) management pattern, etc.
  - Portfolio management: Portfolio is a combination of securities such as stocks, bonds and money market instruments. The process of blending together the broad assets classes so as to obtain optimum return with minimum risk is referred to as portfolio management. Portfolio management service is one of the merchant banking activities recognized by SEBI. Presently, portfolio management services can be performed by SEBI authorized Category-I merchant bankers or the portfolio managers or the discretionary portfolio manager as defined in clauses (e) and (f) of Rule 2 of SEBI (Portfolio Managers) Rules, 1993. According to the definition, a portfolio manager means any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be [Clause (e) of Rule2]. Discretionary portfolio manager means a portfolio manager who exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investments or management of the portfolio of securities or the funds of the client, as the case may be [Clause (f) of Rule 2] . Merchant bankers take up the management of a portfolio of securities on behalf of their clients, providing special services with a view to ensuring maximum return by such investment with minimum risk of loss of return on the money invested in securities. In performing the services of portfolio management, a merchant banker has to enquire the investment needs of clients, their tax bracket, ability to bear risk, marketability and liquidity of securities, reasonable return on investment etc. In addition to that, merchant bankers and portfolio managers are required to perform other set of functions including:
    - (a) studying capital market environment,
    - (b) studying price trends of securities in stock exchanges,
    - (c) identifying blue-chip companies where investments may be proved better and safe,
    - (d) collecting necessary information on financial performance of various companies,
    - (e) maintaining complete records of latest amendments in Government policies, stock exchange, RBI regulations, etc.,
    - (f) studying the behavioral pattern of brokers community engaging in different stock exchanges,
    - (g) educating prospective investors,

(h) guiding on purchase and sale of securities on behalf of their clients to achieve maximum return at lesser risk.

In order to become successful in portfolio management the merchant bankers or portfolio managers take into account a well-planned programme including appropriate return on investment, selection of a balanced mix of capital structure of a company, diversification of portfolio, etc. They assist in this area not only to individual and corporate investors but also to non-resident Indians (NRI).

- Venture capital financing: Venture capital may be termed as risk capital as risk is involved with such capital investment. Venture capital financing refers to long term equity financing for high risk and high reward projects, which is assisted by merchant bankers. In this form of financing, capital is invested either for starting up a new project or for developing an existing business enterprise with high degree of risks associated with. An entrepreneur is generally motivated towards such venture with the expectation of higher return as investment in other alternative funds may prove unwise. Innovative, hi-tech ideas are necessarily risky. It is here that the concept of venture capital steps in. Venture capital provides long-term startup costs to high risk and return projects. Typically, these projects have high mortality rates and, therefore, are unattractive to risk-averse bankers and private sectors companies. Some of the characteristic features of venture capital financing are:
  - (a) Venture capital is basically equity finance in relatively new companies when it is too early to go to the capital market to raise funds. It involves not only equity investments but also loan finance/ convertible debts.
  - (b) The objective of venture capital financing is to earn capital gains on equity investment and debt financing is only supplementary.
  - (c) Venture capital also provides business skills to the investee firm, which is termed as 'hands-on' approach/ management.
  - (d) Venture capital financing involves high risk-return spectrum.
  - (e) Venture capital is not technology finance, though technology finance may form a sub-set of venture capital financing initial equity capital of 10 crores of rupees for pilot plants. The VCF is in operations with effect from 1st April, 1986 and is administered by IDBI.

In 1988, Technology Development and Information Company of India (TDICI) was the first of this kind set up by ICICI in collaboration with UTI in order to render required assistance for technical advancement in industry. In recent years major financial institutions, commercial banks and foreign banks set up their own venture capital funds. These are:

- IDBI's Venture Capital Scheme: It provides venture capital finance facility to new entrepreneurs in three ways:
    - (a) IDBI Venture Capital Fund,
    - (b) IDBI Seed Capital Scheme administered through State Industrial Development/Investment Corporations (SIDCs/ SIICs),
    - (c) Special Capital Scheme operated by State Financial Corporations (SFCs).
  - ICICI's Venture Capital Fund assistance: It provides venture capital financing through; (a) Technology Development and Information Company of India Ltd (TDICI), (b) Programme for Application of Commercial Technology (PACT).
  - Industrial Finance Corporation of India Venture Capital Fund.
  - SBI Venture Capital Fund set up by SBI Capital Markets Ltd.
  - Can Bank Venture Capital Fund set up by Can Bank Financial Services Ltd.
  - 20th Century Venture Capital Fund established by 20th Century Finance Co. Ltd.
  - Indus Venture Capital Fund, jointly promoted by Hindustan Levers and Mafatal Industries.
  - Venture Capital Ltd. was set up by Andhra Pradesh Industrial Development Corporation (APIDC).
- India Investment Fund, as India's First Private Venture Capital Fund, was set up by ANZ Grindlays Bank. Many merchant bankers in India are entering into this specialized services arena through arranging funds for the upcoming projects.
- Lease: A lease is a contractual arrangement under which one party (the lessee) is allowed by the owner of the asset (the lessor) for using the asset for a stipulated period of time on consideration of the payments of rentals. The terms of payment and other conditions relating to the insurance and maintenance of the asset etc. are, however, mentioned in lease agreement. At the end of the lease period, the lessor takes back the ownership of the asset unless the lease is renewed for further period. Leasing is regarded as an alternative source for financing capital outlays. Although India's leading merchant bankers do not consider leasing as a specialized activity, they do leasing financing only as a separate activity distinct from its other regular activities. Grindlays Bank, Canara Bank, State bank of India (SBI), Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), and Industrial Financial Corporation of India (IFCI) and some private firms doing merchant banking activities have separate leasing units performing such activities.

#### 1.1.1.4 REGULATIONS CONCERNING MERCHANT BANKING

The vast universe of Indian Financial Market is regulated and supervised by majorly Government body as: Ministry of Finance viz. RBI and SEBI.

The jurisdictions of the central bank and the capital market regulator overlap in some fields of Indian financial activities. Moreover, for orderly development of the securities market, SEBI / Government of India had amended or newly enacted the following Indian securities laws, rules and regulations:-

- *The Companies Act, 1956.*
- *The Securities and Exchange Board of India Act, 1992.*
- *The Securities Contracts (Regulation) Act, 1956.*
- *Delegation of Powers to SEBI under Securities Contracts (Regulation) Act, 1956. The Securities Contracts (Regulation) Act, 1957 Depositories Act, 1996*
- *The SEBI (Depositories and Participants) Regulations, 1996.*
- *The SEBI (Bankers to an Issue) Rules, 1994.*
- *The SEBI (Bankers to an Issue) Regulations, 1994.*
- *The SEBI ( Debenture trustees ) Rules, 1993.*
- *The SEBI (Debenture trustees) Regulations, 1993.*
- *The SEBI ( Foreign Institutional Investors) Regulations, 1995.*
- *The SEBI (Insider Trading ) Regulations, 1992.*
- *The SEBI (Merchant Bankers) Rules, 1992.*
- *The SEBI (Merchant Bankers) Regulations, 1992.*
- *The SEBI ( Mutual Funds) Regulations, 1996.*
- *The SEBI (Portfolio Managers) Rules, 1993.*
- *The SEBI (Portfolio Managers) Regulations, 1993.*
- *The SEBI (Registrar to an Issue and Share Transfer Agent) Rules. 1993.*
- *The SEBI (Registrar to an Issue and Share Transfer Agent) Regulations. 1993.*
- *The SEBI (Stock Brokers and Sub-Brokers) Rules, 1992.*
- *The SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.*
- *The SEBI (Underwriters) Rules, 1993.*
- *The SEBI (Underwriters) Regulations, 1993.*
- *The SEBI (Venture Capital Funds) Regulations, 1996.*
- *The SEBI (Appeal to Central Government) Rules, 1993.*
- *The SEBI (Substantial Acquisition of Shares and Takeover) Regulations. 1997.*

Merchant Banking in particular is regulated by:

- *The SEBI (Merchant Bankers) Rules, 1992.*
- *The SEBI (Merchant Bankers) Regulations, 1992.*

However, few vital points to note are:

- 1) **Restriction on appointment of lead managers:** The number of lead merchant bankers may not, exceed in case of any issue:

TABLE 1

Size of issue	No. of Merchant Bankers
(a) Less than rupees fifty crores	2
(b) Rupees fifty crores but less than rupees one hundred in crores	3
(c) Rupees one hundred crores but less than rupees two hundred crores	4
(d) Rupees two hundred crores but less than rupees four hundred crores	5
(e) Above Rupees four hundred crores	5 or more as may be agreed by the board



No lead manager shall agree to manage or be associated with any issue unless his responsibilities relating to the issue mainly, those of disclosures, allotment and refund are clearly defined, allocated and determined and a statement specifying such responsibilities is furnished to the Board at least one month before the opening of the issue for subscription: Provided that, where there are more than one lead merchant bankers to the issue the responsibilities of each of such lead merchant banker shall clearly be demarcated and a statement specifying such responsibilities shall be furnished to the Board at least one month before the opening of the issue for subscription.

*(MERCHANT BANKERS) REGULATIONS, 1992 CODE OF CONDUCT FOR MERCHANT BANKERS (REGULATION 13)*

- (a) A merchant banker in the conduct of his business shall observe high standards of integrity and fairness in all his dealings with his clients and other merchant bankers.
- (b) A merchant banker shall render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment. He shall wherever necessary, disclose to the clients, possible sources of conflict of duties and interests, while providing unbiased services.
- (c) A merchant banker shall not make any statement or become privy to any act, practice or unfair competition, which is likely to be harmful to the interests of other merchant bankers or is likely to place such other merchant bankers in a disadvantageous position in relation to the merchant banker, while competing for or executing any assignment.
- (d) A merchant banker shall not make any exaggerated statement, whether oral or written, to the client either about the qualification or the capability to render certain services or his achievements in regard to services rendered to other clients.
- (e) A merchant banker shall always endeavor to:
- render the best possible advice to the clients having regard to the clients' needs and the environments and his own professional skill,
  - ensure that all professional dealings are effected in a prompt, efficient and cost effective manner.
- (f) A merchant banker shall not:
- divulge to other clients, press or any other party any confidential information about his client, which has come to his knowledge, and
  - deal in securities of any client company without making disclosure to the Board as required under the regulations and also to the Board of Directors of the client company.
- (g) A merchant banker shall endeavor to ensure that:
- the investors are provided with true and adequate information without making any misleading or exaggerated claims and are made aware of attendant risks before any investment decision is taken by them,
  - copies of prospectus, memorandum and related literature are made to the investors,
  - adequate steps are taken for fair allotment of securities and refund of application money without delay, and,
  - complaints from investors are adequately dealt with.
- (h) The merchant bankers shall not generally and particularly in respect of issue of any securities be party to:
- creation of false market,
  - price rigging or manipulation,
  - passing of price sensitive information to brokers, members of the stock exchanges and other players in the capital market or take any other action which is unethical or unfair to the investors.

A merchant shall abide by the provisions of the Act, rules and regulations and which may be applicable and relevant to the activities carried on by the merchant banker.

*(MERCHANT BANKERS) (AMENDMENT) REGULATIONS, 1996 (REGULATION 24A)*

1. Every merchant banker shall pay fees as set out below:

Size of the issue including premium and intended retention of oversubscription (Rs.) Proposed Fee per document (Rs.)

TABLE 2

Upto 5 crores	10,000
More than 5 crores and upto 10 crores	15,000
More than 10 crores and upto 50 crores	25,000
More than 50 crores and upto 100 crores	50, 000
More than 100 crores and upto 500 crores	2, 50, 000
More than 500 crores	5, 00, 000

2. Fees referred to in clause (1) above, shall be paid in the following manner:

- a. The fees shall be paid along with the draft of the offer document submitted to the Board under regulation 24.
- b. The fees shall be payable by a draft in favor of 'Securities and Exchange Board of India' at Mumbai or at the respective regional offices where the draft offer document under regulation 24 is submitted. This fee structure was inserted by the SEBI (Merchant Bankers) (Amendment) Regulations, 1996 published in the Official Gazette dated 06.06.1996.

#### 1.1.1.5

#### LEADING COMPANIES IN MERCHANT BANKING

TABLE 3

Rank	Company	Market capitalization (US\$bn, January 19, 2018)
1	JP Morgan	392.1B
2	Bank of America	330.9B
3	Wells Fargo	316.2B
4	HSBC Holdings	221.4B
5	Citigroup	207.0B
6	Royal Bank of Canada	125.2B
7	Morgan Stanley	103.9B
8	BNP Paribas	102.4B
9	Goldman Sachs	100.3B
10	UBS Group	77.7B
11	Sumitomo Mitsui Financial Group	67.9B
12	Mizuho Financial Group	49.6B
13	Credit Suisse	48.7B
14	Barclays	47.5B
15	Deutsche Bank	38.8B

Any ten out of one ninety five registered merchant banks in India as of June 04, 2018 [1] are:

- A.K. Capital Services Ltd.
- Deutsche Bank
- SMC Capitals Ltd.
- Smifs Capital Markets Ltd.
- Spark Capital Advisors (India) Pvt. Ltd.
- Stellant Capital Advisory Services Pvt. Ltd.
- United Bank of India
- Vijaya Bank
- VLS Securities Ltd.
- Yes Bank Ltd., etc.

#### 1.1.2

#### OPERATIONAL VIEW

- 1.1.2.1 Structure of merchant banking in India.
- 1.1.2.2 Contribution of merchant banks to the economy.
- 1.1.2.3 Current perspective of merchant banks.
- 1.1.2.4 Recent developments in merchant banking.
- 1.1.2.5 One of the tasks performed by merchant banks.

## 1.1.2.1

## STRUCTURE OF MERCHANT BANKING IN INDIA

Till date, merchant banks in India have been operating as the issue houses and not full- fledged merchant banks like in other countries. But a brief structure of it is:

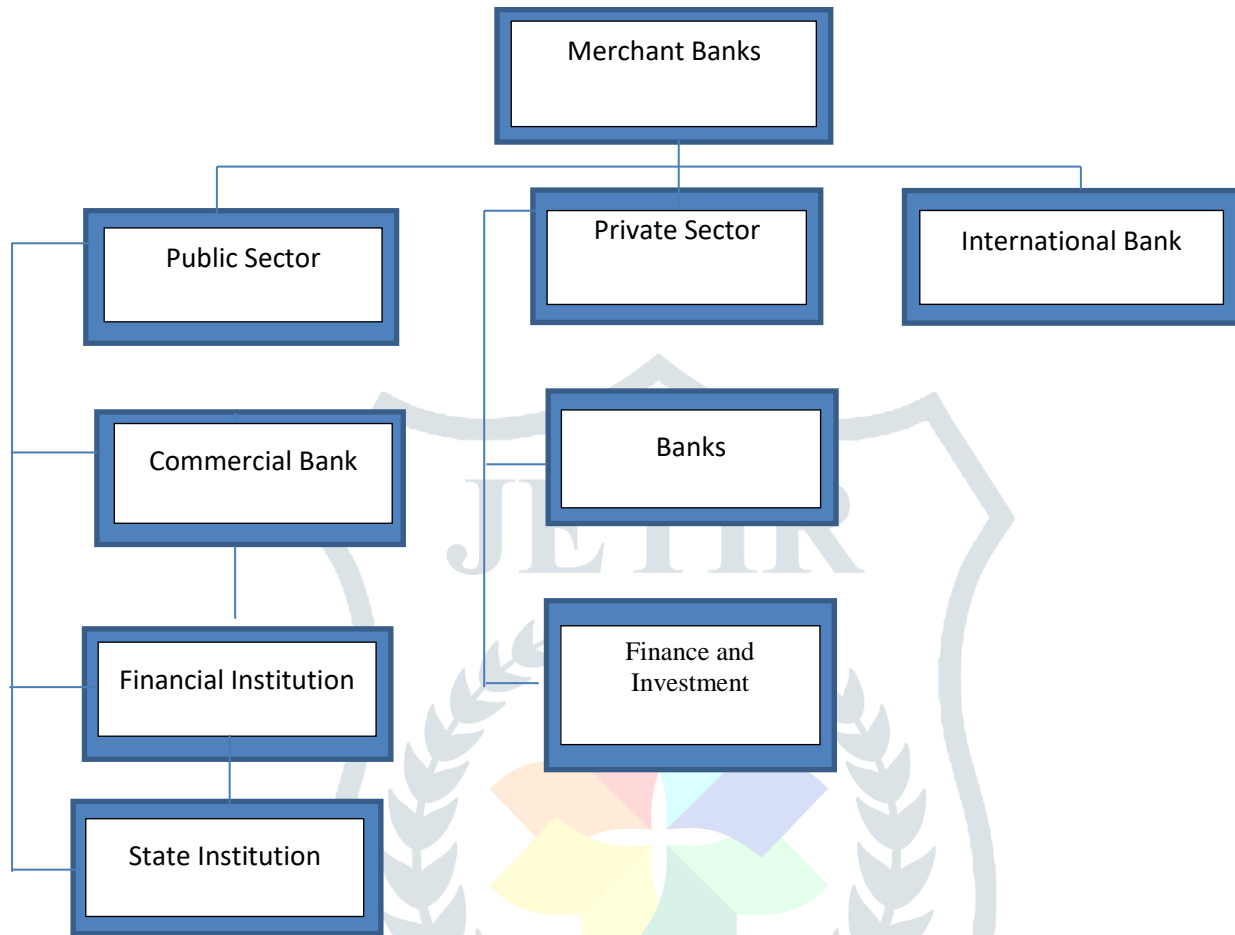


Fig. 1

*SEBI Regulations on merchant bankers:*

In order for the development of the capital market in India there were measures introduced by the SEBI in the year 1992. The measures were revised by SEBI in 1997. SEBI has made the following reforms for the merchant banker:

1. Multiple categories of merchant banker will be abolished and there will be only one equity merchant banker.
2. The merchant banker is allowed to perform underwriting activity. For performing portfolio manager, the merchant banker has to seek separate registration from SEBI.
3. A merchant banker cannot undertake the function of a non-banking financial company, such as accepting deposits, financing others' business, etc.
4. A merchant banker has to confine himself only to capital market activities.

**Classification of Merchant Bankers:**

The SEBI has classified merchant bankers under four categories for the purpose of registration:

- Category-I can act as issue manager, advisor, consultant, underwriter and portfolio manager.
- Category-II can act as advisor, consultant, underwriter and portfolio manager.
- Category-III can act as underwriter, advisor and consultant only.
- Category-IV can act as consultant or advisor to the issue of capital.

Thus, only Category-I merchant bankers could act as lead managers to an issue. However, with effect from December 9, 1997, different categories of merchant bankers were abolished and only Category-I merchant bankers are registered by the SEBI.

**Capital Adequacy Requirement:**

According to the regulations, the capital adequacy requirement shall not be less than the net worth of the person making the application for grant of registration. For this purpose, the net worth shall be as follows:

TABLE 4

Category	Minimum Amount
Category I	Rs.5, 00, 00,000
Category II	Rs.50, 00,000
Category III	Rs.20, 00,000
Category IV	Nil

Conditions by SEBI for merchant bankers:

In order to operate, SEBI has laid down certain conditions for Merchant Bankers as follows:

1. SEBI will give authorization for a merchant banker to operate for 3 years only. Without SEBI's authorization, merchant bankers cannot operate.
2. The minimum net worth of merchant banker should be Rs. 1 crores.
3. Merchant banker has to pay authorization fee, annual fee and renewal fee.
4. All issue of shares must be managed by one authorized merchant banker. It should be the lead manager.
5. The responsibility of the lead manager will be clearly indicated by SEBI.
6. Lead managers are responsible for allotment of securities, refunds, etc.
7. Merchant banker will submit to SEBI all returns and send reports regarding the issue of shares.
8. A code of conduct for merchant bankers will be given by SEBI, which has to be followed by them.
9. Any violation by the merchant banker will lead to the revocation of authorization by SEBI.

*SEBI.FEE STRUCTURE: Actually Charged- GLOBALLY*

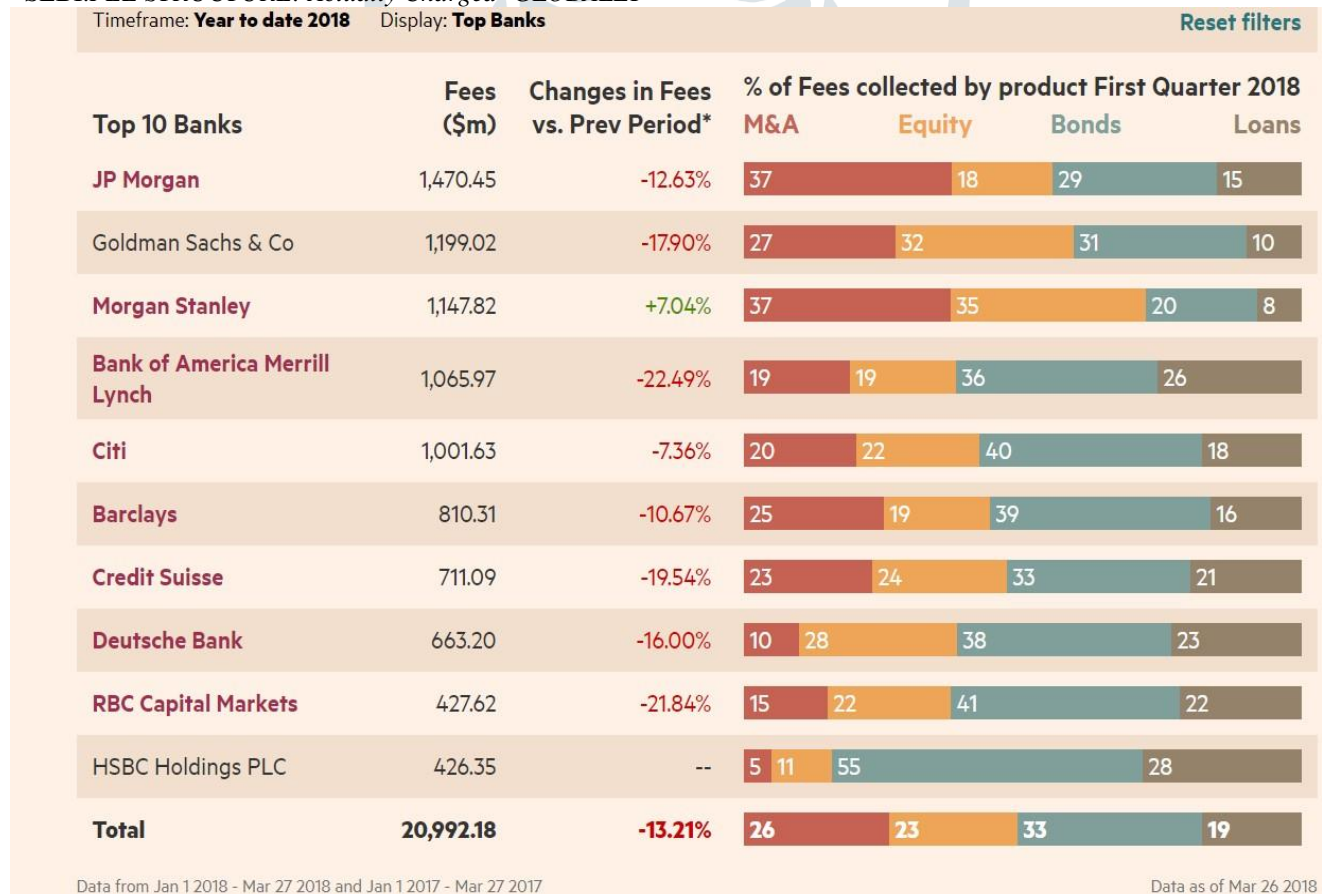


Fig. 2



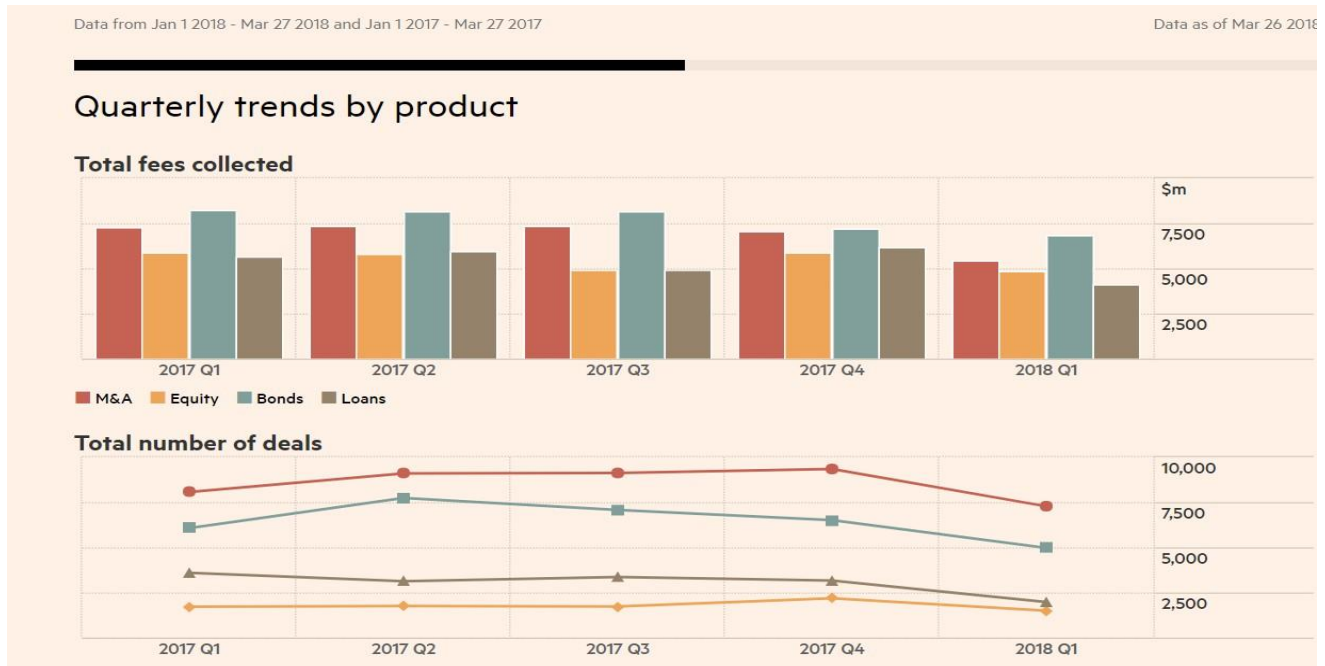


Fig. 3





Fig. 4

### 1.1.2.2 CONTRIBUTION OF MERCHANT BANKS TO THE ECONOMY

The merchant banking sector for Indian Economy,

- The asset management industry in India is among the fastest growing in the world. As of November 2017, 42 asset management companies were operating in the country.
- At the end of March 2018, the assets under management of the mutual fund industry stood at 21.36 lakh crores of rupees (US\$ 331.42 billion).
- India registered a record inflow of amount of US\$ 51.02 billion in mutual funds in FY 2016-17. According to the Association of Mutual Funds in India (AMFI) data, this was the highest investment in mutual fund schemes since the fiscal 1999-2000.
- The number of mutual fund (MF) portfolios have increased to 66.5 million as of December 2017, backed by rising interest in MFs among investors.
- Mutual fund (MF) equity portfolios in India reached a 10-year high of 49.3 million, by end of 2017.



*Notes: FII – Foreign Institutional Investors, NSE – National Stock Exchange, BSE – Bombay Stock Exchange, \*- As of March 2018, ^ - as per a study by rating agency ICRA, # - as of January 2018*

*Source: SEBI, ^ - as per a report by EY*

Fig. 5

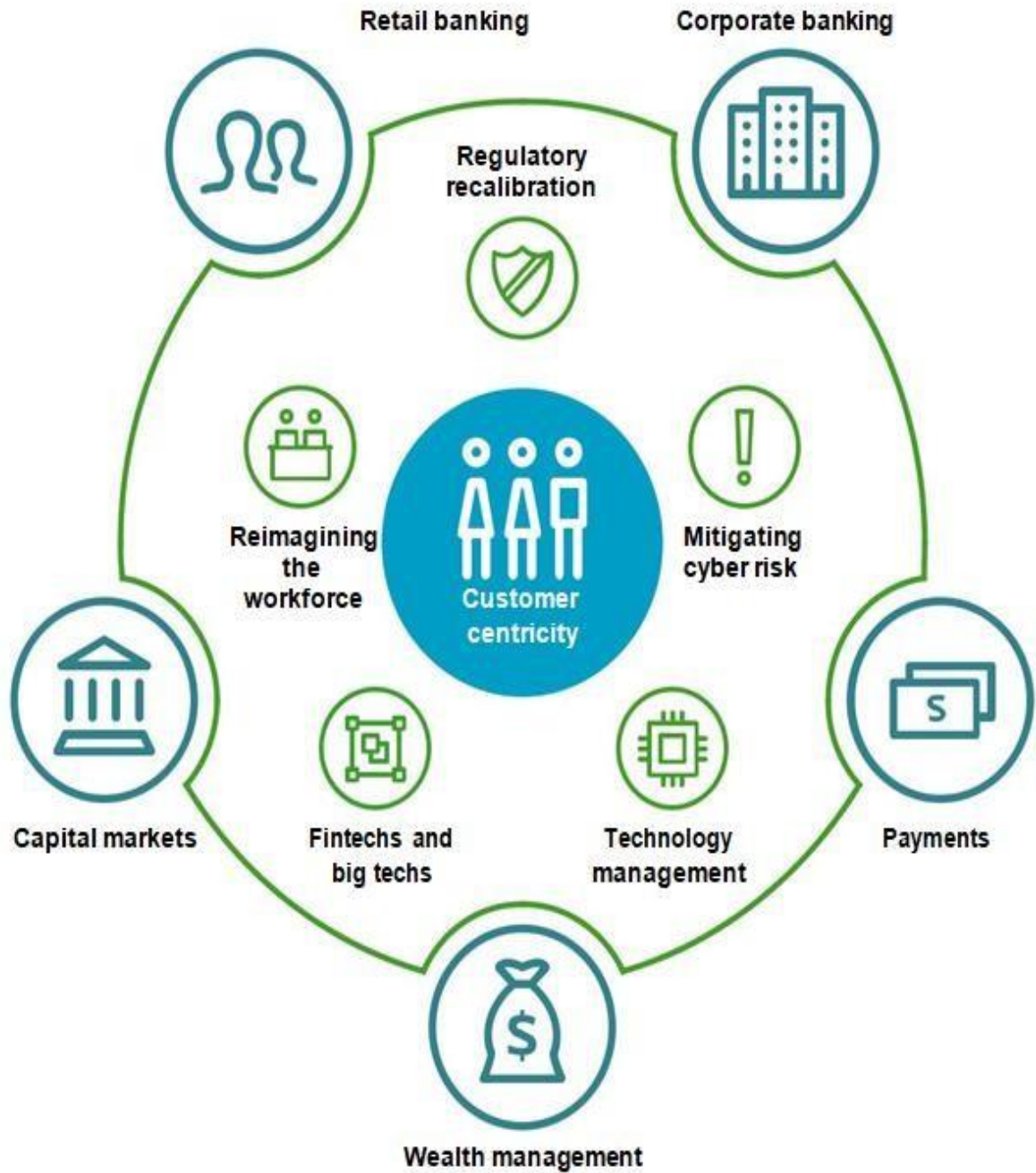
- Growth: The number of listed companies on NSE and BSE increased from 6,445 in FY10 to 7,501 in March 2018.
- The market capitalization of all the companies listed on the BSE reached a record 150 lakh crores of rupees (US\$ 2.33 trillion) backed by high gains in the broader market.
- The amount raised by IPOs in India increased from US\$ 318 million in FY 2008-09 to US\$ 10,888 million in FY 2017-18.
- Initial Public Offers (IPOs) by small and medium enterprises (SMEs) in India received record funding of Rs. 16.79 billion (US\$ 259.35 million) in 2017 through 133 issues.
- The total amount of initial public offerings increased to Rs. 84,357 crores (US\$ 13,089 million) by the end of FY18.

### 1.1.2.3

#### CURRENT PERSPECTIVE OF MERCHANT BANKS

For banks globally, 2018 could be a pivotal year in accelerating the transformation into more strategically focused, technologically modern, and operationally agile institutions, so that they may remain dominant in a rapidly evolving ecosystem. (As per Deloitte Report, 2018)

Six macro themes and five banking businesses:



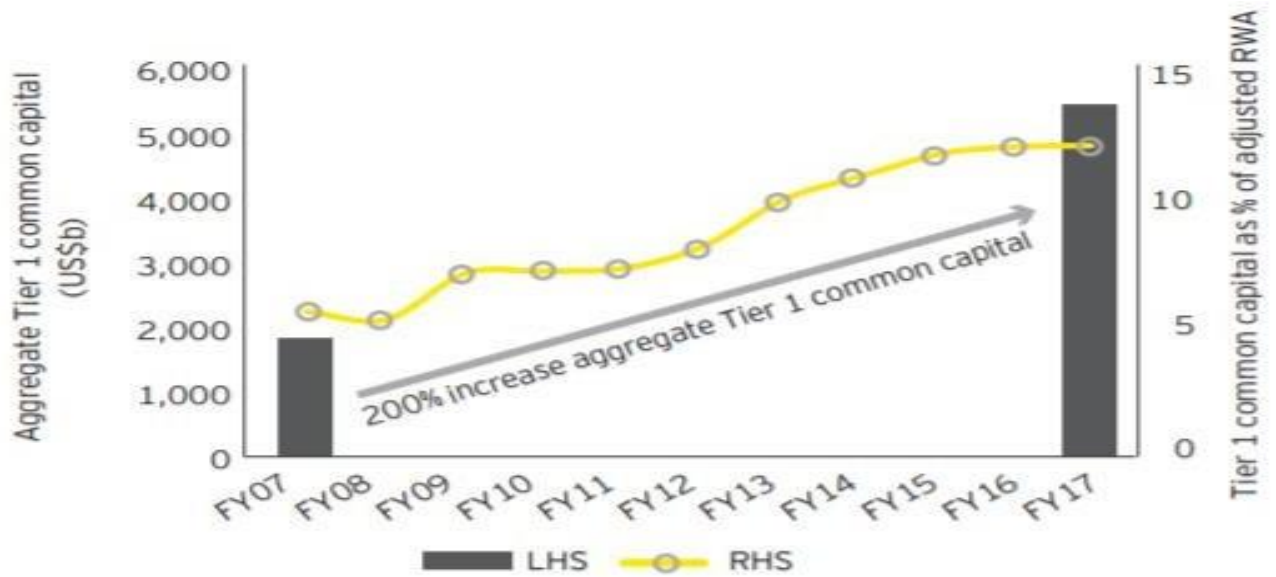
Source: Deloitte Center for Financial Services

Fig. 6

The global banking sector is considerably healthier now than it was 10 years ago, at the start of the global financial crisis. The largest banks in the world have significantly improved their capital position in the years since the crisis.

- The Common Equity Tier 1 (CET1) capital ratio which was below 4% for some banks —have now gone as banks have raised additional equity over the last decade to almost treble their capital.
- Further, most banks have resolved the vast majority of legacy conduct issues. Litigation expenses are falling (Figure 3), and although banks continue to reshape their footprints they are also signaling that the associated restructuring costs will soon peak.





Source: SNL Financial database, , EY analysis of largest 200 banks globally



Fig. 7



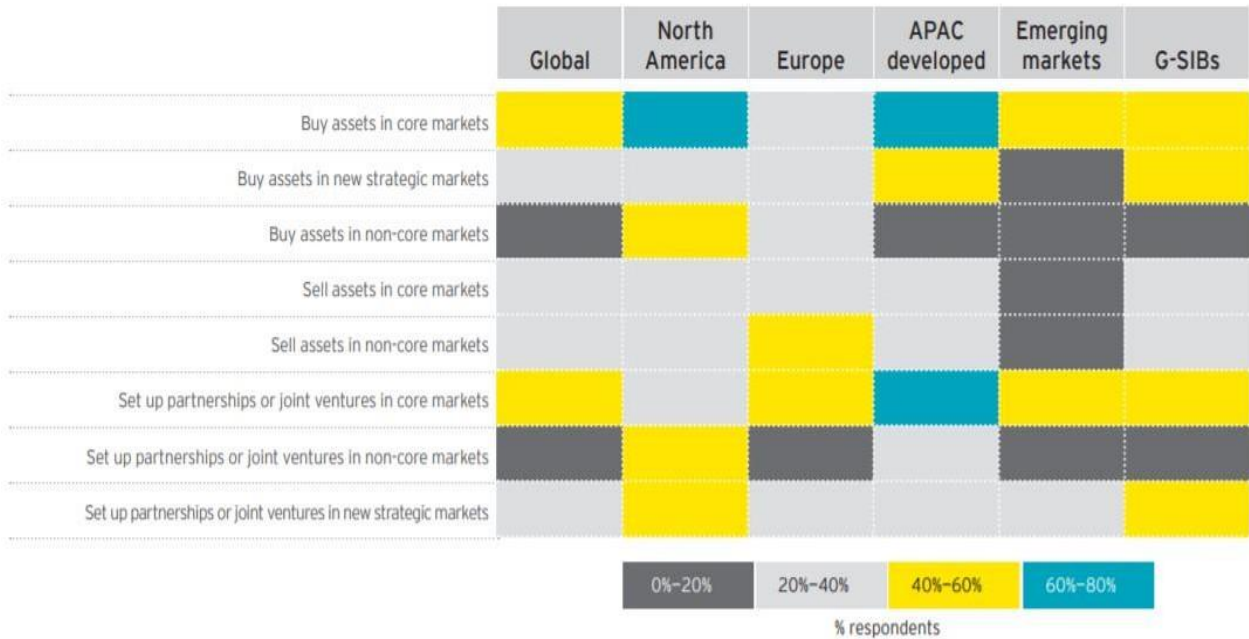
Source: International Monetary Fund (IMF) Financial Stability report, 2017

Fig. 8

Global Litigation Expenses are falling.

Two of the major follow ups: A quick survey result

**Q: Which of the following actions is your bank likely to take in 2018?**



Source: Global banking outlook survey 2018

Fig. 9

So, as per EY’s Global banking outlook survey it was found that the vast majority of bankers expect revenues and profitability to improve over the next 12 months to 3 years, in spite of rising costs.

**Q: By how much do you expect your bank’s revenue growth to increase or decrease in 2018 and over the coming three years?**

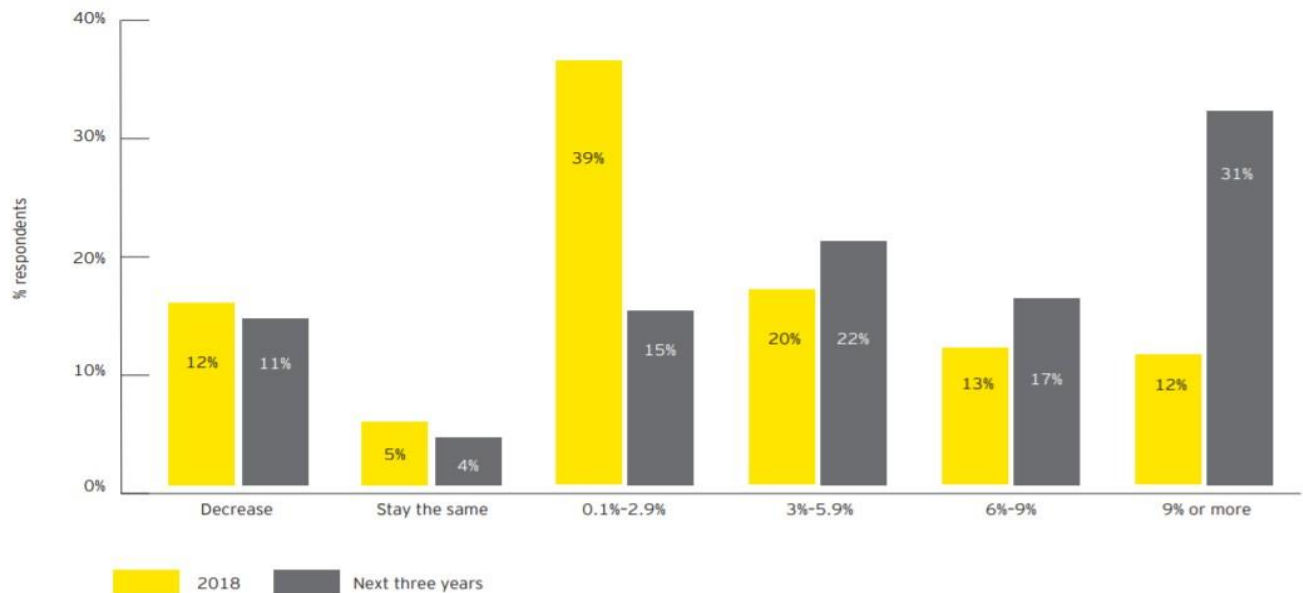


Fig. 10

## 1.1.2.4

## RECENT DEVELOPMENTS IN MERCHANT BANKING IN INDIA

## SCOPE OF MERCHANT BANKING:

To state a few facts:

- IMF, in its latest Update, has forecast that India will grow at 7.4% next year in the backdrop of services resuming high growth rates of 8% plus, exports expected to grow at 15% in 2017- 18 and manufacturing back on good growth path
- As per Press Information Bureau (Ministry of Finance), GDP growth is at 6.3% in the second quarter of 2017-18 signaled turnaround of the economy, growth in the second half is likely to remain between 7.2% to 7.5%.

Infrastructure and Financial Sector Development:

- Infrastructure: He announced increase of budgetary allocation on infrastructure for 2018-19 to Rs.5.97 lakh crores against estimated expenditure of Rs.4.94 lakh crores in 2017-18
- Finance: To encourage raising funds from bond market, the Finance Minister urged regulators to move from 'AA' to 'A' rating for investment eligibility. He said that the Government will establish a unified authority for regulating all financial services in International Finance Service Centre (IFSCs) in India. Raising funds may require merchant bankers' assistance
- Investment:
  - The healthcare sector should bring more FDI to India as it now becomes more lucrative after Budget 2018.
  - Real estate is another sector, which will be lucrative for international players, and others seems to provide a scope for merchant bankers.
- Disinvestment: Three Public Sector Insurance companies- National Insurance Co. Ltd., United India Assurance Co. Ltd., and Oriental India insurance Co. Ltd., will be merged into a single insurance entity, etc., giving a scope for working as consultants to the corporates.

All pave the way for a growth opportunity for Merchant Banking operations in the country

Few recent industry developments in merchant banking sector:

- Global:
  - South Africa on Tuesday successfully placed \$2 billion bonds maturing in 2030 and 2048 in the international capital markets, with the transaction being more than 1.7 times oversubscribed in aggregate, the National Treasury said on Wednesday. Deutsche Bank/ Nedbank, as a consortium, as well as JP Morgan, Rand Merchant Bank and Standard Bank were joint book runners for the sale. The appointment included each bank's black economic empowerment partners, namely RHO Capital and Pamoja Capital, Dew Partners, Basis Points Capital, and Africa Rising Capital respectively. (Engineering News, May 16, 2018)
  - Jefferies set to boost merchant banking war chest beef sale: Leucadia National Corporation, the holding company of Jefferies, has sold 48% of its beef business, all of its automotive equity interests, changed the name of the company to Jefferies Financial Group in order to let the firm take advantage of merchant banking opportunities by giving investors to focus on a clear business. (www.globalcapital.com, Nell Mackenzie, April 10, 2018)
- Domestic:
  - Piramal to set up merchant banking asset management arms: Primal Enterprises Ltd. has decided to set up wholly-owned subsidiaries for commencing the businesses of merchant banking and asset management. The board of the company, which met on Monday, has already given its nod for establishing these subsidiaries. A committee of directors has been empowered to take these proposals forward and make necessary applications with the regulators, the company informed the BSE in a filing on Tuesday. These proposals are in line with the growth aspirations of the company, and as part of the financial services business.[1]
  - SIDBI starts merchant banking operations to help MSMEs tap market: Small Industries Development Bank of India (SIDBI) has started full-fledged merchant banking operations aimed at enhancing the access of MSMEs to the capital markets, including the SME Trading Platform and Institutional Trading Platform especially those with a strong technology and innovation

quotient. Ajay K. Kapur, Deputy Managing Director, said SIDBI has supported over 125 venture capital funds and thus can provide support for listing the investee companies on SME exchanges through its merchant banking operations. [2]

- ICICI Securities Files IPO Papers To Raise Nearly Rs. 3,000-4,000 Crores, according to merchant banking sources. [3]
- The Great Kingfisher Sale! 8 Cars From Vijay Mallya's Firm For Rs. 14 Lakh: After failing at selling embattled business tycoon's Kingfisher House, the SBICAP Trustee Company Ltd, the merchant banking arm of State Bank of India, will auction eight cars he and his company once owned. [4]

## 1.1.2.1

## ONE OF THE TASK PERFORMED BY MERCHANT BANKS:

### FINAL OBSERVATIONS ISSUED FOR DRAFT OFFER DOCUMENTS DURING THE FINANCIAL YEAR 2018-19 AS ON June 1, 2018

04 Jun, 2018

Sl. No. Target Company Acquirer **Merchant** Banker DOD received on Offer Size (Rupees in crores) Date of Final Comments (Closing date) 1 POLO HOTELS LTD. Mr. Amardeep Dahiya, Mr. Abhey Dahiya and Mr. Pankaj Dahiya CORPORATE CAPITAL VENTURES PVT. LTD. 16-Nov-17 3.21 11-May-18 2 TIRRIHANNAH COMPANY LTD GHANSHYAM DAS KANKANI GRETEX CORPORATE SERVICES PRIVATE LTD 5-Apr-18 0.19 01-Jun-18 18 Sl No Target. [5]

TABLE 5

FINAL OBSERVATIONS ISSUED FOR DRAFT OFFER DOCUMENTS DURING THE FINANCIAL YEAR 2018-19 AS ON June 1, 2018								
[Updated on weekly basis. Next update shall be for the week ending June 8, 2018]								
Cases under SEBI (SAST) Regulations, 1997								
Sl. No.	Target Company	Acquirer	Merchant Banker	PA Date	DOD received on	Offer Size (Rupees in crores)	Date of Final Comments (Closing date)	
1	POLO HOTELS LTD.	Mr. Amardeep Dahiya, Mr. Abhey Dahiya and Mr. Pankaj Dahiya	CORPORATE CAPITAL VENTURES PVT. LTD.	03-Nov-17	16-Nov-17	3.21	11-May-18	
2	TIRRIHANNAH COMPANY LTD	GHANSHYAM DAS KANKANI	GRETEX CORPORATE SERVICES PRIVATE LTD	24-Mar-18	5-Apr-18	0.19	01-Jun-18	
Cases under SEBI (SAST) Regulations, 2011								
Sl. No.	Target Company	Acquirer	Merchant Banker	PA Date	DPS date	DOD received on	Offer Size (Rupees in crores)	Date of Final Comments (Closing date)
1	ONESOURCE TECHMEDIA LTD	JOSE CHARLES MARTIN	SAFFRON CAPITAL ADVISORS PVT LTD	20-Feb-18	27-Feb-18	5-Mar-18	3.64	03-Apr-18
2	BHAGWANDAS METALS LTD	AJAY CHAUDHARI, ASHISH DESAI, MITA DESAI, ASHISHBHAI JASWANTBHAI DESAI HUF	CHARTERED FINANCE MANAGEMENT LTD	01-Feb-18	8-Feb-18	16-Feb-18	1.99	04-Apr-18
3	SQS INDIA BFSI LTD	ASSYSTEM SERVICES DEUTSCHLAND GMBH	ICICI SECURITIES LTD	20-Dec-17	12-Feb-18	20-Feb-18	134.52	16-Apr-18
4	MT EDUCARE LTD	ZEE LEARN LTD	AXIS CAPITAL LTD	14-Feb-18	22-Feb-18	5-Mar-18	135.80	16-Apr-18
5	KEMISTAR CORPORATION LTD	KETANKUMAR PATEL AND PARSHOTTAMBHAI PATEL	VIVRO FINANCIAL SERVICES PVT LTD	23-Feb-18	5-Mar-18	12-Mar-18	2.78	17-Apr-18
6	PARNAMI CREDITS LTD	RACHANA SINGI	HEM SECURITIES LTD	08-Feb-18	16-Feb-18	26-Feb-18	2.09	26-Apr-18
7	ECONO TRADE (INDIA) LTD.	KASAMBHAI SHEKH, SHEKH HASINA, ROBERT RESOURCES LTD	GRETEX CORPORATE SERVICES PRIVATE LTD	14-Dec-17	26-Dec-17	29-Dec-17	9.70	26-Apr-18
8	XCHANGING SOLUTIONS LTD.	XCHANGING TECHNOLOGY SERVICES INDIA PVT LTD	JM FINANCIAL INSTITUTIONAL SERVICES LTD	17-Nov-17	24-Nov-17	30-Nov-17	130.59	02-May-18



5	HK TRADE INTERNATIONAL LTD	KIRIT DOSHI	INTENSIVE FISCAL SERVICES PVT LTD	21-Mar-18	28-Mar-18	6-Apr-18	1.37	11-May-18
6	TCM LTD	JOSEPH VARGHESE, GEORGE VARGHESE	SAFFRON CAPITAL ADVISORS PVT LTD	31-Jan-18	14-Feb-18	12-Apr-18	3.97	11-May-18
7	ENVAIR ELECTRODYNE LTD	HARISH AGARWAL, ANIL NAGPAL AND GIAN AGGARWAL	FEDEX SECURITIES LTD	16-Mar-18	22-Mar-18	2-Apr-18	2.57	15-May-18
8	INTERCONTINENTAL LEASING AND FINANCE COMPANY LTD	SAMIR DILIPKUMAR SHAH AND DILIPKUMAR BHOGILAL SHAH	MARK CORPOATE ADVISORE PVT LTD	27-Feb-18	7-Mar-18	14-Mar-18	1.07	15-May-18
9	SHREE RENUKA SUGARS LTD.	Wilmar Sugar Holdings Pte. Ltd	Edelweiss Financial Services Limited	09-Mar-18	15-Mar-18	22-Mar-18	923.22	17-May-18
10	CHOKHANI SECURITES LTD.	POSHIKA ADVISORY SERVICES LLP AND OTHERS	EQUIRUS CAPITAL PVT LTD.	30-Dec-17	5-Jan-18	12-Jan-18	24.34	18-May-18
11	YKM INDUSTRIES LIMITED	ANIL JAIN, DIMPLE JAIN, UGAM DEVI JAIN & SHERISHA TECHNOLOGIES PRIVATE LIMITED.	KEYNOTE CORPORATE SERVICES LTD.	11-Apr-18	18-Apr-18	25-Apr-18	1.52	28-May-18
12	DARJEELING ROPEWAY COMPANY LIMITED	MARK CORPORATE ADVISORS PRIVATE LIMITED	MR. HIMANSHU RAMNIKLAL SHAH	18-Apr-18	24-Apr-18	03-May-18	1.11	01-Jun-18

## 1.2

### RESEARCH MOTIVATION

While reading about the “Merchant Banking” and found it interesting to search on this area. As a result the search was started with regards to this topic and it was realized that:

- There lies an interest to get an employment in this sector and see the career growth in this sector
- This research has also been aimed at *viewing this topic from various angles possible by the author and bring it all under one roof.*
- This research would like to *assess top 5 merchant bankers.*

Inspired by papers published earlier, it was decided to go ahead with this topic, as a result.

## 1.3

### PROBLEM STATEMENT

This research is conducted to gain the understanding of merchant banking in India by having an outlook of its emergence and scope as well as its operations in the country.

## 1.4

### OBJECTIVES

This research also aims at giving a:

- Introductory View:
  - Knowing about origin and meaning of merchant banking
  - Exploring about the Functions/Services of Merchant Bankers
  - Exploring various regulatory norms governing merchant banking in India
  - Knowing about the leading practitioners of the same
- Operational view:
  - Exploring about the Structure of merchant banking in India
  - Knowing about the Contribution of merchant banks to the economy
  - Knowing about the Current perspective of merchant bankers
  - Exploring the recent developments in merchant banking
  - Taking a look at an evidence of involvement of merchant bank while it goes in action
- Evaluational View:
  - Comparison of top 5 merchant bankers.
  - Analysis and conclusion for the comparison undertaken.

**1.5****NEED AND SCOPE OF THE STUDY**

The need of the study has arisen from:

- Lack of availability of information under one roof
- Lack of much awareness about the topic
- Explore more on the topic and subject matter

The scope of the study includes:

- Various angles including introductory, operational (including recent perspectives and growth of the merchant banks with their contribution to the economy) as well as an evaluational perspective.

**1.6****LIMITATIONS OF THE STUDY**

The major limitations of the research work includes:

- Lack of data sample of time duration say 50 years period.
- Limited sample size of the merchant banks.

**CHAPTER 2****LITERATURE REVIEW**

Verma (1990) conducted research on merchant banks in India with the purpose to analyse their organization structure and management pattern and to assess their suitability for medium and small size corporate and non corporate enterprises. The suitability of merchant banking services in reducing investors' risk and corporate capital structure has also been examined. The information was collected from a sample of 32 merchant bankers through questionnaire and the study covered the period 1978 to 1984. The researcher found a number of weaknesses in the existing 'divisional form' organization and management pattern of merchant banks in India. This included deep concentration of decision making power, lack of co-ordination, lack of appropriate skill, inadequate training programme, strict dependence on the bureaucratic framework, blocked communication channels and misdirected accountability. The study revealed that 90 percent of the resources of all merchant banks were devoted only to the management of public issues. A negligible performance of merchant banks was found in other areas of services including loan syndication, merger and amalgamation, inter corporate investments and corporate counseling. Further, merchant banking activities were found to have remained concentrated with only a few top merchant bankers, while stock brokers managed very small sized issues covering just 15% of the total amount of public issues. A good public response was found to the issues managed by category I merchant bankers including merchant bankers of public sector banks, whereas the 35 category II merchant bankers which included private firms had the public response of second order. The researcher highlighted the merchant banks' contribution in causing risk reduction both to investors (through portfolio management) as well as the industry (through project counseling and corporate counseling). Empirical results also highlighted that corporate enterprises which sought merchant bankers' assistance were financially sounder and less prone to sickness as compared to those not assisted by the merchant banks.

Aggarwal (1995) traced the origin, growth and history of merchant banking in India and abroad. The objectives of the study included the analysis of organizational structure, management pattern and performance evaluation of SEBI registered category I merchant bankers during the period 1989- 90 to 1993-94. The study found that merchant banking institutions lack skill development programmes for training the staff, up to date information and more concentration of decision making power. Despite this, the study highlighted the important role of merchant bankers in the growth of capital market and mobilization of resources from public through issue management activities. The author recommended for stopping the turnover of personnel in merchant banking divisions of nationalized banks due to transfers, who have up to date market information and adopt professional attitude for providing services as merchant bankers.

Satheesh E .K. (1997) in his research work 'A study on new trends in merchant banking in India' has studied that merchant banks operating in India lack uniformity with regard to the organization structure. Most of the divisional forms of the merchant banks are not functioning. The involvement of government in the economy was the cause of tardy growth and performance of merchant banking in India. The liberalization of the economy resulted in all around development of merchant banks to some extent. The environmental and behavioral factor impacting merchant banks are showing visible change in India. Indian merchant banks have not yet entered into the risky areas of merchant banking, such as venture capital; portfolio management and foreign currency finance etc. The study indicates that the merchant banks are heavily concentrated in the metropolis cities. Merchant banks are yet to penetrate into other major cities. Professionalism is another factor absent among Indian merchant bankers because of the multi-tier

merchant banking and the absence of inter-group competition. The recruitment pattern is also different coupled with huge turnover of merchant banking officers from a certain group of merchant banks. The legal separation of merchant banking and commercial banking is gradually taking away.

Kailani (1998) in her research work examined the marketing strategies and performance of merchant bankers during the period 1990-91 to 1997-98. The study was based upon 77 merchant bankers. The researcher evaluated the performance of merchant bankers by taking into account of both qualitative and quantitative dimensions. While qualitative factors included skill in issue management and quality of personnel and services to the clients, the quantitative factors included number and amount of public issue handled and the activity profile of merchant bankers (fund based or non fund based). The variables taken for quantitative evaluation included projected and actual sales, profit before interest, depreciation and taxes, profit after tax and earnings per share. The study found that the role of merchant bankers had become more diverse after the setting up of SEBI. Post liberalization era up to 1995 saw a number of small financial companies entering into merchant banking business because of low entry barriers. Consequently, bad quality issues were sold in large numbers. Further, high 38 concentration of merchant banking business was found among the top ten merchant bankers and only six merchant bankers provided all the post issue services. The author recommended for fixing the responsibility for fulfillment of promises made in the prospectus, improving the quality of disclosures in IPOs, need for grading the prospectus, mandatory participation of merchant bankers in the project and rating of merchant bankers.

Mohiadeen (1999) conducted research on the topic 'A study on New Issue Management Services of Lead Merchant Bankers in India'. The objectives of the study included identifying the functional activities of issue management and to assess the functioning of the merchant bankers in the pre and post issue management phases. The study covered the period from the year 1992-93 to 1996-97 and was based on both primary and secondary data. The primary data was collected from a sample of 26 lead merchant bankers a questionnaire. The study found that all private merchant bankers depended on the services of the brokers, sub brokers and underwriters for the success of the issue but merchant banks of private and public sector banks did not depend on them. The merchant banks of nationalized banks and financial institutions had been rather concentrating only on specific industries. Promoters' track record, company fundamentals, industry type and EPS were the important factors in pricing the public issues. The market support of brokers was found to be inadequate. Collecting bankers to the issue were found to have acquired the applications money even after closure of the issue. The performance of the group lead merchant bankers who had handled the issues did not differ significantly from those who had handled the issues individually. Lead merchant bankers opined that actual public issue cost had been more than the cost mentioned in the offer document. The correlation of issue price and market price in the case of public sector merchant bankers was found to be highly positive, but negative in case of public issues managed by private sector merchant bankers. The researcher recommended that the merchant bankers should develop a large public investors' base for the development of equity culture in India and that there was a need for reduction in the number of merchant bankers in the industry.

Gupta (2002) in his paper examined the performance of merchant banks in India on the basis of their different positions (lead manager, company manager, and adviser) and different categories of ownership (Public, private and foreign). The researcher selected 104 working merchant bankers out of 164 registered with SEBI and covered the period from 1997-98 to 2001-02. The researcher concluded that the private sector merchant bankers performed well as compared to public sector and foreign merchant banks both as regards to public issues managed and the amount of funds raised. Although, public sector and foreign banks performed identically as regards total number of public issues managed but the performance of foreign merchant bankers was better than that of the public sector banks in terms of funds raised. The author pointed out that merchant banking was mainly restricted to the activity of issue management and other activities such as underwriting, loan syndication, investment counseling and portfolio management were still not much emphasized. The researcher's recommendations included the need for providing quality services, functional cum expert oriented organization and a team of specialists.

Hyderabad, R. (2002) in their paper attempted to study the overall performance of merchant bankers in the area of public issue management from 1989 to 1998. The criteria for evaluating the performance of merchant bankers included number of issues handled, average amount handled, instrument wise performance (equity, preference shares, debentures), the number of times the issue was oversubscribed and sector wise analysis. The study found bank subsidiaries as the market leader in respect of number and amount of public issues handled. Competition and professionalism in public issues management and the dominance of private merchant bankers was noticed. The inadequate infrastructure, inexperienced staff, unhealthy competition, tight rules and regulations by SEBI had been the major problems of merchant bankers in India. The author suggested for changing yardsticks of performance in post issue management services, widening the area of equity culture, establishment of independent training institutes, and clear and consistent regulations for merchant bankers by SEBI for improving efficiency of merchant banks.

Lakshmana (2002) in their study aimed to analyze the functions of merchant banking and their performance evaluation based upon a sample of merchant bankers during the period 1994 to 1999. The authors observed that the sluggishness in the primary market forced most of the category 1 merchant bankers to withdraw from merchant

banking activities and changes in rules and regulations had also significant impact on their functioning and performance. The study also found that most of the merchant bankers concentrated on floating the public issues function while underwriting was secondary. The study did not find a direct correlation between number of issues in each activity to the size and value of the issue. The authors recommended professional approach in their working and adoption of best practices of corporate governance for improving the performance of merchant banks.

Singh (2009) conducted a study on equity issues and investors protection in India by studying the disclosure practices in the offer documents of issuing companies and evaluating the role of merchant bankers in pricing the equity issues on the basis of rate of return obtained by investors at different points of time. Based on a sample of 322 equity issues floated by corporate bodies during the period from 1992-93 to 2003- 04, the study found that IPOs issued at par performed better than IPOs issued at premium at all points of time covered by the study. The study revealed that book building was a better method in equity share pricing than the conventional fixed price method as investors obtained positive return from more percentage of equity issues than fixed price issues during the period under review. The performance of merchant bankers was evaluated in the study by dividing all merchant bankers into six groups on the basis of their involvement in the equity issues. On the basis of percentage of equity issue handled by each group of merchant bankers, the study found that non-bank private merchant bankers performed better than other groups of merchant bankers as their services were availed by as many as 26% of issuers under study. Further, the study highlighted that the best performance, on the basis of first day return, was provided by the public issues of equity shares jointly managed by private sector banks and private sector merchant bankers. The study further revealed that the best performance was provided by issues managed jointly by the financial Institutions and public sector banks, where positive return to the investors was provided by 65% issues under study. The study concluded that no group of merchant bankers could completely check the problem of negative return during the period under study. It pointed out that though there were numerous other factors which influenced the market performance of equity shares on stock exchange, the role played by the merchant bankers left behind many unanswered questions when negative return was linked to overpricing of the issues.

### CHAPTER 3 RESEARCH METHODOLOGY:

#### RESEARCH DESIGN:

- Data collection methods and sources: The data used in the respective research has been secondary data collected from the annual reports of chosen companies of last 5 years, i.e. 2013, 2014, 2015, 2016, and 2017 available online.
- Sampling Technique: Stratified Sampling Technique has been used where the samples have been divided into characteristics of importance for the research. For example, it has been taken as per the top 5 merchant bankers in 2016 based on IPO League table given by Business Standard and other top 5 merchant bankers 2016 based on TMT Rankings.
- Tools of Analysis: This includes:
  - Stratification: A technique that separates data gathered from a variety of sources so that patterns can be seen and this has been implemented in the table.
  - Figures.
  - Tables.
  - Charts: Column charts, Line charts and Bar graphs for comparison of top 5 merchant bankers.

### CHAPTER 4&5

#### DATA ANALYSIS AND FINDINGS

#### 4.1 EVALUATIONAL VIEW

- 4.1.2 Merchant Bankers based on set parameters.
- 4.1.3 Analysis and conclusion for the study undertaken.



## 4.1.2

## MERCHANT BANKERS BASED ON SET PARAMETERS:

❖ CRITERIA 1:Using the IPO League Table: As on March 2016:

TABLE 6

Rank		IPO League table	No of IPOs	Volume (Rs. in crores)	Market Share (in percentage)	Deals*
2015	2016					
4	1	Kotak	7	1,589	11.64	InterGlobe, Coffee Day, Dr. Lal
2	2	Axis Bank	7	1,468	10.76	Alkem, Syngene, Coffee Day
NA	3	Citi	4	1,312	9.61	InterGlobe, Coffee Day, Dr. Lal
8	4	ICICI	6	1,001	7.34	Teamlease, Quick Heal, VRL
NA	5	JP Morgan	3	988	7.24	InterGlobe, Alkem, Quick Heal

\*The list is not exhaustive.

## 4.1.3

### ANALYSIS AND CONCLUSION FOR THE COMPARISON UNDERTAKEN

*Brief about IPO and recent trend:*

Initial Public Offer or IPO is the process by which a private company goes public by sale of its stock to the general public. This is also a way to raise capital by issuing new shares to the public or the existing shareholders can sell their shares to the public without raising any fresh capital. A company offering its shares to the public is not obliged to repay the capital to public investors.

The company which offers its shares is known as an 'issuer' and an issuer that offers IPO often does so with the help of investment banks that also act as underwriters to the issuer, i.e. in case the public does not subscribe then underwriters come to the rescue who also are responsible for advertisement on behalf of the issuer.

After IPO, the company's shares are traded in an open market. IPO is first issued in the primary market often referred to as the new issue market while the after IPO trading of shares happens in the secondary market via exchanges (like BSE, NSE, etc. which are major Indian stock exchanges to name a few.)

Being publicly traded opens many financial doors as:

- Because of the increased scrutiny, public companies can usually get better rates when they issue debt.
- As long as there is market demand, a public company can always issue more stock. Thus, mergers and acquisitions become easier because stock can be issued as part of the deal.
- Trading in the open markets means liquidity. This makes it possible to implement things like employee stock ownership plans, which help to attract top talent.

Being on a major stock exchange carries a considerable amount of prestige. History says that only private companies with strong fundamentals could qualify for an IPO. Getting a piece of a hot IPO is very difficult because of its process majorly.

*Process of an IPO:*

When a company wants to go public, the first thing it does is hire an investment bank. However, theoretically it can do so on its own but realistically, an investment bank is required. Underwriting is the process of raising money by either debt or equity (in this case we are referring to equity) and underwriters may be thought of as middlemen between companies and the investing public. The company and the investment bank will first meet to negotiate the deal. Items usually discussed include the amount of money a company will raise, the type of securities to be issued and all the details in the underwriting agreement.

The deal can be structured in a variety of ways. For example, in a firm commitment, the underwriter guarantees that a certain amount will be raised by buying the entire offer and then reselling to the public. In a best efforts agreement, however, the underwriter sells securities for the company but doesn't guarantee the amount raised. Also, investment banks are hesitant to shoulder all the risk of an offering. Instead, they form a syndicate of underwriters. One underwriter leads the syndicate and the others sell a part of the issue.

Once all sides agree to a deal, the investment bank puts together a registration statement to be filed with the SEBI. This document contains information about the offering as well as company info such as financial statements, management background, any legal problems, where the money is to be used and insider holdings. Once SEBI



approves the offering, a date (the effective date) is set when the stock will be offered to the public. During the cooling off period the underwriter puts together what is known as the red herring. This is an initial prospectus containing all the information about the company except for the offer price and the effective date, which aren't known at that time. With the red herring in hand, the underwriter and company attempt to hype and build up interest for the issue. As the effective date approaches, the underwriter and company sit down and decide on the price. This isn't an easy decision it depends on the company and most importantly current market conditions while both the parties' interest says to get as much as possible. Finally, the securities are sold in the market and the money is collected from investors.

Leading countries by number of IPOs as of the first quarter of 2018:

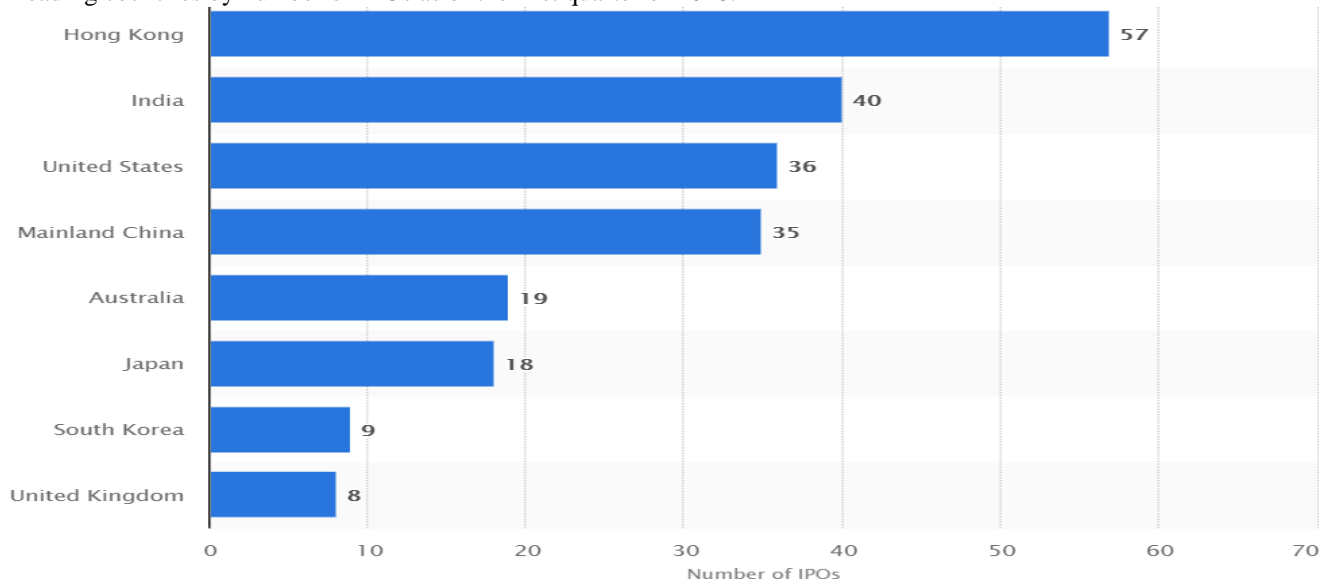


Fig. 11

Underwriters of largest IPOs in the United States as of March 2018 (in billion US \$)



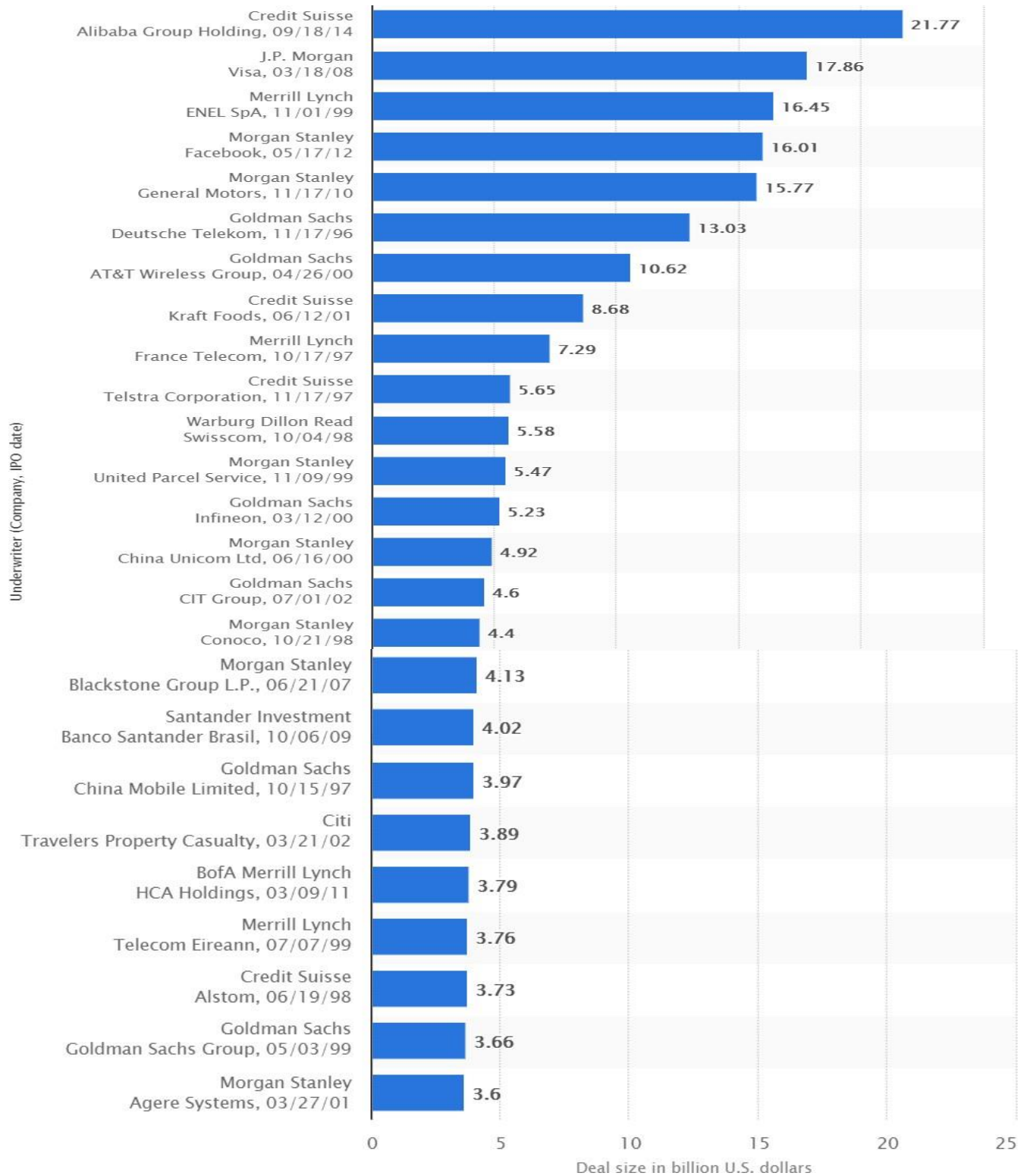


Fig. 12

**PUBLIC ISSUES (IPOS, FPOS & OFS (SE))**

Database coverage: 1989-90 to 2018-19 (30 years)

TABLE 7

YEAR	AMOUNT(Rs. in crores)	NO. OF ISSUES
1989-90	2,522	186
1990-91	1,450	140
1991-92	1,400	195
1992-93	5,651	526
1993-94	10,821	764
1994-95	12,928	1336
1995-96	8,723	1402
1996-97	4,372	684
1997-98	1,132	58
1998-99	504	22
1999-00	2,975	56
2000-01	2,380	110
2001-02	1,082	6
2002-03	1,039	6
2003-04	17,807	28
2004-05	21,432	29
2005-06	23,676	102
2006-07	24,993	85
2007-08	52,219	90
2008-09	2,034	21
2009-10	46,941	44
2010-11	46,182	57
2011-12	23,982	36
2012-13	34,313	44
2013-14	15,234	83
2014-15	29,716	39
2015-16	34,322	42
2016-17	36,615	53
2017-18	98,984	81
2018-19 (as on 31/05/18)	1,895	4
Total	5,67,324	6,329

[6]

TABLE 8

Rank	Name	IPOs issued by the company	Total IPOs issued that year	Volume generated by the Co.	Total Volume generated that year	Market Share (in %)
1	Kotak	7	42	1,589	34,322	11.64
2	Axis Bank	7	42	1,468	34,322	10.76
3	Citi	4	42	1,312	34,322	9.61
4	ICICI	6	42	1,001	34,322	7.34
5	J.P. Morgan	3	42	988	34,322	7.24

*OBSERVATIONS:*

- Kotak Mahindra Bank formed in 2003, with a market share of 11.64% has seven IPOs out of 42 issued in that year and a volume of Rs.1,589 crores. Some transactions were of InterGlobe Aviation and Coffee Day Enterprises.
- Axis Bank formed in 1993 has a market share of 10.76% has seven IPOs out of 42 issued in that year and a volume of Rs. 1,468 crores of rupees. Some transactions were of Alkem, Syngene, and Coffee Day.
- Citi Group formed in though in 1812 but majorly started in 1998 has a market share of 9.61% has 4 IPOs out of 42 issued in that year and a volume of Rs. 1,312 crores of rupees. Some transactions were of InterGlobe, Coffee Day and Dr. Lal.
- ICICI Bank formed in 1994 a market share of 7.34%. has six IPOs out of 42 issued in that year and a volume of Rs.1,001 crores of rupees. Some transactions were of Teamlease, Quick Heal and VRL.
- J.P. Morgan formed in 2000 has scored fifth position in IPO (initial public offering) rankings for 2015-16, with a market share of 7.24% has IPOs out of 42 issued in that year and a volume of Rs 1,589 crores of rupees. Some transactions were of InterGlobe Aviation and Coffee Day Enterprises.

*INTERPRETATION & RECOMMENDATION:*

- Banks showing greater market share also has more clients.
- They have done that also through client acquisition be it through their marketing strategies or acquisition of ventures, etc. in this business.
- All the banks have similar volume generation but different market share in terms of percentages.

## ❖ CRITERIA 2: Observing the trend:

- Based on Net Revenues (Dollars in millions) from 2013 to 2017
- Based on Profit (Dollars in millions) from 2013 to 2017
- Based on Earnings available for equity shareholders (Dollars in millions) from 2013 to 2017
- Based on Basic EPS (Dollars in millions) from 2013 to 2017 for 4 merchant banks

5 merchant banks in India as per TMT Rankings (Leadersleague) for 2016 are:

- (a) Morgan Stanley (formed in 1924).
- (b) Citibank International (founded in 1812 but was merged with Travelers Group in 1998).
- (c) Credit Suisse (formed in 1856).
- (d) Goldman Sachs (formed in 1869).
- (e) ICICI Securities Limited (founded in 1994).

- Based on Net Revenues (Dollars in millions) from 2013 to 2017

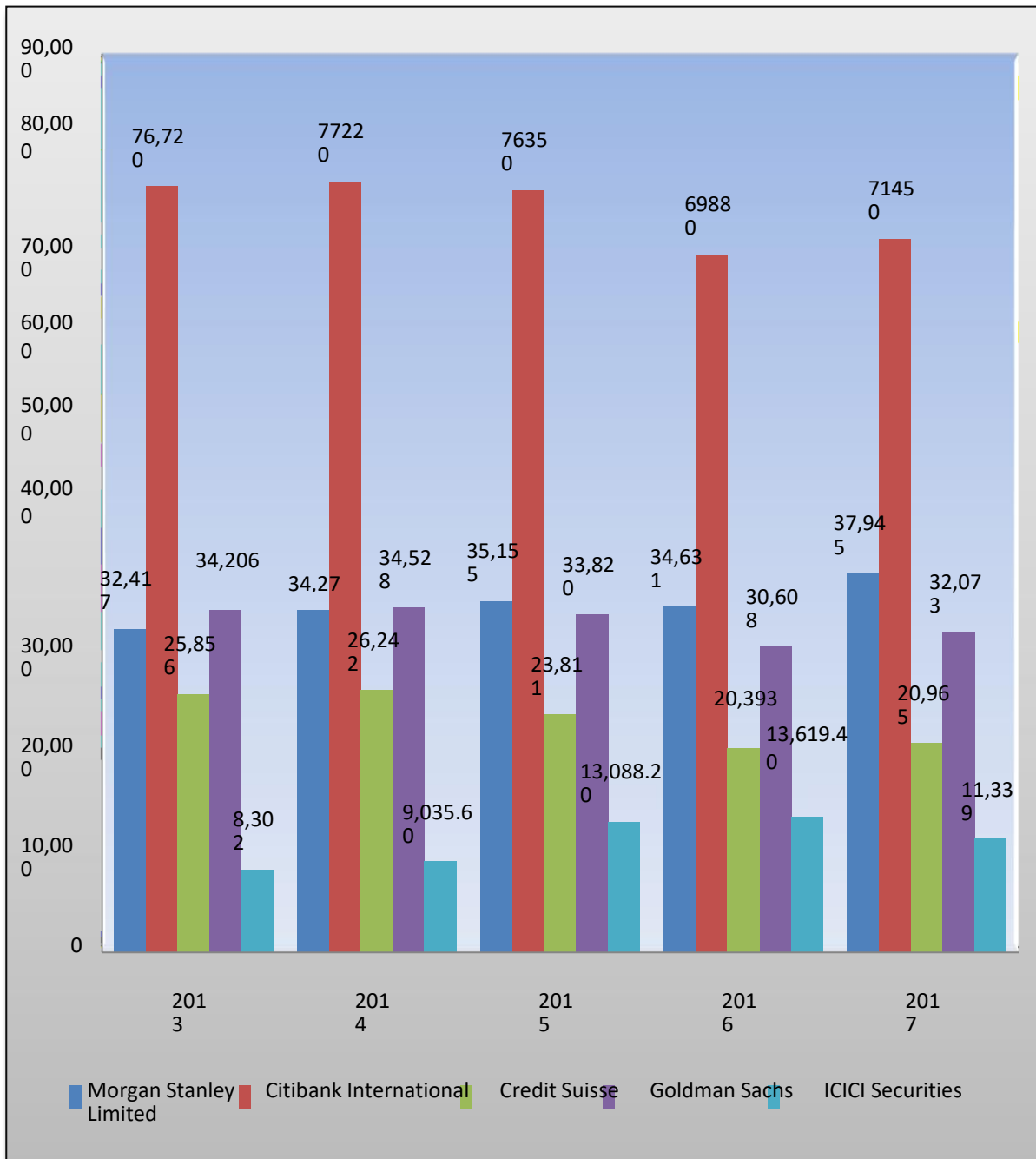


Fig. 13

**OBSERVATIONS AND INTERPRETATIONS:**

- Older banks have greater net revenues (in dollars) and are able to penetrate better into the industry.
- Although there has been an almost increasing trend in the revenue for all the companies till 2015 but 2016 seems to be a major hit as major economic decisions that were laid down by the Government such as Demonetization, etc. that affected the tax structure, the results and other chaos leading to a slowdown in India’s GDP and adversely affecting the banking sector as well. However, there have been few improvements in the digital payment mode paving the way for a digital India going forward.
- Moreover, 2017 has shown recovery for major list of the companies as they derive various coping strategies and continue their operations.

- Based on Profit (Dollars in millions) from 2013 to 2017



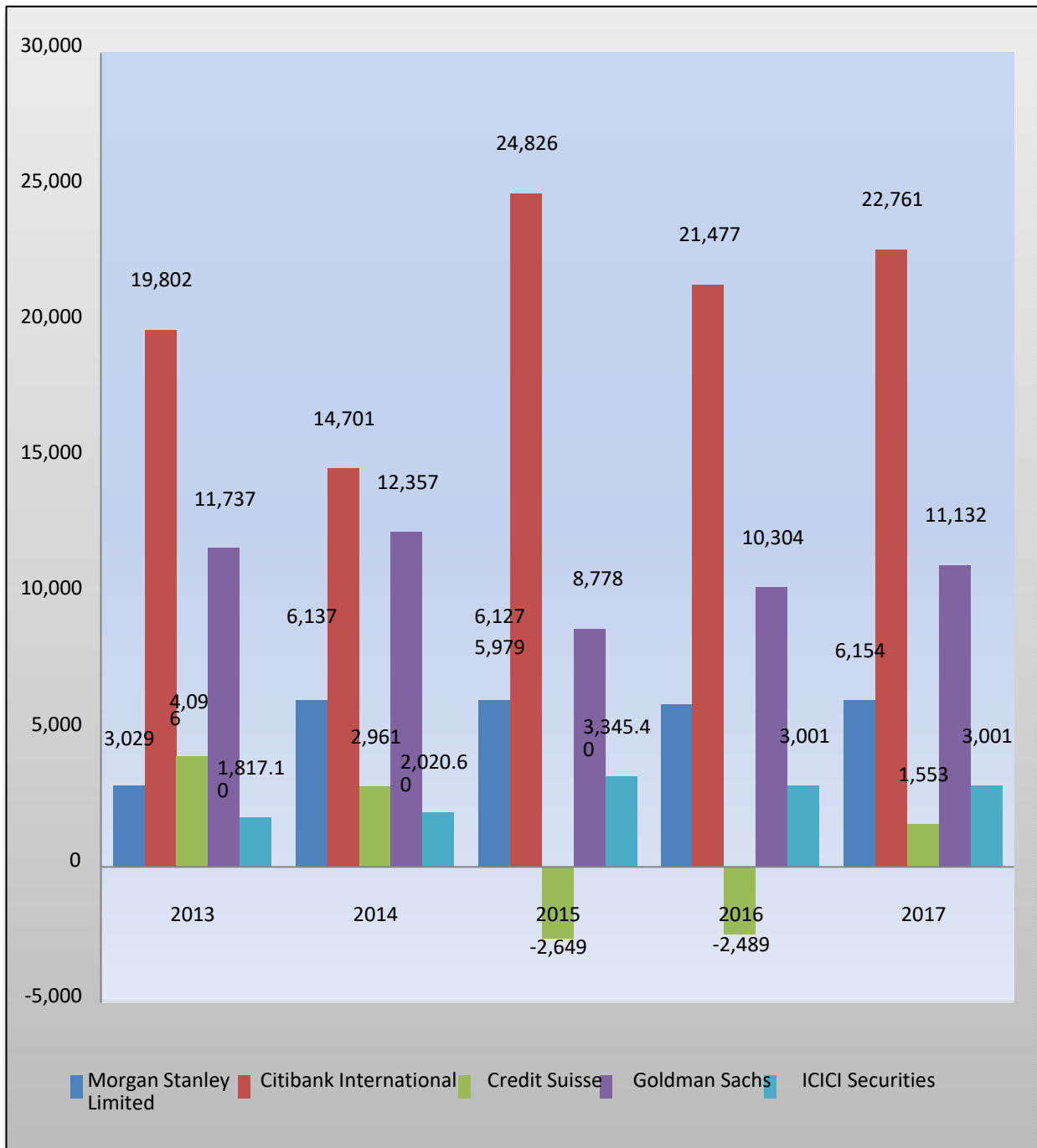


Fig. 14

OBSERVATIONS AND INTERPRETATIONS:

- Older banks with greater revenue also has larger profits with the ability to minimize its operating expenses efficiently and creating a competitive edge in the market as a result.
- The profitability for most banks have declined in the year 2015 as the aggregate NIM (the gap between an institution’s interest income and interest expense, normalized by the average size of its interest earning assets) for the largest U.S. Banks reached historic lows in the fourth quarter of 2015, coinciding with the “low for long” interest rate environment in place and since, in practice bank profits appear to be moving with both the term spread and level of interest rates. Banks mitigated some but not all of the affects of low interest rates by shifting into low cost of liabilities [7] or spin offs.
- As per FDIC, out of 5913 insured institutions, 59% of them generated profits in the fourth quarter of last year, i.e., 2016, and the percentage of banks suffering losses dipped to 8.1% for a better recovery in the processes for merchant banking activities. Return on Assets ratio/ROA (the ratio of net income produced by total assets during a period of time) is the measure of company’s return on investment in a format that

is easily comparable with other institutions. As of November, 2017 the big banks' average ROA is at 1.16% compared to 1.22% for banks with less than \$1 billion in total assets which is good as anything above 1% is good.

- Based on Earnings Available to Equity Shareholders (Dollars in millions) from 2013 to 2017

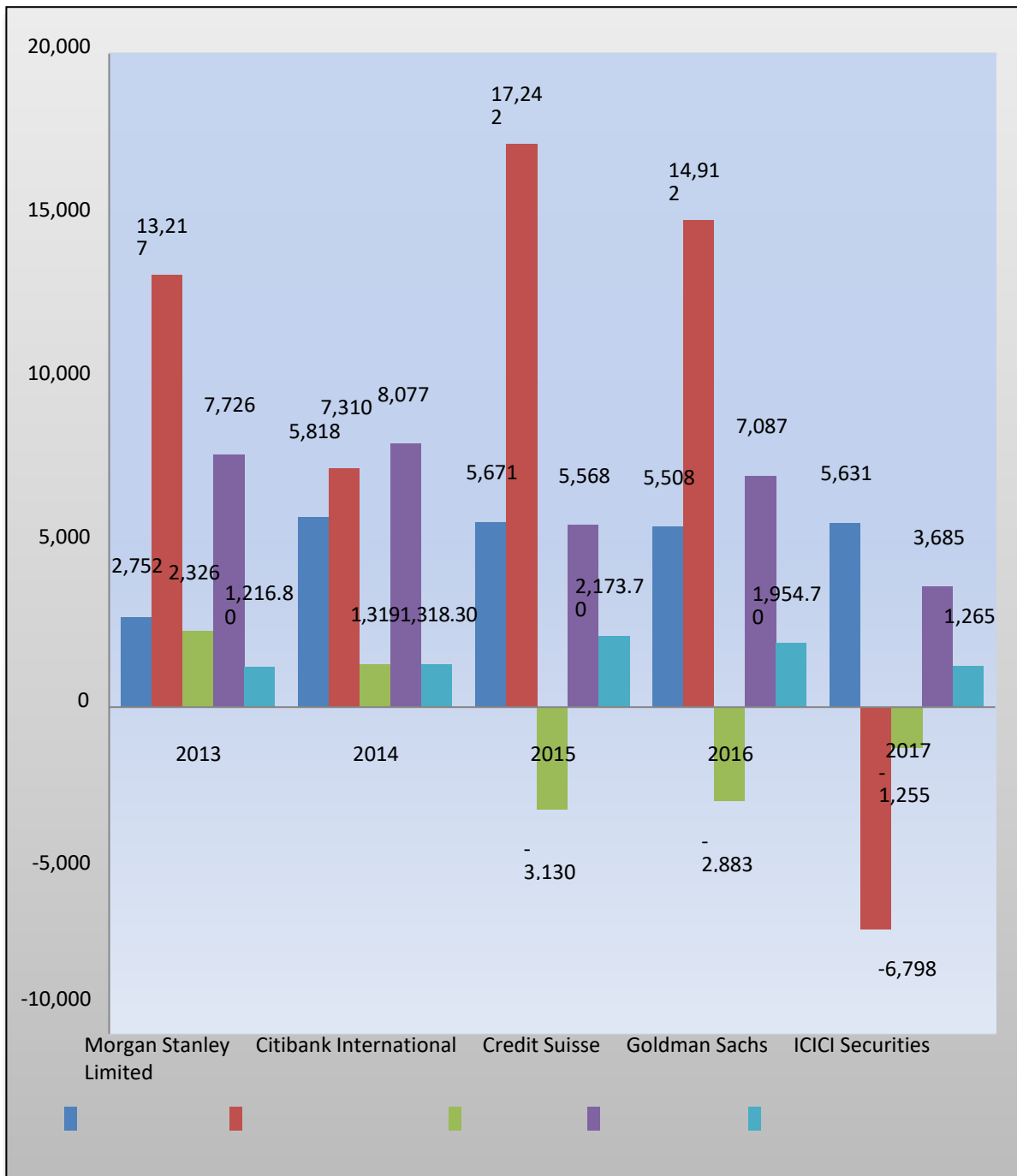


Fig. 15

**OBSERVATIONS AND INTERPRETATIONS:**

- ✓ Earnings per share/EPS is (the dividends after preferred dividends given to the equity shareholders) which is the earnings available to shareholders of the banks, is expected to grow for all the banks.
- ✓ Sometimes banks' income also goes into paying fines, provisions exceeding the charge offs and adding to loan loss allowances, yields on 91 days (primary market auction, PMA), treasury bills (TBs) being at 12.95% in December 2017 [8], etc.
- ✓ Banks may also be involved in utilizing profits for further growth and development, using disruptive technologies, etc.

## CHAPTER 6

### RECOMMENDATIONS

Based on the study undertaken, the following are the drawn recommendations as:

- With India being at the second at the list of Leading countries by number of IPOs as of the first quarter of 2018 at issuing 40 IPOs which states that there are quite a number of private companies wanting to go public stating that either there is a requirement of funds or/and companies want to focus on major core operations and are also seeking to give a share to the public and to dilute the control of their company.
- While, some loyal investors hope that the bank can go further toward growing and taking advantage of more favorable financial and regulatory conditions in the industry.
- There were turmoils in the economy as well as for the major banks during 2015 and 2016 with sector specific concerns like worries about exposure to energy price, scenario of asynchronous policies across central banks. Amid these concerns and poor performance of the banking stocks, emerges the question if it's just individual banks which are facing trouble or the whole basket of banks is in pain?
- Industry Trend : Banks formed in the later stages have also grown a lot in terms of revenue as well as profits and are also expected to grow with a higher rate.
- Fluctuations in the profits lead to a greater focus on corporate governance, operations, stock prices, etc.
- Merchant Banks showing a consistency over the years in their numbers can be recommended to investors seeking a balance between risk and optimal returns.
- Historically dividend paying banks can also sometimes use their retGoldman Sachs and ICICI Securities Limited are good for investors seeking less risk due to their good performance despite economic downturns.
- Merchant Banks that have growing revenue as well as profits have given higher earnings per share despite the hits by the markets and policies and can be sought after by short term investors.
- However, it should be noted that banks are set to combat bad times and risk of defaulting by setting aside reserves.

### CONCLUSION

In Indian scenario, in order to meet the growing demand for broad-based financial services from the corporate sector more effectively, the merchant banking divisions of the nationalized Banks have started forming independent subsidiaries. These subsidiaries offer more specialized services with professional expertise and skills. For example, SBI Capital Markets Ltd., was incorporated as the first such subsidiary of SBI on 2nd July, 1986. Then Canbank Financial Services Ltd. was set up as wholly owned subsidiary of Canara Bank in 1987. Expecting tough competition from growing number of merchant banking subsidiary companies of nationalized banks, private merchant bankers have also started reorganizing their activities e.g., J.M. Financial & Investment Consultancy Ltd., 20th Century Finance Corporation Ltd., LKP Merchant Financing Ltd. etc. are some of the private sector firms of merchant bankers who have taken steps to reorganize their activities. However, when it comes down to global economy, there have been signs of negative trend in the financial sector in the world economy recently in 2016 and follow up for which Investors have been harsh on bank stocks assuming that the drop in energy, metal and mining prices would impact the loan repaying capacity of companies engaged in these sectors which could trigger a banking crisis like one in 2008. Some concerns are justified but exaggerated. Yes, all banks have some exposure of loans towards energy and related sectors but the percentage of such loans isn't worrisome. A report shows how the banks and oil are intertwined. Banks are also geared to combat bad times and risk of defaulting, and thus even set aside reserves depending on their oil exposure. Although the direct lending of banks to the precarious oil sector is contained, many feel that banks may face issues arising because of indirect exposure. Banks make commercial and real estate loans, and these would include a percentage of people working in the oil and related sectors. Thus any bad news like further drop in oil prices, closure or bankruptcy can impact banks directly as well as indirectly. For such reason, the banks which have reported losses are not much linked to energy crisis; rather they are because of internal restricting and growth issues. Looking ahead especially in India, merchant bankers have scope to gain the status as the nation's biggest bank, to its strength as the Budget states for the Infrastructure and Financial Sector Development:

- *Infrastructure:* increase of budgetary allocation on infrastructure for 2018-19 to Rs.5.97 lakh crores against estimated expenditure of Rs.4.94 lakh crores in 2017-18
- *Finance:* To encourage raising funds from bond market, the Finance Minister urged regulators to move from 'AA' to 'A' rating for investment eligibility. He said that the Government will establish a unified authority for regulating all financial services in International Finance Service Centre (IFSCs) in India.

- Raising funds may require merchant bankers' assistance,
- Investment: the healthcare sector should bring more FDI to India as it now becomes more lucrative after Budget 2018. Real estate is another sector, which will be lucrative for international players, and others seems to provide a scope for merchant bankers,
  - *Disinvestment*: Three Public Sector Insurance companies- National Insurance Co. Ltd., United India Assurance Co. Ltd., and Oriental India insurance Co. Ltd., will be merged into a single insurance entity, etc., giving a scope for working as consultants to the corporates.

So it may be concluded that this sector and is still maturing in India and is expected to have a positive growth as long as the global economy shows a positive trend and the Government of India gives less shocks for the year 2018 and coming ones as the comparison shows that after 2017 recovery, banks are again expected to grow better which would further signify a good sign for employment as well.

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