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DISSERTATION ON "A STUDY ON MERCHANT BANKING IN INDIA WITH RESPECT TO AXIS BANK LTD.

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INTRODUCTION

Original Definition: 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, and portfolio management.

The Focus Definition: A Merchant Bank can be generally described as a financial services company with a private equity investment arm offering investment banking and ancillary services as well. Because a merchant bank acts not only as an advisor and broker but also as a principal, a merchant bank 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.

In banking, a **merchant bank** is a traditional term for an Investment Bank. It can also be used to describe the private equity activities of banking. This article is about the history of banking as developed by merchants, from the Middle Ages onwards.

Amidst the swift changes sweeping the financial world, Merchant Banking has emerged as an indispensable financial advisory package. Merchant banking is a service-oriented function that transfers capital from those who own to those who can use it. They try to identify the needs of the investors & corporate sector & advice entrepreneurs what to do to be successful.

MERCHANT BANKING'

In late 17th and early 18th century Europe, the largest companies of the world was merchant adventurers. Supported by wealthy groups of people and a network of overseas trading posts, they collected large amounts of money to finance trade across parts of the world. For example, The East India Trading Company secured a Royal Warrant from England, providing the firm with official rights to lucrative trading activities in India. This company was the forerunner in developing the crown jewel of the English Empire. The

English colony was started by what we would today call merchant bankers, because of the firm's involvement in financing, negotiating, and implementing trade transactions. The colonies of other European countries were started in the same manner.

For example, the Dutch merchant adventurers were active in what are now Indonesia; the French and Portuguese acted similarly in their respective 5

The American colonies also represent the product of merchant banking, as evidenced by the activities of the famous Hudson Bay Company. One does not typically look at these countries' economic development as having been fueled by merchant bank adventurers. However, the colonies and their progress stem from the business of merchant banks, according to today's accepted sense of the word. Merchant banks, now so called, are in fact the original "banks". These were invented in the middle Ages by Italian grain merchants. As the Lombardy merchants and bankers grew in stature on the back of the Lombard plains cereal crops many of the displaced Jews who had fled persecution after 613 entered the trade. They brought with them to the grain trade ancient practices that had grown to normalcy in the middle and far east, along the Silk Road, for the finance of long distance goods trades.

The Jews could not hold land in Italy, so they entered the great trading piazzas and halls of Lombardy, along side the local traders, and set up their benches to trade in crops. They had one great advantage over the locals.

Christians were strictly forbidden the sin of usury. The Jewish newcomers, on the other hand, could lend to farmers against crops in the field, a high-risk loan at what would have been considered usurious rates by the Church, but did not bind the Jews. In this way they could secure the grain sale rights against the eventual harvest. They then began to advance against the delivery of grain shipped to distant ports. In both cases they made their profit from the present discount against the future price. This two-handed trade was time consuming and soon there arose a class of merchants, who were trading grain debt instead of grain.

TRADITIONAL MERCHANT BANKING.

Merchant Banking, as the term has evolved in Europe from the 18th century to today, pertained to an individual or a banking house whose primary function was to facilitate the business process between a product and the financial requirements for its development. Merchant banking services span from the earliest negotiations from a transaction to its actual consummation between buyer and seller.

In particular, the merchant banker acted as a capital source whose primary activity was directed towards a commodity trader/cargo owner who was involved in the buying, selling, and shipping of goods. The role of the merchant banker, who had the expertise to understand a particular transaction, was to arrange the necessary capital and ensure that the transaction would ultimately produce "collectable" profits.

MODERN MERCHANT BANKING

During the 20th century, however, European merchant banks expanded their services. They became increasingly involved in the actual running of the business for which the transaction was conducted. Today, merchant banks actually own and run businesses for their own account, and that of others.

Since the 18th century, the term merchant banker has, therefore, been considerably broadened to include a composite of modern day skills. These skills include those inherent in an entrepreneur, a management advisor, a commercial and/or investment banker plus that of a transaction broker. Today a merchant banker is who has the ability to merchandise -- that is, create or

expands a need -- and fulfill capital requirements. The modern European merchant bank, in many ways, reflects the early activities and breadth of services of the trading companies.

Many companies that came to a H.S. merchant bank are forming to increase their financial stability or satisfy a particular, immediate capital need.

Professional merchant bankers must have: 1) an understanding of the product, its industry and operational management; 2) an ability to raise capital which might or might not be one's own (originally merchant bankers supplied their own capital and thereby took an equity interest in the transaction); 3) and most importantly, effective skills in concluding a transaction - the actual sale of the product and the collection of profit. Some people might question whether or not there are many individuals or organizations that have the abilities to fulfill all three areas of expertise.

WHO ARE MERCHANT BANKERS ?

- Merchant banks are private financial institutions.
- Their primary sources of income are PIPE (Private investment In Public Entities) financings and international trade.
- Their secondary income sources are consulting, Mergers & Acquisitions help and financial market speculation.
- Because they do not invest against traditional banks, they take far greater risks than
- Because they are private, do not take money from the public and are international in scope, they are not regulated.
- Anyone considering dealing with any merchant bank should investigate the bank and its managers before seeking their help.
- The reason that businesses should develop a working relationship with a merchant bank is that they have more money than venture capitalists. Their advice tends to be more pragmatic than venture capitalists.

FUNCTIONS OF MERCHANT BANKERS

I. Consulting advice on going public and international business.

Advice and help in taking your company public. If they are unwilling to supply Investment Banking bridge loans, they have a low cost strategy for taking your company public.

3. They do PIPE (Private Investment in Public Equities) financings.
4. They can advise or help with a company's M&A strategy.

They are essential advisors for companies seeking to become multinational corporations

PROVIDED BY THE MERCHANT BANKERS

- » A merchant account allows a business to accept credit cards, debit cards, gift cards and other forms of electronic payment. This is also widely known as payment processing or credit card processing.
- « Merchants, or business owners who receive payment for their goods or services, must apply for a merchant account. The merchant account may or may not be established based on several factors of which risk is the most important. Merchants who own businesses with poor or no credit may find it difficult to establish a merchant account.
- » A Payment Gateway is an e-commerce service that authorizes payments for e-businesses and online retailers. It is the equivalent of a physical POS (Point-of-sale) terminal located in most retail outlets. Payment gateways encrypt sensitive information, such as credit card numbers, to ensure that information passes securely between the customer and the merchant.
- « A Payment Service Provider (PSP) offers merchants online services for accepting electronic payments by credit card or other payment methods such as payments based on online banking.
- » Typically, a PSP can connect to multiple acquiring banks and card networks, thereby making the merchant less dependent of financial institutions - especially when operating internationally.
- » Furthermore, a PSP can offer reconciliation services, risk management and multi-currency functionality.
- Electronic bill payment is a feature of online banking, similar in its effect to a giro, allowing a depositor to send money from his Tenant account to a creditor or vendor such as a public utility or a department store to be credited against a specific account. The payment is optimally executed electronically in real time. though some financial institutions or payment services will wait until the next business day to send out the payment. The bank can usually also generate and send a paper cheque to a creditor who is not set up to receive electronic payments.

Project Management:

Right from the planning to commissioning of projects; project counselling & preparation of project reports, feasibility reports, preparation of loan application forms, government clearances for the project from various agencies, foreign collaboration, etc.

Issue Management

The evaluation of the client's fund requirement & evolution of a suitable finance package.

The design of instruments such as equity, convertible debentures, non-convertible debentures.

Application covering consents from institutions/banks & audited certificates, etc.

Appointment of agencies such as printers, advertising agencies, registrars, underwriters, brokers & bankers to the issue.

Preparation of prospectus for ROC after vetting from . *Securities Exchange board* of India & marketing of issues by organizing road shows, etc.

Portfolio Management Services:

Merchant Bankers & other finance companies to handle funds of investors at a fee promote portfolio management schemes.

In both the schemes, profits & losses are the account of the investor.

In discretionary schemes, the portfolio managers have the flexibility of investing whereas in non-discretionary schemes the portfolio managers have to take permission from the investor before making any particular investment.

Counselling:

Corporate counselling basically means the advice a merchant banker gives to a unit to ensure better performance in terms of growth & survival.

Corporate counselling covers the entire field of project counseling, mergers & amalgamation; rehabilitation of sick units, corporate partnering & foreign collaboration, etc. the counseling concerns itself with expression of opinion & suggestions.

Loan Syndication:

Loan syndication refers to the services rendered by the merchant banker in arranging & procuring credit from financial institutions, banks & other lending institutions for financing the client's project cost or meeting working capital requirements. Merchant bankers have the responsibility of locating the source of finance, approaching these sources by putting the requisite applications in the prescribed form & complying with all the formalities involved in the sanction & disbursement of loan.

Bought Out Dears:

Involves a deal where the entire equity or related securities are bought in full or in chunk with the intention of offloading them later in the market. The deal is done in two stages-

First, the company issues shares to the institutions. *Second*, the shares are further issued to retail investors at a higher price.

The Merchant Bankers are required to appraise the project, invest in the company & offer the shares to the public for subscription. The Merchant Bankers have the lucrative possibility if picking up the difference between the prices at which they bought the shares from the company & the public offer price. The company on the other hand need not wait for months together to utilize the issue proceeds & gets an attractive price for his shares. In addition, it allows companies to raise capital without facing the uncertainties of the market place.

CAPITAL ASSISTANCE

In providing financial assistance, merchant banks offer a full understanding of all facets of the capital markets. This includes all types of debt and equity financing available from both the domestic and international markets. A merchant banker, of capital costs,

looks for the best sources of capital, including its restrictions and dollar limitations.

It should be understood that interest rates are not the only definition of capital costs. Restrictions on availability, prepayment terms, and operating effectiveness can often outweigh what might appear to be inexpensive capital with low interest rates. Too often, capital includes costs which force an entrepreneur or a business to undertake undesirable actions.

In the short-run, some actions might be necessary, but often in the long-run are detrimental. The traditional merchant banker understands these capital limitations and can structure a transaction which is beneficial to all sides of the table -- not just the capital source.

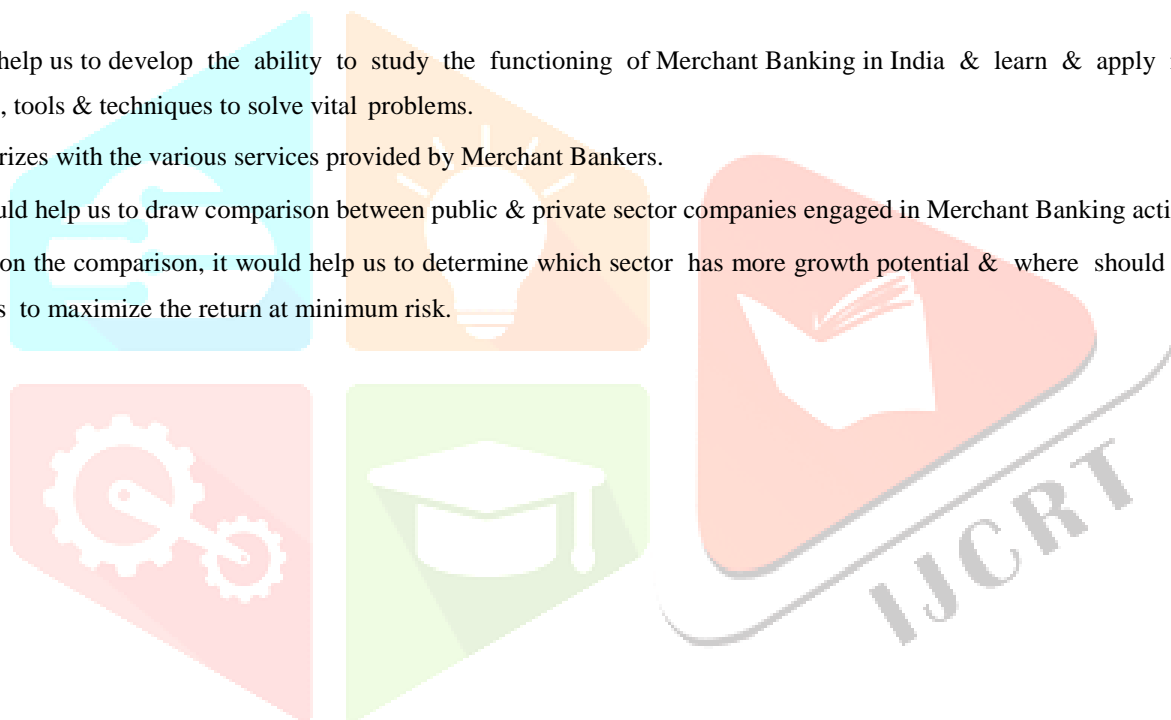
SIGNIFICANCE OF THE STUDY

It would help us to develop the ability to study the functioning of Merchant Banking in India & learn & apply multidisciplinary concepts, tools & techniques to solve vital problems.

It familiarizes with the various services provided by Merchant Bankers.

They would help us to draw comparison between public & private sector companies engaged in Merchant Banking activities.

Based upon the comparison, it would help us to determine which sector has more growth potential & where should one invest his/her funds to maximize the return at minimum risk.



MERCHANT BANKING IN INDIA

Merchant Banking Divisions

In India Merchant Banking activities started from the year 1967, following the footsteps of similar activities in U K & USA. Currently Merchant Banking activity has mushroomed in the Indian capital market with both public & private sector settings up their respective merchant Banking divisions. Currently, the total no. of merchant bankers in India are approx. 1450 with more than 930 registered with SEBI. The SEBI authorized Merchant Bankers Include merchant Banking divisions of All India Financial Institutions, nationalized & foreign banks, subsidies of the commercial banks, private merchant banks engaged in stock broking, underwriting activities & financial consultancy & investment advisory service firms.

Merchant banking in India - an overview

Companies raise capital by issuing securities in the market. Merchant bankers act as intermediaries between the issuers of capital and the ultimate investors who purchase these securities.

Merchant banking. .. is the financial intermediation that matches the entities that need capital and those that have capital. It is a function that facilitates the flow of capital in the market.

Merchant banker registered with SEBI:

Public Sector: - Commercial banks (24), Financial Institutions (6). State Institutions (4)

Private sector: - International bankers (10), Banks (10), finance & investment (231)

The following comprise the main functions of a merchant banker in India:

Management of debt and equity offerings:

This forms the main function of the merchant banker. He assists the companies in raising funds from the market. The main areas of work in this regard include : instrument designing, pricing the issue, registration of the offer document, underwriting support, and marketing of the issue, allotment and refund , listing on stock exchanges.

Placement and distribution:

The merchant banker helps in distributing various securities like equity shares, debt instruments, mutual fund products, fixed deposits, insurance products, commercial paper to name a few. The distribution network of the merchant banker can be classified as institutional and retail in nature. The institutional network consists of mutual funds, foreign institutional investors, private equity funds, pension funds, financial institutions etc. The size of such a network represents the wholesale reach of the merchant banker. The retail network depends on networking with investors.

Issue Management:

Management of issue involves marketing of corporate securities viz. equity shares, preference shares and debentures or bonds by

offering them to public. Merchant banks act as an intermediary whose main job is to transfer capital from those who own it to those who need it. After taking action as per SEBI guidelines, the merchant banker arranges a meeting with company representatives and advertising agents to finalize Arrangements relating to date of opening and closing of issue, registration of prospectus, launching publicity campaign and fixing date of board meeting to approve and sign

prospectus and pass the necessary resolutions. Pricing of issues is done by the companies in consultant with the merchant bankers.

Underwriting of Public Issue:

Underwriting is a guarantee given by the underwriter that in the event of under subscription, the amount underwritten would be subscribed by him. Banks/Merchant banking subsidiaries cannot underwrite more than 15% of any issue.

financial Structuring:

It includes determining the right debt-equity ratio and gearing ratio for the client; the appropriate capital structure theory is also framed. Merchant bankers also explore the refinancing alternatives of the client, and evaluate cheaper sources of funds. Another area of advice is rehabilitation and turnaround management. In case of sick units, merchant bankers may design a revival package in coordination with banks and financial institutions. Risk management is another area where advice from a merchant banker is sought. He advises the client on different hedging strategies and suggests the appropriate strategy.

Project Counseling:

Project counseling includes preparation of project reports, deciding upon the financing pattern to finance the cost of the project and appraising the project report with the financial institutions or banks. It also includes filling up of application forms with relevant information for obtaining funds from financial Institutions and obtaining government approval.

Loan syndication:

Merchant bankers arrange to tie up loans for their clients. This takes place in a series of steps. Firstly they analyse the pattern of the client's cash flows, based on which the terms of borrowings can be defined. Then the merchant banker prepares a detailed loan memorandum, which is circulated to various banks and financial institutions and they are invited to participate in the syndicate. The banks then negotiate the terms of lending on the basis of which the final allocation is done.

Providing venture capital and mezzanine financing:

Merchant bankers help companies in obtaining venture capital financing for financing their new and innovative strategies.

Portfolio Management:

Portfolio refers to investment in different kinds of securities such as shares, debentures or bonds issued by different companies and government securities. Portfolio management refers to maintaining proper combinations of securities in a manner that they give maximum return with minimum risk.

Off Shore Finance:

The merchant bankers help their clients in the following areas involving foreign currency.

Long term foreign currency loans Joint Ventures abroad

Financing exports and imports Foreign collaboration arrangements

Non-resident Investment:

The services of merchant banker includes investment advisory services to NRI in terms of identification of investment opportunities, selection of securities, investment management, and operational services like purchase and sale of securities.

Corporate Counseling and advisory services:

Corporate counseling covers the entire field of merchant banking activities viz. project counseling, capital restructuring, public issue management, loan syndication, working capital, fixed deposit, lease financing acceptance credit, etc.

REGISTRATION OF MERCHANT BANKERS IN INDIA

Registration with SEBI is mandatory to carry out the business of merchant banking in India. An applicant should comply with the following norms:

- The applicant should be a wholly corporate
- The applicant should not carry on any business other than those connected with the securities market
- The applicant should have necessary infrastructure like office space, equipment, manpower etc.
- The applicant must have at least two employees with prior experience in merchant banking
- The applicant should not have been involved in any securities scams or proved guilty for any offence

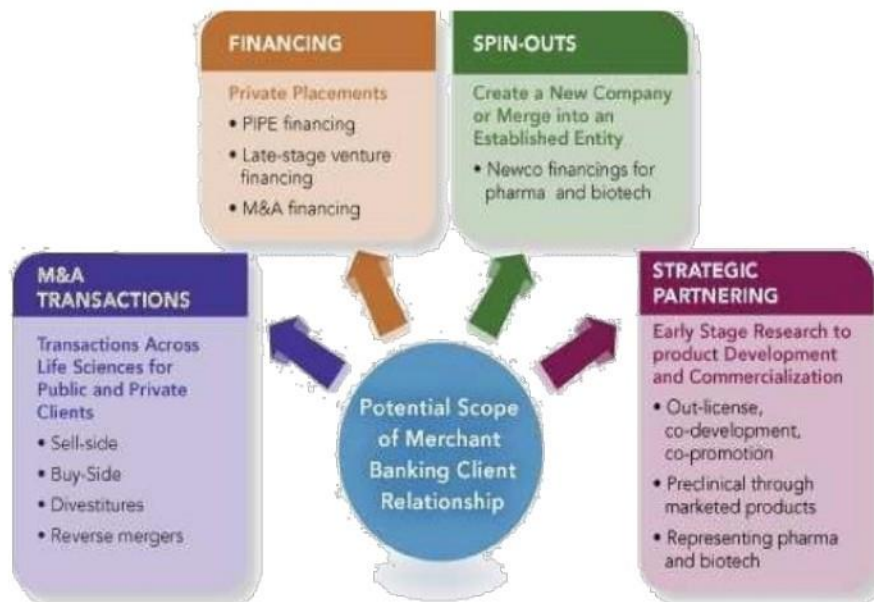
Securities and Exchange Board of India (SEBI) has divided merchant bankers into four categories, which are as follows -

Our uniqueness is extending services under single window concept covering the following areas:

1. Merchant Banking
2. Commercial Banking
3. Investments
4. Bankers to Issue - Escrow Bankers
5. Underwriting
6. Loan Syndication

We are one of the leading Merchant Bankers in India, having handled issues ranging from Rs.1 crore to Rs.1500 crores, involving various types of industries, banks, statutory Bodies etc. and have an edge in handling Private Placement issues - both retail & target Investors.

Role in India





Merchant Banking:

The merchant banker are those financial intermediary involved with the activity of transferring capital funds to those borrowers who are interested in borrowing. The activities of the merchant banking in India are very vast in nature of which includes the following

- 1 . The management of the customers securities
- 2 . The management of the portfolio
- 3 . The management of projects and counseling as well as appraisal.
- 4 . The management of underwriting of shares and debentures.
- 5 . The circumvention of the syndication of loans.
6. The management of the interest and dividend etc.

Factors responsible for changes:

Globalization of Indian Economy has made the whole economy open, which has more multinational player in the era of the financial services. This has resulted in to the emergence of the global investment in financial sector. Govt. has now open up the doors of investment especially in the area of banks and insurance, which leads to competitive environment for the present players. Now they have to bring something new which is efficient and best services to live in the competitive environment. Competition arising out of Private Company participation is due to liberalization of the economy.

Difference between investment banks and merchant banks?

Merchant banks and investment banks, in their purest forms, are different kinds of financial institutions that perform different services. In practice, the fine lines that separate the functions of merchant banks and investment banks tend to blur. Traditional merchant banks often expand into the field of securities underwritings, while many investment banks participate in trade financing activities. In theory, investment banks and merchant banks perform different functions.

Pure investment banks raise funds for businesses and some governments by registering and issuing debt or equity and setting it on a market. Traditionally, investment banks only participated in underwriting and selling securities in large blocks. Investment banks facilitate mergers and acquisitions through share sales and provide research and financial consulting to companies. Traditionally, investment banks did not deal with the general public.

Traditional merchant banks primarily perform international financing activities such as foreign corporate investing, foreign real estate investment, trade finance and international transaction facilitation. Some of the activities that a pure merchant bank is involved in may include issuing letters of credit, transferring funds internationally, trade consulting and co-investment in projects involving trade of one another.

The current offerings of investment banks and merchant banks vary by the institution altering the services, but there are a few characteristics that most companies that offer both investment and merchant banking share.

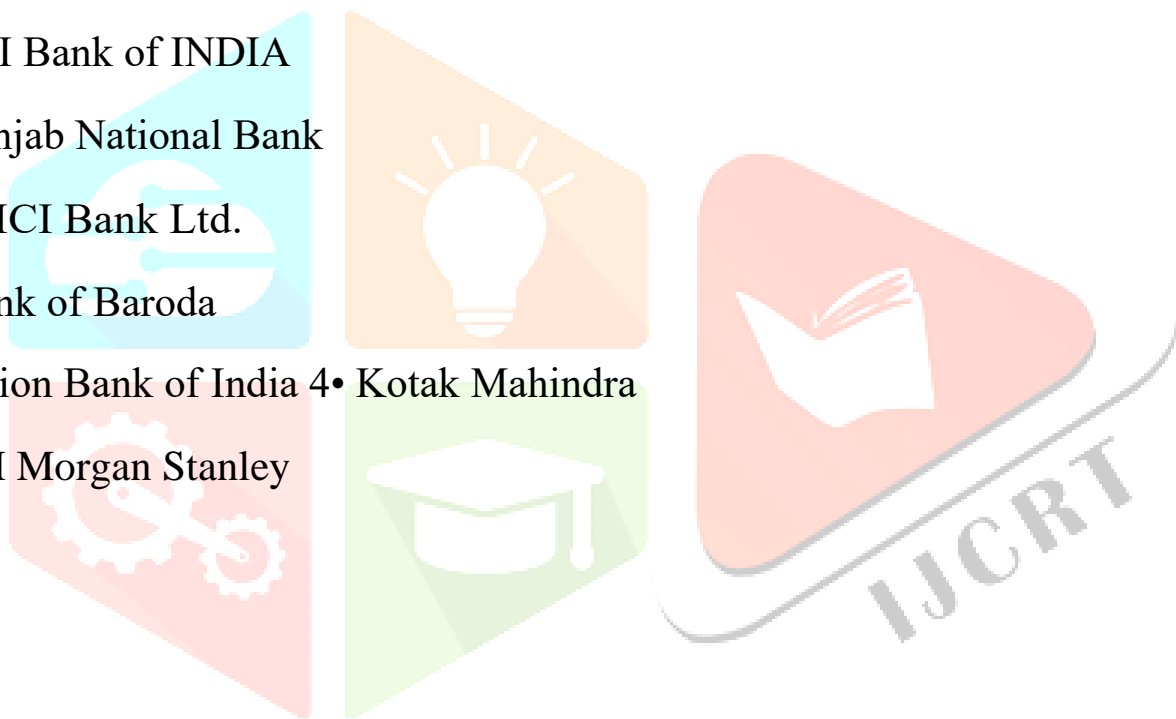
As a general rule, investment banks focus on initial public offerings (IPOs) and large public and private share offerings. Merchant banks tend to operate on an all-scale company and offer creative equity financing, bridge financing, mezzanine financing and a number of

corporate credit product». While investment banks tend to focus on larger companies, merchant banks offer their services to companies that are too big for venture capital firms to serve properly, but are still too small to make a compelling public share offering on a large exchange. In order to bridge the gap between venture capital and a public offering, larger merchant banks tend to privately place equity with other financial institutions, often taking on large portions of ownership in companies that are believed to have strong growth potential.

Merchant banks still offer trade financing products to their clients. Investment banks rarely offer trade financing because most investment banking clients have already outgrown the need for trade financing and the various credit products linked to it.

BRIEF ANALYSIS OF SOME MERCHANT BANKS OF INDIA

- 4• SBI Bank of INDIA
- 4• Punjab National Bank
- 4• ICICI Bank Ltd.
- 4• Bank of Baroda
- 4• Union Bank of India
- 4• Kotak Mahindra
- i• JM Morgan Stanley



State Bank of India

SBI Merchant Banking Group is strongly positioned to offer perfect financial solutions to your business. We specialize in the arrangement of various forms of Foreign Currency Credits for Corporate.

State Bank of India is the nation's largest bank. Tracing its roots back some 200 years to the British East India Company (and initially established as the Bank of Calcutta in 1806), the bank operates more than 13,500 branches and over 5,000 ATMs within India, where it also owns majority stakes in seven associate banks. State Bank of India has more than 50 offices in nearly 35 other countries, including multiple locations in the US (California), Canada, and Nigeria. The bank has other units devoted to capital markets, fund management, factoring and commercial services, and brokerage services. The Reserve Bank of India owns about 60% of State Bank of India.

We provide the resources, convenience and services to meet your needs by arranging Foreign Currency credits through:

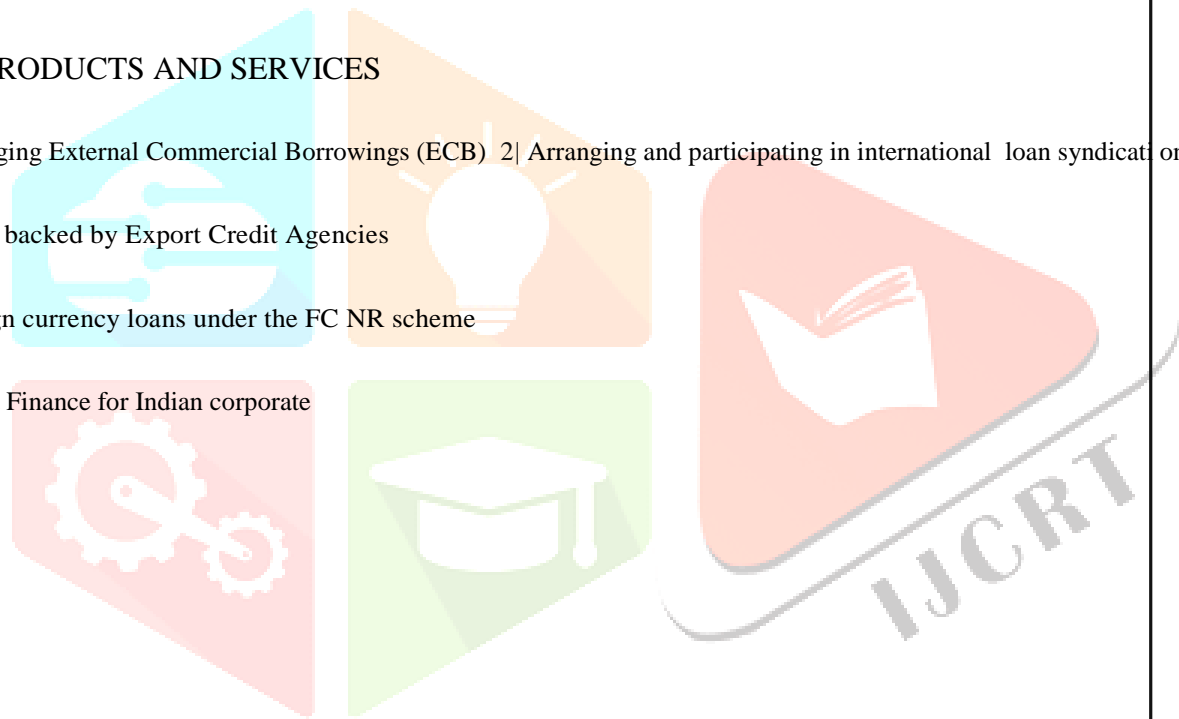
- Commercial loans
- Syndicated loans
- Lines of Credit from Foreign Banks and Financial Institutions
- FCNR loans
- Loans from Export Credit Agencies
- Financing of Imports.

We are internationally the most Preferred Bank by Export Credit Agencies for Guarantees in case of the Indian Clients or Projects.

SBI being an Indian entity has no India exposure ceiling. Our Primary focus is On Indian Clients. SHI's seasoned Team of professionals provides you with Insightful credit Information and helps you Maximize the Value from the transaction.

OUR PRODUCTS AND SERVICES

- 1| Arranging External Commercial Borrowings (ECB) 2| Arranging and participating in international loan syndication
- 3| Loans backed by Export Credit Agencies
- 4| Foreign currency loans under the FC NR scheme
- 5| Import Finance for Indian corporate



COMPANY PROFILE

Axis Bank Limited, formerly **UTI Bank**, (BSE: 532215, LS E: AXBC) is a financial services firm that had begun operations in 1994, after the Government of India allowed new private banks to be established. The Bank was promoted jointly by the Administrator of the Specified Undertaking of the Unit Trust of India (UTI-1), Life Insurance Corporation of India (LIC), General Insurance Corporation Ltd., National Insurance Company Ltd., The New India Assurance Company, The Oriental Insurance Corporation and United India Insurance Company. UTI-1 holds a special position in the Indian capital markets and has promoted many leading financial institutions in the country. The bank changed its name to Axis Bank in April 2007 to avoid confusion with other unrelated entities with similar name. After the Retirement of Mr. P. J. Nayak, Shikha Sharma was named as the bank's managing director and CEO on 20 April 2009.

As on the year ended 31 March 2016 the Bank had a total income of ₹ 1,812.93 crore (US\$2.79 billion) and a net profit of ₹ 367.66 million. On 24 February 2017, Axis Bank announced the launch of 'AXIS CALL & PAY on atom', a unique mobile payments solution using Axis Bank debit cards.

Axis Bank is the first bank in the country to provide a secure debit card-based payment service over IVR. The Bank's Registered Office is at Ahmedabad and its Central Office is located at Mumbai. At the end of September 2016, The Bank has a very wide network of more than 1281 branches and Extension Counters (as on 31st December, 2016). The Bank has a network of over 6270 ATMs (as on 31st March, 2017). The Bank has loans now (as of June 2017) account for as much as 70 per cent of the bank's total loan book of ₹ 2,00,000 crore. For HDFC Bank, retail assets are around 57 per cent (₹ 28,000 crore) of the total loans as of March 2017.

In the case of Axis Bank, retail loans have declined from 30 per cent of the total loan

of ₹ 25,800 crore in June 2006 to around 23 per cent of loan book of ₹ 41,280 crore (as of June 2017). Even over a longer period, while the overall asset growth for Axis Bank has been quite high and has matched that of the other banks, retail exposures grew at a slower pace.

Despite the slower growth of the retail loans over a period of time and the outright decline seen in the past year, the bank's fundamentals are quite resilient. With the high level of non-retail corporate and wholesale corporate lending the bank has been doing, one would have expected the net interest margins to have been under greater pressure. The bank, though, appears to have insulated such pressures. Interest margins, while they have declined from the 3.15 per cent seen in 2013-14, are still hovering close to the 3 per cent mark. The comparable margins for ICICI Bank and HDFC Bank are annum 2.70 per cent and 4 per cent respectively. The margins for ICICI Bank are lower despite its much larger share of the high margin retail business, since funding costs also are higher.

The Bank today is capitalized to the extent of ₹ 409.90 crores with the public holding (other than promoters and GDRs) at 53.63%. It is also listed in the top 100 most trusted brands of India in the Brand Trust Report

Agri & Rural Banking

Axis Bank one of the largest private sector finances in India for Agriculture loans viz Retail Agri & Corporate Agri

Axis Remit Online

This is a convenient and secure portal for NRIs to remit money to India, generally required for maintenance of their relatives. It is a growing revenue stream for the bank, with more and more NRIs registering to avail of the highly competitive exchange rates and convenient online facility.

MISSION AND VALUES

Our Mission

Customer Service and Product Innovation tuned to diverse needs of individual and corporate clientele.

Continuous technology up gradation while maintaining human values. Progressive globalization and achieving international standards.

Efficiency and effectiveness built on ethical practices.

Core Values

Customer Satisfaction through

Providing quality service effectively and efficiently

"Smile, it enhances your face value" is a service quality stressed on Periodic Customer Service Audits

Maximization of Stakeholder value

Success through Teamwork, Integrity and People The bank's business is divided into four segments:

Retail, corporate, treasury and merchant banking.

Apart from this the bank is also into insurance, investment banking, mortgage financing, credit cards, and depository services amongst others.

It is also registered on the following exchanges: OTCEI

BSE NSE

London stock exchange

Axis Bank was the first new generation private sector bank to be established in India under the overall reform programme initiated by the Government of India in 1991, under which nine new banking licenses were granted.

The Bank was promoted by Unit Trust of India, the largest mutual fund in India, holding 87% of the equity. Life Insurance Corporation of India (LIC), General Insurance Corporation Ltd and its four subsidiaries who were the co-promoters held the balance 13%. The Bank started its operations in 1994.

Axis Bank's first capital raising post inception was in 1998 through a public offering of primary shares and in subsequent years through equity allotment to a few other investors like CDC, Citicorp Banking Corporation, Bahrain, K&A

Vysya Bank and Chryst Capital leading to a dilution in UTI's shareholding in the Bank. Further dilution of Promoters' shareholding happened during Q4 ended of 2004, when the Bank raised US\$ 239.30 Million of Capital through a GDR issue. The Bank today is capitalized to the extent of Rs. 358.56 crores with the public holding (other than promoters) at 57.60%.

The Bank's Registered Office is at Ahmedabad and its Central Office is located at Mumbai. Presently, the Bank has a very wide network of more than 701 branch offices and Extension Counters. The Bank has a network of over 2854 ATMs providing 24

hrs a day banking convenience to its customers. This is one of the largest ATM networks in the country.

The Bank has strengths in both retail and corporate banking and is committed to adopting the best industry practices internationally in order to achieve excellence.



Employees: 41,871

Employee growth: 37.2%

You see, ICICI Bank is India's #2 bank (after State Bank of India), with more than 600 branches and 2,200 ATMs nationwide. ICICI's retail banking group offers lending and deposit services to small businesses and individuals. Larger businesses are served by the corporate banking group, which offers finance services and treasury products. ICICI's rural and government banking unit offers micro-loans and agricultural banking. Foreign operations, as well as services related to international trade finance and expatriate Indians, fall under the international banking group. Other ICICI offerings include online banking, asset management, and insurance.

ICICI Security is a SEBI Registered CAT-1 Merchant banker.

Key numbers for fiscal year ending March, 2017:

Sale: \$5,796.3M

One year growth:

99.1% **Net income:**

\$524.1M **Income**

growth: 167.4%

ICICI Advice on Wide Variety of

Product: 1: Private Equity Financing

2: Secondary sale

transactions 3: pre

IPO deals



Punjab National Bank (PNB) is one of India's largest nationalized banks with some 4,500 branches or service counters. The financial institution offers services in personal and corporate banking, including industrial, agricultural, and export finance, as well as international banking. Its personal lending services include loans for housing, autos, and education. PNB's diverse client list includes Indian conglomerates, small and mid-sized businesses, non-resident Indians, and multinational companies. The bank was established in Lahore in 1895 -- before the country was partitioned into India and Pakistan in 1947.

Key numbers for fiscal year ending 2017:

Sale: \$2,315.0M

Net income: \$322.1 M

PNB's Financial Numbers

- Sales \$2. 2 bil
- Profits \$.28 bil
- Assets \$2c.12 bil
- Market Value \$.y9 bil
- Employees s



Appraisal & Merchant Banking

Bank of Baroda provides its assistance to coxirate customers to assess the s'alue of their holdings, in syndicating loans and in consultations for Merchant Banking.

Appraisal:

Bank of Baroda carries out credit and merchant appraisals of all t types of business ventures including infrastructures projects by our specialized team of officials at a reasonable cost.

Loan Syndication:

The bank also assists in loan syndication for all kinds of business ventures when a tie-up of business sources is required.

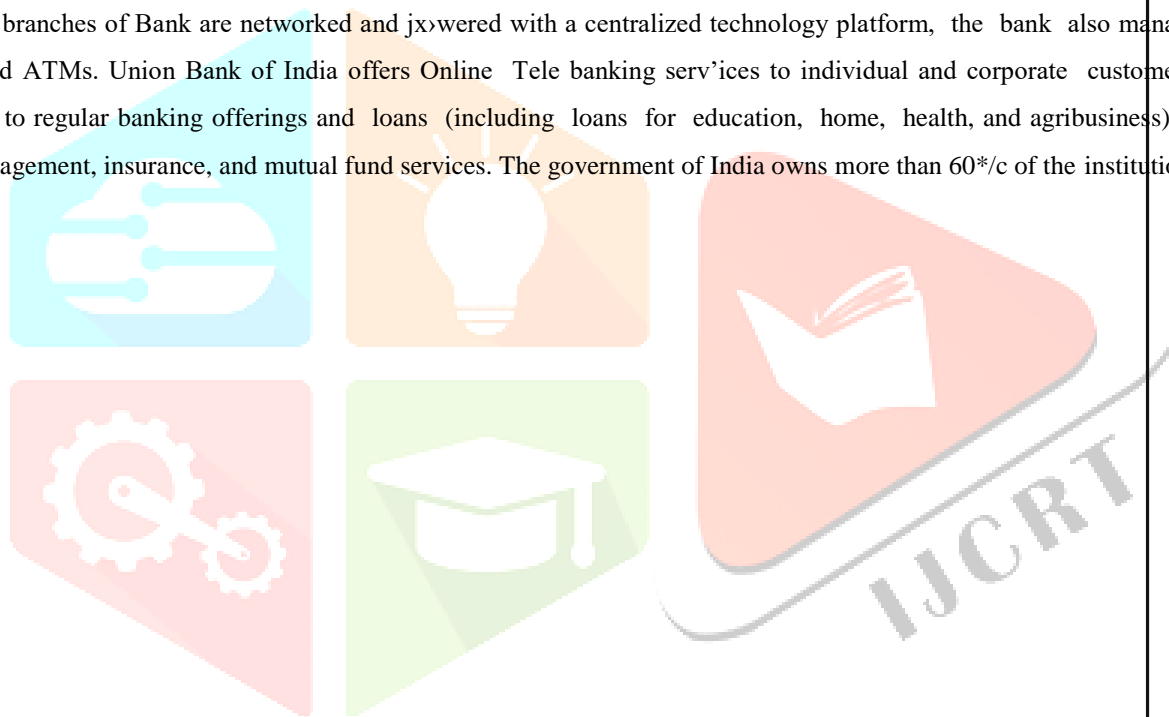
Other Consultations:

Our team is highly capable of advising on parameters of feasibility of an existing/ proposed project and suggest measures, if required , for improvement of the business enterprise.



o f/>J/1

Union Bank of India has been around for more than 85 years. The bank has earned a reputation for being techno-savvy--more than 600 branches of Bank are networked and powered with a centralized technology platform, the bank also manages close to 350 networked ATMs. Union Bank of India offers Online Tele banking services to individual and corporate customers as well. In addition to regular banking offerings and loans (including loans for education, home, health, and agribusiness), it also provides cash management, insurance, and mutual fund services. The government of India owns more than 60% of the institution.





India premier Investment bank. A subsidiary of kotak Mahindra bank.

Reconstruction from a private company to a public limited company effective from June 13, 2003. Act as a lead manager to several (IPO's) & help in Client in accessing the public & private equity market.

KIB provide high Quality Advisory services encompassing the following business area of operations.

Merger & Acquisition advisory

Raising capital from debt & Equity capital market

Raising Capital from financial

sponsor. Infrastructure financing

advisory.

Objective: Offer a wide suite of capital market & advisory solution to client covering leading domestic & multinational cooperation, banks, financial institutions, & govt. companies across major industry sector.

Awards:-

The Best Investment bank in India By finance Asia for 2008, 2007 &

2006. The Best equity House in India by Asia money in 2008.



Present scenario of Indian Merchant Banking

Stock Market Listings of Fast- Growing Indian Companies: An innovative financing Option

New York, Oct. 10 /PR Newswire/ Emissary Capital, LLC A merchant bank based in New York City and specializing in Indian Companies, is a pioneer firm leading the charge for Indian Companies to obtain stock market listings in the U.S and European investors in conjunction with a U.S public company with market listing. This turns a fast growing Indian company into INS public company with the prestige and capability to raise money from U.S and European institutional investors. Focus on small and medium enterprises (SMEs). SMEs are dynamic force in India fall under this category.

India's strength in Information Technology sector is well known, but it is India's fast growing manufacturing sector, driven by approximately three million SME's in sectors ranging from auto components to industrial goods, that is rapidly India a leading global manufacturing hub. Debt Financing is not the answer for

SME's. There seems to be an across the board consensus that Indian SMEs have not been able to fully tap their potential and keep pace with India's growth because of their inability to access greater sources of financing. For vast majority of Indian SME's, the high domestic interest rate regime (prime rate of 12.75%/c to 13.25%/c) continues to be a substantial hindrance.

Furthermore, the ability to raise debt financing outside India (typically referred to as External Commercial Borrowings (ECBs) is strictly regulated by RBI. No IPO boom for Indian SMEs in Indian stock markets. The Indian stock markets including the BSE & NSE have essentially ignored robust Indian SMEs. The avg. size of Indian IPO rose to approximately \$140. million in 2010. Meanwhile smaller Indian companies seeking to raise funds of less than that amount have found it increasingly difficult to raise funds through Indian Stock Markets listings.

According to SEBI only 104 companies raised capital in the range of \$2.5 million to \$125 million in March 2010 fiscal year. No companies have raised money in the \$1.25 million to \$2.5 million range since April 2010. Finally, only 52 companies have been able to raise funds in the range of \$2.5 million to \$125 million in March 2010 fiscal

year. There

are few smaller Indian IPOs because Indian merchant bankers prefer to work on bigger IPOs that earn them bigger, as the work required for a small IPO compared to a large IPO is relatively the same. Also the regional stock exchanges, where the majority of SMEs would list themselves if possible, face stiff competition from India's two major stock exchanges BSE & NSE.

Emissary Capital Ltd. Is a full service merchant banking firm which specializes in assisting fast growing Indian companies in obtaining financing and U.S stock market listings as well as identifying and advising on mergers & acquisitions transactions for such companies.

Ranking of Merchant Banking in India:

Merchant Banker	OE	FSS	QPS	QM	INN
ICICI Securities	4.0	4.0	4.2	3.8	4.3
IDBI	4.2	3.2	4.5	4.0	4.8
SBI Caps	4.4	3.9	4.6	6.7	5.2
DPS	6.1	5.7	6.0	6.0	5.3
IFCI	6.1	5.7	6.0	6.0	6.3
Bank of Baroda	6.7	6.5	6.7	6.6	6.8
Jardine Fleming	5.8	6.2	5.9	5.0	5.5
JM Finance	6.0	6.5	5.5	5.9	5.4
ENAM	6.3	6.8	6.4	6.3	6.2
PNB Caps	6.8	6.8	6.7	6.8	6.8

Note: OE: Overall Excellence; FSS: Financial Soundness ; QPS: Quality Product/Service; QM: Quality Management; INN: Innovativeness.

Final Rule On Merchant Banking Activities

The Board of Governors of the Federal Reserve System and the Secretary of the Treasury on January 10, 2001, approved a joint final rule governing the merchant banking activities of financial holding companies.

The rule, effective February 15, 2001, implements provisions of the Gramm-Leach-Bliley Act. The Board and the Secretary believe it permits a "two-way street" between securities firms and banking organizations, while, at the same time, giving effect to the statutory limitations and framework adopted by the Congress to help maintain the separation of banking and commerce and ensure the safety and soundness of depository institutions.

The final rule incorporates a number of amendments in response to public comments on the interim rule issued March 17, 2000. These changes include the following:

- Modifying the provisions defining when a financial holding company routinely manages or operates a portfolio company
- Eliminating the dollar-based threshold for the review of a financial holding company's merchant banking activities and adopting a sunset provision for the remaining capital-based investment threshold
- Streamlining the rule's reporting and recordkeeping requirement
- Broadening the definition of "private equity funds" and clarifying the rule's application to such funds
- Modifying when transactions between insured depository institutions and portfolio companies are subject to sections 23A and 23B of the Federal Reserve Act
- Revising the restrictions that apply to merchant banking investments held beyond the permissible holding period
- Expanding the definition of "securities affiliate" to include a department or division of a bank registered as a municipal securities dealer.

FOCUS OF THE STUDY

The main focus of the study would be on functioning of the Merchant Banking companies. The study would have information and details of Merchant Banking of public sector and private sector companies and then an analysis will be done on the collected

information and finally a comparison between these two categories will be done. After comparison it would be found out which category has more growth potential in present scenario as well as in future.

CONCEPTUALIZATION OF THE STUDY

Amidst the swift changes sweeping the financial world, Merchant Banking has emerged as an indispensable financial advisory package. Merchant banking is a service-oriented function that transfers capital from those who own to those who can use it. They try to identify the needs of the investor & corporate sector & any vice entrepreneur what to do to be successful. New players are entering in this field day by day. Merchant Banking in India has a great Tenant over the globe. So many companies in India are trying their hands in this field. Some companies have built their strong image and some are still in process to leave their mark in the international market.

REVIEW OF EXISTING LITERATURE

There are no. of study Have Been done on merchant Banking.

A Few of literature are Form of banking where the bank arranges credit financing, but does not hold the loans in its investment portfolio to maturity. A merchant bank invests its own capital in leveraged buyouts, acquisitions, and other structured finance transactions. Merchant banking is a fee based business, where the bank assumes market risk but no long-term credit risk. A common form of banking in Europe, merchant banking is gaining acceptance in the United States, as more banks originate commercial loans and then sell them to investors rather than hold the loans as portfolio investments. A banque d'affaire is a French merchant bank, which has more powers than its British counterpart. The Gramm- Leach-Bliley Act allows financial holding companies, a type of Bank Holding Company created by the act, to engage in merchant banking activities.

Okay so you want to accept credit cards from your customers, and are interested in establishing a merchant account. Whether you own a brick-and-mortar retail store, mail order outlet, or internet shopping operation, there are a few things to consider when choosing a credit card processing provider. First of all, you should make a list of several providers that offer the features you want, and then compare the variable fees that may differ depending on the company you deal with. These fees include things like set-up, cancellation, and monthly minimum, and may be negotiable based on your unique circumstances.

Once you have determined what your business will be charged for its merchant account, it's often a good idea to do a few sample calculations to work out your total credit card processing costs during a good, bad, and average month.

Finally, you should read and double-check the contract, including small print and detailed terms. Don't sign anything until you are confident that you understand all the fees, minimums, termination clauses, and other details.

Financial services firm India Infoline said its wholly owned subsidiary, India securities Pvt. Ltd, has received a category 1 merchant banking licence from the Securities and Exchange Board of India.

CHAPTER-3

Objective & Methodology



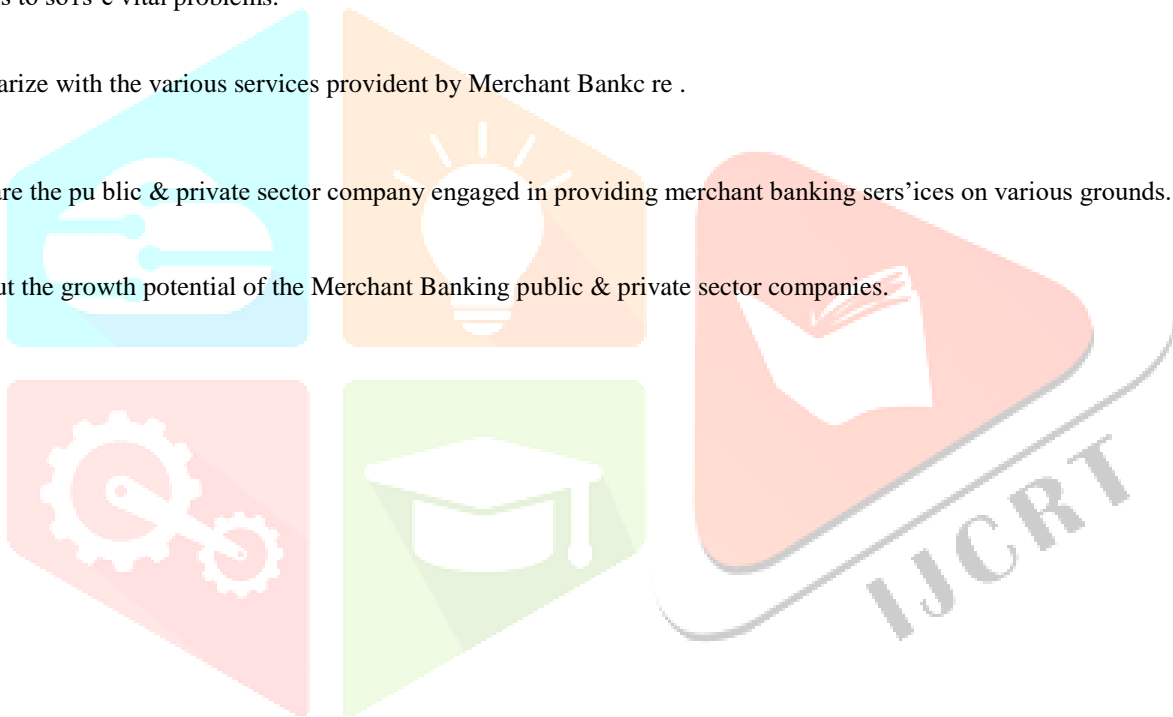
OBJECTIVES OF THE STUDY

To develop the ability to study the functioning of Merchant Banking in India & learn & apply multidisciplinary concepts, tools & techniques to solve vital problems.

To familiarize with the various services provided by Merchant Bankers.

To compare the public & private sector company engaged in providing merchant banking services on various grounds.

To find out the growth potential of the Merchant Banking public & private sector companies.



RESEARCH METHODOLOGY

RESEARCH DESIGN:

- A **research design** is an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.
- A **sample design** is a definite plan for obtaining a sample from a given population.
- For carrying out my research work I would follow **Exploratory cum Descriptive research design**.
- **Universe and Survey Population Sampling**
 - All the items under consideration in any field of inquiry constitute a “universe” or “population”.
 - Here in this study universe and survey population sampling would be all the public & private sector companies of India engaged in Merchant Banking operations.
- **Sample Size**
 - Sample size would be 10 public & private sector merchant banking companies.

Methods of Data Collection

Primary Data usually consists of the data that are collected afresh for the first time and thus is original in character. Primary Data that used in the study

- Questionnaire

In my Questionnaire There are 10 Questions

Secondary Data consists of data that is collected from some existing literature. It has been already analyzed by some one else earlier and is derived from that source.

Secondary Data that used in the study are

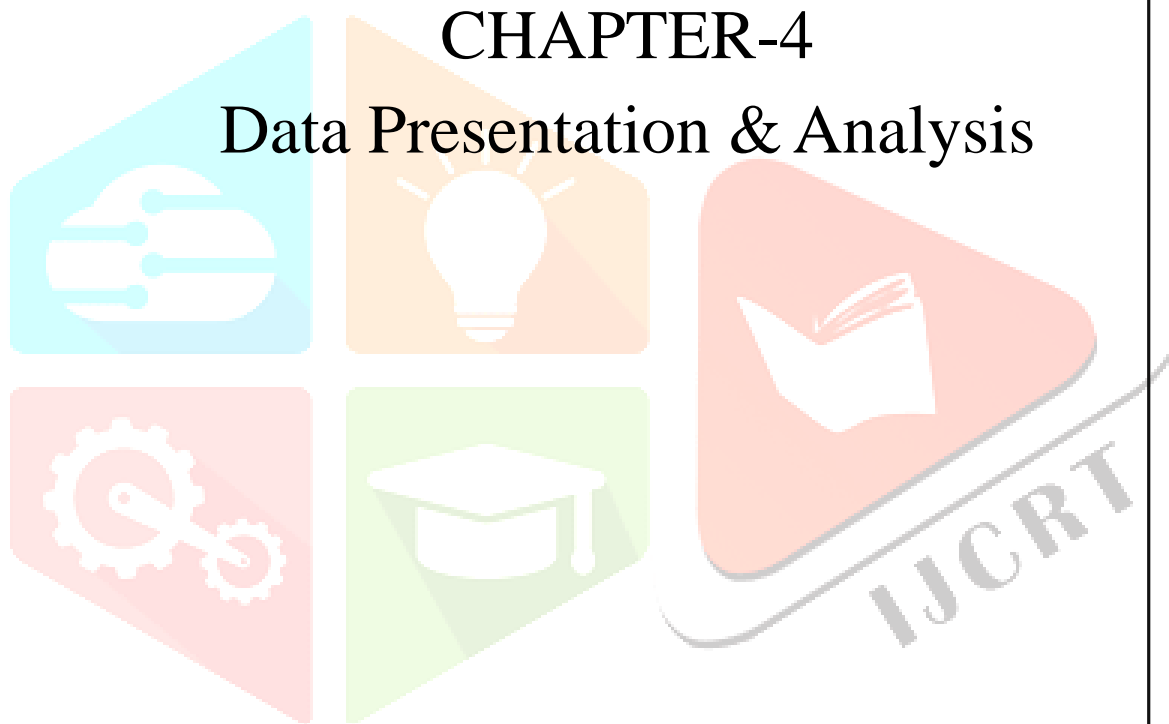
- Newspapers
- Websites
- Books

Analysis Pattern

- ❖ Statistical Tools- graphs & charts
- ❖ Cross Tabulation Of Data

CHAPTER-4

Data Presentation & Analysis

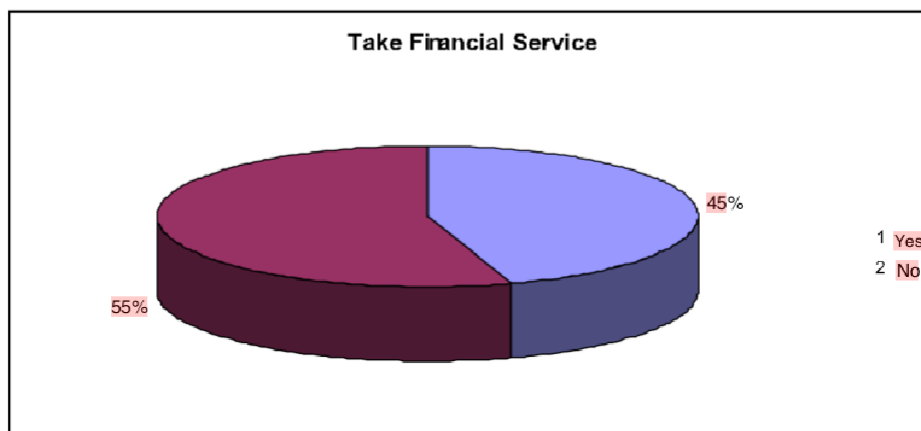


Analysis & Interpretation

Q 1 Do you take any financial services from bank?

Sr. No.	Take Financial Service	Nos.	Percentage
1	Yes	36	45
2	No	44	55
	Total	80	

GRAPH

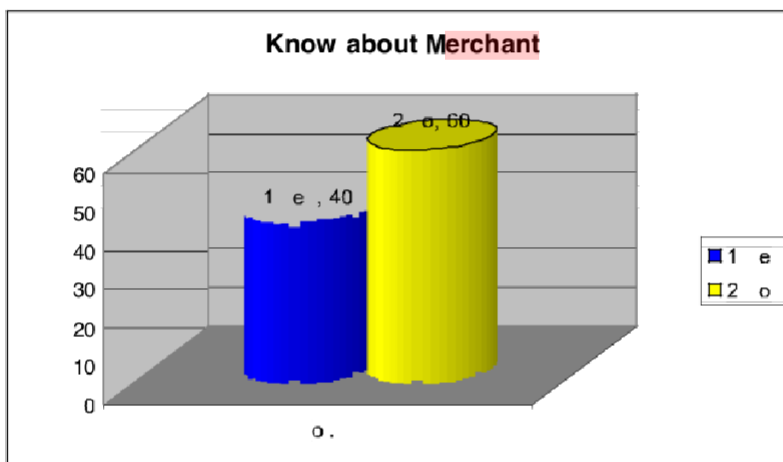


Interpretation

Out of total respondents, 45% respondents have taken Financial Service and rest 55% respondents have not taken the Financial Service.

Q 2 Do you Know about Merchant Banking?

Sr. No.	Know about Merchant	Nos.	Percentage
1	Yes	32	40
2	No	48	60
	Total	80	

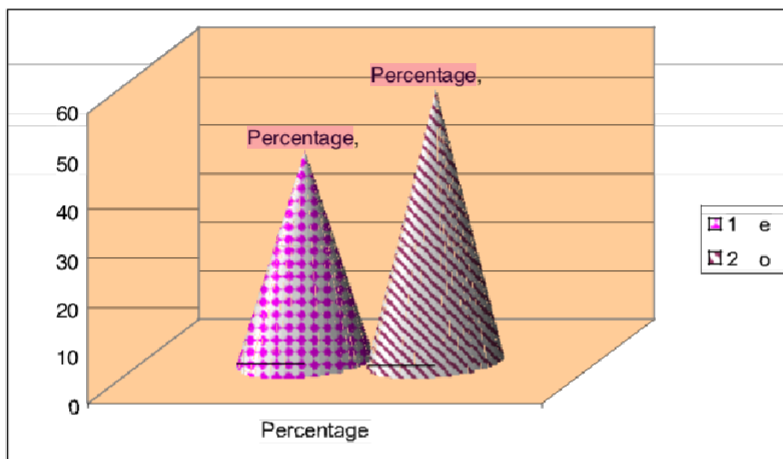


Interpretation

Out of total respondents, 40% respondents Know about merchant banking and rest 60% respondents don't know about merchant banking.

Q 3 Are you satisfied with the services provided by your bank?

Sr. No.	Satisfied	Nos.	Percentage
1	Yes	35	43.75
2	No	45	56.25
	Total	80	100



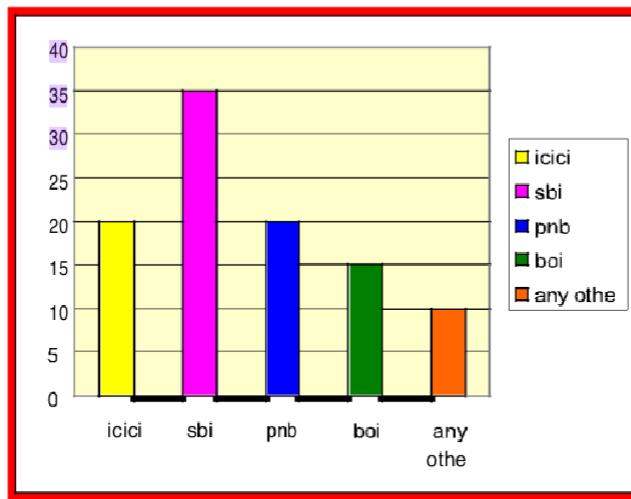
Interpretation

Out of total respondents, 43.75% respondents Satisfied and rest 56.25% respondents don't

Satisfied.

Q4 Are you satisfied with services offered by banks?

Sr. no	Bank	Percentage
1	ICICI	20
2	SBI	
3	PNB	
4	BOI	
5	Other	



Interpretation

- Large no. of companies takes financial services from SBI.

Q 5 What is the position of Merchant Banking in Private Sector?

sr.no	Position	Percentage
1	Good	50
2	Normal	
3	Bad	
	Total	

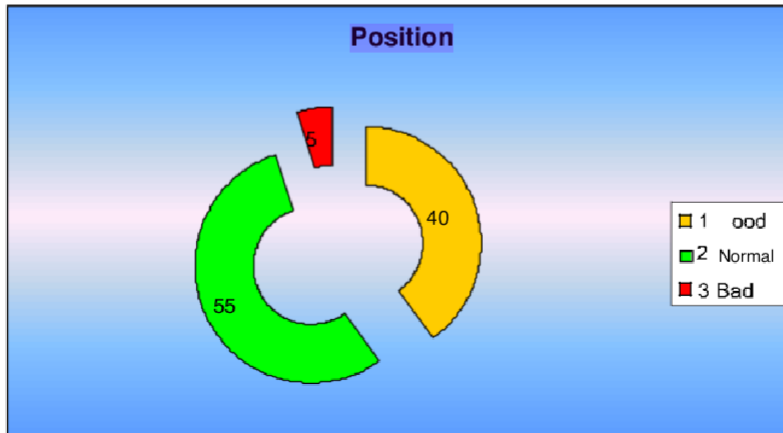


Interpretation

Out of total respondents, 50% respondents Say Good, 35% Say Normal and rest 15% respondents say bad.

Q 6 What is the position of Merchant Banking in Public Sector?

sr.no	Position	Percentage
1	Good	40
2		55
3		5
		100

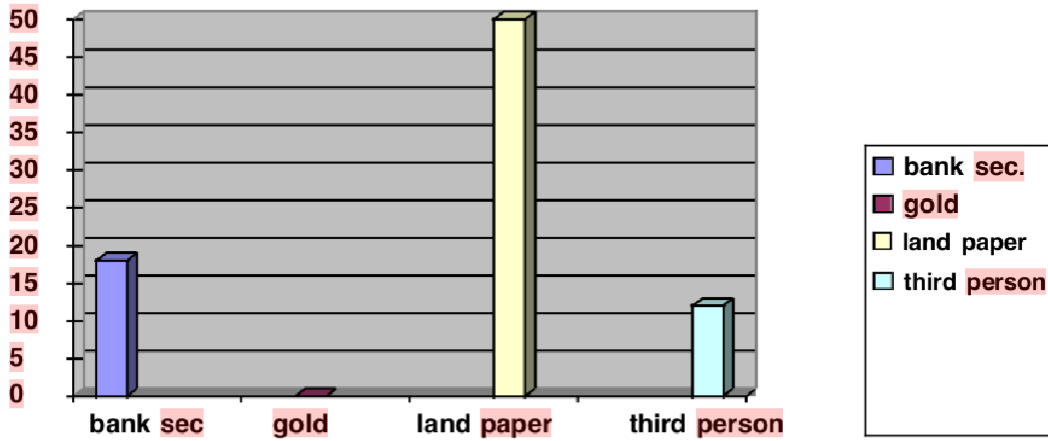


Interpretation

Out of total respondents, 40% respondents Say Good, 55% Say Normal and rest 5% respondents say bad.

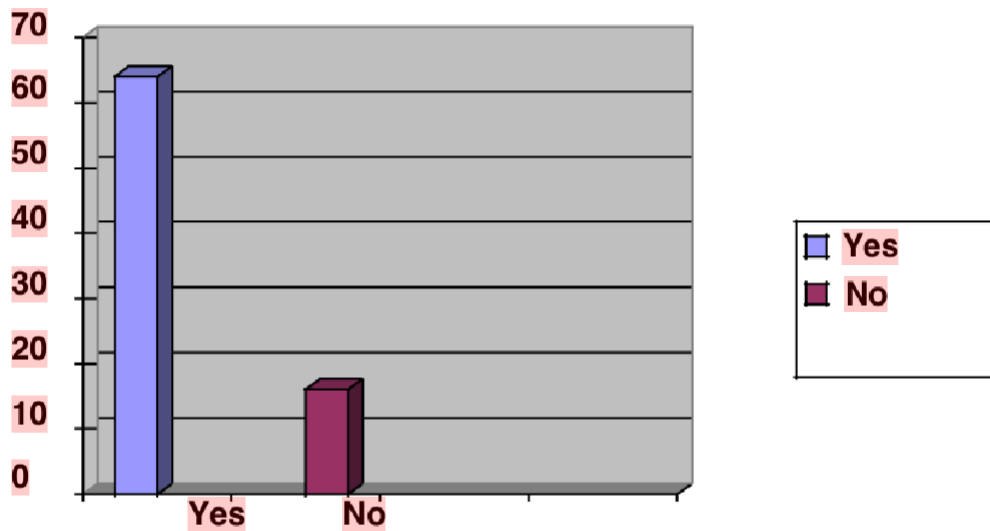
Q7 What type of security have you deposited/you will deposit with the banks ?

Sr.No.	Type of Security	Nos.	Percentage
1.	Bank Security (F.D.)	18	22.5
2.	Gold	0	0
3.	Land Papers	50	62.5
4.	Third person security	12	15
	Total:	80	100



Q 8 Are you satisfied by Security margin of bank?

Sr.No.	Satisfaction by Security Margin	Nos.	Percentage
1.	Yes	60	80
2.	No	16	20
	Total:	80	100

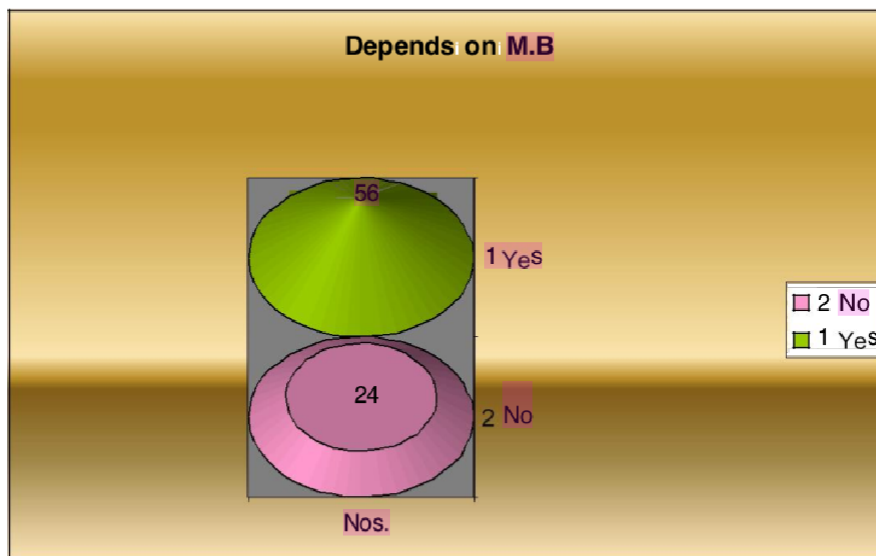


Interpretation

Out of total respondents, 80% respondents Satisfied and rest 20% respondents don't Satisfied.

Q 9 Are you satisfied with timely services provide by banks?

Sr. No.	Depends on M.B	Nos.	Percentage
1	Yes	56	70
2	No	24	30
	Total	80	100

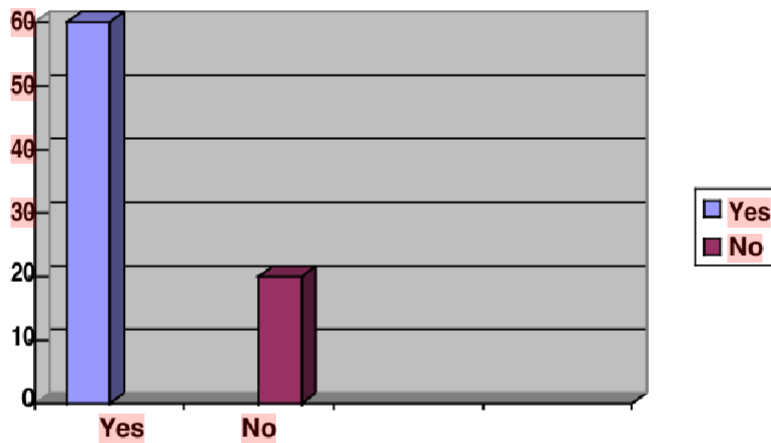


Interpretation

Out of total respondents, 75% respondents Say that They are timely heard and rest 25% say that They are not timely served by merchant banking.

Q10 Will it differ from investment banks?

Sr. No.	Difference	Nos.	Percentage
1	Yes	60	75
2	No	20	25
	Total	80	100



Interpretation

Out of total respondents, 75% respondents think that it is different and the rest 25% respondents don't think so.

DIFFERENCE BETWEEN PUBLIC & PRIVATE SECTORS

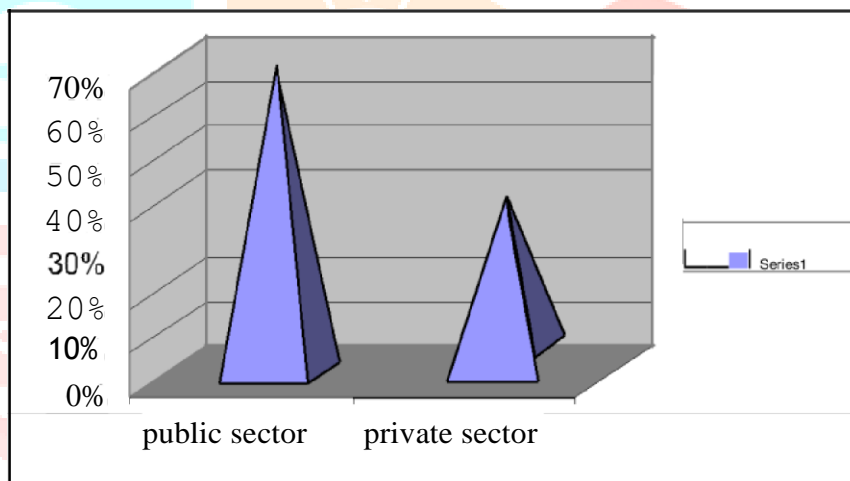
Public Sector is the pioneer in providing Merchant Banking services in India.

But due to liberalization of economy the scenario has changed many private Merchant Banking companies have entered in the industry since then.

Public sector merchant banking companies facing stiff competition from the private sector companies.

Market Share Public Sector= 66%

Private Sector=34%



CHAPTER-5
Findings & Conclusions

CONCLUSION

Longstanding client relationships.

Strong positions in high-growth client and product niches.

Multiple revenue growth initiatives are in place with detailed and concrete action plans, and with rigorous follow-up mechanisms.

Growth is controlled by a sound Risk Management System and disciplined cost management.

Small & Medium scale enterprises SMEs need immediate attention from merchant bankers to get access to finance.

SMES are facing stiff competition from large scale companies.

LIMITATIONS OF THE STUDY

Due to paucity of time only limited information can be collected.

There can be a possibility of “individual biasness” on the part of respondents.

Study would be confined to only 10 public & private sector merchant banking companies.

Sample size to be taken may not be the true representative of the population.

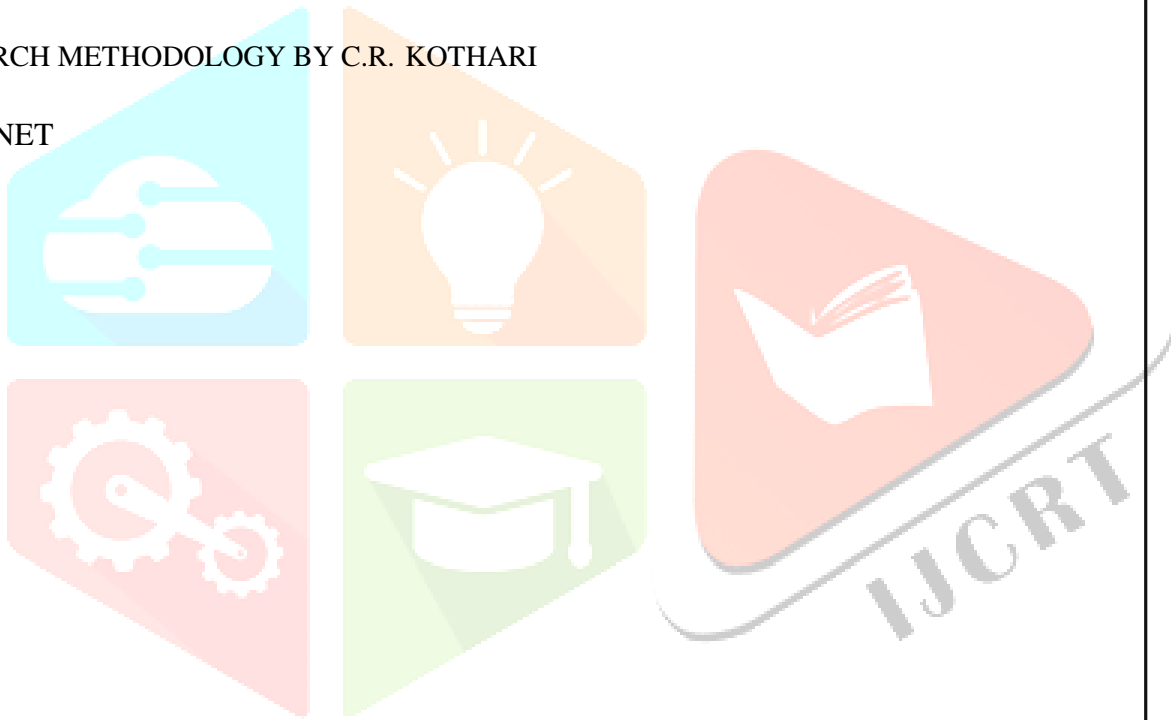


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I. NOTES

II. RESEARCH METHODOLOGY BY C.R. KOTHARI

III. INTERNET

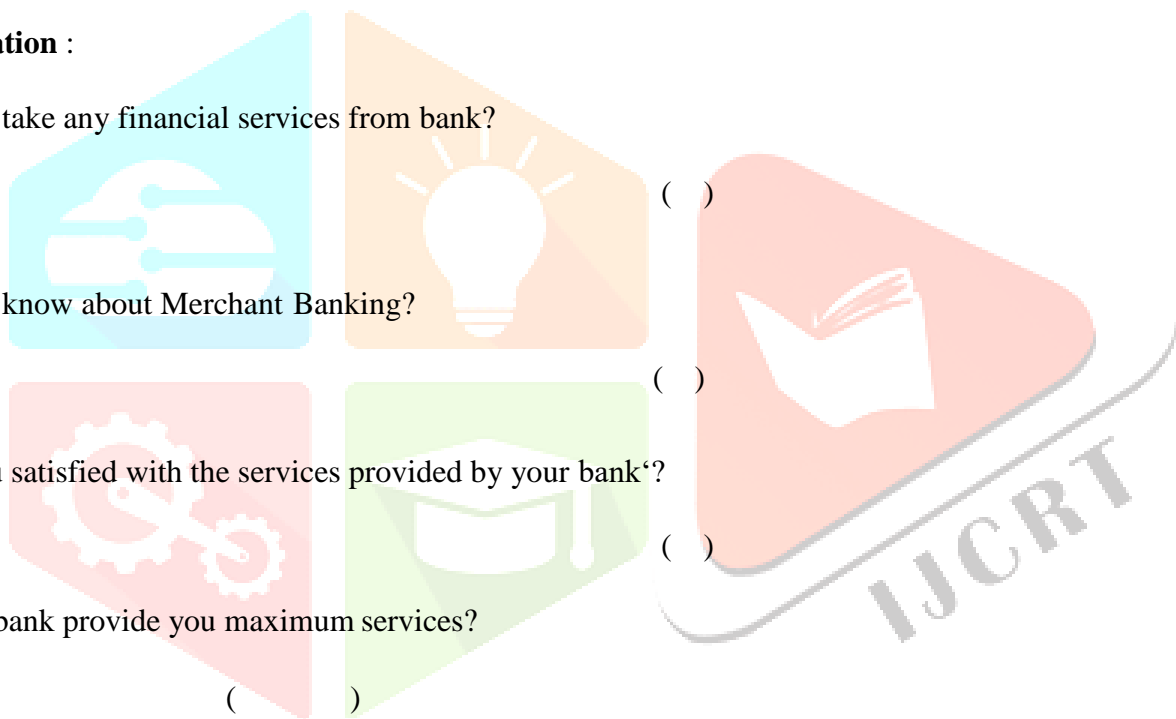


Questionnaire

Respondent's Profile

Age Gender

Occupation :



1. Do you take any financial services from bank?
(b) NO ()

2. Do you know about Merchant Banking?
(b) No ()

3. Are you satisfied with the services provided by your bank'?'
(b) No ()

4. Which bank provide you maximum services?
(a) ICICI ()
(c) PNB ()

(e) OTHER(specify)

()
SBI
(d) BCI

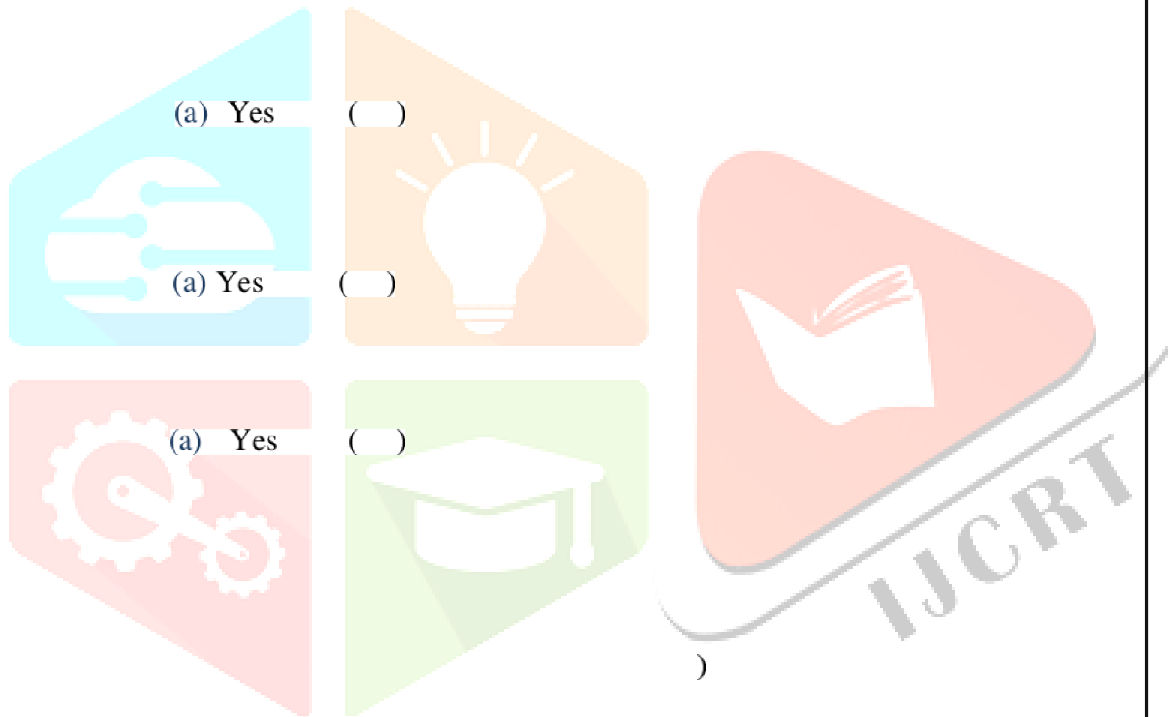
5. What is the position of Merchant Banking in Private Sector?/

- (a) Good Name () (b) Normal ()
(c) Bad ()

6. What is the position of Merchant Banking in Public Sector?

- (a) Good () (b) Normal ()

62



(c) Bad ()

7. What type of security have you deposited/you will deposit with the banks

(a) Bank security () (b) Gold ()

(c) Land paper () (d) Third party security ()

8. Are you satisfied by Security margin of bank?

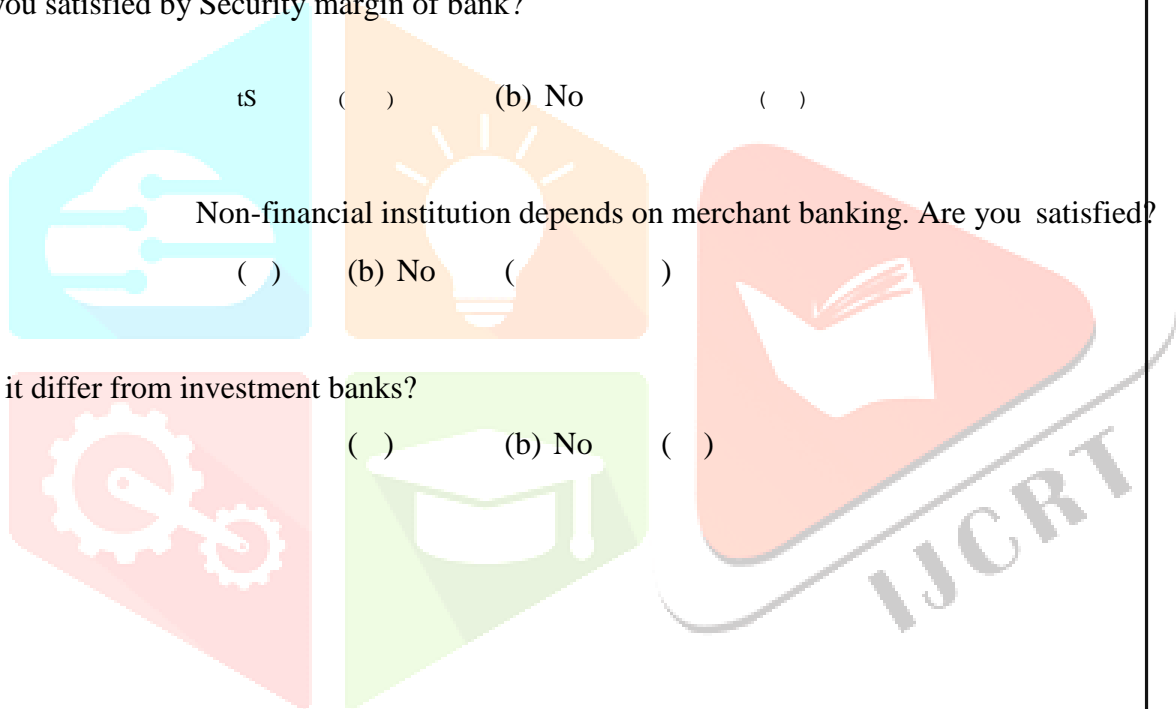
(a) Yes () (b) No ()

9. Non-financial institution depends on merchant banking. Are you satisfied?

(a) Yes () (b) No ()

10. Will it differ from investment banks?

(a) Yes () (b) No ()



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