Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNVERSITY

MBA SEMESTER-4– EXAMINATION – SUMMER 2020

Subject Code: 4549222 **Date:05/11/2020**

Subject Name: Finance_Corporate Restructuing and Valuation (CRV)

Time: 10:30 AM TO 1.30 PM **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figurestotherightindicatefullmarks.**

Q. No.			Marks
Q.1		Definitions (a) Tender offer (b) Intangibles (c) Replacement Value (d) Buyback (e) Poison Pill (f) Proxy fight (g) Fair Value	**14**
Q.2	**(a)**	"While due diligence is not an insurance against a bad deal, it certainly provides enough assurance that the due diligence is per se not bad." In context of above statement explain the concept of due diligence and major types of due diligence in brief	**07**

(b) Following is the balance sheet of Zainul ltd. **07**

(Rs lakh)

Liabilities	Amount	Assets	Amount
Share capital			
80,000 11% preference share of Rs. 100 each, fully paid	80	Fixed Assets	300
2,40,000equity share of Rs. 100 reach fully paid up	240	Less: Depreciation	60
P/L account	46		240
10 % Debenture	40	Current assets	0
trade creditor	142	stocks	200
Provision for income tax	16	debtor	100
		cash and bank	20
		preliminary exp	4
	564		**564**

Additional information:

i. A firm of professional provided following market estimates: Fixed assets Rs. 260 lakh, debtors 90 lakh. All other assets are constant.

ii. The company is yet to declare and pay dividend on preference share.

iii. Liquidation values are : Fixed assets Rs. 210 lakh, stock 180, liquidation cost 30.

You are required to calculate NPV as per Book value, Market value, and liquidation value.

OR

(b) Mondel Ltd is growing at an above average rate. If foresees a growth rate of 20%per annum in free cash flow to equity holders in the next 4 years. It is likely to fall to 12% in the next two years. After that, the growth rate is expected to stabilize at 5% per annum. The amount of FCFE per equity share at the beginning of the current year is Rs. 10. Find the maximum price at which an investor, follower of the free cash approach, will be prepared to buy the company's share as on date, assuming an equity capitalization rate of 14%. **07**

Q.3 **(a)** What is valuation? What are factors that should be borne in mind while valuing a business? **07**

(b) ABC Ltd plans to acquire ACC Chemical. The following information is available **07**

Particulars	ABC Ltd	ACC Chemical
Total Current Earnings	Rs. 36 Million	Rs. 12 Million
No. of Outstanding Shares	12 Million	8 Million
Market Price per Share	Rs. 30	Rs. 9

(1) What is the maximum exchange ratio acceptable to the shareholders of ABC ltd. if the P/E Ratio of the combined entity is 8?

(2) What is the minimum exchange ratio acceptable to the shareholders of ACC Chemical if the P/E Ratio of the combined entity is 9?
(3)At What points do the lines of ER_1 and ER_2 intersects

OR

Q.3 **(a)** " The discounted cashflow (DCF) approach is conceptually the most ideal among various approaches for the business valuation." Justify this statement **07**

(b) COX Company plans to acquire FOX Company. The relevant financial details of the two firms, prior to merger announcement, are given below: **07**

Particular	COX Company	FOX Company
No. Of share	300000	200000
Market Price per share	Rs. 60	Rs. 25

The merger is expected to bring gains which have a present value of Rs. 4 million. COX Company offers one share in exchange for every two shares of FOX Company.
(a) What is the true cost of COX Company for acquiring FOX Company?
(b) What is the net present value of the merger to COX Company?
(c) What is the net present value of the merger to FOX Company?

Q.4 **(a)** Explain with an example comparable company and transaction analysis method. **07**

(b) Videsh Ltd. Is keen on reporting EPS of Rs. 6 per share after acquiring Swadesh Ltd. The following financial data are given **07**

Particulars	Videsh Ltd.	Swadesh Ltd.
Earnings Per Share	Rs. 5	Rs. 5
Market Price Per Share	Rs. 60	Rs. 50
Number of shares	10,00,000	8,00,000

There is an expected synergy gain of 5 per cent. What exchange ratio will result in a post-merger EPS of Rs.6 for Videsh Ltd.?

OR

Q.4 **(a)** What are the reasons to conduct intangible valuation? Also, explain in brief valuation of brands and human Resource. **07**

(b) Manager of PQR ltd. is planning to buy Shiva ltd. following information is available about Shiva ltd. the company is having earing per share Rs. 4. Capital expenditure Rs. 3. Depreciation per share Rs. 2.50. change in working capital Rs. 0.5. expected growth is 9%. Risk free rate of return is 8%. Market risk premium is 6%. Calculate the market value per share of Shiva Ltd. **07**

Q.5 CASE STUDY:

MERGER OF ICICI WITH ICICI BANK: A Reverse merger

ICICI Limited

ICICI Limited was basically a Development Financial Institution providing medium-term or long-term project finance to industries in India. It was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. Initially it focused on project finance and providing long-term funds to a variety of industrial projects. Subsequently, it diversified into venture capital financing, commercial banking asset management and management of mutual funds brokering and marketing, internet stock trading, housing finance etc.

ICICI Bank

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, and an equity offering in the form of ADRs listed on the NYSE in fiscal 2000.

RBI Announcement

The RBI announced in April 2001 that it would consider proposals from Development Financial Institutions wishing to transform themselves into banks.

The Merger

After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries

In October 2001, the Board of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank.

The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002.

Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

(a) Is ICICI Ltd. A development bank? Provide support for your answer **07**

(b) Why is the merger between ICICI Ltd.? And ICICI Bank termed as "Reverse merger" explain the need for such corporate restructuring **07**

OR

Q.5	(a)	Briefly highlight major activities towards the merger of ICICI ltd and ICICI bank merger	**07**
	(b)	Discuss the benefits and problems associated with reverse merger	**07**

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