Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER - IV – EXAMINATION – WINTER 2021

Subject Code: 4549222 **Date: 24/12/2021**

Subject Name: Corporate Restructuing and Valuation

Time:10:30 AM TO 01:30 PM **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q. No.		Question Text and Description	Marks
Q.1		Define the following terms: (a) Tender Offers (b) Transaction Analysis (c) ESHOPs (d) White knight & poison put (e) Reverse merger (f) LBO & MBO (g) Green mail & crown jewel	**14**
Q.2	**(a)**	Explain the various approaches to corporate valuation in detail.	**07**
	(b)	What do you mean by take over? Explain the benefits of takeover and its disadvantages in detail.	**07**
		OR	
	(b)	Define Corporate Restructuring. Explain various forms of corporate restructuring in detail.	**07**
Q.3	**(a)**	What do you mean by takeover? Explain various anti takeover tactics/strategies.	**07**
	(b)	Firm A is planning to acquire Firm B. The relevant financial information of the two firms prior to the merger announcement are as follows:	**07**

particulars	Firm A	Firm B
Market Price per share	Rs. 75	Rs. 30
Number of shares	1000000	500000
Market value of the firm	7,50,00000	1,50,00000

The merger is expected to bring gains which have present value of Rs.1.5 crore. Firm A Offers 250000 shares in exchanging for 5 lakh share to the shareholders of firm B. You are required to determine:

(i) Total value of Firm AB (PVAB) after Merger
(ii) Gains to the share holders of firm A
(iii) True cost of acquiring Firm B and net present value of the merger to Firm B.

OR

Q.3	**(a)**	Explain the various motives and barriers for corporate restructuring	**07**
	(b)	What do you mean by LBO and MBO? Explain the common characteristics of LBO and Motivation behind LBOs.	**07**

Q.4 **(a)** What do you mean by acquisition? Discuss the motives behind merger. How acquisition is different from takeover? Explain the various types of acquisition. **07**

(b) Company X wishes to Take over the Company Y. The financial details of the two companies are as under: **07**

Particulars	Company X	Company Y
Equity shares (Rs. 10per share)	100000	50000
Shar premium account	……..	2000
P & L account	38000	4000
Preference shares	20000	…..
10% debentures	15000	5000
total	173000	61000
Total Assets	173000	35000
Maintainable annual profits(after tax) for equity shareholders	24000	15000
Market Price per share	24	27
Price earnings ratio	10	9

Determine the exchange ratio for this take over.

OR

Q.4 **(a)** Discuss the Divestiture in detail. Explain different forms of divestment **07**

(b) The Xyz Ltd. wants to Acquire ABC Ltd. by exchanging its 1.6for every share of ABC Ltd. It anticipates to maintain the existing P/E ratio subsequent to the merger also. The relevant financial data are as under: **07**

	XYZ Ltd.	ABC Ltd.
Earnings after taxes (EAT)(Rs.)	1500000	450000
Number of equity shares outstanding (N)	300000	75000
Matket Price per share (MPS)(Rs)	35	40

What is the exchange ratio based on market prices?
What is the premerger EPS and P/E ratio of each company?
What is EPS of XYZ company after acquisition?
What is expected market price per share of merged company?

Q.5 The Hypothetical Limited wants to acquire Target Ltd. The balance sheet of Target Ltd. as on March 31^{st} (current Year) has the following assets and Liabilities:

(Rs. In Lakh)

Liabilities	Amount	Assets	Amount
Equity share capital(4 lakh shares of Rs. 100 each)	400	Cash	10
Retained Earnings	100	Debtors	65
10.50% Debentures	200	Inventories	135
Creditors and other Liabilities	160	Plant and Equipments	650
	860		860

Additional information:

- The shares of Target Ltd. will get 1.5 shares in Hypothetical Ltd. for every share; the shares of Hypothetical Ltd. would be issued at its current market price of Rs. 180 per share. The debenture holders will get 11% debenture of the same amount. The external liabilities are expected to be steeled at Rs. 150 Lakh. Dissolution expenses of Rs. 15 lakh are to be met by the acquiring company.
- The following are projected incremental Free Cash flows(FCFF) expected from acquisition for 6 years (Rs. Lakh):

Year -end	Rs. In Lakh
1	150
2	200
3	260
4	300
5	220
6	120

- The free cash flow of Target Limited is expected to grow at 3% per annum, after 6 years.
- Given the risk complexion of Target Limited, cost of capital for Target Limited cash flows has been decided at 13%
- There is unrecorded liability of Rs. 20 lakhs

(a) Determine Cost of acquisition of Target Limited. **07**

(b) What is the present value of FCFF? **07**

OR

Q.5 (a) Determine the PV of FCFF and Terminal Value. **07**

(b) Is it is assumed that the cost of acquisition is Rs. 900 Lakh, What is the value of Benefit of acquisition to the Hypothetical Limited. **07**

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