Seat No.: ________ Enrolment No.______________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA– SEMESTER - IV-EXAMINATION- SUMMER-2023

Subject Code: 4549222 **Date: 27/06/2023**

Subject Name: Corporate Restructuring 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.**
4. **Use of simple calculators and non-programmable scientific calculators are permitted.**

Q.1 Define: **14**

1) Vertical Merger
2) Going private
3) Pac-man and White Knight
4) Amalgamation
5) Escrow Account
6) Buy-back through book building
7) ESOP

Q.2 (A) Define corporate restructuring and what are various implications of corporate restructuring? **07**

Q.2 (B) Define Cross border expansion. Discuss Reasons and benefits of Cross border expansion. **07**

OR

Q.2 (B) A company issues 1000 equity shares of Rs 100 each at a premium of 10%. The company has been paying 20% dividend to equity shareholders and expecting to keep same performance in future years. Compute the cost of equity capital will it make any difference if the market price of equity share is Rs 160? **07**

Q.3 (A) Following are the particulars of two companies, A ltd and B ltd. You are required to calculate exchange ratio and value of firm based on the market price. Consider A ltd as acquirer & B ltd as Target firm. **07**

Particulars	A ltd	B ltd
EAT	2,00,000	60,000
No of Equity Share Outstanding	8,000	4,000
P/E Ratio	8	5

(B) Why do Firms Merge? And why do M & A quite often fail? Discuss. **07**

OR

Q.3 (A) What are the main Powers of the Court with regards to sanctioning the scheme of amalgamation? Discuss **07**

(B) A ltd is considering takeover of B ltd and C ltd. The financial data for the three companies are as follows. **07**

Particulars	**A ltd**	**B ltd**	**C ltd**
Equity Share Capital of Rs 10 each	450	180	90
Earnings	90	18	18
Market price of each share	60	37	46

Calculate:

1) Price earnings ratios

2) Earnings per share of A ltd after the acquisition of B ltd and C ltd separately. Will you recommend the merger of either/ both of the companies? Justify your answer.

Q.4 (A) Discuss various pre offer and post offer anti takeover Defense strategy **07**

(B) Following are the Balance sheets of ABC ltd and XYZ ltd AS ON 31st March,2021 **07**

Particulars	ABC ltd	XYZ ltd
1) Equity and Liabilities		
i) Shareholders' funds		
a) Shares capital		
• Equity shares of Rs 10	5,00,000	4,00,000
b) Reserve and Surplus		
• Revenue reserve	1,75,000	25,000
ii) Non-current Liabilities		
a) 9% debentures	1,00,000	50,000
iii) Current liabilities		
a) Sundry Creditors	60,000	45,000
b) Provision for taxation	40,000	25,000
Total	**8,75,000**	**5,45,000**
2) Assets		
i) Non- current Assets		
a) Fixed assets	3,75,000	2,45,000
b) Investment	1,00,000	50,000
ii) Current Assets		
a) Stock	2,15,000	1,40,000
b) Debtors	1,50,000	85,000
c) Bank Balance	35,000	25,000
Total	**8,75,000**	**5,45,000**

ABC ltd. takes over the business of XYZ ltd. on the following terms;

1) Fixed assets of ABC Ltd, and XYZ Ltd are to be considered worth ₹ 5,00,000 and ₹ 3,00,000 respectively
2) ABC ltd agreed to discharge 9% debentures of XYZ Ltd.
3) Shares of both the companies are to be valued on the basis of its intrinsic value.

Determine the ratio of exchange and calculate purchase consideration if:

1) Shares to be issued at par
2) Shares are to be issued on the basis of its intrinsic value.
3) Shares are issued on the basis of its market price of ₹ 20 each.

OR

Q.4 (A) Calculate the present value of the stock from the following formula: **07**

i) A stock is expected to experience supernatural growth in dividend of 10% , g over the next five years
ii) Following this period, dividends are expected to grow at a constant rate of 4%, g.
iii) The stock paid a dividend of ₹4 last year.
iv) The required rate of return on the stock is 5%

(B) Explain the statement "Conglomerate firm shares tend to have higher market value due to lower cost of capital". **07**

Q.5 **CASE STUDY** **14**

A Ltd. is considering merger with B Ltd. Altd. Shares are currently traded at INR 20. It has 2, 50,000 shares outstanding and its EAT is INR 5, 00,000. B.Ltd. has 1, 25,000 shares outstanding and its current MPS is INR 10 and EAT is INR 1, 25,000. The merger will be effected by the means of stock swap. B. Ltd. has agreed to plan under which A ltd, will offer the current market value of B Ltd. shares.

Questions:

1. What is the pre-merger EPS and P/E of both companies.

2. If B Ltd., P/E ratio is 6.4 what is the current market price? What is the exchange ratio? What will be A Ltd. Post merger EPS will be?
3. What should be the exchange ratio, if ALtd. Pre-merger and post-merger EPS are to be same?

OR

Q.5 CASE STUDY **14**

In 2018, the Vraj ltd had revenues of 16 crore on which it earned 7 crore before interest and taxes. It had capital expenditure of 530 lac and depreciation of 410 lac in 2018.working capital as a percentage of revenue, averaged at 5% between 2017 and 2018(working capital increases by 150 lac in 2018) the beta of comparable firms in the industry is 1.05 and the average debt ratio of this firms is 24.79%(the cost of debt for the largest of this firms is approx 8%).The long term bond rate is 7.5% and market premium is 5.5%.tax rate is assumed to be 30%.FCFF is expected to grow 5% a year in the long term. Compute the value of the firm

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