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Total Number of Pages: 02

MBA
MGT 305B

3rd Semester Regular/Back Examination 2015-16
CORPORATE RESTRUCTURE AND VALUATION

BRANCH : MBA

Time: 3 Hours

Max marks: 70

Q.CODE: T633

Answer Question No.1 which is compulsory and any five from the rest.
The figures in the right hand margin indicate marks.

- Q.1 Answer the following questions: (2x10)
- a) What are Ownership, Business and Assets restructuring ? Give examples.
 - b) Amalgamations generally take two forms. What are they ? Explain briefly.
 - c) Distinguish between Takeover and Acquisition with real life examples.
 - d) Explain with examples the terms, horizontal, vertical and conglomerate mergers.
 - e) Give four largest M&A deals happened in India during last decade.
 - f) Explain with an example how shares are exchanged in an M&A.
 - g) How are annual free cash flows and horizon value estimated in M&A ?
 - h) Define book stepping.
 - i) How does APV work in M&A valuation ?
 - j) Under what conditions will the earnings of the acquiring firm grow after merger ?
- Q.2 Discuss the most common motives and advantages of mergers and acquisitions. (10)
- Q.3 What is a tender offer ? How is it related to hostile takeover ? "What are the defensive tactics adopted by a target company to frustrate a hostile takeover ? Explain. (10)
- Q.4 How do you say that the M&A has failed ? Explain the reasons responsible for failure of a merger or acquisition. Give examples of M&A which have failed during last decade. (10)
- Q.5 In order to acquire takeover a company, there has to be foolproof corporate strategy. Explain such steps involved in a decision regarding merger and acquisition. (10)
- Q.6 Explain how are going to value for synergy, disinvestment and privatization. (10)
- Q.7 Firm A is considering to acquire firm T. The market value of a firm T's shares is Rs.250 crore and it employs 13.3 percent debt of Rs.150 crore which is expected to remain almost constant for five years. After five years, (10)

the debt ratio is expected to stabilize at 30 percent. The firm T has a beta of 1.30. The risk free rate is 9% and risk premium is 11% percent. The average tax rate of firm is 25% which is expected to increase to the marginal tax rate of 35% after 5 years. The firm has following free cash flows and interest tax shield (at current rate of 25%).

(Rs. Crore)					
Year	1	2	3	4	5
Free cash flow	300	400	390	380	300
Int. tax shield	5	5	5	5	5

After horizon period of 5 years, free cash flows are expected to grow at 6% per annum. What is the value of the firm T ?

Q.8

Short notes on any two

(10)

- Accounting for M&A.
- Business valuation standards in India.
- Valuation of Family Business.
- Valuing Brands and Goodwill.

[illegible]

MBA
MGT 305B

BRANCH : MBAR

QUESTION CODE : H 428

Full Marks – 70

Time : 3 Hours

The figures in the right-hand margin indicate marks.

1. Answer the following questions : 2 × 10
- (a) What are the reasons for delisting of a company ?
 - (b) What is spin-off-up and split-off ?
 - (c) Why does a company buys back its shares ?
 - (d) What is consolidation ?
 - (e) What is an SPV ?
 - (f) Differentiate between forward integration and backward integration.
 - (g) What are the different types of Diversification growth ?
 - (h) Explain different type of synergies.
 - (i) What is Financial Engineering ? Write two Financial Engineering products.
 - (j) Write down the limitations of Dividend Discount Valuation Model.

P.T.O.

2. Suppose a firm has employed a total capital of Rs. 1000 lakh (provided equally by 10% debt and 5 lakh shares of Rs. 100 each), its cost of equity is 14% and it is subject to corporate tax rate of 40%. The projected free cash flows to all investors of the firm for 5 years are as follows : 10

<u>Year end</u>	<u>Cash flow (Rs. in lakhs)</u>
1	300
2	200
3	500
4	150
5	600

Compute

- (a) valuation of firm and
 - (b) valuation from the perspective of equity holders.
- 3 "Not all the changes that a company undergoes would qualify to be called Corporate Restructuring". Comment. Explain the reasons for Corporate Restructuring. 10
- 4 What is Efficient Market theory ? How does valuation theory work in practice despite being contradictory to efficient Market theory ? 10
- 5 What are the typical characteristics of a target company ? Explain the various reasons why a target company's promoters agree to give up their control in favour of acquirers. 10
- 6 What are the various sources of funds for buy back ? Explain in detail. 10
- 7 What are the circumstances in which the securities of a company can get delisted ? What are the various forms or consequences of voluntary delisting ? 10
- 8 Write short notes on any two of the following : 5×2
- (a) Leverage Buyout
 - (b) Merger and Acquisition
 - (c) Financial Engineering.