Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 4 – EXAMINATION – SUMMER 2018

Subject Code: 2840201 **Date:28/05/2018**

Subject Name: Mergers & Acquisitions

Time:02:30 PM To 05:30 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. Answer the following MCQ by selecting a correct Answer **6**

Q.1 (a)

1. A merger in which an entirely new firm is created and both the acquired and acquiring firms cease to exist is called a
   A. Divestiture B. Consolidation
   C. Tender Offer D. Spin off
2. A business deal in which all publicly owned stock in a firm is replaced with a complete equity ownership by a private group is called a
   A. Tender Offer B. Proxy Contest
   C. Going Private D Leverage Buyout
3. An attempt to replace management in which a group of shareholders try to solicit votes is a
   A. Tender Offer B. Takeover
   C. Proxy Flight D. LBO
4. The merger of an oil refinery by a chain of gasoline stations is an example of a
   A. Conglomerate merger B. Vertical merger
   C. Horizontal merger D. White knight
5. A parent company sold a subsidiary to a group of managers of the subsidiary. The purchasing group invested $1 million and borrowed $49 million against the assets of the subsidiary. This is an example of a
   A. Spin off B. Joint Venture
   C. LBO D. Liquidation
6. All of the following are potential sources of tax savings in an acquisition except
   A. Unused Debt Capacity B. Net Operating Losses
   C. Economies of Scale D. Surplus firm of acquiring firm

Q.1 (b) Answer the following concepts **04**

1. Asset Based Valuation
2. Conglomerate Merger
3. Competition Act 2002
4. Equity Carve out

Q.1 (c) If the FCFF of the 8th year of cash flow projection is 525 lakhs, which is expected to maintain a growth of 5% constant growth thereafter and the WACC is 15.25%. What is the value of the firm? **04**

Q.2	**(a)**	Explain the concept and differences between Merger, Takeover and Consolidation. Discuss in detail the contraction strategies used by Companies as a Corporate Restructuring.	**07**
	(b)	Do Takeover Always succeed? What strategies do target companies employ to thwart takeover attempts?	**07**
		OR	
	(b)	State the implications of Corporate Restructuring on Companies, Industry and Market.	**07**
Q.3	**(a)**	Explain the process of Due Diligence. Does Due Diligence insure against M & A failure.	**07**
	(b)	Discuss & Differentiate LBO and MBO. What are the reasons for LBO not being so popular?	**07**
		OR	
Q.3	**(a)**	Discuss the Companies Act 1956 and 2013 in lieu of Amalgamations in detail.	**07**
	(b)	Why do Companies opt for listing and Delisting? Discuss the norm of Delisting given by SEBI in detail.	**07**
Q.4	**(a)**	Discuss in brief the different methods of Valuation. Suggest the most suitable method for the transactions of M & A considering its benefits in practical scenario	**07**
	(b)	Describe & Differentiate the two methods of valuation in detail.	**07**
		OR	
Q.4	**(a)**	Define ESOPs and its types in detail. State the importance of ESOP to Companies and Employees	**07**
	(b)	State the importance of Green field projects in Cross-border Acquisitions? Also discuss the benefits and failure of Cross Border Acquisitions.	**07**
Q.5		A Ltd. is considering merger with B Ltd. A Ltd. shares are currently traded at INR 20. It has 250000 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 means of stock swap. B Ltd has agree to plan under which A Ltd will offer the current market value of B Ltd shares.	**14**

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 its 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 A ltd pre merger and post merger EPS are to be same?

OR

Q.5 Sasken Communication Technologies Ltd. undertook buy back shares through tender offer mechanism to repatriate cash to its shareholders in an efficient manner. 41, 57,000 shares of face value INR 10 each at the price of INR 260. Total cash INR 108 Crores were offered through tender offer. Company proposes a 19.48% of number of shares for the buyback. Actual buyback executed for 36,56,560 shares with the total cash repatriation of INR 95 Crores. The buyback price was almost equal to the market value of the shares on date of intimation to stock exchange of the date of board meeting for considering the proposal of buyback. **14**

Pre buyback shareholding ► Promoters – 41.10% ► Others – 58.9%
Post buyback shareholding ► Promoters – 45.75% ► Others – 54.25%

Answer the following questions:

1. Describe the rule of SEBI 1998 and 2013 for the buyback in Indian Stock Markets. Also identify the provision of buyback in terms of maximum (%).
2. What are SEBI specific exemptions pursuant to buy-back of shares?
3. Taxation of capital gains in hands of shareholders – whether exempt?
4. Discuss in detail the advantages and disadvantages Saksen could have got with this buyback?

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