

VPM's
DR VN BRIMS, Thane
Programme: MMS (2014-16)
Fourth Semester Examination April 2016

Subject	Merger, Acquisition and Corporate Restructuring		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	09.04.2016

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

- Q1 A - Explain the valuation process in this case.
 B- Share any other brand buyout case in India or abroad
 C – Analyze the financial before and after the deal.

Q2. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- (a) Find out V_4 as per Gordon growth formula- D-20, D2-40, D3, 50, D4 onwards growth @10% , $k_e = 20\%$
 (b) Equity dividends are to be ignored while calculating FCFF & FCFE – State True or False (Justify your answers.)
 (c) List down the legal process of M&A in detail.

Q3. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- (a) FCFF for Year-1 – 100, Year- 2 – 120, Year -3 – 130, Year 4 -140, Year 5 -170, $g = 6\%$ constant from 6th year and debt- 300. calculate Value of firm5 – V_{firm5} .
 (b) What are leveraged buyouts? Why are special purpose vehicle created during LBO deals?
 (c) What is the advantage of acquiring a sick unit?

Q4. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- (a) If there are 100 registered user with Book My Show site and valuation of the company is 600mn then can you find out valuation of insider.com which has 500 registered users on its site. (explain in detail what type of valuation method is this.
 (b) Dividend at time 0 – 20, $k_e = 10\%$ $g = 5\%$, what will be the value of stock.
 (c) Discuss the history of hostile takeover in India ?

Q5. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- (a) Lakshman Traders Ltd acquires Ram Traders Ltd and has offered a swap ratio of 1:2, ie 6.5 shares for every 1 share of Ram traders Ltd. Following information is given

	A Ltd	T Ltd
PAT	9 00 000	180000
Equity Shares (no, outstanding)	300000	90000
EPS	1.5	1
PE Ratio	5 time	1 times
Market price per share	15	7

Find out the following

- i. No of equity shares to be issued by Lakshman Traders Ltd for acquisition of Ram Ltd
- ii. What is EPS of Lakshman traders Ltd after acquisition

(b) Determine the equivalent earning per share

What is the expected market price per share of Laksham traders Ltd after acquisition assuming PE multiple remain unchanged.

(c) What are Poison Pills and when are they used?

Q6. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

(a) What is goodwill impairment ?

(b) If the dividend paid by O Ltd last year was Rs 6 per share and it is expected that it will perceptually grow by 20% p.a, also that the investor needs 30% return to invest in the equity shares of XYZ Ltd, calculate the value of equity share of XYZ Ltd.

(c) Discuss Oracle and People soft case in detail ?

Q7. Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

Dr Lal Ltd wants to acquire Lupin Ltd by way of merger, following information is given

	Zaro Ltd	Vedic Ltd
Earning after tax	40,00,000	12,00,000
No of Equity shares	8,00,000	2,00,000
Market price per share	100	80

(a) If there is exchange of equity and swap is based on market price, what is the new EPS of acquired firm?

(b) Lupin Ltd wants to be sure that earning available to its shareholders should not be diminished by way of merger, in such a scenario what should be the exchange ratio?

(c) Give your views whether this merger would be successful or not.