Course Name: Corporate Valuation and Mergers & Acquisitions		Course Code	MMS - F305
Roll No.		Marks	60
Total No. of Questions	6	Duration	3 Hours
Total No. of printed pages	3	Date	09/02/2023

Course Outcome Statements:

CO1. DEFINE basic terminologies used in Corporate Valuation and Mergers & Acquisitions

CO2. EXPLAIN the concepts & theoretical frameworks in relation to Corporate Valuation and Mergers & Acquisition

CO3. MAKE USE OF Dividend Discount Models, Free Cash Flow models, relative valuation models to find the appropriate value of companies; carry out due diligence, measure synergy, application of alternative business restructuring strategies and pre-offer, post-offer defence mechanism.

CO4. EXAMINE valuations arrived from DDM, FCF based models, valuations of Mergers & Acquisitions, appropriateness of the alternative business restructuring strategies and pre-offer, post-offer defence mechanism

CO5. RECOMMEND 'Merger Acquisition Deals' and 'investment Avenues' based on appropriate evaluation of financial information

CO6. DEVELOP a Valuation Report for a public listed company in the Indian stock market using both absolute valuation and relative valuation techniques.

Instructions: - Q. No 1 (All Questions are Compulsory)			Marks	BL	CO
Q. No.		**Questions**			
Q. 1		Case/Case-let Study (500-800 words)			
	a.	**LeDosh (LD)** Financial Information Latest year's revenue: $952m Latest year's net income: $ 190.5m Valuation Considerations (for Standalone Valuation) Average EV/revenue multiple in industry: 2.3x Average EV/net income multiple in industry: 10.5x Synergy Considerations The present value (PV) of the additional future cash flows derived from the maximum anticipated revenue synergies is $670m. However, it is uncertain whether these synergies will materialize The present value (PV) of the incremental future cash flows derived from the maximum anticipated cost synergies is $150m. However, it is uncertain whether these synergies will materialize Recent Accounting Scandals LD has been involved in an accounting scandal involving one of its former clients. Rumours suggest the LD accountants did not spot major accounting issues affecting the (now bankrupt) client. The regulator and former investors are possibly pursuing U2, and Segal analysts estimate the present value of the combined potential future liability facing LD to be $130m Analyze the financial performance of Le Dosh company if it was a target firm and you are thinking of acquiring it.	6	Level 4	CO4

	b.	**Swaraj Paul's failed bids for the takeover of Escorts and DCM"** In the 1980s far before the liberalization of the Indian economy and promulgation of the takeover code, London-based NRI Swaraj Paul made a hostile bid to control the management of two Indian companies, Escorts Limited and DCM (Delhi Cloth Mills) Limited by picking up their shares from the stock market. This had created a lot of ripples in the Indian corporate sector and was widely reported in the media but had to face major obstacles from government-run financial institutions. The Life Insurance Corporation opposed this hostile bid and supported the two distressed companies. The two companies refused to register the transfer of shares in his name. Promoters of the two companies, the Nanda and Shri Ram families used their political links to defeat the hostile bid of Paul. Though Swaraj Paul failed to fulfill his dream of controlling Escorts and DCM, but was successful in highlighting how particular families were able to exercise managerial control over large corporate entities despite holding a minuscule proportion of the concerned company's shares". Question – Choose the best defensive strategy that could have been adopted by Escorts Limited and DCM (Delhi Cloth Mills) in 1980s in absence of SEBI.	6	Level 5	CO5
Q. 2		Answer **Any one** from the following.			
	a.	Evaluate the performance of these 3 automobile companies and infer your observation. Tesla had a market capitalization of $50.5 billion. On top of that, its balance sheet showed liabilities of $17.5 billion. The company also had around $3.5 billion in cash in its accounts. Ford had a market capitalization of $44.8 billion, outstanding liabilities of $208.7 billion, and a cash balance of $15.9 billion. Lastly, GM had a market capitalization of $51 billion, balance sheet liabilities of $177.8 billion, and a cash balance of $13 billion	6	Level 5	CO5
	b.	Compare Black-Scholes v Binomial option pricing	6	Level 5	CO5
Q. 3		Answer **Any one** from the following.			
	a.	The estimation of terminal value is helpful to individual investors who wish to analyse and invest based on fundamental analysis. Analyse firm A on the same ground based on the following information. Firm A is expected to generate 10,000 dollars in the next year and expected to grow at 10% for the next years after which it will stabilize to long term stable growth rate of 5%. The cost of capital for the firm is 8%. Calculate the terminal value for the same.	6	Level 4	CO4
	b.	When looking at an acquisition of a company, analyse why do we pay more attention to Enterprise than Equity Value	6	Level 4	CO4

Q. 4		Answer **Any two** from the following.			
	a.	Pin Limited furnishes the following information relating to the previous 3 years and requests you to compute value of the brand.	6	**Level 3**	**CO3**

In lakhs

Particulars	2018	2019	2020
Profit before interest and tax	75	85.25	150
Loss on sale of assets	3.00		18.00
Non operating income	12.00	7.25	8.00

Inflation was 9% for 2019 and 15% for 2020. The capitalization factor was 14, tax rate was 35%. Calculate the brand value.

	b.	MK Ltd. is considering acquiring NN Ltd. The following information is available:	6	**Level 3**	**CO3**

Company	Earnings after Tax (Rs.)	No. of Equity Shares	Market Value Per Share (Rs.)
MK LTD	6000000	1200000	200
NN LTD	1800000	300000	160

Exchange of equity shares for acquisition is based on current market value as above. There is no synergy advantage available.

Required :
(i) Find the earning per share for company MK Ltd. after merger, and
(ii) Find the exchange ratio so that shareholders of NN Ltd. would not be at a loss.

	c.	Exxon's statement of cash flows shows that the company had $8 $8519 million in operating cash flow in 2018. The company also invested in new plant and equipment, purchasing $3349 million The purchase is a capital expenditure (CAPEX) cash outlay. During the same period, Exxon paid $300 interest, subject to a 30% tax rate. Calculate FCFF	6	**Level 3**	**CO3**
Q. 5		Answer **Any two** from the following.			
	a.	Describe due diligence process in case of an acquisition?	6	**Level 2**	**CO2**
	b.	Explain the following- de-merger and equity carved out - support your answer with examples?	6	**Level 2**	**CO2**
	c.	Explain the relevance of Industry PE as a part of valuation ratio in M&A world?	6	**Level 2**	**CO2**
Q. 6		Answer **Any two** from the following.			
	a.	List down negotiation strategies in a M&A deal.	6	**Level 1**	**CO1**
	b.	What are the approaches to valuation?	6	**Level 1**	**CO1**
	c.	What do you understand by the term corporate restructuring?	6	**Level 1**	**CO1**