

MAC 03

19/10/2012

MMS-III
(Finance)

Roll no

Total Printed Pages: 3

Total No of Question : 4

Maximum Marks: 60

Duration (Hours) 3

Mmr (mkt)
Merger, Acquisitions & Corporate Restructuring.

Note: Answer any 3 questions. Marks given to the right indicates full marks

1. (a) List down & explain types of Merger/Acquisition/Restructuring etc
(10)

(b) You are the VP-Finance of a cash rich company which is into premium textile fabric manufacturing, based out of South India, since last 2 decades. You are supplying to premium brands like Louis Philips, Arrow, Park Avenue etc. The local & export market for readymade branded garments is growing. Mumbai Dyeing is an identified company which is into readymade garments and has manufacturing units in all the Metros, but has been making losses since last 3 years due to lack of focus. The Co is owned by a group which is into many industries since last more than 100 years and has huge properties. The CFO wants you to evaluate option of acquiring this Co in a year's time, for value addition to the existing business.

What are the factors/steps you would follow for evaluation and acquisition process if you decide to acquire? What are the risk and how would you mitigate them to make the acquisition successful and profit making. Answer in brief (10)

2. Write short notes on the following covering the essential points:
(20 marks)

- (a) Synergies in M&A. Give some examples in Indian M&A. Illustrate additional value created in a synergy with a simple numerical example. (10)
- (b) Explain Due Diligence and its main focus areas. Mr. Budget the CFO of a Company which is taking over S Co for Rs.200 crores which is a reputed Co, tell his investment banker to reduce their cost of acquisition by Rs.10cr by not conducting due diligence as the Co is well known in the market. Give your views on the CFO's cost saving measure. (10)

3. (a) Methods of Valuation and pros and cons of each (6)

(b) Company A wants to buy Company S for Rs.500 crores, the max they think it is worth. However, Company S wants Rs750 crore. Company A could use option of stock v. cash for the additional Rs.250 crore. Both are listed on the stock exchange.

(i) Under what circumstances might Company A agree to the additional Rs.250 crore? (2)

(ii) In case cash is given for the full amount, who bears all the risk.? (2)

(b) The following information is provided by the CFO of B Co which wants to takeover S Co. (10)

	Rs.crores
NOPF	200
Tax rate	30.6%
WACC	12%
Debts & Others assets	750
Creditors & Other Liabilities	500

You are a consultant to the Co and are requested to **value the Entity based on DCF model.**

4. (a) What are the legal steps to be followed under Companies Act for a Merger? (10)

(b) Co Slow is merging with Co Fast. Following is the information:
 Seller Co is issued 1 share for every 2 held, by the Buyers Co.

	Rs.Cr			Expln for col 3
	1	2	3	
	Buyer (Fast)	Seller (Slow)	Combined (B+S)	
Price Earnings ratio	30	10	25	Assumed Assumed Income is Constant post merger
Net Income	100	100	200	
(a) No of shares outstanding(lakh)	20	20	?	
(b) EPS	5	5	?	
(c) Market Value per share	150	50	?	

	Buyer		Seller	
	Premerger	Postmerger	Premerger	Postmerger
i. EPS	5	?	5	?
ii. Market Value per share	150	?	50	?

(a) Give answers for (i) to (ii) above (8)

(b) Which Co's EPS increases more in the above and why? (2)

Best of Luck