

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA-SEMESTER-IV-EXAMINATION-SUMMER-2025**

**Subject Code: 4549222****Date: 31/05/2025****Subject Name: Corporate Restructuring and Valuation****Time: 10:30 AM TO 01:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

- Q.1. Explain the following terms. 14**
- a Exchange Ratio
  - b Equity Carve-out
  - c Divestiture
  - d Reverse Merger
  - e Absorption
  - f ESOPs
  - g Leveraged Buyout

- Q.2 (a) A manufacturing company is considering merging with a competitor, a supplier, or a firm in a different industry. Discuss the types of mergers they could pursue with each one and the reasons behind these choices. 07**

- Q.2 (b) Using the comparable companies approach, determine the value of Tech Innovations Pvt. Ltd. The following data is provided for three comparable firms: 07**

Particulars	Alpha Tech Ltd.	Beta Tech Ltd.	Gamma Tech Ltd.
Market /Net Income (P/E Ratio)	28	32	36
Market/Book	2.7	2.5	3.2
Market/Sales	2.5	2.4	3.00

Tech Innovations Pvt. Ltd. has the following financials: Current Sales: ₹400, lakhs, Book Value of Equity: ₹300 lakhs and Net Income: ₹60 lakhs.

**OR**

- Q.2 (b) Calculate the value of SmartTech Ltd. using the Free Cash Flow to Equity (FCFE) model based on the following data: Earnings Per Share (EPS): ₹5, Capital Expenditure: ₹4, Depreciation per share: ₹3, Change in Working Capital: ₹1, Expected Growth Rate: 10%, Beta: 1.1, Risk-free Rate: 7%, Market Risk Premium: 5% 07**

- Q.3 (a) An Indian tech company is exploring opportunities for growth beyond its domestic market. What could be the benefit of such cross-border expansion to the Indian tech company? Support your answer with examples. 07**

- Q.3 (b) Zeta Ltd. wants to forcefully acquire Alpha Technologies. In response to this, which strategies Alpha Technologies can adopt to avoid this takeover? Discuss any three in details. 07**

**OR**

**Q.3 (a)** Despite careful planning, many mergers and acquisitions fail to deliver the expected outcomes. What factors typically contribute to the failure of M&A deals, and how can companies mitigate these risks? **07**

**Q.3 (b)** Following are the particulars of two Company X and Company Y Ltd. **07**

“X LTD Plans to acquire Y LTD”

Particulars	X Ltd.	Y Ltd.
Profit After Tax	3,00,000	80,000
Number of Shares	12,000	5,000
P/E Ratio	8 times	5 times

Calculate exchange ratio based on EPS and the value of the firm.

**Q.4 (a)** An amalgamation is classified as an amalgamation in the nature of a merger when specific conditions are met. Explain these conditions. **07**

**Q.4 (b)** Omega Industries has a value of ₹100 Mn and Delta Enterprises has a value of ₹50 Mn. If the two companies merge, cost savings with a present value of ₹15 Mn are expected. Omega proposes to offer ₹60 Mn as cash compensation to acquire Delta. What is the Net Present Value (NPV) of the merger to both firms? **07**

**OR**

**Q.4 (a)** Discuss the concept of intangible asset valuation, specifically focusing on goodwill and brand valuation. **07**

**Q.4 (b)** Give an overview of different business valuation methods and explain any two in detail. **07**

**Q.5** In recent years, the technology sector has seen rapid growth, with increasing demand for innovative solutions and software. To better compete in this dynamic environment, XYZ Tech Ltd., a major player in hardware and enterprise solutions, is exploring a merger with ABC Soft Ltd., a smaller but fast-growing company known for its unique proprietary software. The leadership of XYZ Tech believes that combining their hardware expertise with ABC Soft's software capabilities could create a more comprehensive and competitive product offering.

The merger will be executed through a stock exchange, where the shareholders of ABC Soft Ltd. will receive shares of XYZ Tech Ltd. based on the companies' current market prices. Both firms are financially stable, and below are their key financial details:

Particulars	XYZ Tech Ltd	ABC Soft Ltd
Profit After Tax	₹60,00,000	₹25,00,000
Number of Outstanding Shares	10,00,000	5,00,000
Market Price Per Share	₹40	₹30

With this merger, XYZ Tech Ltd. aims to boost its technological expertise and strengthen its market position. Both companies hope to benefit from economies of scale, shared resources, and enhanced product offerings.

**(a)** Calculate the pre-merger Earnings Per Share (EPS) and (P/E) ratio for both companies. **07**

**(b)** If you are appointed as consultant by XYZ Tech Ltd for conducting the due diligence for the said merger, which key areas will you evaluate? Discuss. **07**

**OR**

**(a)** Assuming the merger takes place based on an exchange of equity shares, and the exchange ratio is determined by the current market price, calculate the new EPS for XYZ Tech Ltd after the merger. **07**

**(b)** Discuss the potential benefits and risks of this merger for both XYZ Tech Ltd. and ABC Soft Ltd. **07**

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