

**GUJARAT TECHNOLOGICAL UNIVERSITY****MBA - SEMESTER– IV EXAMINATION – WINTER 2020****Subject Code:4549222****Date:05/01/2021****Subject Name:Specialization-Finance\_Corporate Restructuring and Valuation (CRV)****Time:02:00 PM TO 04.00 PM****Total Marks: 47****Instructions:**

1. Attempt any THREE questions from Q1 to Q6.
2. Q7 is compulsory.
3. Make suitable assumptions wherever necessary.
4. Figures to the right indicate full marks.

**Q.1 Explain following terms in brief:**

- (a) **06**
- 1) Corporate Restructuring
  - 2) Synergy
  - 3) Cross Border Acquisition
- (b) **06**
- 1) ESOP
  - 2) Liquidation Value
  - 3) Lollipop defense

- Q.2 (a)** Differentiate Mergers & Acquisition with suitable latest examples. Also discuss various motives for M&A **06**
- (b)** What is takeover? Explain various forms of takeover. **06**

- Q.3 (a)** Ansh Ltd. wants to acquire Archi Ltd and has offered a swap ratio of 1:2 (0.5 shares for every one share of Archi Ltd.). Following information is provided : **06**

| Particular                       | Ansh Ltd.       | Archi Ltd.    |
|----------------------------------|-----------------|---------------|
| Profit after tax                 | Rs. 2,000 lakhs | Rs. 400 lakhs |
| Equity shares outstanding (Nos.) | 200 lakhs       | 100 lakhs     |
| PE Ratio                         | 10 times        | 5 times       |

You are required to find out,

- a. What is the swap ratio based on current market price?
  - b. What is the EPS of Ansh Ltd. after the acquisition?
  - c. What is the expected market price per share of Ansh Ltd. after the acquisition, assuming its PE multiple remains unchanged?
  - d. Determine the market value of the merged firm.
- (b)** Explain Spin Off, Split-Ups, Equity carve out in detail with suitable examples. **06**

- Q.4 (a)** Discuss the various approaches of Valuation in detail. **06**
- (b)** What is due diligence? Also discuss types of due diligence. **06**
- Q.5 (a)** Hirva Ltd furnishes following information. **06**
- Share Capital:
- 55,00,000 Equity Shares of Rs. 10 each. (Fully Paid Up)
  - 5,50,000 10 % Preference shares of Rs. 100 each. (Fully Paid Up)
- Liability to Outsiders : Rs. 75,00,000  
Reserve & Surplus : Rs. 45,00,000
- Out of total assets Fictitious Assets are of Rs. 41,00,000
- The average normal Profit after taxation earned very yea by the company during the last five years Rs. 85,05,000
- The Normal Profit earned on the market value of fully paid up equity shares of similar companies is 12 %
- Calculate the Fair Value of an Equity Share.
- Q.5 (b)** Explain AS 14 and also discuss various methods of Accounting. **06**
- Q.6 (a)** From the Following information of Dhairyaa Ltd, Find out Value of Share **06**
- Earning Per Share – Rs. 4
  - Capital Expenditure – Rs.3
  - Depreciation per Share – Rs. 2.5
  - $\triangle$  Working Capital – Rs. 0.5
  - Expected Growth – 9%
  - Beta Co-efficient – 0.9
  - Risk Free Rate of Return – 8%
  - Market Risk Premium – 6%
- Q.6 (b)** Discuss the various methods of Valuation of Human Resources. **06**

**Q.7 CASE STUDY**

**Walmart`s Entry into Indian Online Retail through Flipkart Acquisition**

Flipkart is an Indian e-commerce company. It was founded by Sachin Bansal and Binny Bansal in 2007. The company initially focused on book sales, after that expanding into other product categories such as consumer electronics, fashion, home essentials & groceries, and lifestyle products.

On 4 May 2018, it was reported that the US retail chain Walmart had won a bidding war with Amazon to acquire a majority stake in Flipkart for US\$15 billion. On 9<sup>th</sup> May 2018, Walmart officially announced its intent to acquire a 77% controlling stake in Flipkart for US\$16 billion, a valuation of over \$20 billion subject to regulatory approval. Following the proposed purchase, Flipkart co-founder Sachin Bansal left the company, while the remaining management now report to Marc Lore, CEO of Walmart

eCommerce US. Walmart president Doug McMillon cited the "attractiveness" of the market, explaining that their purchase "is an opportunity to partner with the company that is leading transformation of eCommerce in the market". Indian traders protested against the deal, considering the deal a threat to domestic business.

Walmart acquired a majority stake in Flipkart, the largest online marketplace in India. This is also the biggest ever deals in the history of Walmart, which is trying hard to expand in the online retail business around the world to compete with its rival Amazon. Amazon global is a leading e-commerce portal and Walmart wants to compete against it online and in fact wants to stay ahead of Amazon, hence it considered few points before taking this decision. India is the only place Walmart could look at to fulfill its dream after China because the scope of development in India is more than any country for its size and growth rate. The customer base for Flipkart is more than Amazon India and Flipkart is growing rapidly every year and for fiscal year ending 2018. Bansals' approach towards innovation, scope of development and management skills has impressed Mc Millan (President and CEO of Walmart) to think further on the acquisition – though Flipkart is nowhere close to profits.

While the deal is expected to generate synergies for both Walmart and Flipkart, Walmart will have to face challenges as Flipkart has accumulated losses of US\$3.6 billion and these are not going to decrease in the near future because of the deep discount strategy followed by Indian online retailers. It is high time the management of Walmart developed some foolproof plan to reduce Flipkart's losses and keep its number one position intact while competing with Amazon in the Indian market.

Apart from the investment, Flipkart received US\$2 billion additionally for its vision to accelerate growth directly benefiting its customers. Flipkart's own supply chain arm eKart serves approximately more than 800 cities, delivering 5 lakh products in an average daily. With this deal, Walmart will bring in grocery and merchandise supply-chain knowledge and financial strength, and Flipkart will make the most of the merger to grow into a listable (part of the visigiant quickly. Walmart's main rival Amazon India is leaving no stone unturned when it comes to adoption of newer technology.

- .
- |            |                                                                                                             |            |
|------------|-------------------------------------------------------------------------------------------------------------|------------|
| <b>(a)</b> | Discuss the core objectives behind acquisition of Flipkart by Walmart.                                      | <b>5.5</b> |
| <b>(b)</b> | Analyze the challenges and the growth strategies of Walmart at global market                                | <b>5.5</b> |
| <b>OR</b>  |                                                                                                             |            |
| <b>(a)</b> | Evaluate the impact of merger and acquisition on Indian e-commerce Industry.                                | <b>5.5</b> |
| <b>(b)</b> | Analyze the acquisition of Flipkart by Walmart and its potential synergies from the view point of Flipkart. | <b>5.5</b> |