

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER –IV-EXAMINATION – WINTER-2022

Subject Code: 1549503**Date: 14/12/2022****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.

- Q.1** Explain following terms : **14**
- (a) Reverse Merger
 - (b) Liquidation Value
 - (c) Net Assets Value
 - (d) Poison Pill
 - (e) Spinoff
 - (f) Price-Earning Multiple
 - (g) Human Resource Valuation
- Q.2** (a) Explain the concept and differences between Mergers & Takeovers. Discuss in detail the contraction strategies used by Companies as a Corporate Restructuring. **07**
- (b) Cross border acquisitions are becoming very popular due to their capacity to generate additional revenues for the acquirer. Globalization and liberalization have made the business environment more conducive for them. While cross border acquisitions are good, they do not always succeed due to number of challenges faced by the acquirer before and after the acquisition. With reference to this, explain various reasons and benefits of cross border acquisitions. Also give one real life example of Cross-border acquisitions. **07**

OR

- (b) With reference to Accounting standard- 14, discuss in brief different methods of amalgamation and conditions for the same if any. **07**
- Q.3** (a) Explain concept of Intangible valuation and also explain in detail about Human Resource, Goodwill and Brand Valuation. **07**
- (b) Large company is intending to acquire small company by merger and following information is available in respect of companies. **07**

Particulars	Large Company	Small Company
Number of equity shares	10,00,000	6,00,000
Earnings after tax	Rs. 50,00,000	Rs. 18,00,000
Market value per share	Rs. 42	Rs. 28

1. What is the present EPS of both the companies ?
2. If proposed merger take place, what would be the new EPS of Large company. Assume that merger takes place by exchange of equity shares and exchange ratio is based on current market price.
3. What should be the exchange ratio if Large company wants to ensure that EPS before merger and EPS after merger remains same ?

OR

- Q.3 (a)** Write short notes on Asset based valuation and Earning Based valuation. **07**
- (b)** The free cash flow of a firm is projected to grow at a compound annual average rate of 25% for the next 5 years. Growth is then expected to slow down to a normal 10 % annual growth rate. The current year's cash flow to the firm is Rs.4 lakh. The firm's cost of capital during high growth period is 18% and 12 % beyond the fifth year, as growth stabilizes. Compute the value of the firm. **07**

- Q.4 (a)** What is Business valuation ? Describe the valuation process in detail. **07**
- (b)** The following financial information is available for company D, a pharmaceutical company **07**

PBDIT	Rs. 18 Crore
Book value of Assets	Rs. 90 Crore
Sales	Rs. 125 Crore

Based on evaluation of several pharmaceutical companies, companies A, B and C have been found to be comparable to company D. Looking at the characteristics of A, B and C following multiples are reasonable for company D.

MV/PBDIT	17
MV/Book Value	3
MV/Sales	2.2

Find out value of D by using each of the above multiple.

OR

- Q.4 (a)** Explain about Market based valuation methods with specific reference to Comparable company and transaction analysis Method ? Support your answer with specific example. **07**
- (b)** On 31st March, 2010, T Ltd. Merged with A Ltd. A Ltd agreed to take over all assets and liabilities of T Ltd. At book value. The consideration was fixed at Rs. 4,00,000 to be discharged by the transferee company in the form of its fully paid up equity shares of Rs. 10 each for every two shares held in T Ltd. Balance sheets of both the companies are as follows : **07**

Liabilities	A Ltd.(Rs)	B Ltd.(Rs)	Assets	A Ltd.(Rs)	B Ltd.(Rs)
Share capital (equity share of Rs. 10 each fully paid)	9,00,000	2,00,000	Goodwill	2,00,000	60,000
General Reserve	1,80,000	50,000	Plant & Machinery	4,12,000	1,00,000
Profit & Loss A/C	20,502	12,900	Furniture	80,000	30,000
Workmen Compensation Fund	12,000	9,000	Stock in Trade	2,65,500	60,000
Sundry Creditors	58,567	30,456	Sundry Debtors	2,21,200	46,700
Staff provident Fund	10,200	4,000	Income tax refund claims	-----	6,000
Provision for taxation	12,300	5,000	Cash in hand	869	356
			Bank Bal.	14,000	8,300
Total	11,93,569	3,11,356	Total	11,93,569	3,11,356

Amalgamation expenses amounting to Rs. 1000 were paid by A Ltd. You are required to show the balance sheet after amalgamation.

Q.5 CASE STUDY: IDEA-VODAFONE MERGER

Vodafone is the third largest telecommunication provider in the country. Vodafone and Idea announced their merger in March 2017. And as of 31st August 2018, it is known as Vodafone Idea Limited. This merger was first announced in March 2017. Afterwards, in July 2018, the department of telecommunication gave the approval for the merger. Finally, on 31st Aug 2018, the merger was completed and it is announced as Vodafone Idea Limited. The merger mainly held because of price war, competition and to create strong position in the industry. According to the past in the telecom industry, major telephone operators believes the merger is a strong tool to be in the lead position. As Airtel acquires the Telenor, it acquires the scope and business from other small telecommunication companies like Augere Wireless, Videcon, Tikona(4G Spectrum) etc. However, the announcement of the merger creates a negative image in the public, when the Vodafone and Idea merger was announced the Idea price started to drop. And the share price of Idea declines from Rs. 97.70 on 20th March 2017 to Rs. 81.81 on 6th Sep 2017.

- (a) Explain the major reasons behind the merger of Idea & Vodafone. **07**
- (b) What are the pre and post- merger challenges of Idea-Vodafone Merger, Critically evaluate it. **07**

OR

- (a) What could the due-diligence strategies employed by two of the companies at the time of merger. **07**
- (b) Does this merger proves to be a accretive or dilutive ? Support your opinion with proper justification. **07**
