

Enrollment No.: _____

Seat No.: _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER - IV EXAMINATION - WINTER 2025

Subject Code: 4549222

Date: 17-12-2025

Subject Name: Corporate Restructuring and Valuation

Time: 02:30 PM TO 05:30 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 terms: **14**

- a. People Pill
- b. Joint Venture
- c. P/E Ratio
- d. FCFF
- e. Delisting
- f. Brands
- g. Leveraged Buy-out

Q. 2 (a) What do you understand by the term Corporate Restructuring? Also list down **07**
major forms of Corporate Restructuring.

Q.2 (b) Explain the difficulties companies faces in cross border acquisitions. **07**

OR

Q. 2 (b) Explain various motives and synergies behind Mergers and Acquisition Deals **07**
with suitable illustrations.

Q. 3 (a) Explain the concepts (i) book value (ii) market value (iii) liquidation value **07**

Q. 3 (b) Balance sheet of XYZ Limited as on March 31 (current year) is as follows: **07**
(Rs lakh)

Liabilities	Amount	Assets	Amount
10 lakh Equity shares of Rs. 20 each, fully paid up	200	Plant and machinery	250
13% Debentures	100	Furniture and fittings	5
Retained Earnings	50	Inventories	90
Creditors and other current liabilities	30	Debtors	25
		Bank balance	10
	380		380

(i) The company is to be absorbed by ABC Limited on the above date. The consideration for absorption is the discharge of debentures at a premium of 10 per cent, taking over the liability in respect of sundry creditors and other current liabilities and payment of Rs 14 in cash and one share of Rs 10 in ABC Limited, at the market value of Rs 16 per share, in exchange for one share in XYZ Limited. The cost of dissolution of Rs 10 lakh is to be met by the purchasing company.

(ii) Expected incremental yearly free cash flows (FCFF) from acquisition for 5 years are as follows: (Rs lakh)

Year-end 1	Rs 100
2	135
3	175
4	200
5	80

(iii) The FCFF of XYZ Limited are expected to be constant after 5 years.

(iv) Cost of capital relevant for XYZ Limited cash flows is to be 14 per cent.

Based on the above information, comment on the financial soundness of ABC's decision regarding merger.

OR

Q. 3 (a) What is valuation? Explain in brief the various approaches of valuation. **07**

Q. 3 (b) The Good Vibes Limited is a growing company. Its free cash flows for equity holders (FCFE) have been growing at a rate of 25 per cent in recent years. **07**

This abnormal growth rate is expected to continue for another 5 years; then these FCFE are likely to grow at the normal rate of 8 per cent. The required rate of return on these shares, by the investing community, is 15 per cent; the firm's weighted average cost of capital is 12 per cent. The amount of FCFE per share at the beginning of the current year is Rs 30. Determine the maximum price an investor should be willing to pay now ($t=0$), based on free cash flow approach. The issue price of share is Rs 500.

Q. 4 (a) Write a short note on fair value Method. **07**

Q. 4 (b) What are the five conditions that have to be satisfied for an amalgamation to qualify as 'amalgamation by way of merger'? **07**

OR

Q. 4 (a) What are the reasons to conduct intangible valuation? Explain in brief valuation of Goodwill. **07**

Q. 4 (b) The following data concern companies Lunar Ltd. and Solar Ltd.

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Particulars	Lunar Ltd.	Solar Ltd.
EAT (Rs.)	1,40,000	37,500
Equity shares outstanding	20,000	7500
EPS (Rs.)	7	5
P/E ratio (times)	10	8
Market price per share (Rs.)	70	40

Company Lunar Ltd. is the acquiring company, exchanging its one share for every 1.5 shares of Solar Ltd. Assume that company Lunar Ltd. expects to have the same earnings and P/E ratio after the merger as before (no synergy effect), show the extent of gain accruing to the shareholders of the two companies as a result of the merger. Are they better or worse off than they were before the merger?

Q. 5 Case Study

The acquisition of Mindtree, an information technology services company, by Larson and Toubro (L&T), a prominent construction and engineering company, has garnered significant attention in the Indian M&A market. Larsen & Toubro Limited, the purchasing company, is a publicly listed Indian corporation that is affiliated with the L&T group. The L&T group is a prominent conglomerate in the technology, engineering, construction, manufacturing, and financial services sectors, with a global presence. In contrast, Mindtree Limited, the corporation under consideration, is a publicly traded entity with its headquarters located in Bangalore. The software service company was established in 1999 by a collective of ten IT specialists and subsequently became publicly traded in 2007.

The agreement was unique as it has been referred to as the first hostile takeover in the Indian market. The takeover was hostile as L&T, seeking to gain a majority ownership in Mindtree to expand its technology division, proposed to buy Mindtree's shares from its promoters, who unanimously declined the offer.

Offers and Negotiations

V. G. Siddhartha, the non-executive director of Mindtree and the founder-promoter of Coffee Day Enterprises (“CDE”) held individually and through his companies, 20 % shares in Mindtree, whereas the promoters of the target company collectively held only 13.32 % shares in the company. Since Siddhartha and his company were burdened with debt and urgently needed to liquidate his holdings in Mindtree, Siddhartha asked L&T to acquire their shares. By acquiring Siddhartha’s shares in 2019 at the rate of Rs. 981/- per share, L&T’s shareholding in the target company far exceeded that of the promoters. L&T then made an open offer for the purchase of 31% shares. However, under Reg. 6 (1) of the Securities and Exchange Board of India (“SEBI”)

Substantial Acquisition of Shares and Takeover (“SAST”), Regulations (2011) which is more widely referred to as the Takeover Code, a voluntary open offer could only be made by persons holding 25% – 75% voting rights in the company. When the matter was under consideration by SEBI, L&T managed to acquire shares from the secondary market via open market purchases through which its stake reached 28.9% and eventually it received SEBI’s approval.

In pursuance of Reg. 3(1) of the Takeover Code, when an acquirer acquires 25% or more voting rights, they have to mandatorily make a public announcement of an open offer for acquiring shares of the public shareholders. This provides the public shareholders an exit opportunity as there is a significant change in the control, management, and the promoters of the company. Thus, in accordance with the regulation, L&T made a public announcement for an open offer of 31% of the total voting share capital of Mindtree. Briefly put, L&T acquired around 20% shares through direct acquisition from Siddhartha and his companies, around 9% shares were acquired through open market purchase and finally 31% shares were acquired through the open offer through which L&T’s total shareholding reached 60% and they acquired control over the board and management of the target company.

Rationale of the Acquirer and the Target

In the letter of offer, that L&T filed with SEBI, L&T mentioned that L&T’s software services business under L&T Infotech would benefit from the acquisition as the aim was to deliver best IT services globally to the clients and take the company’s technology portfolio among the top tier IT companies. Furthermore, the acquiring company was sitting on huge cash reserves which it believed were enough to fund the takeover. In acquiring Mindtree, L&T saw synergies with L&T Infotech, its listed group company in the IT space. This acquisition is expected to expand its IT service business and increase value for L&T Infotech’s shareholders.

The Mindtree promoters, however, opposed the takeover and the fact that L&T pursued this transaction despite opposition from the promoters of the target company turned the deal hostile. Mindtree promoters released a press statement on 18th March 2019 opposing the Takeover bid of L&T stating that it would undo all the progress made since the past two decades. Furthermore, the management was also resistant from becoming a part of a company that was culturally different from Mindtree. Various reports suggest that it was a classic case of founders not being able to give up their emotional connect with the company.

(a). How did the hostile nature of the takeover impact the negotiation dynamics between L&T and Mindtree's promoters? **07**

(b). What defense strategies Mind tree could have used ? **07**

OR

(a). What is a Hostile takeover? Why this acquisition can be considered as a hostile takeover? **07**

(b). How did V. G. Siddhartha's financial situation and his need to liquidate his holdings in Mindtree influence the acquisition process? **07**
