Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER–IV • EXAMINATION – SUMMER 2013

Subject Code: 840201 **Date: 10-05-2013**

Subject Name: Corporate Restructuring

Time: 14:30pm – 17:30pm **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1 **(a)** Define Corporate Restructuring. Explain the main forms of Corporate Restructuring. **07**

(b) Define Acquisition and ways to acquire control over a target company. Also Explain Demerger and its main types. **07**

Q.2 **(a)** What is takeover? Explain various forms of takeover with appropriate examples. **07**

(b) Explain the accounting principles prescribed by ICAI, applicable to Amalgamations in India. **07**

OR

(b) Highlight the important features of SEBI Guidelines, 1998. **07**

Q.3 **(a)** Describe various anti-takeover strategies used by Indian companies to protect themselves from undesirable takeover. **07**

(b) Virani Company plans to acquire Desai Company. The relevant financial details of the two firms, prior to merger announcement, are given below: **07**

	Virani Company	**Desai Company**
Market Price Per Share	Rs. 60	Rs. 25
No. of Shares	3,00,000	2,00,000

The merger is expected to bring gains which have a present value of Rs. 4 million. Virani Company offers one share in exchange for every two shares of Desai Company.

(a) What is the true cost of Virani Company for acquiring Desai Company?
(b) What is the net present value of the merger to Virani Company?
(c) What is the net present value of the merger to Desai Company?

OR

Q.3 **(a)** Define Acquisitions. Differentiate between Friendly and Hostile Acquisitions. **07**

(b) Ram Ltd. and Shyam Ltd. are discussing a merger deal in which Ram Ltd. will acquire Shyam Ltd. The relevant information about the firms is given as follows: **07**

Particulars	**Ram Ltd.**	**Shyam Ltd.**
Total Earnings	Rs. 36 million	Rs. 12 million

Number of outstanding shares	12 million	8 million
Earnings Per Share	Rs. 3	Rs. 1.5
Price-Earnings Ratio	10	6
Market price per share	Rs. 30	Rs. 9

1. What is the maximum exchange ratio acceptable to the shareholders of Ram Ltd., if the PE Ratio of the combined firm is 8?
2. What is the minimum exchange ratio acceptable to the shareholders of Shyam Ltd., if the PE Ratio of the combined firm is 9?
3. At what point do the lines ER1 and ER2 intersect?

Q.4 **(a)** The Company Shah Ltd. is similar to and is in the same industry as the Mehta Ltd. Both Shah Ltd. and Mehta Ltd. have a cost of equity of 12%, cost of debt of 8% and 30% debt. If Mehta Ltd. has revenues of $1,000, operating margin of 15%, tax rate of 40%, investment rate of 8%, growth rate of 18% and 5 years of supernormal growth & zero growth thereafter, what value should Shah Ltd. be willing to pay for Mehta Ltd.? **07**

(b) What is Strategic Alliance? Explain its characteristics, types and reasons for success. **07**

OR

Q.4 **(a)** Explain Asset-based Valuation & Capitalization of Earnings Approach. Describe and differentiate Sensitivity Analysis & Formula Methodology in valuation of companies. **07**

(b) What is Leverage Buyout? Explain its stages and benefits. **07**

Q.5 **(a)** What are Cross-border M&As? Explain the driving forces that affect the Cross-border restructuring deals. **07**

(b) What is Joint Venture? Explain the benefits of Joint Venture to both the parties. **07**

OR

Q.5 **(a)** Explain Methods of Payment Consideration in Deal Structuring of M&As. **07**

(b) Define Due Diligence and describe the types and challenges faced in India. **07**

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