

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA - SEMESTER-IV • REMEDIAL EXAMINATION-WINTER 2013**

**Subject Code: 2840201****Date: 12-09-2013****Subject Name: Mergers and Acquisitions (M & A)****Time: 15:00pm To 18:00pm****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 the following terms: **07**  
 (1) Demerged Company (2) Horizontal Merger  
 (3) Equity carve-out (4) Reverse Mergers
- (b)** What is Corporate Restructuring? Discuss in brief major forms of corporate restructuring. **07**

- Q.2 (a)** A Ltd. wishes to acquire T Ltd. on the basis of an exchange ratio of 0.8 **07**  
 Other relevant financial data is as follows:

Particulars	A Ltd.	T Ltd.
Earnings After Taxes (EAT)	Rs. 1,00,000	Rs. 20,000
Equity shares outstanding	50,000	20,000
Earnings per Share(EPS)	Rs. 2	Rs. 1
Market Price per Share	Rs. 20	Rs. 8

- (i) Determine the number of shares required to be issued by A Ltd. for Acquisition of T Ltd.
  - (ii) What would be the exchange ratio if it were based on the market price of shares of A Ltd. and T Ltd.?
  - (iii) What is the current price-earnings ratio of the two companies?
  - (iv) If T Ltd. wants their EPS to be Rs. 1.20, calculate exchange ratio.
  - (v) If there is synergic gain of 5%, calculate EPS of merged firm when exchange ratio is 0.8.
- (b)** Write a short note on “Boot strapping”. **07**
- OR**
- (b)** With reference to AS-14, discuss in brief different methods of Amalgamation and conditions for the same, if any. **07**

- Q.3 (a)** As a CFO of Saif Ltd., you are investigating the possibilities of acquisition of Kareena Ltd. You have the following basic data: **07**

Particulars	Saif Ltd.	Kareena Ltd.
Earnings per Share(EPS)	Rs. 5	Rs. 1.50
Dividend Per Share	Rs. 3	Rs. 0.8
Equity shares outstanding	10,00,000	6,00,000
Market Price per Share	Rs. 90	Rs. 20

You may estimate that investors currently expect a steady growth of about 6% in Kareena Ltd. earnings and dividends. Under new management this growth rate would be increased to 8% per year, without any additional capital investment required.

- (a) What is the gain from the acquisition ?
- (b) What is the cost of the acquisition, if Saif Ltd. pays Rs. 25 in cash for share of Kareena Ltd.?
- (c) What is the cost of acquisition if Saif Ltd. offers one share of Saif Ltd. for every three shares of Kareena Ltd.?
- (d) What is the cost of acquisition under the share offer (as per (c) above) if the expected growth rate of Kareena Ltd. were not changed by the acquisition?
- (b) What are the various sources of funds used in domestic acquisitions? Discuss in brief major merits and demerits of each of them. **07**

**OR**

- Q.3** (a) Consider the following financial data of A Ltd. And T Ltd. Just before the merger announcement of the later by the former: **07**

Particulars	A Ltd.	T Ltd.
Market Price per Share	Rs. 150	Rs. 30
Number of Shares (in Lakhs)	10	6
Market value (MV) of the firm (in Rs. Lakhs)	1,500	180

If A Ltd. intends to offer its 1,60,000 shares in exchange of shares of T Ltd. Assume further, the merger is expected to generate cost savings with present value of Rs. 94.80 lakhs. It is expected that these cost savings would push up the market price.

Find:

- i. Benefit of Merger                      ii. Cost of Merger/True cost of merger
- iii. Apparent cost of merger          iv. NPV to A Ltd.
- (b) Write a short note on: Due diligence for mergers and acquisitions **07**

- Q.4** (a) Discuss in brief any five Takeover Defenses with suitable example. **07**
- (b) Write a short note on joint venture and acquisitions. **07**

**OR**

- Q.4** (a) What is a divestiture? Discuss in brief the motives for companies to go for divestiture. **07**

- Q.4** (b) Based on the comparable companies approach, find out the value of H Ltd. which is a prospective target, from the following information: **07**

	P Ltd.	Q Ltd.	R Ltd.
Enterprise Value/EBITDA	7.1	9.7	8.7
Enterprise Value/Book Value	2.5	3.5	3
Enterprise Value/Sales	1.25	1.75	1.32

The current Sales of H Ltd. amounted to Rs. 250 Cr., Book Value of Assets Rs. 100 Cr., Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) Rs. 40 Cr.

- Q.5** (a) What are ESOPs? Discuss in brief different types of ESOPs. **07**
- (b) What is an LBO? Discuss in brief the process and types of LBOs. **07**

**OR**

- Q.5** (a) Cross-border mergers and acquisitions transactions face special problems along with general problems encountered in domestic mergers and acquisitions of a firm. Discuss in brief the special problems encountered in cross-border transactions and ways to overcome it. **07**
- (b) Define 'Delisting' and discuss in brief the circumstances under which delisting can happen. **07**

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