Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER–IV • EXAMINATION–SUMMER • 2014

Subject Code: 2840201 **Date: 23-05-2014**

Subject Name: Mergers and Acqusitions

Time: 10.30 am - 13.30 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 **(a)** What is Corporate Restructuring? What are the different motives of restructuring? **07**

(b) What is the difference between acquisition and takeover? Discuss anti-takeover strategies used by companies to protect themselves from takeover. **07**

Q.2 **(a)** What does Due Diligence involve? Does due diligence insure against M & A failure? **07**

(b) Explain in detail the SEBI guidelines. 2003 for delisting of securities. **07**

OR

(b) Why do companies go for a buyback? Explain the advantages and weaknesses of buyback of shares? **07**

Q.3 **(a)** Rita Corporation plans to acquire Gita Corporation. The following information is available : **07**

Particular	Rita Corporation	Gita Corporation
Total current earnings	Rs. 50 Million	Rs. 20 Million
Number of Outstanding shares	20 million	10 million
Market Price per share	Rs. 30	Rs. 20

1. What is the maximum exchange ratio acceptable to the shareholders of Rita Corporation if the PE ratio of combined entity is 12 and there is no synergy gain?
2. What is the minimum exchange ratio acceptable to the shareholders of Gita Corporation if the PE ratio of combined entity is 11 and there is synergy benefit of 5 percent?
3. Assuming that there is no synergy gain. at what level of PE multiple will the lines ER1 and ER2 intersect?

(b) Explain the SEBI (Substantial Acquisition of shares and Takeovers) Regulations 1997. **07**

OR

Q.3 **(a)** Firm A plans to acquire firm B. The relevant financial information of the two firms prior to the merger announcement are: **07**

Particular	Firm A	Firm B
Market price per share	Rs. 50	Rs. 20
Number of shares	10,00,000	5,00,000
Market value of the firm	Rs. 50 million	Rs. 10 million

The merger is expected to bring gains which have a present value of Rs. 10 million. Firm A offers 2,50,000 shares in exchange for 5,00,000 shares to the shareholders of firm B.

1. What will be the true cost of acquiring firm B?
2. What will be the net present value of the merger to firm A?
3. What will be the net present value of the merger to firm B?

(b) What are the provisions of income tax act for mergers and acquisitions? **07**

Q.4 **(a)** What are ESOPs? Explain in detail various types and uses of ESOPs. **07**

(b) What is valuation? What are the factors to be considered for valuation of business? **07**

OR

Q.4 **(a)** What is Leveraged Buyout? What are the advantages of LBOs. **07**

(b) Discuss reasons and types of strategic alliance? **07**

Q.5 **(a)** What is joint venture? How to set up joint venture in India? Explain the process. **07**

(b) Define Divestitures? Why do companies go for divestitures? **07**

OR

Q.5 **(a)** What are the difficulties faced by companies in cross border acquisitions? **07**

(b) Write a short note on : **07**

1. Demerger
2. Financial Restructuring

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