

PGDM 2013-15

MERGERS, ACQUISITIONS & CORPORATE RESTRUCTURING

DM-513

Trimester-V, End-Term Examination, December 2014

Time: 2 Hrs 30 Min

Max Marks: 50

PART A

Attempt any 3 out of the 5 questions. All questions carry 5 marks each. (3 x 5 = 15)

Q1. What are the characteristics of firms which are considered attractive takeover targets. Mention a few takeover defences which are commonly used.

Q2. Illustrate the key highlights of any Deal in the last 2 years in the Mergers, Acquisition or Restructuring domain.

Q3. What do you understand by Buy Side and Sell Side, Due Diligence?

Q4. What are the key highlights of The New Companies Act in context of Mergers?

Q5. How is an Event Study used in the M&A space? Write the key benefits of this methodology.

PART B

Attempt any 2 out of the 3 questions. All questions carry 10 marks each. (2 x 10 = 20)

Q 6. How is the SWAP Ratio calculated in the context of Mergers? Illustrate.

Q7. Explain the differences between managerial synergy, operating synergy, and financial synergy, and their relationships to different types of mergers.

Q8. What is the difference between a Merger and an Acquisition. Illustrate with examples of prominent Mergers and Acquisition deals in the recent past.

PART C

Case study and answer the questions at the end of the case. (15 marks)

The cement industry has been through a very trying period in the last 5 years and the constraints on operations have been removed in the early part of the year. The company hopes to improve its position in the years to come and has plans to put up an additional plant in the neighbourhood of the present factory. Increased profits due

to expansion in capacity are expected to be 25% of the additional capital investment after meeting the interest charges but before depreciation on the additional plant installed. Shares of this cement company are widely distributed and there is large majority of holdings in the hand of the middle class investor whose average holdings do not exceed 500 shares. The following data is also made available to you;

Particular	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (The current year for analysis)
EPS (Rs.)	6	5	4.5	4.5	4	17.5
Cash availability per share (Rs.)	7.5	6	5	4	4	20
Dividend / Share (Rs.)	3	3	3	2	-	?
Payout ratio (%)	50	60	67	45	-	?
Average market price (face value of Rs 100)	80	70	70	70	60	140
P /E ratio	13.33:1	14:1	15.6:1	15.6:1	15	

You are required to analyse the above data and prepare a note mentioning the **risk return profile, attractiveness as a target and financial conditions.**

What are your recommendations for anlong term investor?