

PGDM & PGDM (IB) Batch 2016-18

Mergers, Acquisitions and Corporate Restructuring

Subject Code: DM 513 / IB 509

Trimester V, End Term Examination: December 2017

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Time Allowed: 2 hrs 30 min

Roll No.: _____

Max Marks: 50

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Make assumptions wherever necessary and write them down at the beginning of the solution.

Section A: Answer any 3 out of 5 questions. Each question carries 5 marks.

A1. With reference to the ongoing merger of Idea with Vodafone, comment on the legal structure, movement on the value chain and the rationale of the same.

A2. Market Capitalisation of the Target firm is Rs. 5 Mn and that of the Acquirer is Rs. 7Mn. The merger is expected to be by exchange of shares and the swap ratio is to be decided in order to keep the parity in the wealth of both the shareholders. What shall be the swap ratio?

A3. Parent has decided to acquire 70% in the subsidiary in cash for Rs. 200,000. The value of the identifiable net assets is as mentioned below:

	Fair Value (Amount in INR)
Cash & Receivable	35,000
Inventory	90,000
PPE	125,000
Total Assets	250,000
Current Payable	30,000
Long term Debt	90,000
Total Liabilities	120,000
Net Assets	130,000

Calculate the value of Goodwill and Minority Interest as per partial Goodwill Method.

A4. Enumerate three situations when the PE of the combined entity will be the weighted average of the pre-merger of the PE of the Acquirer and the Target.

A5. What are the two levels at which Synergy can be created? If the post-merger earnings will increase by 30% and PE multiple of the merged entity shall be more by 30% than the weighted average pre-merger PE, what is the value of synergy if the arithmetic sum of the pre-merger M.Cap is Rs. 20 Million?

Section B: Answer any 2 out of 3 questions. Each question carries 10 marks.

B1. What are the two conflicting situations that may arise between the acquirer and the target in relation to the mode of purchase consideration? Explain the above in context of the futuristic expectations about 'Synergy'.

B2. Discuss the factors which determine the form of divestiture that a company should opt for in order to achieve its demerger rationale most effectively.

B3. Discuss the three ways of doing business together which CANNOT be technically called as 'Merger & Acquisition'. Use contemporary examples in support of your answer.

Section C: The question contains two parts. Both the parts are compulsory to attend.

Details of the case: Daimler India Commercial Vehicles Private Limited is incurring losses for the last 4 quarters due to high fixed cost in the manufacturing set up in its new factory in Kanchipuram, Tamil Nadu. Daimler is expecting Ashok Leyland to acquire controlling stake in the company. Given the promising Commercial Vehicle sales outlook in the country, boosted by the increased infrastructure spending, Daimler does not want to be acquired at this time.

Part 1: Suggest three pre-offer and five post-offer defence mechanisms which Daimler can implement in order to avoid the hostile takeover attempt. **8 Marks**

Part 2: The CEO of Daimler is in talks with a PE firm to plan an MBO. What are the seven most important things you will consider while structuring this MBO? **7 Marks**

*****End*****