

PGDM 2018-20
Mergers, Acquisitions & Corporate Restructuring
DM-514/IB-512
Trimester – V, End-Term Examination: December 2019

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: _____

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 the Admit Card should be followed meticulously.

Sec A: Total 30 Marks: There is an internal choice in each of the questions. All questions are of 10 Marks each.

Q1. (CILO 1)

1.1 Explain the various dimensions of any business combination. Take Indian examples to illustrate the same. (10 Marks)

OR

1.2 As an Investment Banker for any business combination, one must be careful of not only the synergies but of various aspects to ensure a long and sustainable partnership. Describe five such aspects that are crucial for any successful merger. Take the Indian example to substantiate your opinion. (10 Marks)

Q2. (CILO 2)

2.1 John is able to collate the data about the two companies that are planning to merge. (10 Marks)

	Acquirer	Target
EPS (Rs. / Share)	20	30
MPS (Rs. / Share)	200	360
No. of Shares ('000)	50	60

There is no synergy at earning level; market anticipates a post-merger PE to be 9x, answer the following questions:

- What is the maximum value of the deal?
- What is the minimum value of the deal?
- How much is the total synergy? Prepare a reconciliation company-wise for their share of contribution in the total synergy.
- The purchase consideration was agreed to be Rs. 20 million, 40% of which was paid in cash and the other in a share-swap deal. Calculate the excess synergy that the target was able to get from the acquirer.
- Calculate the NPV of the merger.

OR

2.2 Alfred is planning to assist one of the mega-merger deal next month. He is worried about accuracy of the calculation. His junior has been able to provide him with some basic financial data presented in the table below (10 Marks):

	Acquirer	Target
EPS (Rs. / Share)	30	20
MPS (Rs. / Share)	360	200
No. of Shares ('000)	60	50

He estimates a 10% positive synergy at an earning level with post-merger PE to be 15x. He needs your help in calculating the following for his deal report:

- Cost of the merger.
- What is the maximum value of the deal?
- What is the minimum value of the deal?
- Prepare a reconciliation company-wise for their share of contribution in the total synergy. How much is the total synergy?
- The purchase consideration was agreed to be Rs. 12 million, half of which was paid in cash and the other half in a share-swap deal. Calculate the excess synergy that the target was able to get from the acquirer.

Q3.

(CILO 1)

3.1 The following data pertain to two companies that are planning to merge in an equity swap deal. (10 Marks)

	Acquirer	Target
EPS (Rs. / Share)	10	12
MPS (Rs. / Share)	50	120
No. of Shares ('000)	10	10

There is a 20% synergy at earning level, the total shares that are issued to the target are 25,000. You are required to calculate post-merger EPS and divide the total change from the acquirer's point of view into the following reasons (a) Bootstrapping (b) Synergy (c) Excess Dilution

OR

3.2 Bootstrapping is a phenomenon specific to the acquirer which is based on the EPS. However, its effect may not be clear given the other factors that may change the post-merger EPS. The following data pertains to two companies that are planning to merge in an equity swap deal. (10 Marks)

	Acquirer	Target
EPS (Rs. / Share)	12	15
MPS (Rs. / Share)	60	60
No. of Shares ('000)	12	8

There is a negative 10% synergy at earning level, the total shares that are issued to the target are 10,000. You are required to calculate post-merger EPS and divide the total

change from the acquirer's point of view into (a) Bootstrapping (b) Synergy (c) Excess Dilution

Sec B: Total 20 Marks: Compulsory (CILO 1, 3)

This case needs to be answered on the basis of the case: Arcelor Mittal shared during the course. You are required to answer the following: (5 Marks each x 4)

1. Write any five dimensions of the combination.
2. Which is the most important phase in any business combination? Give reasons to substantiate your opinion. Which phase is the case focusing on?
3. How did Arcelor SA react to the initial offer by Mittal? Enumerate any 3 actions taken by Arcelor SA? Do you think these actions deterred Mittal from the takeover? How did Mittal counter-respond to these actions?
4. The implementation phase is difficult, more particularly when the scale and scope of business are global. Was size the only reason for a difficult implementation that LN Mittal was worried about? Write any four reasons other than the size of the companies.