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BANGALORE - 560 037

14MBAFM407

Fourth Semester MBA Degree Examination, June/July 2018
Mergers, Acquisitions and Corporate Restructuring

Time: 3 hrs.

Max. Marks:100

SECTION - A

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 What is Bootstrap game? (03 Marks)
- 2 Explain Demerger. (03 Marks)
- 3 Explain Hubris Hypothesis of corporate takeovers. (03 Marks)
- 4 Mention Porter's Five Forces. (03 Marks)
- 5 What is meant by equity curve out? (03 Marks)
- 6 What is purchase consideration? (03 Marks)
- 7 Describe tender offer. How it differs from open market purchase of stock? (03 Marks)

SECTION - B

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 Explain the different types of merger. (07 Marks)
- 2 Explain BCG matrix and its importance. (07 Marks)
- 3 What is MLP? Explain its types. (07 Marks)
- 4 Discuss five stage model of merger process. (07 Marks)
- 5 What is meant by 'synergy' of a merger? Explain its types. (07 Marks)
- 6 Differentiate between Pooling of Interest method and Purchase method of Accounting. (07 Marks)
- 7 Critically examine the SEBI takeover code. (07 Marks)

SECTION - C

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 Explain the theories of merger. (10 Marks)
- 2 Explain the need for corporate restructuring in the present day scenario. (10 Marks)
- 3 Explain the key due diligence activities in a merger and acquisition transaction. (10 Marks)

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- 4 Explain various takeover defenses available to target company. (10 Marks)
- 5 What common mistakes do companies make during M & A transaction? (10 Marks)
- 6 Discuss the legal process relating to approval of merger. (10 Marks)
- 7 Explain managerial challenges in mergers and acquisitions. (10 Marks)

SECTION - D
CASE STUDY – [Compulsory]

The H Ltd wants to acquire T Ltd. The balance sheet of T Ltd as on March 31 (current year) has the following assets and liabilities:

Liabilities	Amt (Rs. in lakh)	Assets	Amt (Rs. in lakh)
Equity share capital (4 lakh shares of Rs.100 each)	400	Cash	10
Retained earnings	100	Debtors	65
10.50% debentures	200	Inventories	135
Creditors and other liabilities	160	Plant & Equipment	650
	860		860

Additional information:

- i) The shareholders of 'T' Ltd, will get 1.5 share in 'H' Ltd, for every 2 shares; The shares of the 'H' Ltd would be issued at its current market price of Rs.180 per share. The debenture holders will get 11% debentures of the same amount. The external liabilities are expected to be settled at Rs.150 lakh. Dissolution expenses of Rs.15 lakh are to be met by the acquiring company.
- ii) The following are projected incremental free cash flows (FCFF) expected from acquisition for 6 years (Rs. in lakh):

Year end 1	Rs.150
2	Rs.200
3	Rs.260
4	Rs.300
5	Rs.220
6	Rs.120

- iii) The free cash flow of 'T' Ltd is expected to grow at 3% per annum, after 6 years.
- iv) Given the risk complexion of 'T' Ltd, cost of capital relevant for 'T' Ltd, cost of capital relevant for 'T' Ltd cash flows has been decided @ 13%.
- v) There is unrecorded liability of Rs.20 lakh.

Advise the company regarding financial feasibility of the acquisition.

Note: PV @ 13%

1 = 0.885, 2 = 0.783, 3 = 0.693, 4 = 0.613, 5 = 0.543, 6 = 0.480.

(20 Marks)