USN | | | | | | | | | | 14MBAFM407

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

Fourth Semester MBA Degree Examination, June/July 2017
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 Explain Hubris hypothesis or winners curse. (03 Marks)

2 What are Conglomerate mergers? (03 Marks)

3 Define Leveraged Buy-out. (03 Marks)

4 What are strategic alliances? (03 Marks)

5 What do you mean by a slump sale? (03 Marks)

6 Define fair price. (03 Marks)

7 What are stand still agreements? (03 Marks)

SECTION - B

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

1 List and explain the financial motives behind mergers and acquisitions. (07 Marks)

2 Explain the different stages of the Industry Life cycle with reference to mergers. (07 Marks)

3 What is a demerger? What are the reasons for demerger? (07 Marks)

4 What is due diligence? Explain the different types of due diligence. (07 Marks)

5 What are the various forms of corporate restructuring? (07 Marks)

6 With the help of a neat diagram, explain the BCG matrix. (07 Marks)

7 What are the salient features of SEBI takeover code? (07 Marks)

SECTION - C

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

1 Explain the strategic motives behind mergers and acquisitions. (10 Marks)

2 Horizontal, vertical and Conglomerate mergers have resulted in value creation. Explain. (10 Marks)

3 Explain the various reasons for corporate restructuring. (10 Marks)

4 Discuss the five-stage model of the merger process. **(10 Marks)**

5 Explain Michael Porter's five forces model with respect to mergers and acquisitions. **(10 Marks)**

6 Explain in detail about the various theories of mergers. **(10 Marks)**

7 Explain the various preventive anti-take over defense measures undertaken by firms in case of hostile takeovers. **(10 Marks)**

SECTION - D
CASE STUDY – [Compulsory]

Consider two firms that operate independently and have the following data:

(₹ in Million)

Particulars	Metro Ltd.	Regency Ltd.
Reserves	6,000	3,000
Cost of goods sold	3,500	1,800
EBIT	2,500	1,200
Expected Growth rate	5%	7%
Cost of capital	8%	9%

Both the firms are in a steady state with capital spending offset by depreciation. Both the firms have an effective tax rate of 40% and are financed by equity only.

Scenario 1:
Assume that combining of the two firms will create economics of scale that will reduce the cost of goods sold to 48% of reserves.

Scenario 2:
Assume that as a consequence of the merger the combined form is expected to increase its future growth to 7% while the cost of goods sold is 60% and do not come down to 48%.

Scenario's 1 and 2 are mutually exclusive you are required to:

1 Compute the value of both the firms as separate units.
2 Compute the value of both the firms together if there were absolutely no synergy at all from the merger.
3 Compute the cost of capital and the expected growth rate for the combined entity.
4 Compute the value of synergy in scenario 1 and scenario 2. **(20 Marks)**

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