

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA SEMESTER- IV - EXAMINATION-SUMMER-2024**

**Subject Code: 4549222****Date: 29/04/2024****Subject Name: Corporate Restructuring and Valuation****Time: 10:30 AM TO 01:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

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|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             | <b>Marks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Q.1</b>                  | <b>14</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Define the following terms: |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                             | (a) Joint venture                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                             | (b) SER                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                             | (c) Liquidation Value                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                             | (d) ESOP                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                             | (e) Dividend Yield                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                             | (f) MPS, P/E Ratio                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                             | (g) Due diligence                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Q.2</b>                  | <b>07</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (a)                         | What do you mean by corporate restructuring? Explain the various forms of corporate restructuring.                                                                                                                                                                                                                                                                                                                                                               |
| (b)                         | What do you mean by takeover & hostile takeover? Discuss the five takeover defence tactics.                                                                                                                                                                                                                                                                                                                                                                      |
|                             | <b>OR</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (b)                         | Discuss the types and motives of mergers. Why merger fails? Explain.                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Q.3</b>                  | <b>07</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (a)                         | What do you understand by divestiture and what are the types and reasons of divestitures.                                                                                                                                                                                                                                                                                                                                                                        |
| (b)                         | Vadham Limited's earnings and dividends have been growing at a rate of 18 per cent per annum. This growth rate is expected to continue for 4 years. After that the growth rate will fall to 12 per cent for the next 4 years. Thereafter, the growth rate is expected to be 6 per cent forever. If the last dividend per share was INR 2.00 and the investors' required rate of return on Vadham's equity is 15 per cent, what is the intrinsic value per share? |
|                             | <b>OR</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Q.3</b>                  | <b>07</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (a)                         | Explain the reasons and benefits of cross border expansions.                                                                                                                                                                                                                                                                                                                                                                                                     |
| (b)                         | Following data is provided for the Sundram co. ltd. For year 3, the year that has just ended, and for the next year five years, year 4 through 8.                                                                                                                                                                                                                                                                                                                |

(in Million)

|                    | 3   | 4   | 5   | 6   | 7   | 8   |
|--------------------|-----|-----|-----|-----|-----|-----|
| PAT                | 24  | 29  | 28  | 32  | 38  | 40  |
| Fixed assets       | 190 | 220 | 240 | 266 | 294 | 324 |
| Investments        | 25  | 10  | -   | -   | -   | -   |
| Net Current Assets | 70  | 75  | 88  | 90  | 100 | 109 |
| Debt               | 134 | 140 | 150 | 161 | 177 | 192 |
| Preference         | -   | -   | -   | -   | -   | -   |

The cost of equity capital is given 18.27%. What is the value of the firm as per FCFE Approach.

- Q.4** (a) What do you mean by LBOs and Going private? Also explain the types of LBOs. **07**
- (b) The ABC Ltd. has declared dividend during the past five years as follows: **07**

| Year                 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|------|------|------|------|------|
| Rate of Dividend (%) | 12   | 14   | 18   | 21   | 24   |

The average rate of return prevailing in the same industry is 15%. Determine the value per share of Rs. 10 of ABC Ltd. based on Dividend Yield Method.

**OR**

- Q.4** (a) Explain the valuation of Intangibles, Goodwill, Brands and human resources. **07**
- (b) The expected dividend per share on the equity share of RRR Limited is INR 2.00. The dividend per share of RRR Limited has grown over the past five years at the rate of 5 percent per year. This growth rate will continue in future. Further, the market price of the equity shares of RRR Limited, too, is expected to grow at the same rate. What is a fair estimate of the intrinsic value of the equity share of RRR Limited if the required rate is 15 percent? **07**

**Q.5 CASE STUDY:**

The ABB Co Ltd. wants to acquire the ABC Ltd. by exchanging the 1.6 shares for every share of ABC Ltd. It anticipates to maintain the exiting P/E ratio subsequent to the merger also. The relevant financial data are furnished as below:

|                                           | ABB Ltd. | ABC Ltd. |
|-------------------------------------------|----------|----------|
| Earnings after taxes (EAT)(INR)           | 1500000  | 450000   |
| Number of equities shared outstanding (N) | 300000   | 75000    |
| Market price per share (MPS) (INR)        | 35       | 40       |

- (a) What is the exchange ratio based on the market price? What is PE Ratio premerger? **07**
- (b) What is expected market price per share of merged company? **07**

**OR**

- Q.5** (a) What is EPS of Company ABB ltd. after merger? What was PE ratio used in acquiring ABC Ltd. **07**
- (b) What is the pre-merger EPS and P/ E ratio for cash equivalent? **07**

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