

**GUJARAT TECHNOLOGICAL UNIVERSITY****M.B.A. Sem - IV Examination May 2011****Subject code : 840201****Subject Name : Corporate Restructuring****Date: 21/05/2011****Time: 02.30 pm – 05.30 pm****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** (a) What is Corporate Restructuring ? What are the motives behind Corporate Restructuring. **07**
- (b) Explain Divestitures, Which are the factors influencing the decision for Divestitures. **07**

- Q.2** (a) Following information is available in relation to acquiring firm Marks Limited and the target firm Mask Ltd. **07**

	Marks Ltd.	Mask Ltd.
Earning after tax (Rs.)	2000 Lacs	400 Lacs
No. of shares outstanding	200 lacs	100 lacs
P/E Ratio	10	5

Required :

- a. What is the swap ratio in terms of current market price ?
  - b. What is the EPS of Mark Ltd after the acquisition ?
  - c. What is the expected market price per share of Marks Ltd. after acquisitions, assuring that P/E ratio of Marks Ltd. remains unchanged ?
  - d. Determine the market value of the merged firm.
  - e. Calculate gain/loss for shareholders of the two independent companies after acquisitions.
- (b) Highlight the common aspects examined in Due Diligence by the acquirer team in corporate Restructuring. **07**
- OR**
- (b) Explain the provisions under various sections of Indian Companies Act., which are relevant for merger and amalgamation. **07**
- Q.3** (a) Discuss the motives behind International mergers and Acquisitions. **07**
- (b) Briefly highlight the major advantages and disadvantages of Demergers **07**
- Q.3** (a) State the advantages and disadvantages of Buyback of shares. **07**
- (b) Briefly discuss the advantages of ESOPS. **07**
- Q.4** (a) Discuss the transactions which are exempted from making open offer under SEBI from take over code. **07**
- (b) Describe the provision relating to minimum offer price and payment of consideration under SEBI Takeover code. **07**

- Q.4 (a)** Describe the benefits of Strategic Alliances. **07**
- (b)** State the essential characteristics of LBO candidate. **07**
- Q.5 (a)** Highlight the rationale for Joint Ventures. **07**
- (b)** Describe any five Takeover defences. **07**
- Q.5 (a)** Explain the nature and characteristics of corporate spin offs. **07**
- (b)** Following is the Balance sheet of Arpan Ltd. as on March 31<sup>st</sup>, current year. **07**

Liabilities	Amount Rs. ( In Lacs)	Assets	Amount Rs. ( In Lacs)
Share Capital (of Rs. 100 each fully paid up)	100	Land & Building	40
Reserves and surplus	40	Plant & Machinery.	80
Sundry Creditors and Other Liabilities	30	Marketable Securities	10
		Stock	20
		Debtors	15
		Cash & Bank	5
	170		170

Profit before tax for current year end amount to Rs. 64 lacs, including Rs. 4 lacs as extraordinary income. Besides, the firm has earned interest income of Rs. 1 lacs in current year from investments in marketable securities. It is not usual for the firm to have excess cash and invest in marketable securities. However, an additional amount of Rs. 5 lacs per annum, in terms of advertisement and other expenses will be required to be spent for the smooth running of the business in the years to come.

Market value of land and buildings, plant and machinery are estimated at Rs. 90 lacs and Rs. 100 lacs respectively. In order to match the revalued figures of these fixed assets, additional depreciation of Rs. 6 lacs is required to be taken into consideration. Effective corporate tax rate may be taken at 30 percent. The capitalization rate applicable to business of such risks is 15 percent.

From the above information, compute the value of business, value of equity and price per equity share based on capitalization method.

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