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**MBAS 555**

**Fourth Semester M.B.A. Degree Examination, September/October 2022
(Regular & Repeater)
BUSINESS ADMINISTRATION
Corporate Restructuring**

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any two** questions. **Each** question carries **10** marks. Answer to the question should **not** exceed **5** pages. **(2×10=20)**

1. Bring out and explain motives of corporate restructuring.
2. Explain the pros and cons of rehabilitation financing.
3. Describe the causes of sickness of companies in India.

SECTION – B

Answer **any three** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **6** pages. **(3×12=36)**

4. Discuss the SWOT analysis of reverse merger.
5. Explain the defensive tactic against holistic takeover.
6. Describe the steps involved in the merger and acquisition process.
7. The following details relates to a M and A transaction :

Details	1 Year	2 Year	3 Year	4 Year	5 Year
Revenue Synergy (Rs. in million)	25	22	20	18	15
Selling General and Administrative Synergy (Rs. in million)	10	10	10	10	10
Marginal tax rate	30 percent				
Cost of capital	10 Percent				
Quoted Acquisition price (Rs. in million)	110				
Current market price of target Co. (Rs. in million)	70				
Outstanding shares of target Co. (million)	2				

What is the value created in this transaction ? How do you convince the target company ?

P.T.O.



8. XYZ Ltd. is considering merger with ABC Ltd. XYZ Ltd.'s shares are currently traded at Rs. 25. It has 2,00,000 shares outstanding and its Profits After Taxes (PAT) amount to Rs. 4,00,000. ABC Ltd. has 1,00,000 shares outstanding. Its current market price is Rs. 12.50 and its PAT are Rs. 1,00,000. The merger will be effected by means of a stock swap (exchange). ABC Ltd. has agreed to a plan under which XYZ Ltd. will offer the current market value of ABC Ltd.'s shares :
- i) What is the pre-merger earnings per share (EPS) and P/E ratios of both the companies ?
 - ii) If ABC Ltd.'s P/E ratio is 8, what is its current market price ? What is the exchange ratio ? What will XYZ Ltd.'s post-merger EPS be ?
 - iii) What must the exchange ratio be for XYZ Ltd.'s that pre and post-merger EPS to be the same ?

**SECTION – C
(Compulsory)**

Answer to the question should **not** exceed **6** pages. **(1×14=14)**

9. Company A needs to be valued with the help of transaction multiple. The industry to which A belongs has already witnessed five successful acquisition deals. The data of these deals is given below. Determine the value of target company A based on the value of transaction multiples of the following deals. Offer your comment on range of value that the acquirer can negotiate and settle.

Deal	Target Co.	Offer Price per share by Acquirer as a Multiple of EPS	Offer Price per share by Acquirer as a Multiple of book value per share	Total Business value as multiples of sales	Total Business value as multiples of EBITDA
Deal 1	A	30	8	6	20
Deal 2	B	18	5	8	16
Deal 3	C	16	6	5	15
Deal 4	D	25	8	7	16
Deal 5	E	20	10	5	18

The following data are available for Company A

Sales (Millions)	Rs. 6,000
EBITDA (Millions)	Rs. 3,000
EPS	Rs. 8 per share
Book Value	Rs. 50 per share
Debt	Rs. 4,500
No. of shares (Millions)	100