

Fourth Semester MBA Examination, September 2024

Business Administration

Corporate Restructuring

Time: 3 Hours

Max. Marks: 70

Section-A

Note: Answer any Two questions. Each Question carries 10 marks. Answer to each question should not exceed 5 pages. (2 x 10 = 20)

1. Describe the objectives of corporate restructuring.
2. Explain the different modes of demerger.
3. Discuss various modes of funding M & A

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Section-B

Note: Answer any Three questions. Each Question carries 12 marks. Answer to each question should not exceed 6 pages. (3 x 12 = 36)

4. Discuss the different defensive tactics against takeover.
5. Explain the features of scheme of amalgamation.
6. Being out and explain the modes of winding up.
7. Determine the exchange ratio and number of shares to be issued in case of below takeover based on; i) Market price of both the companies ii) If the acquirer offers 12 times of targets EPS.

	Acquirer	Target
P/E ratio	5 times	10 time
PAT	Rs. 20 lacs	Rs. 12.5 lacs
No. of Shares	100000	50000

Who gains in this process, if there is a synergetic benefit of 25% of combined PAT

8. The following information relates to a M and A deal:

Acquisition Equity value	Rs. 2500 Million
Pre offer market capitalization	Rs. 1800 Million
M and A Synergy with zero growth over the period.	Rs. 200 Million
Tax Rate	30%
Cost of Capital	8%

Calculate the present value of synergies, premium paid to the target company. What is the value created or destroyed in this deal? Comment on the results.

Section-C

(Compulsory)

(1 x 14 =14)

Note: Answer to each question should not exceed 6 pages.

9. Suppose an analyst has gathered the following information to estimate the value of target company:

Target Company		Average Multiples of Comparable Transactions	
PAT	25 million	F/E Comparable	20 times
Cash Flow	25 million	P/CF Comparable	20 times
Book Value of Equity	60 million	P/BV Comparable	4 times
Sales	100 million	P/Sales Comparable	3 times
Fixed Assets	75 million	P/FA Comparable	4 times

Estimate the value of the target company using the comparable transaction analysis, giving the earnings, and cash flow multiple 75% weightage and the other methods 25% weightage each. Do you think value computed in this method is acceptable? Comment on the result.

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