K.J. Somaiya Institute of Management Studies & Research
Course: PGDM Executive 2016-17 –Trisem IV End Term Exam
Sub: Mergers, Acquisitions & Corporate Restructuring

Date of Exam: 19th Sept'17 Time: 3:00 Hours Marks: 50

Note: 1 Usage of pencil to be restricted to rough work and drawing tables and diagrams only. Answers written or cancelled using pencil shall invoke ***negative*** marking.
2. New question is to be answered on a new page.

Q.1 A consultant advises a Textile manufacturing firm which is trying to buy stake in a company dealing in customized garments. Given a consulting opportunity, what are the areas of due diligence to be looked at? **10 Marks**

Q.2 Explain the concept of Corporate Restructuring with specific emphasis on M&A with suitable examples. **10 Marks**

Q.3 With the help of a suitable example, enumerate on the concept of synergy in M&A. **10 Marks**

OR

Q.3 Answer the following questions: **10 Marks**

i. In the context of TATA JLR Deal, TATA acquired the brand from BMW. True or False? (2 Marks)

ii. In the context of Vodafone taxation case, the High court ruled in favor of Vodafone. (2 Marks)

iii. In a partial stake acquisition, identity of a target firm gets extinguished. True or False? (2 Marks)

iv. Full form of LBO is ___________________________________. (2 Marks)

v. The Entity which regulates competition in the Indian M&A markets is ____________. (2 Marks)

Q.4 Enumerate the reasons of failure of Mergers & Acquisitions **10 Marks**

OR

Q.4 Elaborate on the concept of Leveraged Buyouts (LBO) with a simulation of your choice. **10 Marks**

Q.5 Refer to the data below:

Equities & Liabilities: Equity (per share Rs. 100): Rs. 40 lakhs. Preference shares (7.5%, per share Rs. 100): Rs. 20 lakhs, Sundry Creditors: Rs. 9 lakhs, Bank Overdraft: Rs. 5.5 lakhs.

Assets: Goodwill: Rs. 6.5 lakhs, Plant & Machinery: Rs. 40 lakhs, Stock: Rs. 6.8 lakhs, Debtors: Rs. 10 lakhs, Preliminary Expenses: Rs. 5 lakhs, Cash: Rs. 1.15 lakhs, P&L A/c: Rs. 5.05 lakhs

Three years preference dividends are in arrears. An internal reconstruction is agreed upon by every stakeholder as follows:

1. Creditors agreed to forego 20% of the claim. **2.** Preference shareholders not only agreed to forego their dividend claim, but also agreed to lower their capital claim by 60% if the equity shareholders' losses exceeded by 70% on application of the scheme.**3.** Bank agreed to convert overdraft into a term loan to the extent required for making current ratio equal to 1.60:1. **4.** Revalued figures for plant & machinery were accepted as Rs. 20, 00, 000. **5.** Debtors to the extent of Rs. 7, 00, 000 were considered good. **6.** Post restructuring, equity shares are exchanged at 1:1 ratio at a revised denomination.

Calculate: 1. Total loss borne by shareholders along with bifurcation of individual class of shareholders. 2. New capital structure post reconstruction. 3. Working capital of reorganized company. 4. Revised balance sheet post reconstruction. **10 Marks**