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| **Semester: Dec’2024**  **Maximum Marks: 50 Examination: End Term Exam Date:14/12/2024 Duration: 2.5 hours** | | |
| **Programme code: 18**  **Programme: MBA for Working Executives**  **Specialization: Finance** | **Class: FY** | **Semester III Batch 2023-24** |
| **College:**  **K. J. Somaiya Institute of Management** | **Name of the department: Finance & Law** | |
| **Course Code: 117P18C315** | **Name of the Course: Mergers & Acquisitions** | |
| **Instructions: Attempt any 5 out of the 7 questions. Usage of Excel sheet is allowed for numerical purposes** | | |

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| **Question No.** |  | **Max.**  **Marks** |
| **1** | With a sector or company of your choice, enlist the various questions (approximately 16-20 of them) from different areas that you will ask a consultant while carrying out due diligence during a merger or acquisition. | **10** |
| **2** | Enlist the various common legalities and steps associated with any company undergoing merger in India. | **10** |
| **3** | Explain the concept of synergy with suitable examples. | **10** |
| **4** | Write short notes (about 6-7 distinct sentences each) for any two of the following topics:   1. Mergers (B) Acquisitions (C ) Joint Ventures | **10** |
| **5** | Answer the following questions:   1. Revenue for company A is Rs. 10 Cr and that for company B is Rs. 5 Cr. The combined revenue for the firm is Rs. 15 Cr. The amount of synergy present in this case is \_\_\_\_\_\_\_. 2. In a reverse merger, the buyer is bigger than the target. True or False? 3. Two companies come together, dissolve their identities and make a completely new company. This is an example of acquisition. True or False? 4. In DCF valuation, the forecasting phase is preceded by Perpetuity phase. True or False? 5. In valuation, the term FCF stands for \_\_\_\_\_\_\_\_\_\_\_\_. 6. A company has the following characteristics. Continuous history of losses, very high attrition rate, very strong competition, etc. The valuator is likely to have a bigger duration of forecasting phase. True or False? 7. A company is undergoing merger in India. In order to ensure that the merger does not lead to monopoly, the \_\_\_\_\_\_\_\_\_\_\_\_ is entrusted the responsibility by the government to look into such matters. 8. A company sells two loss making product lines and buys three profit making ones from another company. This can be termed as portfolio restructuring. True or False? 9. DGCA is the authority that principally deals with mergers in the telecom space in India. True or False? 10. RBI is the authority that principally deals with mergers in the oil & gas space in India. True or False? | **10** |
| **6** | Consider the following details in year 0: Revenue Rs. 50 Cr, EBIT as % of revenue is 20% and Working Capital as a % of Revenue is 6%, Capex is 10 Cr, Depreciation is 6 Cr, WACC in forecasting as well as perpetuity phase is 10%. Tax rate as a % of EBIT in forecasting phase is 20%. Duration of forecasting phase is 2 years having a growth rate of 10% and perpetuity phase growth rate is 5%. Assume that Revenues, EBIT, Working Capital and Net Capex grow at the rate of 10% in forecasting phase. Considering all the details, calculate the Present values of the FCFFs in the forecasting phase, calculate the terminal value and its present value, and arrive at the Enterprise value using DCF method of valuation. | **10** |
| **7** | Consider the following acquisition where company A is acquiring company B and company A is the survivor. The following information is available prior to the deal:   |  |  |  | | --- | --- | --- | | **Particulars** | **Co. A** | **Co. B** | | Present Earnings | 3.5 Cr. | 0.5 Cr. | | Number of Outstanding Shares | 50 lakhs | 10 lakhs | | Current Market Price per share | 49 | 25 |   Examine the pre and post deal EPS and comment on the likely reactions on the stock market if the offer made to company B is under the following two scenarios:  **Scenario I: 30 per share Scenario II: 40 per share** | **10** |