Roll No.												

PRESIDENCY UNIVERSITY

BENGALURU

End - Term Examinations – MAY 2025

Date: 20-05-2025 **Time:** 09:30 am – 12:30 pm

School : SOC	**Program:** BBA Finance	
Course Code: COM3056	**Course Name:** Mergers & Acquisitions	
Semester: VI	**Max Marks**: 100	**Weightage**:50%

CO - Levels	CO1	CO2	CO3	CO4	CO5
Marks	**35**	**33**	**47**	**35**	**-**

Instructions:

(i) Read all questions carefully and answer accordingly.

(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2 marks. 10Q x 2M=20M

1.	Define leveraged buyout (LBO).	**2 Marks**	**L1**	**CO1**
2.	What is meant by corporate restructuring?	**2 Marks**	**L1**	**CO1**
3.	List two external change forces that influence M&A.	**2 Marks**	**L1**	**CO2**
4.	What is meant by negotiation in the merger process?	**2 Marks**	**L1**	**CO2**
5.	State two key components of M&A integration.	**2 Marks**	**L1**	**CO3**
6.	What is market-based valuation?	**2 Marks**	**L1**	**CO3**
7.	Name any two types of takeovers.	**2 Marks**	**L1**	**CO4**
8.	Outline one anti-takeover strategy.	**2 Marks**	**L1**	**CO4**
9.	Describe the role of the Competition Commission of India (CCI) in M&A.	**2 Marks**	**L1**	**CO4**
10.	What is meant by a management-led buyout (MBO)?	**2 Marks**	**L1**	**CO1**

Part B

Answer ALL the Questions. Each question carries 7 Marks. Total Marks 35M

11.	**a.**	Straton Systems, a hardware manufacturer, divested its underperforming mobile division and merged with a software analytics company. The goal was to realign resources and shift to high-margin businesses. Identify the restructuring strategies	**07 Marks**	**L2**	**CO 1**

		used by Straton. What benefits might arise from such a combination?			
Or					
12.	**a.**	AlphaMobiles and BetaDevices, both smartphone makers, merged to strengthen their position against a global competitor. Analysts labelled it a horizontal merger, though their brand identities remained separate. Explain the nature of this merger. What are the typical strategic goals behind such mergers?	**07 Marks**	**L2**	**CO 1**

13.	**a.**	Zyra Biotech completed its acquisition of a clinical research firm. During integration, resistance emerged due to differences in reporting practices, bonus structures, and leadership expectations. Identify two managerial or HR-related issues in this merger. How can such challenges be addressed during integration?	**07 Marks**	**L2**	**CO 2**
Or					
14.	**a.**	A retail firm acquired a regional grocery chain. Rather than completely absorbing the acquired entity, it adopted a phased integration, maintaining regional management and gradually aligning systems. What type of integration strategy is used in this case? Explain its benefits in M&A.	**07 Marks**	**L2**	**CO 2**

15.	**a.**	FinServe Ltd. is acquiring a fintech startup. Valuation advisors are debating whether to use the startup's recent funding round as a basis or apply income-based DCF analysis. Compare market-based and income-based valuation. Which approach would better reflect future earning potential in this case?	**07 Marks**	**L2**	**CO 3**
Or					
16.	**a.**	EcoChem, an Indian chemicals company, acquired a Belgian competitor to access EU markets and reduce export dependency. It planned to leverage local partnerships for growth. What are two common motives for cross-border M&A? Highlight possible integration challenges in such deals.	**07 Marks**	**L2**	**CO 3**

17.	**a.**	TechAxis initiated a hostile takeover bid for RoboSecure Inc., offering to buy shares directly from the public at a premium. RoboSecure launched a white knight defence by inviting a friendly firm to bid. What type of takeover and defence strategy is illustrated? Briefly explain both.	**07 Marks**	**L2**	**CO 4**
Or					
18.	**a.**	A company planning to acquire a target firm must comply with SEBI's disclosure rules and notify the Competition Commission of India (CCI). Outline two legal requirements under SEBI or the Competition Act relevant to this acquisition.	**07 Marks**	**L2**	**CO 4**

19.	a.	Infranet Solutions, a mid-sized enterprise IT infrastructure provider, is in talks to be acquired by Titanix Technologies. To arrive at a fair valuation, Titanix is benchmarking Infranet's financial performance against industry peers using the Market-Based Valuation Approach. The valuation multiples of comparable publicly traded companies in the same sector are as follows: Comparable Company | P/E Ratio | EV/EBITDA | P/B Ratio Company X | 14 | 7 | 2.6 Company Y | 13 | 6.5 | 2.4 Company Z | 15 | 7.5 | 2.8 Infranet Solutions has the following financial data: • Net Profit (PAT) = ₹55 crores • EBITDA = ₹95 crores • Book Value of Equity = ₹110 crores • Debt = ₹45 crores • Cash & Cash Equivalents = ₹10 crores Based on the average industry multiples, compute the valuation of Infranet Solutions using the following methods: 1. P/E Ratio Method – Calculate the Equity Value 2. EV/EBITDA Method – Calculate the Enterprise Value **3.** P/B Ratio Method – Calculate the Equity Value	**07 Marks**	**L2**	**CO 3**
		Or			
20.	a.	Aaron is evaluating the acquisition of PQR Ltd using the Discounted Cash Flow Method. The free cash flow of PQR Ltd. for the next five years is as follows: Year | Cash Flow (₹ in Crores) 1 | 10 2 | 12 3 | 15 4 | 18 5 | 20 Additional Information: • The company's terminal value beyond year 5 is estimated using the Gordon Growth Model with a perpetual growth rate of 5%. • The discount rate (Weighted Average Cost of Capital - WACC) is 10%. • The terminal free cash flow (FCF in year 6) is assumed to grow at 5% beyond year 5.	**07 Marks**	**L2**	**CO 3**

	a.	Compute the Enterprise Value (EV) of PQR Ltd. using the Discounted Cash Flow (DCF) method.			

Part C

Answer any Three Questions. Each question carries 15 marks **3Q x 15M=45M**

21.	**a.**	Horizon Beverages Ltd., a regional soft drink manufacturer, merged with AquaPure Pvt. Ltd., a national bottled water company. The merger aimed to expand distribution networks, reduce production costs through shared bottling plants, and introduce complementary products under a unified marketing strategy. Additionally, Horizon sought access to AquaPure's stronger financial reserves to support its expansion plans in South Asia. Identify three strategic motives behind this merger. How do such motives contribute to long-term business value?	**15 Marks**	**L**2	**CO 1**

22.	**a.**	After acquiring a healthcare diagnostics firm, HealthCore faced high employee attrition due to delayed integration of roles and uncertainty in performance policies. Identify the HR integration issue. Suggest a strategy to address employee uncertainty post-merger.	**15 Marks**	**L**2	**CO 2**

23.	**a.**	AlphaFoods, a national organic food chain, was approached by a global FMCG giant for acquisition. While AlphaFoods had strong regional brand value and customer loyalty, the founders believed their business was undervalued. The acquiring firm proposed a price based on AlphaFoods' book value, ignoring its growth potential, market goodwill, and brand equity. This prompted the founders to hire an independent valuer who used an income-based approach and brand valuation techniques. The final deal was renegotiated at a significantly higher price after a thorough analysis of future cash flows, brand strength, and market potential. Why was business valuation necessary in this case? Explain how different valuation perspectives can influence negotiation outcomes in M&A.	**15 Marks**	**L**2	**CO 3**

24.	**a.**	TechCore Ltd., a large technology conglomerate, launched an unsolicited bid to acquire ByteWave Inc., a mid-sized software company with a niche presence in cloud security. ByteWave's board opposed the offer, citing undervaluation and strategic mismatch. TechCore responded by directly appealing to ByteWave's shareholders through a public tender offer, offering a premium price. Meanwhile, another company, SoftGlide Solutions, entered into a friendly acquisition agreement with ByteWave's board, proposing collaborative product development and employee retention. Identify the types of takeover attempts described in the caselet. How do the approaches differ in terms of strategy and stakeholder involvement?	**15 Marks**	**L**2	**CO 4**