Roll No												

GAIN MORE KNOWLEDGE
REACH GREATER HEIGHTS

PRESIDENCY UNIVERSITY
BENGALURU

Department of Research & Development

Mid - Term Examinations - AUGSUT 2024

Odd Semester: Ph.D. Course Work

Course Code: COM810

Course Name: Mergers and Acquisitions

Department: SOC&E

Date: 12-08-2024

Time: 09.30am to 11.00am

Max Marks: 50

Weightage: 25%

Instructions:

(i) Read the all questions carefully and answer accordingly.

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

PART A (THOUGHT PROVOKING)

Answer all the Questions. Each question carries 5 marks. (4Qx 5M= 20M)

1. Describe the various types of mergers and provide examples for each. Discuss how the nature of each type impacts the stakeholders involved in the merger process.
(CO 1: Understand)

2. Identify and explain the factors that can influence the valuation of a merger or acquisition. Discuss how these factors differ between asset-based, income-based, and market-based valuation methods.
(CO 2: Analyze)

3. Define a hostile takeover and analyze the strategies that companies might employ to execute or defend against such takeovers. Include a discussion of anti-takeover amendments and the role of the SEBI takeover code.
(CO1: Remember)

4. Discuss the key legal provisions outlined in the Companies Act 2013 that govern mergers and acquisitions in India. Explain how these provisions affect the execution of a merger or acquisition.
(CO1: Understand)

PART B (PROBLEM SOLVING)

Answer all the Questions. Each question carries 10 marks. (3Qx 10M= 30M)

5. XYZ Ltd. and LMN Ltd., both operating in the FMCG sector in India, are planning to merge. Before the merger, XYZ Ltd. has an annual profit of ₹50 crore, and LMN Ltd. has an annual profit of ₹30 crore. After the merger, the combined entity is expected to generate an additional ₹20 crore in profit due to synergies in operations and cost savings. If the cost of capital for the merged entity is 12%, calculate the value of synergies from the merger. Consider the synergy benefits as perpetual.

(CO2: Evaluate)

6. SSABC Ltd. is acquiring DEF Ltd., and the agreed purchase price is ₹800 crore. ABC Ltd. will pay for this acquisition through a share swap arrangement. The market value of one share of ABC Ltd. is ₹400, and the market value of one share of DEF Ltd. is ₹200. Calculate the swap ratio and determine the number of shares that DEF Ltd.'s shareholders will receive for every share they hold. Properly explain your answer.

(CO2: Analyze)

7. ABC Ltd., an Indian manufacturing company, is being valued for a potential acquisition. The company's projected free cash flows for the next five years are ₹10 crore, ₹12 crore, ₹14 crore, ₹16 crore, and ₹18 crore, respectively. After five years, the company is expected to grow at a steady rate of 5% per annum. If the discount rate is 10%, calculate the present value of the company using the Discounted Cash Flow (DCF) method. Assume the terminal value is calculated using the perpetuity growth model.

(CO2: Evaluate)