JAIPURIA INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

Original Set + Final Set

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIFTH TRIMESTER (Batch 2019-21)
END-TERM EXAMINATIONS, JANUARY, 2021
Set-II

Course Name	Corporate restructuring	Course Code	FIN 502
Max. Time	2 hours	Max. Marks	40 MM

Instructions: ATTEMPT ALL QUESTIONS.

1. 'HUL buys GSK Consumer in mega deal and the potential deal is considered by analysts a win-win for both the parties.'
   Giving suitable details of the deal (Financing, consideration, motive, market reaction and potential synergies), evaluate the potential gains for both the companies. (13 Marks)

2. Analyse and explain the funding pattern used by Tata Steel in its cross border acquisition of Corus. (5 Marks)

3. X Ltd. is intending to acquire B Ltd. (by merger) and the following information is available in respect of the companies.

	Particulars A Ltd.	B Ltd.
No. of Equity Shares	5,00,000	3,00,000
Earnings after tax (Rs.)	20,00,000	6,00,000
Market value per share (Rs.)	18	12

(i) If the proposed merger takes place, estimate the new earnings per share for X Ltd. (assuming that the merger takes place by exchange of equity shares and the exchange ratio is based on the current market prices). (4)
(ii) Solve for the exchange ratio, if B Ltd. wants to ensure the same earnings to members as before the merger takes place? (4)
iii) Recommend whether shareholders of B should accept the exchange ratio. (2)

Q4) 1. Food & Tobacco, Inc (FAT) operates in two lines of business: Food with an estimated value of $10 billion and Tobacco with an estimated value of $15 billion.

Line of business	Average levered Beta	Average D/E ratio
Food Industry	0.92	25%
Tobacco Industry	1.17	50%

Currently the firm has a D/E ratio of 1. Tax rate for the firm is 40%. Assume the current risk free rate is 6% and the market risk premium is 5.5%.

No Moderation

Assume that the company divests its Food division for $10 billion and uses the proceeds to repay debt.

a. What will the **new beta** for the company be? (3.5 Marks)

b. What will be the **new beta** if the company retains the cash and invests the proceeds in government securities instead of repaying debt? (3.5 marks)

Q5. Evaluate equity carve-outs based on the parameters of: a) Purpose b) Control c) taxes
d) impact on cash and 6) market reaction. (5 marks)