

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

FIFTH TRIMESTER (Batch 2023-25)

END TERM EXAMINATIONS, JANUARY 2025

REAPPEAR EXAMINATION

Course Name	Corporate Restructuring	Course Code	20240
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS:

- Handwritten notes/paper/any other material, mobile phone, and scientific watch are strictly prohibited during the examination. Disciplinary action will be taken if any examinee is found to carry / use any such material.
- All parts of the same question must be answered in the same place. Exchange of calculator is strictly prohibited. Step by step all workings must be shown clearly without which marks will not be awarded.
- Extreme caution has been taken in making the questions. There is no ambiguity in the question paper. Hence do not ask for any explanation from the invigilator. Still if you feel that there exists room for any assumption then write the same clearly. However, illogical assumptions will be ignored.

Question 1: Attempt both subsets

(CLO – 1, RBT – II)

- Explain various asset-oriented methods of valuation of companies with the help of examples.
- Illustrate various relative valuation methods of companies with special reference to comparable companies' method and Enterprise value to EBITDA method.

(Marks: 5 + 5)

Question 2. Demonstrate enterprise value of a target firm with Discounted Cash Flow technique of valuation.

(CLO – 2, RBT – II)

Revenue Growth	15%
COGS	65%
SG&A	15%
NWC	13%
Terminal Value Growth	5%
WACC (Target Company)	15.60%
Tax Rate	25%
Depreciation (SLM)	1500
CAPEX	500
Revenue of Current Year (2024)	25000

From the year 2024 onwards, prepare the valuation sheet for 5-year forecast and terminal period valuation. If a counteroffer has to be made for an increase in revenue growth with 17% and a reduction in COGS to 60%, then what would be the new valuation of target company? **(Marks: 5)**

Question 3: Estimate the value per share of the target company Red Tape International. The value for the eight-year forecast period is given below:

(CLO – 2, RBT – V)

Year	FCF (in Crores)
2025	1550
2026	1573
2027	1598
2028	1626
2029	1656
2030	1680
2031	1703
2032	1725

Red Tape International has non-operating assets of INR 150 with a current present valuation of INR 500. Based on the current valuation, the present value of debt is INR 2,800. The terminal value is calculated to be 2% and a WACC of 14%. The present number of shares outstanding are 3,000.

Estimate:

- Present Value of Red Tape International for the forecast and terminal period.
- If Indian Economy is gaining momentum in future and terminal growth estimates improve from 2% to 4%, and Overall cost of capital will decrease to 12%, what would be new price of the share at which the target company should be bought?

(Marks: 5+5)

Question 4: XYZ Ltd. is considering merging with ABC Ltd. XYZ Limited's shares are currently traded at Rs. 25. It has 2,00,000 shares outstanding and its profits after taxes (PAT) amount to Rs. 4,00,000. ABC Ltd. has 1,00,000 shares outstanding; its current market price is Rs. 12.50 and its PAT are Rs. 1,00,000. The merger will be affected by means of a stock swap (exchange). ABC Ltd. has agreed to a plan under which XYZ Ltd. will offer the current market value of ABC Ltd.'s shares:

- Determine pre-merger earnings per share (EPS) and P/E ratios of both the companies?
- If ABC Limited's P/E ratio is 8, Estimate its current market price? Assess the shares exchange ratio and XYZ Ltd.'s post-merger EPS?
- Assess the exchange ratio be for XYZ Ltd.'s that pre and post-merger EPS to be the same?.

(CLO – 3, RBT – V)

(Marks: 2+5+3)

Question 5: Classify various valuation methods for private companies in M&A process of corporate restructuring. List the steps involved in comparable company analysis with the help of an example.

(CLO – 2, RBT – IV)

(Marks: 3+2)