

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIFTH TRIMESTER (Batch 2023-25)
END TERM EXAMINATIONS, JANUARY 2025
MAIN 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 the concept of Synergy in Corporate Restructuring. Compare and contrast operating and financial synergies with the help of examples.
- Illustrate various applications of Tobin's Q ratio to determine the value of a company. Show various formulas of Q-Ratio to invest in new plants and equipment or obtain assets by acquiring a company.

(Marks: 5 + 5)
Question 2. Demonstrate enterprise value of a target firm with Discounted Cash Flow technique of valuation.
(CLO – 2, RBT – II)

Assumption	Value
Revenue Growth Rate	10% annually
EBITDA Margin	30% of Revenue
Tax Rate	25%
Depreciation & Amortization Growth Rate	4% annually
Capital Expenditure Growth Rate	5% annually
Working Capital Growth Rate	5% annually
Terminal Growth Rate	3%
Present Year (2024) Revenue	1,00,000 INR
Depreciation of 2024	5,000 INR
CAPEX of 2024	8,000 INR
Change in Working Capital	2,000 INR
Beta	2.0
Risk Free Rate	5%
Market Premium	2.50%

From the year 2024, prepare the valuation sheet for 5-year forecast and terminal period valuation.

(Marks: 5)

Question 3: Estimate gains from synergy obtained from the merger of Tata Limited and 1mg with an objective of growth as a strategy in Indian Pharmaceuticals sector. (CLO – 2, RBT – V)

	Tata	1mg	Tata1mg: No synergy	Tata1mg (Synergy)
Free Cashflow to Equity	INR 99 crores	INR 38 Crores	INR 137 Crores	INR 176 Crores
Growth rate for first 5 years Forecast Period	15%	20%	16.24%	20.00%
Growth rate after five years Terminal Value	6%	7%	6.29%	7.00%
Beta	1.10	1.25	1.14	1.08
Req. rate of return	12.05%	12.875%	12.28%	11.94%
Risk-free Rate	6.00%			

Estimate:

- Present Value of Tata Company and 1mg Company, Combined Company without Synergy and with Synergy for forecast and terminal period.
- Gains from Synergy, maximum bid for 1mg and % premium over market price.

(Marks: 5+5)

Question 4: Determine swap ratio of HDFC Bank with the acquisition of HDFC Limited.

(CLO – 3, RBT – V)

	HDFC Bank	HDFC Limited
EAIT	25,00,000	9,00,000
No. of Equity Shares	5,00,000	3,00,000
Market Value per share	21	14

Estimate:

- Current EPS of Bidder and target company
- If the proposed merger takes place by exchange of equity shares and the exchange ratio is based on the current market price, determine the new earning per share of the combined company.
- What should be exchange ratio, HDFC Limited want to ensure the same earnings for members as before the merger takes place.

(Marks: 5+2+3)

Question 5: Classify various strategic considerations, financial considerations and tax/regulatory considerations for Demerger in M&A process of corporate restructuring. List the steps involved in a Demerger related to share allocation, adjusting share price, allocation of cost of acquisition with an example.

(CLO – 2, RBT – IV)

(Marks: 3+2)