JAIPURIA
INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT
POST GRADUATE DIPLOMA IN MANAGEMENT
Vth TRIMESTER (BATCH 2017-19)
END TERM EXAMINATIONS

Course Name	Corporate Restructuring		Course Code	FIN502
Max. Time	2 hrs		Max. Marks	40

Note: Attempt All Questions

Q1. Explain corporate restructuring? Using real world examples list down the motives for M&A. (10 marks)

Q2. Zenith Ltd. is planning to acquire and merge Maltech Ltd. As one entity. Following are the financials of the two companies before the merger. (10 marks)

	Zenith Ltd.	Maltech Ltd.
Revenues	$4,400.00	$3,125.00
Cost of Goods Sold	87.50%	89.00%
Depreciation	$200.00	$74.00
Tax Rate	35.00%	35.00%
Working Capital	10% of Revenue	10% of Revenue
Market Value of Equity	$2,000.00	$1,300.00
Outstanding Debt	$160.00	$250.00

Both firms are in steady state and are expected to grow 5% a year in the long term. Capital spending is expected to be offset by depreciation (Net Capex = 0). The levered beta for both firms is 1. The Treasury bond rate is 7% and the risk premium is 5.5%. As result of the merger, the firm's optimal debt ratio increases to 20% of total capital from current levels. (At that level of debt, the combined firm will have an A rating, with an interest rate on its debt of 8%.) If it does not increase debt, the combined firm's rating will be A+ (with an interest rate of 7.75%.)

A. Estimate the value of the combined firm, if it stays at its existing debt ratio.
B. Who gains this additional value if the firm moves to the optimal debt ratio?

Q3. How is buyback a defense tactic against M&A? Also, Explain different defence tactics stating their feasibility for companies in India. (10 marks)

Q4. Differentiate between the following on the given parameters of: 1) Purpose 2) Control 3) taxes 4) impact on cash and 5) market reaction. The answer has to be in tabular/matrix form with demerger forms in columns and parameters in rows: (10 marks)
   a) Spin-off
   b) Divestiture
   c) Equity carve out