

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER (4) – EXAMINATION – SUMMER 2019

Subject Code: 3549221

Date: 04/05/2019

Subject Name: Mergers & Acquisition (M & A)

Time: 10:30 Am to 1:30 Pm

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q. No.	Question Text and Description	Marks												
Q.1	Explain following terms: (a) Equity Carve out (b) Demerger (c) Crown jewel defense (d) Conglomerate merger (e) Joint venture (f) Diversification (g) Leverage buyouts	14												
Q.2	(a) What is corporate restructuring? Explain various forms of corporate restructuring.	7												
	(b) What is due diligence? What are the various areas in which due diligence is carried on?	7												
OR														
	(b) Explain the difficulties companies faces in cross border acquisitions.	7												
Q.3	(a) What is takeover? Explain various forms of takeover.	7												
	(b) Write a short note on : ESOP	7												
OR														
Q.3	(a) Following are the particulars of two companies, A Ltd and T Ltd: You are required to calculate exchange ratio and value of firm based on Market price. Consider A Ltd as Acquirer & T Ltd as Target firm	7												
	<table><tr><td>Particulars</td><td>A ltd</td><td>T Ltd</td></tr><tr><td>EAT (Rs)</td><td>2,00,000</td><td>60,000</td></tr><tr><td>No. of equity shares outstanding</td><td>8000</td><td>4000</td></tr><tr><td>P/E ratio</td><td>8</td><td>5</td></tr></table>	Particulars	A ltd	T Ltd	EAT (Rs)	2,00,000	60,000	No. of equity shares outstanding	8000	4000	P/E ratio	8	5	
Particulars	A ltd	T Ltd												
EAT (Rs)	2,00,000	60,000												
No. of equity shares outstanding	8000	4000												
P/E ratio	8	5												
	(b) What are the conditions that have to be satisfied for an amalgamation to qualify as “amalgamation by way of merger”?	7												
Q.4	(a) Explain SEBI Buyback of Securities Regulations.	7												

(b) Write short note on: Competition act 7

OR

Q.4 (a) Write a short note on three recent acquisitions in India 7

(b) What are the transactions in relation to amalgamations and demergers that are not charged to capital gains tax and why? 7

Q.5 In 2014, Flipkart acquired Myntra.com marking the biggest consolidation in the e-commerce space in India, home grown e-retailer Flipkart acquired online fashion retailer Myntra in an estimated Rs 2,000 crore deal. As part of the acquisition, Myntra co-founder Mukesh Bansal joined Flipkart's board and also oversee Flipkart's fashion business. Flipkart and Myntra remain as two separate entities, but people holding stock options in Myntra now hold the same in Flipkart. The deal appears to be win-win for both companies, and could be the making of a giant company, better positioned to address India's growing demand for online retail-one that could put up strong competition against rivals Flipkart, which also operates under the marketplace model allowing retailers to offer products on its platform, has since its inception raised over \$500 million.

By joining forces, Flipkart and Myntra realized huge cost savings on customer acquisition as they basically target the same customer and demographic base. Combined company control the major E-Commerce of India resulting insignificant economies of scales. Amazon, with its well machinery, is ready to fight against all players of E-Commerce in India which both Flipkart and Myntra are able to face as a combined entity. Both the ventures have created huge brand values and do share synergy in the online business.

The merger exploited this synergy in creating greater value as a whole. Both Myntra and Flipkart have been trying hard to raise funds for expanding their business. The combined entity found it easier to approach potential investors who might be lured by the combined market share these two may provide across categories. As mentioned in the article already, Myntra and Flipkart can leverage their existing infrastructure to provide better service and increase customer base.

(a) Explain advantages of acquisition to both parties involved in above case. 7

- (b) Explain various methods of valuation which can be used by acquirer in above case. 7

OR

- Q.5** (a) Explain various takeover defence tactics which could be used by target firm in above case. 7
- (b) Explain difficulties faced by acquirer and target in successful implementation of acquisition. And also state how to overcome such challenges. 7
