

Roll No.

Total No. of Pages : 03

Total No. of Questions : 17

MBA (Sem.-4)
MERGERS, ACQUISITIONS AND CORPORATE
RESTRUCTURING

Subject Code :MBA-914-18

M.Code :77813

Date of Examination : 08-07-22

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains EIGHT questions carrying TWO marks each and students have to attempt ALL questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and students have to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY consists of ONE Question carrying TWELVE marks.

SECTION-A

Write short notes on :

1. Define merger.
2. What is synergy?
3. What is share repurchase?
4. Explain horizontal merger.
5. What is Demerger?
6. What is takeover bid?
7. What is value creation?
8. What do you mean by share exchange ratio?

SECTION-B

UNIT-I

9. Explain the term corporate restructuring. Discuss different forms of corporate restructuring.
10. What is Takeover? Discuss various takeover defense strategies.

UNIT-II

11. Write Short notes on following:
 - a. Reverse Merger
 - b. Strategic Alliance
12. Explain the concept of Leveraged Buy-Out (LBO). Also, discuss its characteristics and structure.

UNIT-III

13. Write short notes on following:
 - a. Accounting aspects of mergers and acquisitions.
 - b. Impact of payment option on EPS.
14. Discuss various financing options available to acquiring company.

UNIT-IV

15. Explain the motives behind International mergers and acquisitions. Discuss reasons for failure of international mergers and acquisitions.
16. Write short notes on following:
 - a. Taxation aspects of mergers and acquisitions.
 - b. Due diligence in mergers and acquisitions.

SECTION-C

17. Case Study:

Tata acquired Corus on the 2nd of April 2007 for a price of \$12 billion making the Indian company the world's fifth largest steel producer. Tata has reportedly financed only \$4 billion of the Corus purchase from internal company resources, meaning that more than two-thirds of the deal has had to be financed through loans from major banks. Tata's new debt amounting to \$8 billion due to the acquisition, financed with Corus' cash flows, is expected to generate up to \$640 million in annual interest charges (The day after the acquisition was officially announced, Tata Steel's share fell by 10.7 percent on the Bombay stock market.)

The acquisition by Tata amounted to a total of 608 pence per ordinary share of £6.2 billion (US \$12 billion) which was paid in cash. First of all, the general assumption is that the acquisition was not cheap for Tata. The price that they paid represents a very high 49% premium over the closing mid market share price of Corus on 4 October' 2006 and a premium of over 68% over the average closing market share price over the twelve-month period. Moreover, since the deal was paid for in cash automatically makes it more expensive, implying a cash outflow from Tata Steel in the amount of £1.84 billion.

The debate whether Tata Steel has overpaid for acquiring Corus is most likely to be certain, since just based on the numbers alone it turns out that at the end of the bidding conflict with CSN, Tata ended up paying approximately 68% above the average price of Corus shares.

Answer the following questions:

- a) Identify the merger strategy used in Tata-Corus deal. Explain its features.
- b) Explain the financial structure of the Tata-Corus deal.
- c) As per your understanding, why did Corus go for this deal?

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.