GALGOTIAS UNIVERSITY

ADMISSION NUMBER

School of Business

Master of Business Administration MBA Dual Specialization
Semester End Examination - May 2024

Duration : 180 Minutes
Max Marks : 100

Sem IV - MBFI6016 - Mergers Acquisitions Corporate Restructuring and Valuation

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1) Apply the concept of a management buyout within the framework of mergers and acquisitions, and elucidate the advantages that such a strategy can bring to the involved parties. K3 (6)

2) Explain the provisions of the Competition Act, 2002 related to merger and acquisition activities in practical business scenarios. How do these provisions facilitate fair competition and protect market dynamics during the process of mergers and acquisitions? Provide examples to illustrate how companies can navigate these provisions while pursuing strategic combinations K4 (8)

3) Examine the SEBI Regulations (1997) on Substantial Acquisition of Shares and Takeovers and how companies navigate these regulations in the context of substantial share acquisitions and takeovers. K4 (8)

4) Describe the concept of strategic alliance and discuss two types of strategic alliances. Provide examples to illustrate each type and analyze the benefits and challenges associated with them. K4 (4)

5) In 1998, India Cements Limited ("ICL") in its hostile bid for Raasi Cements Limited ("RCL") made an open offer for RCL shares at Rs 300 per share at the time when the share price on the Stock Exchange, Mumbai ("BSE") was around Rs. 100. In this case investors felt cheated as the promoters themselves sold out their stake to the acquirer leaving little room for them to tender their stake to the acquirer during the open offer. However, ICL also bought out the FIs in the open offer and thereby increased their holding in RCL to 85%. K3 (9)

1. How did India Cements Limited (ICL) potentially violate regulatory compliance norms during its hostile bid for Raasi Cements Limited (RCL), especially concerning the fairness and transparency of the open offer price compared to the prevailing market price? (3)
2. What defence strategies could Raasi Cements Limited (RCL) have employed to protect itself from a hostile acquisition attempt by India Cements Limited (ICL), considering the circumstances of the open offer and the sale of promoter stake to the acquirer? (3)
3. Discuss the ethical considerations involved in the actions taken by India Cements Limited (ICL) during its hostile bid for Raasi Cements Limited (RCL), particularly regarding the fairness and treatment of minority shareholders and the role of corporate governance in such situations.(3)

6) Explain the concept of business acquisition finance and delve into the various types of business acquisition financing, illustrating their applications and significance in real-world business scenarios. K5 (10)

7) Company A, a large conglomerate, has been eyeing Company B, a smaller but innovative tech firm, for a hostile takeover. Company A believes that acquiring Company B's technology and market share would significantly bolster its position in the industry. However, Company B's board and management are determined to resist the takeover bid. K5 (10)

In response to Company A's hostile advances, Company B's board implements a golden parachute strategy to protect their interests and ensure that executives are adequately compensated in the event of a change in control. The golden parachute agreements guarantee substantial pay-outs to key executives and management if they are terminated or experience a change in control, such as through acquisition.

As Company A proceeds with its hostile takeover bid, it becomes apparent that the golden parachute agreements would significantly increase the cost of acquisition. The hefty pay-outs to Company B's executives would not only inflate the overall acquisition cost but also diminish the potential returns for Company A's shareholders.

Realizing the financial implications of the golden parachute strategy, Company A's board re-evaluates its aggressive approach to the acquisition. Despite its initial determination to pursue Company B, Company A decides to retreat from the hostile takeover bid. The potential costs associated with acquiring Company B, including the golden parachute pay-outs, outweigh the perceived benefits of the acquisition.

Company B successfully defends itself against the hostile takeover attempt, thanks in part to the golden parachute strategy that deterred Company A from proceeding further. The board and management of Company B maintain control of the company and continue to pursue their strategic objectives independently.

Questions:

1. Imagine you're a financial analyst advising Company A's board on its hostile takeover attempt of Company B. How would you assess the impact of Company B's golden parachute strategy on the overall cost-benefit analysis of the acquisition? Provide specific examples of how the golden parachute agreements could affect the financial metrics and shareholder returns for Company A. (5)

2. As a member of Company B's board, you're tasked with implementing the golden parachute strategy to defend against

Company A's hostile takeover bid. Describe three potential scenarios where the golden parachute agreements could effectively deter Company A from proceeding with the acquisition. How would these scenarios impact Company A's decision-making process and its shareholders? (5)

8) K5 (15)

Credit Balances	Rs	Debit Balances	Rs
Equity Share Capital	8,00,000	Building	2,40,000
8% Preference Share Capital	2,00,000	Plant & Machinery	5,10,000
10% Debentures	1,00,000	Furniture	1,15,000
Reserve Fund	45,000	Investment (MV 90,000)	1,20,000
Securities Premium	48,000	Inventories	90,000
Profit & Loss A/c	12,000	Debtors	3,12,000
Workmen Compensation Fund	56,000	Bills Receivables	45,000
Bills Payable	35,000	Cash in Hand	55,000
Creditors	2,25,000	Cash at Bank	1,11,000
Provident Fund	1,10,000	Goodwill	45,000
Provision for Tax	32,000	Preliminary Expenses	20,000
	16,63,000		16,63,000

XYZ Ltd. Intends to take over the business on the following terms and valuation:

1. Building at Rs 2,00,000; Plant & Machinery at Rs 4,65,000; Furniture at Rs 36,000; Inventories at Rs 1,20,000; Debtors are subject to a provision of 10% for doubtful debts; goodwill found to be nil.
2. There was a liability of Rs 26,000 against Workmen' Compensation Fund.
3. Actual tax liability is Rs 40,000.
4. Realization expenses estimated at Rs 15,000 to be borne by XYZ limited
5. The purchase consideration is to be paid as follows:

i) Preference shareholder are to be paid in cash.
ii) Balance to be paid in equity shares of XYZ Ltd. @ Rs 100.

Calculate the purchase consideration to be paid according to the Net Asset Method. Also, show the payment of purchase consideration to be paid to the preference and equity
shareholders respectively.

9) The Merger of Tech Innovators K6 (18)

In the fast-paced world of technology, two innovative companies, StellarTech Solutions and Visionary Systems, have announced their decision to merge. StellarTech, known for its cutting-edge software solutions, and Visionary Systems, renowned for its groundbreaking hardware advancements, are poised to create a synergistic powerhouse in the tech industry.

StellarTech's expertise in developing user-friendly software aligns seamlessly with Visionary Systems' state-of-the-art hardware capabilities. The merger aims to harness the strengths of both companies, providing comprehensive solutions to clients and expanding their market presence.

The rationale behind this strategic move lies in the belief that the combined entity will be better equipped to navigate the evolving tech landscape. By merging, StellarTech and Visionary Systems seek to optimize operational efficiencies, reduce costs, and enhance their ability to offer end-to-end solutions. This integration is expected to foster innovation and accelerate product development, ultimately benefiting their clientele and positioning the new entity as a leader in the competitive tech market.

The leadership teams of both companies are actively engaged in the merger process, ensuring a smooth transition for employees, clients, and stakeholders. As the tech industry witnesses this amalgamation of software and hardware prowess, the success of the merged entity will undoubtedly be closely monitored, setting the stage for potential game-changing developments in the dynamic world of technology.

How do you think the merger of StellarTech Solutions and Visionary Systems will impact their individual strengths in software and hardware, respectively?

1. What strategic advantages can the merged entity gain in terms of market positioning and competitiveness within the tech industry? (4)

2. In the context of the caselet, identify and discuss potential challenges that the leadership teams of StellarTech and Visionary Systems might encounter during the merger process. (3)

3. From a business standpoint, how might the merger contribute to optimizing operational efficiencies and reducing costs for the combined entity? (3)

4. Considering the evolving tech landscape, what role does innovation play in the success of the merged entity, and how can it leverage the merger to accelerate product development? (4)
5. Considering the evolving tech landscape, what role does innovation play in the success of the merged entity, and how can it leverage the merger to accelerate product development? (4)

10) "Disinvestment by the Government of India in Air India K6 (12)

In 2021, the Government of India announced its decision to privatize Air India, the national flag carrier, as part of its disinvestment strategy to reduce the fiscal burden and improve the efficiency of state-owned enterprises. The move aimed to attract private investment and revitalize the struggling airline, which had been grappling with mounting debts and operational challenges.

Questions:
1. Evaluate the strategic rationale behind the Government of India's decision to disinvest in Air India. How does this privatization align with the government's broader economic objectives and efforts to reform the aviation sector? (4)

2. Analyse the potential implications of the disinvestment of Air India on various stakeholders, including employees, customers, shareholders, and the broader aviation industry. How might each group be affected by the privatization process, and what measures could be implemented to mitigate potential negative impacts? (4)

3. Assess the challenges and risks associated with the privatization of Air India, considering factors such as regulatory hurdles, valuation issues, and market competition. What strategies could the government and potential investors employ to overcome these challenges and ensure a successful disinvestment process? (4)"