Roll No. ______________________

(Do not write anything on question paper except Roll No.)

[This paper consists of THREE Pages]

Jagan Institute of Management Studies

End-Term Examination, December, 2016 – January, 2017

Trimester V – PGDM 2015-17

Corporate Mergers, Acquisition & Restructuring

ET_PG_CMAR_3012

Time: 3 Hrs. *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

Q 1 Distinguish between any **FOUR** of the following:

a) Flip in and flip over poison pill.

b) Vertical and horizontal merger

c) Buyback and creeping acquisition

d) White knight and black knight

e) EVA and MVA

f) Leveraged buyout (LBO) and management buyout (MBO). **14**

Q 2 Kelloggs Ltd is taking over Corn Flakes Ltd. The shareholders of Corn Flakes Ltd would receive0.8 share of Kellogg's Ltd for each share held by them. Number of shares of Kelloggs Ltd before Merger is 2,50,000 and Number of shares of Corn Flakes Ltd pre-merger is 1,75,000. Calculate thepost-merger number of shares of the post merged entity (kelloggs). If the swap ratio (exchange) is decided on the basis of the respective market prices, EPS and book values of the Kellogg's and Corn flakes, what shall it be with the following information and the weightage assigned are 2:1:1 to market price ,EPS and book values, respectively.

	Kelloggs	Corn flakes
Market price	400	600
EPS	20	10
Book value	350	700

14

Q 3 a) Hindustan lever's dividend next year is expected to be Rs.5 per share with a growth rate of 3% and a cost of capital of 9%.

i) What should the current price of the stock be using a constant growth DDM model?

ii) What would be the price of the stock 5 years from now?

d) Based on your analysis, you expect Nokia to pay dividends of Rs.1, Rs 2, and Rs 3 over the next three years. At that time, you expect Nokia and its dividend payment to grow at a constant rate of 7% per year. If your required return on Nokia is 12%, what is the intrinsic value of this stock based on the DDM model? **14**

Q 4 What are the different methods of funding a merger or takeover? Is PRIVATE EQUITY the most used method of acquisitions in India? Explain the application of equity swap for funding with the help of examples. **14**

Q 5 What are the major reasons for the failure of most of the mergers and acquisitions? How do cultural differences play a role for the unsuccessful mergers and acquisitions? **14**

Q 6 What are the different techniques of avoiding hostile takeover bids? Which technique do you feel is the most appropriate in Indian scenario? Can buyback of shares be used for defending from unwanted buyers? **14**

Q 7 Read the case and answer the questions given at the end.

Yatra.com makes Nasdaq debut after reverse merger with Terrapin

Online travel firm Yatra Online Inc. on Monday said that it has completed its reverse merger with Terrapin 3 Acquisition Corp., which will result in the latter becoming a partially owned subsidiary of Yatra.

Shares of the new entity will start trading on the US stock exchange Nasdaq under the ticker symbol YTRA, Yatra Online said in a statement.

In July, *Mint* reported that Yatra had agreed to reverse-merge with Terrapin in a deal that assigned an enterprise value of $218 million to the Indian online travel agency.

As part of this process, Yatra has raised over $92.5 million of primary capital from global investors, the statement said.

The merged entity, Yatra Online Inc., will continue to be led by Yatra's management team under the leadership of co-founder and chief executive Dhruv Shringi. The board of Yatra will have five members from Yatra and one new member from Terrapin.

The cash infusion is critical for Yatra at a time when rival MakeMyTrip has acquired Ibibo

"The additional capital raised will be used by us to further accelerate our growth, invest in mobile technology, and expand our multi-channel distribution network. With a well-established brand, a large loyal customer base and a strong balance sheet, we are a strong force to reckon with in the Indian travel market," said Shringi.

Launched in 2006, Yatra, through its yatra.com website, provides travel and hotel reservations for leisure and business travellers in India.

Yatra customers booked more than 2.8 million air travel reservations and hotel stays with a total transaction value of more than $900 million during the year ended 31 March, an increase of 25% from the previous year.

Norwest Venture Partners, Reliance Venture Asset Management Ltd and Intel Capital are some of its investors.

The cash infusion is critical for Yatra, and comes a time when its competitor MakeMyTrip Ltd has acquired Naspers-backed Ibibo Group's travel business in an all-stock deal, creating India's largest online travel company, *Mint* reported in October.

According to Shringi, Yatra will be using the primary capital raised through the transaction for creating brand awareness in newer markets and for investing in technology.

"We have seen in the last 12 months that aviation in India is becoming more of mass market product from being an elitist product. This trend is going to only accelerate; one on the back of the new programme that the government is trying to push through. We think all the macros are right for us to go in and penetrate deeper into tier-II and III markets and that will be one of the use cases for the capital," said Shringi.

The recent demonetization decision by the central government will also aid the company's push into tier-II and III markets, thanks to increased digitization, added Shringi.

"We have got this digitization of payments coming through on the back of demonetization. The kind of digital transformation that we would have expected over a three-year horizon is going to get compressed over a six-month period," he said.

Investment in technology is the other key use of the fresh capital. "On the technology side, we think that there is incremental opportunity to invest behind mobile technology—a large part of the new customer base will through the mobile platform only. We have an alliance in place with Reliance Jio and there are some products that are being built specifically for the Jio platform," said Shringi.

Shringi said he expects the merger of MakeMyTrip and Ibibo to reduce the intensity of competition. "The competitive intensity should come down, because earlier these companies were burning a lot of cash. With competitive intensity coming down, it will benefit the entire industry in terms of economics," he said.

Questions:

a) What is reverse merger? In the above case who is acquiring whom for reverse merger?

b) . Is recent demonetization decision by the central government the basic reason for the reverse merger?

c) Does this reverse merger result into consolidation of the industry?

d) Has the recent MakeMyTrip has acquiring Ibibo anything to do wth this recverse merger?

e) Is it an all stock deal or call cash deal? **14**

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