



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, April 2018

Program: MBA International Business

Semester – 4th

Subject (Course): Mergers & Acquisition & Corporate Restructuring

Max. Marks: 100

Course Code : MBCG822

Duration : 3 Hrs.

No. of page/s:4

Short Answer Question

- 1) What is Bid Rigging. 2 marks
- 2) Explain Hostile takeover 3 marks
- 3) Explain Hubris Hypothesis of Takeover 3 marks
- 4) What is the difference between merger and takeover 3 marks
- 5) Expand HHI Index 2 marks
- 6) Expand NAV 1 marks

True or False 3* 2 marks (any three) (6 marks)

- 7) Merger and Acquisition both are same.
- 8) Shadow pill is used to make sure the merger transaction is done with all legal compliance in mind.
- 9) Employee stock options are used to make sure employee performance is linked to organization performance.
- 10) Idea-Vodafone transaction is an Acquisition. In which Vodafone Acquires Idea cellular.

Long Answer Question 10* 2 = 20 marks (any two)

- 11) Explain different types of synergy required to have a better Merger outcome.
- 12) Why Mergers around the world generally fails to achieve the desired outcome.
- 13) Explain types of corporate restructuring.

Short Note (Any one)

20 marks

- 14) Explain Anti-takeover mechanism
- 15) Explain Different types of Merger waves
- 16) Explain the Role of Competition commission in MnA

Case Study

: 40 Marks

Reliance Jio Infocomm (Jio) may soon topple Idea Cellular and Vodafone India individually in revenue market share, on the back of Mukesh Ambani-led telco's ability to spend more in capital expenditure. Jio's revenue though is expected to surpass that of the Aditya Birla group telco in the fiscal third quarter itself, say analysts.

"In our view, Idea could lose some market share in the near term as its spend on capex remains significantly lower versus Bharti/Jio," said brokerage firm Goldman Sachs in its report.

It added that Jio's reported revenues of Rs 6,900 crore likely translates into a market share rank of three. "We forecast Rs 6,300 crore (wireless) revenues for Idea in third quarter," said Goldman Sachs.

JP Morgan estimates Idea's revenues to be at Rs 6,700 crore. India's current No. 3 carrier is expected to report a net loss—its fifth successive quarterly loss—in the October-December period, when it declares its third quarter results on Wednesday.

In comparison, Jio, which upended the market since its entry in September 2016 with its initially free voice and data offerings, posted a profit of Rs 504 crore and a 12% on-quarter increase in revenue to Rs 6,879 crore for the third quarter. Airtel's India mobile services revenue was at Rs 10,571 crore.

At end of FY18, Goldman Sachs estimated revenue market share for Bharti Airtel at 31.7%, Vodafone India at 21.4%, Idea Cellular at 17.2% and Jio at 12.1%. By FY19, Airtel's share is expected to slip to 30.6%, Vodafone's to 20.2%, Idea's to 16.2% while Jio's is likely to rise to 21.5%. Idea and Vodafone, which are in the process of merging operations, should become the combined No. 1 with a combined share of 36.4%.

The Kumar Mangalam Birla-led operator had in the beginning of the financial year announced a capex plan of Rs 6,000 crore and had utilised Rs 3,200 crore by the end of the second quarter. The balance amount was kept aside for the third and fourth-quarters. In contrast, Jio's capex for the third quarter was Rs 7,000 crore. According to analysts' estimates, Idea Cellular's average revenue per user (ARPU) for the third quarter will be around Rs 115 compared to Jio and Airtel's ARPU at Rs 154 and Rs 123 respectively.

The slash in interconnect user charges (IUC) rates would “negatively impact” Idea’s mobile revenue by 10% on quarter, ICICI Securities said in a report. The decrease in IUC hurt Airtel’s gross revenue by Rs 1,061.5 crore, and mobile ARPU by Rs 16.

1) Is merger between Idea and Vodafone should be approved. If yes/no then Why. 15 marks

b) Assume that you are analyzing a company with the following cash flows for the next five years.25 marks

year	CF to equity	Interest exp(1-tax rate)	CF to firm
1	50	40	90
2	60	40	100
3	68	40	108
4	76.2	40	116.2
5	83.49	40	123.49
Terminal value	1603		2363.008

Assume also that the cost of equity is 13.625% and the firm can borrow long term at 10%. (The tax rate for the firm is 50%). , value of debt equals \$800.

Calculate value of equity , cost of capital and value of firm.