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# G.L. Bajaj Institute of Management & Research

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.)-201306

## POST GRADUATE DIPLOMA IN MANAGEMENT (2018-20) MID TERM EXAMINATION (TERM-VI)

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Paper	Time: 01.30 hour
PGF-07- Corporate Restructuring and Business Valuation	Max Marks: 20

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### Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.

2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study, 8marks, Section B carries 3 questions of 2 marks each and Section C carries 2 questions 3 marks each.

### SECTION A

**8 Marks**

#### Q. 1: Case Study:

Triluxo Limited and Gozo Cabs Ltd have agreed that Triluxo will take over the business of Gozo Cabs Ltd with effect from March 31, 2020. It is agreed that

- Shareholders of Gozo Cabs Ltd holding 1 million shares will receive shares of Triluxo Ltd. The Swap ratio is determined on the basis of 26 weeks average market price of shares of both the companies. Average prices have been worked out at Rs 150 and Rs 75 for the shares of Triluxo Limited and Gozo Cabs Ltd respectively.
- In addition to a), shareholders of Gozo Cabs Ltd will be paid cash balance on the projected synergy that will arise on the absorption of the business of Gozo Cabs Ltd by Triluxo Ltd. 40% of the projected benefits will be paid to the shareholders of Gozo Cabs Ltd.

The following projections have been agreed upon by the management of both the companies.

Year	2021	2022	2023	2024	2025
Benefits (Rs Million)	10	15	20	22	25

The benefit is estimated to grow at the rate of 6 % from 2025 onwards. It has been further agreed that a discount rate of 20% should be used to calculate the cash that the holder of each share of Gozo Cabs Ltd will receive.

- Calculate the cash that holder of each share of Gozo Cabs Ltd will receive.
- Calculate the total purchase consideration.

### SECTION B

**6 Marks**

Q.2: Discuss the pros and cons of P/E ratio as tool of valuation.

Q.3: Why do Mergers & Acquisitions fails?

Q.4: Why do companies go for a buyback?

### SECTION C

**6 Marks**

Q.5: State and explain the variables that drive value in Mergers & Acquisitions.

Q.6: How Leverage Buyout (LBO) is different from MBO (Management buyout)? Explain with suitable examples.