DELHI SCHOOL OF BUSINESS
By Vivekananda Institute of Professional Studies - TC

PGDM / PGDM (FINTECH) Program
TRIMESTER - VI (Batch: 2023-25)
END-TERM EXAMINATION, APRIL 2025

Course Name	**Valuations, Mergers & Acquisitions**	**Course Code**	
Duration	**Three Hours**	**Max. Marks**	**60**

Instructions:

1. Question number 1 is compulsory.

2. Attempt any four questions from Q. 2 – Q. 6.

Q.1 Solve: **[CO - 3, 4, 5] (Total 20 marks)**

(a) This is the information about PNP Limited: 50,000 equity shares @Rs 10 each having a market capitalization of Rs.10,00,000 and 5,000 preference shares of Rs.10 each, it has a profit after tax of Rs. 157,000. GGP Limited announced a preference dividend of Rs.5 per share. GGP Limited is subject to 30% income tax. **(4 Marks)**

i. Find the Earnings per share of the company

ii. Find the Price to Earnings ratio of the company

(b). The average Beta(β) of listed manufacturing companies is 3 (levered Beta). The average Debt-Equity ratio is 0.30. The tax rate is 30%. The average correlation of the manufacturing sector with the market is 0.50. The risk-free rate of return is 7% and the market rate of return is 15%. 5. What is the Unlevered Beta of manufacturing sector company? **(2 Marks)**

(c) Given, Market value of Equity = Rs.10,00,000, Market value of Preference Capital = Rs.5,00,000, Market value of Debt= Rs.8,00,000, and cash and cash equivalents=Rs.6,00,000. Find the Enterprise value of the company. **(2 Marks)**

(d) A firm has reported Earnings before interest and tax, depreciation and interest as Rs.100 crore, Rs.30 crore and Rs.10 crore. It has incurred Rs.20 crore as capital expenditure and its change in net working capital is Rs.5 crore. What is the free cash flow for the firm, if it is subject to 30% tax rate? **(2 Marks)**

(e) Find the cost of equity (Ke) from the given inputs: Rf (risk-free rate of return) =5%, Rm (market rate of return) = 12%, βe (beta of the stock) = 2. **(2 Marks)**

(f) The capital structure of SBS Ltd. includes equity of 8,000 shares @ Rs 10 and long-term debt of Rs.1,20,000. If the cost of equity is 20%, and the cost of long-term debt is 10%, calculate the WACC of the company. **(2 Marks)**

(h). Sri Shakti Limited is a growing company with a strong financial foundation, demonstrating consistent profitability and prudent capital management. The following information is given for Sri Shakti Limited. Calculate FCFE for the years 2024 and 2023. **(6 Marks)**

Sri Shakti Limited (all amounts in crores)			
Particulars / Year	**2024**	**2023**	**2022**
Net profit	₹ 420	₹ 210	
Depreciation and amortization	₹ 55	₹ 50	
Current assets except cash	₹ 410	₹ 300	₹ 220
Current liabilities	₹ 220	₹ 200	₹ 180
Capex	₹ 60	₹ 50	₹ 40
New debt issued	₹ 110	₹ 70	
Debt repaid	₹ 65	₹ 45	

Q.2 Zenith Ventures Ltd. is a diversified company operating in the manufacturing and industrial sector, known for its steady financial growth and strategic capital structure. With ₹1.955 crore in total book value, the company maintains a balanced mix of equity, preference shares, and debentures to fund its operations and expansion plans. Based on the information given in the table calculate the Weighted Average Cost of Capital for Zenith Ventures Ltd based on both book value and market value. (10 Marks)

Particulars	**Number**	**Face value**	**Market Price**	**Book value**	**Book value**
Equity share capital					
Paid up capital	50,000	₹ 10	₹ 42	₹ 500,000	
Reserves and surplus	N.A.	N.A.	N.A.	₹ 600,000	₹ 1,100,000
Preference share capital*	2,050	₹ 100	₹ 89		₹ 205,000
Debentures*	650	₹ 1,000	₹ 890		₹ 650,000
Total					₹ 1,955,000

N.A.: Not applicable

Other relevant information

Risk free rate of return	6.00%	
Market rate of return	13.00%	
Beta of stock	0.70	
Tax rate	25.00%	
*More details	Debentures	Preference Share Capital
Interest/ Dividend rate	11%	10%
Number of years to maturity (redemption)	6	7
Redemption value	₹ 1,050	₹ 100

(10 Marks) CO 2

Q.3 **Zenix Industries Ltd.** reported the following financial data for the year **2024**:

- Earnings Before Interest and Taxes (EBIT) = ₹600 crore
- Depreciation and Amortization = ₹80 crore
- Capital Expenditure (Capex) = ₹150 crore
- Change in Net Working Capital (NWC) = ₹70 crore
- Tax rate = 30%
- WACC (Weighted Average Cost of Capital) = 11%
- FCFF growth rate for 5 years = 6% annually
- Terminal growth rate = 4% per year
- Net Debt = ₹2,000 crore
- Shares Outstanding = 50 million (i.e., 50,000,000 shares)

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Dawn raid
Proxy fight

Consider 2024 as Year 1 for calculations. Using Discounted Cash Flow (DCF) based on FCFF, calculate Enterprise Value, Equity Value, and Earnings Per Share for Zenix Industries Ltd.

(10 Marks) CO 2

Q.4 Acquisition (or takeover) is an attempt to acquire the Target Company. Takeovers may be friendly or hostile. Hostile Takeover means the acquisition of one company (called the target company) by another (called the acquirer) that is accomplished not by coming to an agreement with the target company's management, but by going directly to the company's shareholders or fighting to replace management in order to get the acquisition approved. Elaborate with examples the takeover tactics and defense tactics.

(10 Marks) CO – 3,5

Q.5 Present your understanding of the historical Mergers and Acquisitions waves globally. With emerging trends of "Artificial intelligence" and a focus on "Sustainable Development" present your analytical view on the future trends for global Mergers and Acquisitions for the next decade.

(10 Marks) CO 1

Q. 6 Explain the concept of due diligence in mergers and acquisitions. Discuss its significance in the M&A process and outline the key areas covered during due diligence. Provide examples from the Indian context and abroad of potential risks identified through due diligence and their impact on the deal-making process or due diligence gone wrong. **(10 Marks) CO 1**