2/106

2305N639

Candidate's Seat No :________

MBA-2 Sem.-4 & MBA-3 Sem.-6 Examination

Finance

C. F. & R.

May-2025

Time : 2-30 Hours] **[Max. Marks : 70**

Instructions: (1) This paper contains five questions
(2) Questions 1 and 5 are compulsory
(3) Questions 2, 3 and 4 have internal options
(4) Figures in the right side in the parenthesis indicate marks

Q-1 A Company has made following estimates with respect to the CFAT of the proposed project. The project cost is Rs 160000 and the expected life of the project is 2 years. The net cash inflows are : (14)

In Year 1, there is 0.4 probability that the CFAT will be Rs 100000 and 0.6 probability that the CFAT will be Rs 120000. The probabilities assigned to CFAT for the year 2 are as follows:

If CFAT = Rs. 100000		If CFAT = Rs. 120000	
Rs.	Probability	Rs.	Probability
48000	0.2	80000	0.4
64000	0.3	100000	0.5
88000	0.5	120000	0.1

The company uses 10% discount rate for this type of investments. The company uses the decision tree analysis to get the clear picture of the project's cash inflow. Based on the Decision tree technique, Advise whether the project is financially viable or not.

Q-2 (a) Explain Net Income Theory in context of Capital Structure Decision. (07)

Q-2 (b) What is Beta of Security? Explain the Role of Beta in Capital Asset Pricing Model(CAPM) (07)

Or

Q-2 (a) Explain the concept of Portfolio Return and Portfolio variance with a suitable example. (07)

Q-2 (b) Explain Walter Dividend Model. (07)

Q-3 (a) Define Corporate Restructuring. Explain with reasons which activities cannot be considered as corporate restructuring. (07)

Q-3 (b) Explain in brief different forms of corporate restructuring. (07)

or

Q-3 (a) Explain the different SEBI takeover tactics which an acquiring company uses while acquiring a target company. (07)

Q-3 (b) Explain Dividend Discounted Model with assumption of no growth as well as constant growth to estimate the value per share of the target company. (07)

Q-4 (a) Explain in detail the process of mergers and acquisitions as per the compliances observed under Companies Act and provisons of SEBI. (07)

Q-4 (b) Explain Pooling of Interest Methods as per Accounting Standard 14 with respect to Accounting for Mergers (07)

Or

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Q-4 (a) Explain the correct measurement of the control premium as per the learnings mentioned in SEBI Guidelines with appropriate example. (07)

Q-4 (b) Explain Comparable Company Approach with illustration in context of valuation of target company. (07)

Q-5 The multi-billion dollar acquisition of Hutch by Vodafone is an evidence of the robust telecom sector, with significant consumer, revenue and market capitalization growth. Mumbai based Hutchison Essar, India's fourth largest mobile operator, is among India's most respected telecom companies Vodafone is the world's leading international mobile communications group with operations in 25 countries across five continents, and over 200 million proportionate customers by the end of January 2007, along with 36 partner networks. The seven markets where Vodafone has more than 10 million proportionate customers are Germany, India, Italy, Spain, Turkey, United Kingdom and United States. Vodafone was the largest telecom operator globally in terms of revenues with revenues of around \$58 billion in 2006. The Indian acquisition fits into Vodafone's focus on the EMAPA (Eastern Europe, Middle East, Africa, Asia Pacific and affiliates) markets. Vodafone's acquisition of Hutchison's 67% stake in Hutch Essar may be due to its compulsion to enter the high growth Indian market. Hutch Essar was the fourth largest mobile operator in India, with 24.41 million subscribers. Vodafone was the least leveraged of all the bidders. It had \$5 billion from the sale of its Japanese unit for \$15 billion. It would also get \$1.62 billion cash from its 5.6% stake sale in Bharti. Vodafone had free cash reserves in excess of \$3 billion. It also sold its 25% stake in Swisscom Mobile and exited Belgium. Vodafone is targeting 100 million Indian subscribers in three years–Hutch had 24.41 million. Hutch has been adding around one million subscribers a month while market leader Bharti has been adding 1.75 million subscribers per month. Vodafone has earmarked an investment of \$2 billion over the next couple of years to strength its presence. Vodafone has based its valuation on the growth trend of Indian mobile sector. The acquisition has accelerated Vodafone's move to the controlling position as a leading operator in the attractive and fast growing Indian mobile market (14)

Question – Describe the synergies realised in the case Acquisition of Hutch by Vodafone.

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