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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination – April, 2017

Program/course: MBA International Business

Semester – 4th

Subject: Mergers,Acquisition,Corporate Regulation

Max. Marks : 100

Code : MBCG 821

Duration : 2 Hrs

No. of page/s: 4

Section A

Short answer question-

1) Explain the term *spin-off and split off*	2 marks
2) Explain the term Combination,As per Competition law	1 marks
3)what is DIVESTITURES,explain with example.	3marks
4) Explain the term "sponsored spin-off" with examples.	3 marks
5) Explain "HUBRIS HYPOTHESIS OF TAKEOVERS".	2marks
6)Explain *the term* four-firm **concentration** ratio	3 mark
7)Explain the term Tracking Stocks	2 marks
8)Explain the term MASTER LIMITED PARTNERSHIPS	2 marks
9)Explain the term Corporate Restructuring	2 marks

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Section B—Any one (not more than 120 words)

1)Why Mergers need regulatory monitoring .Explain your views with case example 10 marks

2) Explain post merger integration process. Exlpain how a firm should proceed for integration. 10marks

3) what are the major reasons for a merger or acquisition to fail. 10 marks

Section C case study 70 marks

In one telling of the history of India's telecom revolution, former prime minister Rajiv Gandhi and Sam Pitroda laid its foundations back in the 1980s. True or not—it has been argued that the revolution's true progenitor was the Atal Bihari Vajpayee administration with its 1999 National Telecom Policy—Gandhi's tragic assassination meant that he would never see its fruition. In Cell Phone Nation, Robin Jeffrey and Assa Doron note that on the night of his assassination in 1991, it "took news agencies nearly an hour to begin telling the people of India that Gandhi was dead"—unsurprising given that there were six phones per 1,000 people in the country at the time.

In October 2015, India hit the billion mark for its mobile phone subscriber base, according to Telecom Regulatory Authority of India (Trai) data. It's a telling comparison—and the manner in which it maps to India's economic growth post-liberalization in 1991 is not a coincidence. But the world has moved on. Data matters now, and India has a distance to go here. According to Trai data, the total number of broadband subscribers in the country at the end of October 2016 was 218.42 million. Of this, access through mobile devices or dongles accounted for nearly 200 million. At the same time, almost 75% of telecom companies' revenue comes from voice. This highlights two trends that have been apparent for some time now. One, India's evolution to a digital economy will depend on smartphone penetration, not fixed line. And two, given the revenue models of telcos, it will not be an easy transition.

The latest figures following Reliance Jio's September 2016 launch show just how painful it could be. Earlier this week, Bharti Airtel, the country's largest telco, reported its lowest consolidated net profit in four years—Rs504 crore for the third quarter ended 31 December, as against Rs1,108 crore for the same period last year. Some of this was no doubt due to the currency-swap initiative. But the impact of the Reliance-triggered price war—profits for Idea Cellular, the country's third largest mobile phone operator, fell 88% for the quarter ended

September from the same period a year ago—is likely to reverberate through 2017 and well into 2018.

By the beginning of this year, Reliance Jio had signed up 72 million subscribers. The telecom pie in India is so large that subscriber base growth for rival telecoms hasn't been hit too hard yet by that rapid growth. Besides, how many of the subscribers stick around once the free service period is over remains to be seen. But the financial strain is another matter entirely. The big three—Airtel, Vodafone and Idea Cellular—have deep-enough war chests to absorb the pain for now. Smaller companies are not as fortunate. Consolidation or exits are inevitable; witness Reliance Communications' merger with Aircel.

What does this mean? For the consumer and the digital ecosystem, nothing bad—quite the reverse, at least in the short run. Telcos have little choice now but to upgrade the quality of their networks, still a weak point. And cheaper data means growth potential for the online content industry. It must contend with international streaming services like Netflix and Amazon Prime that have recently entered the Indian market, but home-field advantage—regional language programming and the possibility of lower price points—means it need not necessarily be an unequal battle.

It also means that a change in the growth direction of the smartphone industry is in the offing. Currently, less than 10% of the Indian subscriber base has 4G-enabled handsets. Demand will inevitably spike here as data prices plummet and penetration grows. That represents a manufacturing opportunity that dovetails neatly with the Make In India initiative. But that comes with its own set of challenges. Domestic manufacturers like Micromax must contend with Chinese companies that have already had a chance to hone their 4G game in the Chinese market. Given the recent surge by the latter and their rapidly growing market share, that will not be easy.

As for telcos, past price wars and high-spectrum auction prices—last year's auction netted bids worth Rs65,800 crore—mean they are highly leveraged. The added pain of competing with Jio on tariffs, increased capital expenditure from upgrading their networks, and the attorney general signing off on Trai's penalty of Rs3,050 crore on Bharti Airtel, Vodafone and Idea Cellular over the interconnection issue with Jio could have unpredictable results. Jio's own dubious math doesn't help. Its goal of achieving average revenue per user of Rs300 within 12 months—nearly twice the industry standard—and breaking even or turning profitable by the end of the same period is more in the realm of a pipe dream than reality.

The Indian telecommunications sector might be at an inflection point as significant as the first mobile phone revolution, centred this time around data—but with that, it must also contend with instability.

1) Idea and Vodafone has decided to merge their Indian Business. You have been appointed by CCI to advice on the merger of the two firms. 25*2=50 Marks

    1) Estimate the market concentration after the merger.Whether CCI should approve the merger. Explain your answer with focus on Sector , Consumer .
    2) Analyse the Telecom Market(from above case) , provide your opinion on future of the Industry

b) Airtel is looking to take over company Axeowr, cashflow of the company is provided for the next 5 years 20 Marks

Year	Cash flow 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
5	83.49	40	123.49
Terminal Value	1603		2363

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%.)

Calculate the value of Equity.