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III Semester M.B.A. (Day/Evening) Degree Examination, May/June - 2025
MANAGEMENT
Corporate Valuation and Financial Modelling
(CBCS Scheme 2019 Onwards)
Paper : 3.2.3

Time : 3 Hours **Maximum Marks : 70**

SECTION - A

Answer any **Five** questions from the following. Each question carries **5** marks. **(5×5=25)**

1. Explain the perspectives of Balanced Score Card.
2. Explain the components of Intellectual Capital.
3. X, N Ltd report a profit of Rs. 100.32 lakhs after 34% tax of the financial year 2023-24. An analyst of the accounting reveals that an income included extraordinary items of Rs. 14 lakhs, extraordinary loss Rs. 5 lakhs. The existing operation except for the extra - ordinary item continue in future. Further a new product is launched expectation are as under.

Particulars	**Amount**
Sales	70
Material cost	20
Labour cost	16
Fixed cost	10

The company as 50 lakshs equity share of Rs. 100 each and 80,000 9% preference share of Rs. 100 each with P/E ratio is being 6 times. You are required to compute the value of business assuming the cost of capital to be 12% after tax. Determine the market price per equity share.

4. X Ltd is considering a capital project for which the following information is available.

Investment outlay	10,000
Project life	5 years
Salvage value	0
Annual Revenue	8,000
Annual cost (excludig depreciation)	4,000
Depreciation (Straight line depreciation)	
Debt equity ratio	3:2
Tax	40%
Ke	20%
Kd (post tax)	8%

Calculate EVA over its life.

5. The profit and loss A/c and the Balance Sheet of Sri Ram Company for two years are given below :

P&L A/c **Rs. in million**

Year	**1**	**2**
Net sales	5,600	6,440
Income from marketable securities	140	210

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Non - operating income	70	140
Total income	**5,810**	**6,790**
COGS	3,220	3,780
Selling and administrative expenses	700	770
Depreciation	350	420
Interest expenses	336	392
Total cost and expenses	**4,606**	**5,362**
PBT	1,204	1,428
Less tax provision	364	448
PAT	**840**	**980**
Dividend	420	560
Retained earnings	420	420
	Balance Sheet	**Rs. in million**
Year	**1**	**2**
Equity capital	2,100	2,100
R & S	1,680	2,100
Debt	2,520	2,940
	6,300	**7,140**
F Assets	4,200	4,550
Investments	1,260	1,400
Net current Assets	840	1,190
	6,300	**7,140**

Assume a tax rate of 40%

i. What is the EBIT for the year 2?
ii. What is the tax on EBIT for year 2?
iii. What is the NOPLAT for year 2?
iv. What is the FCFF for the year 2?

6. The key financial parameters of X Ltd., are as follows :

EBDIT	Rs. 36 Lakh
Book value of assets	Rs. 180 Lakh
Sales	Rs. 250 Lakh

Based on the valuation of several cement companies A, B and C companies, it has been found to be comparable to X Ltd. Their key financial data are as follows :

	A	**B**	**C**
EBDIT	24	30	40
Book value of Assets	150	160	200
Sales	160	200	320
Market value	300	480	720

Find the value of X Ltd., using comparable company approach.

7. ABC Ltd is considering merger with XYZ Ltd there is no synergy gain from merger. Complete the following table of ABC wishes and earning per share of Rs. 2.80 after the merger.

Particulars	**ABC Ltd**	**XYZ Ltd**	**Merged Entity**
EAT	1,00,000	2,50,000	?
No of shares	50,000	1,00,000	?
MPS	20	12.50	?
EPS	2	2.50	2.80
PE ratio	10	5	?
Total market value	10,00,000	12,50,000	?

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SECTION - B

Answer any **Three** questions. Each question carries **10** marks. **(3×10=30)**

8. Consider the following information in respect of Hari Ltd.

(Rs. in Crores)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total revenue	57.73	69.86	81.74	92.37	100.60	107.70
Cost of goods sold	23.93	29.93	35.24	39.72	42.28	45.76
Gross profit	**33.80**	**39.93**	**46.50**	**52.65**	**58.32**	**61.94**
Administrative expenses	3.56	4.38	5.11	5.72	6.07	6.55
Selling and Distribution - expenses	18.26	23.14	27.91	32.19	35.53	38.37
Depreciation	4.70	2.43	1.59	1.27	2.18	1.83
EBIT	7.28	9.98	11.89	13.47	14.60	15.21
Additional information :						
Marginal tax rate	33.90%	33.90%	33.90%	33.90%	33.90%	33.90%
Increase in operating working capital	3.30	3.60	4.00	4.10	4.20	4.30
Capital expenditure	0.61	0.66	0.61	0.78	0.92	0.71

Assuming that the company is having 3.5 crores of equity shares, Debt of Rs. 0.75 crores, steady growth rate at 8% in free cash flows after 2024 and weighted average cost of capital (WACC) of 12.5%, determine the value of its share using free cash flows valuation method.

9. Explain the different methods of valuation of private companies and startups.

10. Explain various Anti - Takeover defence strategies adopted by target firms with strategic fit.

11. The cash flow of G Ltd are given below :

Year	NOPAT	Capital expenditure	Depreciation	Additional WC	Net cash flow
1	65	30	20	20	35
2	70.2	32	22	22	38.20
3	75.4	35	24	23	41.40
4	80.60	37	26	25	44.80
5	87.10	40	28	27	48.10

Cash flow are expected grow at 7% forever thereafter. There are four comparable firms their beta's and debt equity ratios are given below.

Firm	Beta	Debt-equity ratio
1	1.0	0.5
2	0.6	0
3	0.8	0.40
4	0.9	0.45

Risk free rate of return is 12.2% Market Risk Premium is 10%.

The Acquisition price of Rs. 330 crore will be financed with Rs. 99 crore of debt it will be brought down to 66 crore in year 5. The debt proportion is expected to remain at same level forever.

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Year end	Debt (in crores)
0	99
1	92.40
2	85.80
3	79.20
4	72.60
5	66

Assume the tax rate @ 35%, Interest rate @ 14%. Calculate the value of the firm using adjusted recent value (APV) approach.

SECTION - C

Compulsory Case study : **(1×15=15)**

12. Scotika Company expected to grow at higher rate for 5 years thereafter the growth rate will fall and stabilize at a lower level. The following information is available.

I. Base Year (Year 0) Information

Revenue	4,000 Million
EBIT 1/8th of Revenue	500 Million
Capital Expenditure	300 Million
Depreciation	200 Million
Working capital as a percentage of revenue	30
Paid up equity capital (Rs. 10)	300 Million
Market value of debt	1,250 Million

II. Input for High Growth Period

High growth phrase	5 years
Growth rate in Revenue, Depreciation, EBIT and capital Expenditure	10%
Working capital as a percentage of Revenue	30%
Cost of debt	15% (pre tax)
Debt equity ratio	1:1
Risk free rate	13%
Market risk premium	6%
Equity beta	1.333

III. Input for Stable Growth Rate

Expected growth rate in Revenue and EBIT	6%
Capital Expenditure are off - set by depreciation	Nil
Working capital as percentage of Revenue	30
Cost of debt	15% (Pre tax)
Debt equity ratio	2:3
Risk free rate	12%
Market risk premium	7%
Equity beta	1

Calculate the value of the firm from the above information.

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