Roll No…………

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

POST GRADUATE DIPLOMA IN MANAGEMENT (2025-27)
MID TERM EXAMINATION (TERM -III)

Subject Name: **Business Valuation & Financial Modelling**	Time: **01.00 hrs**
Sub. Code: **PGF31**	Max Marks: **20**

Note: All questions are compulsory. Read the case and answer the questions

Kindly write the all the course outcomes as per your TLEP in the box given below:

CO1 Analyze the **concept, forms, and strategic significance of mergers, amalgamations, and business alliances**, including legal frameworks, due diligence processes, and post-merger integration challenges in corporate strategy.

CO2- Develop the ability to **design and construct financial models using spreadsheet tools**, integrating accounting and corporate finance principles to support financial analysis and decision-making.

CO3- Evaluate **business valuation techniques** including Discounted Cash Flow (DCF), Free Cash Flow models (FCFF & FCFE), cost of capital estimation, and relative valuation methods for assessing firm value.

CO4- Assess the **financial and strategic implications of corporate restructuring and alliance implementation**, including EPS impact, exchange ratio determination, leveraged buyouts, and market valuation effects.

Read the case and answer the questions:

Case Study 1: **<u>NDTV Takeover Battle</u>**

(CO 1)

Background: New Delhi Television Ltd. (NDTV), one of India's most recognized media companies, had long been known for its editorial independence and strong brand equity. However, despite its reputation, NDTV had a relatively vulnerable ownership structure. Promoter shareholding was not overwhelmingly dominant, and parts of the company's financial history included instruments and arrangements that later became strategically important.In 2022, the Adani Group, one of India's largest conglomerates, made a surprise move to acquire control over NDTV. Rather than beginning with direct negotiations with the founders, the group used an indirect route. Through its subsidiary, it acquired Vishvapradhan Commercial Pvt. Ltd. (VCPL), a firm that had earlier provided financing to NDTV's promoters. This financing arrangement carried conversion rights, which could be exercised to obtain a significant stake in NDTV.

The Takeover Trigger: Once Adani Group acquired VCPL, it exercised the rights attached to the earlier loan arrangement. This gave it access to a substantial stake in NDTV, amounting to nearly 29.18%. Under SEBI's takeover regulations, crossing this threshold triggered the requirement for an open offer to public shareholders. Soon after, Adani Group announced an open offer to acquire an additional 26% stake, with the intention of gaining controlling interest. This move was widely viewed as a hostile takeover attempt, because the founders of NDTV publicly stated that the acquisition had occurred without their consent, consultation, or prior discussion. The market immediately reacted, and NDTV became a major example in India of how corporate control can shift through indirect share acquisition mechanisms.

Nature of Strategy Used: The Adani move reflected features of a bear hug and creeping control strategy:

- It involved a financially powerful acquirer targeting a strategically important but ownership-vulnerable company.
- The offer created significant pressure on shareholders to tender their shares.
- The acquisition route was structured through pre-existing financial rights rather than a conventional negotiated merger.

Unlike textbook poison-pill situations common in the United States, Indian companies operate in a more regulation-driven environment, and shareholder rights plans are not as freely deployable. As a result, NDTV's promoters had limited defensive choices compared to what a company in the fictional Shakti Electronics case could attempt.

Defensive Response:: NDTV's founders and management initially responded by contesting the legitimacy and timing of the takeover move. Their defense relied more on legal, regulatory, and narrative resistance than on financial countermeasures. They argued that the conversion rights should not have been exercised without considering regulatory approvals and promoter consent. Public statements were issued emphasizing that the acquisition lacked promoter approval.

However, in contrast to a poison pill or Pac-Man defense, NDTV could not practically dilute the acquirer or launch a reverse acquisition. The company did not have the scale or financial capacity to counterbid for Adani Group or materially alter the ownership structure quickly. This exposed a major difference between theory and Indian corporate reality: many classical anti-takeover mechanisms are difficult to execute in India due to regulatory, capital, and ownership constraints.

Outcome: Over time, Adani Group strengthened its position and eventually gained control over NDTV. The founders, Prannoy Roy and Radhika Roy, later resigned from the board, signaling the effective transfer of control. The case became one of the most discussed examples in India of a hostile or unsolicited takeover through indirect ownership rights and open offer regulations. (L1,L2,L3)

Questions:

i) Why was NDTV vulnerable to acquisition despite being a high-visibility and influential media company? (5 marks)

ii) Compare the NDTV case with traditional takeover defenses like poison pill and Pac-Man defense. Why are such strategies less feasible in the Indian corporate environment? (5 marks)

Case Study 2: **Leverage Analysis at Nova Pumps Ltd.**

(CO2)

Nova Pumps Ltd., an Indian manufacturing company, produces industrial water pumps used in agriculture and infrastructure projects. Recently, the company upgraded its production facilities with automated machinery. This modernization increased the company's fixed operating costs, although it helped maintain efficiency in variable cost per unit. To finance the expansion, the company also borrowed funds from a financial institution, creating a fixed annual interest burden.

The finance manager wants to assess how sensitive the company's earnings are to changes in sales and how leverage behaves under different sales conditions.

Given Data

- Selling price per unit = ₹500
- Variable cost per unit = ₹300
- Current sales volume = 50,000 units
- Fixed operating cost = ₹40,00,000
- Interest expense = ₹10,00,000

The management expects that sales may increase by 20% in the next year, while selling price, variable cost per unit, fixed operating cost, and interest expense remain unchanged. (L2,L3,L4)

Questions:

i). Calculate Contribution, EBIT, Degree of Operating Leverage (DOL), Degree of Financial Leverage (DFL), and Degree of Combined Leverage (DCL) at the current sales level and again after a 20% increase in sales. Show clearly how the change in sales affects each type of leverage. (4+4=8 marks)

ii). Based on your calculations, advise the management of Nova Pumps Ltd. whether the company should rely more on fixed operating costs and debt financing in the future. Support your answer with suitable reasoning. (2 marks)

Kindly fill the total marks allocated to each CO's in the table below:

COs	Blooms Taxonomy Levels	Marks Allocated
CO1	L2	10 Marks
CO2	L3	10 Marks

Blooms Taxonomy Levels given below for your ready reference:

L1= Remembering
L2= Understanding
L3= Apply
L4= Analyze
L5= Evaluate
L6= Create