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St. Claret College

Autonomous, Bengaluru

ROLL NO:
DATE:

PG END SEMESTER EXAMINATION-MAY 2026

MBA THIRD SEMESTER

MBADSF 3325: Business Valuation and Value-Based Management

TIME: 3 hours. **MAX. MARKS: 70**

This paper contains FOUR printed pages and FOUR parts

Instructions:
1. **Verify and ensure that the question paper is completely printed.**
2. **Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.**
3. **Students must check the course title and course code before answering the questions.**

PART-A

Answer SEVEN questions out of NINE. Each answer carries TWO marks. **[2x7 = 14]**

1. Calculate the firm's terminal value given: Year 6 operating cash flow is Rs. 25 crore, additional investment is Rs. 3 crore, post-forecast FCF growth is 4%, and WACC = 10%.
2. Compute and comment on the ROE of a company with net profit of Rs. 36 lakhs, sales of Rs. 90 lakhs, total assets of Rs. 45 lakhs, and equity of Rs. 30 lakhs, using DuPont analysis.
3. Describe the approach banks take to assess valuation in practice.
4. What is a performance analysis system and its purpose?
5. Why is the Balanced Scorecard considered an important tool for performance measurement?
6. What role do notional calls play when using the asset-based valuation approach?
7. What is the exchange ratio in a merger, and why does it matter for both acquiring and target shareholders?
8. Differentiate between structural restructuring and workforce restructuring.
9. Elaborate on the approaches of cross-border valuation.

PART-B

Answer any FOUR questions out of SIX. Each answer carries FIVE marks. **[5x4=20]**

10. Write a short note on Human Resource Valuation.

11. The profits before tax of Delta Ltd. for the last three years are as follows: 2020 – Rs. 2,00,000; 2021 – Rs. 2,40,000; and 2022 – Rs. 2,80,000. The company transfers 20% of its profits to the general reserve every year. The corporate tax rate is 25%. The company has 8% preference share capital of Rs. 1,00,000 and

50,000 equity shares of Rs. 10 each fully paid. Similar companies in the industry have a yield of 12% on the market value of their shares. Calculate the value of each equity share of Delta Ltd.using earnings capitalization method.

12. ABC Technologies Ltd., with dispersed shareholding, faces a hostile takeover bid from GlobalTech Solutions at ₹450 per share. The board believes the offer undervalues the company. Briefly discuss the anti-takeover defence strategies available to ABC Technologies Ltd.

13. NexGen Ltd. is a diversified company with three business segments: Consumer Products, Industrial Solutions, and Healthcare Services. Its stock is currently trading at a total market price of Rs. 9 million.

The segment-wise accounting data for NexGen Ltd. are as follows:

Business Segment	Sales (₹)	Assets (₹)	Operating Income (₹)
Consumer Products	25,00,000	8,00,000	2,00,000
Industrial Solutions	18,00,000	15,00,000	3,00,000
Healthcare Services	30,00,000	40,00,000	7,00,000

Industry data for pure-play firms in each segment have been compiled and are summarised below: Is the stock overvalued or undervalued according to each multiple?

Business Segment	Capitalization / Sales	Capitalization / Assets	Capitalization / Operating Income
Consumer Products	0.80	0.70	12.0
Industrial Solutions	1.20	1.00	8.0
Healthcare Services	1.50	0.90	6.5

14. Apex Ltd. needs a valuation report for foreign investors as per Indian Valuation Standards (IVS). The CFO is unaware of IVS. Briefly explain the key aspects of Indian Valuation Standards.

15. Orion Ltd. has just paid a dividend of Rs. 5 per share for the current year. The dividend is expected to grow at 20% per year for the next 3 years, then at 10% per year for the following 2 years, and thereafter at 5% per year indefinitely. The required rate of return (capitalization rate) is 12%. Calculate the intrinsic value (present value) of the share.

PART-C

Answer any TWO questions out of FOUR. Each answer carries TEN marks. **[10X2=20]**

16. Zenith Ltd. is evaluating a new project. The following information is available:

PARTICULARS	AMOUNT
Investment Outlay	Rs. 25,000
Project Life	4 years
Salvage Value	Rs. 1,000
Annual Revenue	Rs. 18,000
Annual Cost (excluding depreciation)	Rs. 7,000

Depreciation	Straight Line
Tax Rate	30%
Debt : Equity Ratio	0.8 : 1
Cost of Equity	14%
Cost of Debt (pre-tax)	9%

Calculate the Economic Value Added (EVA) for the project.

17. The CEO of a consumer goods company wants to shift from profit-maximization to long-term value creation. The strategy head suggests using the Marakon approach for value-based management. Based on this scenario, define value-based management and explain the Marakon approach – why it is popular and is used over other methods. Also, elaborate on the steps involved.

18. Tessem Ltd. is considering a merger with Rivian Ltd. Tessem Ltd.'s shares are currently traded at Rs. 250 per share. It has 10,00,000 outstanding shares and its Earnings After Tax (EAT) is Rs. 4,00,00,000. Rivian Ltd. has 2,00,000 outstanding shares. Its current market price is Rs. 120 per share, and its EAT is Rs. 24,00,000. The merger will be affected by means of a stock swap. Rivian Ltd. agrees to a plan under which Tessem Ltd. will offer the current market value of Rivian Ltd.'s shares.
    a. What are the pre-merger EPS and P/E ratios of both companies?
    b. If Rivian Ltd.'s P/E ratio is 15, what will be its current market price? What will be the exchange ratio? And what will be the post-merger EPS of Tessem Ltd.?

19. Innovate Soft Ltd., a technology company, has developed a proprietary software platform and a strong brand name. The company is seeking a bank loan and needs to provide a valuation of its intangible assets as collateral. The CFO is unsure how to value these assets and asks your team for guidance. discuss how intangible assets (such as software and brand name) are valued. Also, provide a detailed explanation of the different valuation methods applicable to them.

PART-D

Answer the following. **[16X1=16]**

20. **Astra Ltd.** is expected to grow at a higher rate for 5 years; thereafter, the growth rate will fall and stabilize at a lower level. The following information has been assembled.

PARTICULARS: BASE YEAR (YEAR 0) INFORMATION	**Amount (Rs. million)**
Revenues	6,000
EBIT	1,000
Capital expenditure	700
Depreciation	500
Working capital as % of revenues	20%
Corporate tax rate	25%
Market value of debt	2,000
PARTICULARS: HIGH GROWTH PERIOD (YEARS 1–5)	**VALUE**
Growth rate (revenues, EBIT, depreciation, CapEx)	15%
Working capital as % of revenues	20%

Cost of debt (pre-tax)	12%
Debt-equity ratio	1 : 1
Risk-free rate	7%
Market risk premium	5%
Equity beta	1.6
PARTICULARS: STABLE GROWTH PERIOD (AFTER YEAR 5)	**VALUE**
Growth rate (revenues, EBIT)	4%
Capital expenditures	offset by depreciation
Working capital as % of revenues	20%
Cost of debt (pre-tax)	8%
Risk-free rate	7%
Market risk premium	5%
Equity beta	1.4
Debt-equity ratio	1 : 1

Using the data, find the value of the firm and the value of the equity.

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