MB-122A

Sl.No. : **Total No. of Pages : 4**

Fourth Semester M.B.A. Degree Examination, June - 2023
(NON CBCS (SLM Scheme)
MANAGEMENT (Elective - A)
Strategic Financial Management

Time : 3 Hours **Max. Marks : 80**

SECTION-A

Answer any five sub-questions. Each sub-question carries Three marks.[5 × 3 = 15]

1) a) What is corporate governance?

b) What is Economic Value Added?

c) Write a note on financial Distress.

d) What is merger?

e) Mention the impact of financial leverage on firm's performance.

f) State the features of venture capital.

g) What is strategic financial management?

SECTION-B

Answer any Four questions. Each question carries Five marks. [4 × 5 = 20]

2) What are the factors considered in capital structure planning & policy?

3) "Learning is beneficial to both, the lessee as well as lessor". Examine.

4) Distinguish between economic failure & financial failure.

5) Discuss the different types of corporate restructuring.

6) Explain the different types of Financial Engineering.

7) What are the features of private equity? Explain its advantage & disadvantage.

SECTION-C

Answer any Three questions. Each question carries Ten marks. [3 × 10 = 30]

8) Explain liquidation of a company. Is it always preferable to financial reorganisation?

9) Discuss the various types of valuation under merger.

10) Discus the various types of corporate restructuring strategies?

11) What do you mean by agency problem? does it come in the way of corporate weather manimization? If so, how can it be controlled.

12) What do you mean by takeonce state with example? Explain takeonce strategies & defensive tacties.

SECTION-D

13) Case (Compulsory): [1 × 15 = 15]

On June 23, 1998, Deepak Singhania (Singhania), managing director, LML Ltd (Lohia Machines Ltd)., received letters from two companies of the Piaggio Group. The letters curtly informed him that four of the group companies would be merged with Piaggio & C SpA on July 1, 1998, under a restructuring plan. There had also been a change in the shareholding pattern.

Singhania immediately sensed that the reorganization and the changing shareholding pattern of Piaggio & C SpA would strengthen the anti-Singhania faction in Piaggio. Proactively, Singhania invoked certain articles of the joint

venture agreement with piaggio. He contended that he had the right to buy out Piaggio's stake in LML.

According to him, the demise of Giovanni Alberto Agnelli(Giovanni) triggered an event that gave LML the right to purchase Piaggio's stake. He took the matter to the court of the civil judge (Senior Division) Kanpur. Singhania's petition contended that Piaggio should be forced to sell its stake.

During the same time, Piaggio moved the International Court of Arbitration (ICA), Paris, contesting Singhania's claim. The Kanpur court gave an interim order restraining both LML and Piaggio from selling their holdings. This sequence of claims and counter-claims by LML and Piaggio continued for more than a year. In November 1999, the partners finally entered into a 'good-faith out-of-court settlement' under which LML bought Piaggio's stake. Piaggio, established in 1884 in Pontedera, (Pisa, Italy), was one of the world's leading producers of motorized two-wheeled vehicles.

A leader in the European two-wheeler market, the company was also a manufacturer of three- and four-wheeled light transport vehicles and engines. The Piaggio family owned the company until December 1999, after which Morgan Grenfell Private Equity, a member of the Deutsche Bank Group, acquired 81.5% stake.

The remaining 18.5% stake was held by Umberto Agnelli (10%), and Texas Pacific Group (8.5%). Piaggio entered the Indian automobile market in 1948, by launching its two-and three-wheelers in Mumbai, Very soon, the company signed a licensing agreement with Bajaj Auto for the production of two- and three- wheelers locally.

Piaggio had many firsts to its credit. It was the first European manufacturer to launch a 4-stroke scooter in 1995. In 1997, the company produced the first and only scooter in the world with an injected 2-storke engine, - Vespa ET2 Injection. This scooter, it was claimed to reduce emissions by up to 70% and fuel consumption by up to 30%, as compared to other scooters. In 2000, Piaggio was the first European manufacturer to introduce a 50cc 4-stroke engine. It also developed the innovative range of four stroke LEADER (Low Emission Advanced Engine Range) engines, which included engines of 125 to 180 cc with air or liquid cooling and two or four valves. Lohia Machinery Ltd. (LML), established in 1975 in Kanpur, was a manufacturer of textile machinery.

The LML-Piaggio relationship started with a licensing agreement in 1984, for the production of Vespa. The contract was later converted into a technical and financial joint venture in 1990, with Piaggio taking up a 23.6% equity stake in LML. In the same year, LML was spun off as a separate company. The Indian promoters

had a 23.6% equity stake in the new company. Two of' these were Singhania, and his brother Lalit Singhania, who held the stake through a holding company, Suryodaya Trading and Investment Co. The third Indian promoter was Sanjiv Shreya, a cousin of the Singhanias, who held the stake through Gold Rock Investments. Piaggio held the stake through Piaggio Vespa BV and Piaggio & C SpA. However, Singhania believed that Giovanni personally held the stake.

Questions :

a) Evaluate the relationship between Venture Capitalist and Entrepreneurs base on the private equity in this case.

b) Critically assess the Principal-Agent problem in PE/VC Financing in LML Piaggio relationship.

c) Explain the Limited Partnership Structure appeared in this case.

❄ ❄ ❄