

X Co. wants to acquire Y Co. Given the current P/E ratios of the firm, What will be the combined P/E ratio after the merger? What will be the impact on the wealth of the shareholders of two firms after the merger?

SECTION - II

- Q3 Bharti international, An Indian based MNC, is evaluating an overseas investment proposal. [17]
Bharti international's export of generic drugs have increased to such an extent that it is considering a project to build a plant in UK. The project will entail an initial outlay of £50 million and is expected to generated the following cash flows over its four years life:

Year	1	2	3	4
CF(In million £)	20	30	20	10

The current spot exchange rate is RS 50 per pound (£). The Risk- free Rate in India is 10% and the Risk Free Rate in UK is 6%. These rates are observed in the financial markets. Bharti international's required Rupee return on a project of the kind is 10%. Calculate NPV of the project using Home currency approach.

OR

- Q3 Describe various determinants of exchange rates. [17]
- Q4 Write a note [ANY TWO] [18]
[1] Forms of Export Finance
[2] Special Economic Zones
[3] ADRs and GDRs
[4] Multilateral Agencies

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