

Course Outline

BUSINESS ANALYSIS & VALUATION

for

GMP, XLRI Jamshedpur

2015-16, Term VII (Apr. 2016 ...)

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Course Objective:

This course takes the path to evaluating the opportunity after one has gone through basics of business, finance, and accounting. Thus, **this course will attempt to capture the necessary elements that would go into reviewing a potential valuation of firm/ corporate.** However, it is not a detailed course in one category, such as financial accounting, but it ties business strategy analysis, financial analysis, financial management, forecasting analysis, and valuation analysis together.

- ◆ CAREER FOCUS – It is aimed at students who expect at some point in their careers to evaluate the performance, prospects, and value of a business.
- ◆ EDUCATIONAL OBJECTIVES – The objective of the course is to provide hands-on experience in valuation especially using financial analysis.

Assurance of Learning Goals:

The following are the learning goals targeted from the "Assurance of Learning" Goals document:

- ◆ Functional Knowledge: Developing subject matter expertise and acquiring functional knowledge in one's area ~ Ability to effectively identify and apply conceptual frame works while dealing with business problems"
- ◆ Decision Making: Sound Decision Making ~ Ability to generate alternative solutions to a problem and take an integrated approach to purposefully narrow down to an optimum solution"

Prerequisites:

The student must have a reasonable understanding of Financial Management (includes simple terms of Derivatives Pricing & Financial Markets) and Strategic Management. Working knowledge of introductory econometric techniques and EXCEL should immensely help.

Prescribed text:

The course material will comprise of both theory and cases (wherever applicable). For theory, we will be adopting '**Damodaran on Valuation**' by **Ashwath Damodaran**. Readings and cases will be distributed in the class from time to time. However, the above book, other reading material, and the cases distributed should not be considered as exhaustive.

Additional References:

- ◆ Book: Introduction to Business Analysis and Valuation by Krishan Palepu, Victor Bernard, Paul Healy; South Western Publishing Company
- ◆ Book: Valuation Methods and Shareholder Value Creation by Pablo Fernandez; Academic Press.
- ◆ Book: Investment Valuation : Tools and Techniques for Determining the Value of Any Asset by Aswath Damodaran / Paperback / Wiley, John & Sons
- ◆ Chapters 4 and 7 of Book: Financial Accounting for Management by Ramachandran and Kakani, McGraw Hill Publications, 3/e, 2011
- ◆ Corporate Finance. Special Indian Edition, 10th Edition. Stephen A. Ross, Randolph W. Westerfield, Jeffrey Jaffe, and Ram Kumar Kakani, McGraw Hill Irwin, Tata McGraw Hill Higher Education, 2014

Pedagogy:

The course is based on lectures, class discussions, cases, and project work. Active participation by students is an important feature of the course. A variety of project assignments/project and case studies are the main pedagogical instruments.

Tentative Session Plan:

Note regarding relevant books reading: (a) AD below refers to author of "Damodaran on Valuation" book 2016 ed. i.e., **Aswath Damodaran**; (b) PF below refers to author of "Valuation Methods and Shareholder Value Creation" book 2002 edition i.e., Pablo Fernandez, (c) RK below refers to author of 'Financial Accounting for Management' book, 2011 edition i.e., Ramachandran & Kakani, (d) GF below refers to author of 'Financial Statement Analysis by George Foster. (e) RWJK refers to author of 'Corporate Finance' by Ross, Westerfield, Jaffe, 2014 edition

Session	Theme	Prior Reading	Case/Article/Illustration	Project Activity ¹
1	Three Financial Statements – Analysis (with valuation perspective) = Approaches to Valuation & Identifying Value Drivers	AD: Chap 1 RK: Chap 4, 7 GF: Chap 8	<i>Analyzing the Financial Statements of three companies</i> = <i>Valuation Framework & Goldman Sachs Document</i>	Part 1 of project
2 and 3	Estimating the Discount Rates, Growth Rates, and Cash Flows	AD: Chap 2-4 PF: Chap 2-3, 7, 10-11	<i>FMCG Entity</i>	Part 2, 3, & 4 of project
4	FCFE Models	AD: Chap 5 PF: Chap 12, 17-18	<i>Leather /IT Sector Entity</i>	Part 5 of project
5	FCFF Models	AD: Chap 6 PF: Chap 17-18, 21	<i>Chemical Sector Play</i>	Part 6 of project
6	Application on a Real Life Project	RWJK: Chap 17	<i>Toll Road Valuation</i>	NA

¹ Please refer to the evaluation section for specific details.

Session	Theme	Prior Reading	Case/Article/Illustration	Project Activity ¹
7	Valuation Using Multiples	AD: Chap 7-9 PF: Chap 4-5	<i>Sugar Unit Valuation</i>	Part 7 of project
8 & 9	Real Options Applications in Valuation & Brand Valuation	AD: Chap 11-12 PF: Chap 22-23	<i>Brand Value of Food Commodity Player</i> <i>And</i> <i>Valuation of a Land & Natural Resources</i> <i>And</i> <i>Valuation of Sick Entity</i>	Part 8 of project
10	Which is the appropriate method to use? = Identifying frequently made errors in Valuation	Experience Sharing & Peer Feedback		

1. Please note that the above sequence is tentative (and could be altered based on initial classes).
2. One of these sessions would also include a quiz (... which is also part of evaluation process).

Evaluation

Component	Weightage
A) Class Participation	15%
B) Quiz	15%
C) End-term Examination The end-term examination could be based on the application of valuation framework in a variety of business contexts such as equity-investment analysis, corporate finance policies analysis, and corporate strategy analysis.	40%
D) Group Work ~ Project Activity To deepen students' ability to apply the course skills in a practical context, they will have to work in a Group project. The project details would be distributed in one of the classes. The report/presentation would involve a complete financial valuation of a firm using the course framework. The 'Project Activity' portion of the 'Tentative Session Plan' gives an idea of what is expected from each Group. <ul style="list-style-type: none"> ◆ Students should work on groups of 4 (min.) – 7 (max.) ◆ Pick your own groups. If you have trouble in getting picked – I will help. 	30%

Grading Pattern

Range of Marks	0-30	31-35	35-40	41-45	46-50	51-60	61-70	71-80	81-100
Grades	F	D	D +	C	C +	B	B +	A	A +
Past Indicative Distribution	0-20%			15-45%		34-50%		15-25%	

Note: Adjustments in the above could be made to meet the norms of the institute.