

Credit:	1.0	Faculty:	Ram Kumar Kakani	Sessions:	10	Group Work	2
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Course Objective:

This course will have all the elements that would go into reviewing a potential investment opportunity. It is not a detailed course in one category, such as financial accounting, but it ties business strategy analysis, financial analysis, forecasting analysis, and valuation analysis together. This course takes the path to evaluating the opportunity to its fullest after one has gone through basics of business, finance, and accounting.

- ◆ 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.

Prescribed text:

The course material will comprise of both theory and cases (wherever applicable). For theory, we will be adopting a combination of '**Damodaran on Valuation**' by **Ashwath Damodaran** and a collation of other reading material. 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: Business Analysis and Valuation Using Financial Statements by Palepu, Healy, and Bernard, Southwestern Publishing, 3rd edition, 2000
- ◆ Book: Corporate Valuation by David Frykman & Tolleryd; 2003, ISBN10 0273661612
- ◆ Book: Corporate Valuation: A Guide to Managers and Investors with Thompson One by Daves, Ehrhardt, and Shrieves
- ◆ Book: Equity Analysis: Assessing Value, Forecasting Performance, by Eve Harvey, Euromoney Work Books
- ◆ Book: Essentials of Corporate Performance Measurement by Friedlob, Schleifer, and Plewa Jr.
- ◆ Book: Handbook of Business Valuation by Thomas L. West and Jeffrey D. Jones, John Wiley & Sons.
- ◆ Book: Introduction to Business Analysis and Valuation by Krishan Palepu, Victor Bernard, Paul Healy; South Western Publishing Company
- ◆ Book: Investment Valuation : Tools and Techniques for Determining the Value of Any Asset by Aswath Damodaran / Paperback / Wiley, John & Sons, Incorporated / Recent Edition
- ◆ Book: Quantitative Business Valuation: A Mathematical Approach for Today's Professionals by Jay B. Abrams; McGraw-Hill Professional Publishing; Recent Edition.
- ◆ Book: The Dark Side of Valuation: Valuing Old Tech, New Tech and New Economy Companies by Aswath Damodaran / Prentice Hall PTR / Recent Edition
- ◆ Book: The Handbook of Advanced Business Valuation by Robert F. Reilly, Robert P. Schweihs; McGraw-Hill.
- ◆ Book: Valuation Methods and Shareholder Value Creation by Pablo Fernandez; Academic Press.
- ◆ Book: Valuation of Companies in Emerging Markets: A Practical Approach by Pereiro,, John Wiley & Sons, 2002
- ◆ Book: Valuation: Maximising Corporate Value by George M Norton III
- ◆ Book: Valuation: Measuring and Managing the Value of a Business by Tim Koller, Jack Murrin, Tom Copeland, William Foote; John Wiley & Sons; Recent Edition.
- ◆ Book: Valuation: Measuring and Managing the Value of Companies by Koeller, Goedhart, and Wessels, John Wiley & Sons, 4th edition, 2005

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- ◆ Chapters of Book: Part II: Valuing Financial Assets and Part III: Valuation Real Assets in Financial Markets and Corporate Strategy by Grinblatt-Titman
- ◆ Chapters of Book: Part Two: The Fundamentals of Valuation in Financial Management & Analysis by Fabozzi and Peterson, Wiley Finance
- ◆ Chapters of Book: Valuation topic related chapters in Principles of Corporate Finance by Brealey & Myers, McGraw Hill Publications, Recent Edition
- ◆ Paper: "Determinants of Financial Performance of Indian Corporate Sector in the Post-Liberalization Era: An Exploratory Study" (November 2001). National Stock Exchange of India Limited, NSE Research Initiative Paper No. 5 Available at SSRN: <http://ssrn.com/abstract=904983>
- ◆ Paper: Branch, Ben and Bradley Gale; Linking corporate stock price performance to strategy valuation; Journal of Business Strategy: Boston; Vol. 4[1]; Summer 1983.
- ◆ Paper: Varaiya, Nikhil, Roger A. Kerin, and David Weeks; The relationship between growth, profitability, and firm value; Strategic Management Journal; Vol. 8; 1987; p. 487-497.

Pedagogy:

The course is based on classes, cases, and project work. Active participation by students is an important feature of the course. A variety of quizzes, take home assignments / project, tests, and case studies are the main pedagogical instruments.

Evaluation

	Weightage
Mid-term Examination / Surprise Quizzes*	20%
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 communication strategies analysis.	40%
Individual Project Work To deepen students' ability to apply the course skills in a practical context, they will have to work in a individual 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.	40%

* indicates some questions will carry negative marks also

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Tentative Session Plan

Note: (a) AD below refers to author of "Damodaran on Valuation" book 1994 edition; (b) PF below refers to author of "Valuation Methods and Shareholder Value Creation" book 2002 edition

Session	Theme	Prior Reading	Cases/Articles	Activity
1	Approaches to Valuation & Identifying Value Drivers	AD: Chap 1-2 PF: Chap 1-2	<i>RKK's Valuation Framework</i>	Agreeing on the Psychological Contract
2	Approaches to Valuation & Identifying Value Drivers	AD: Chap 1-2 PF: Chap 1-2	<i>Goldman Sachs Document</i>	Submission 1 of take home assignment
3	Estimating the Discount Rates, Growth Rates, and Cash Flows	AD: Chap 3-5 PF: Chap 2-3, 7, 10-11	<i>Maxwell Apparels Case</i>	Submission 2 of take home assignment
4	Estimating the Discount Rates, Growth Rates, and Cash Flows	AD: Chap 3-5 PF: Chap 10-11	<i>Noida Toll Bridge Case</i>	Submission 3 of take home assignment
5	Dividend Discount Models	AD: Chap 6 PF: Chap 6	<i>Graphite India Case</i>	Submission 4 of take home assignment
6	Free Cash Flow Models	AD: Chap 7-9 PF: Chap 12, 17-18	<i>Harrah's Casino Case</i>	Submission 5 of take home assignment
7	Free Cash Flow Models	AD: Chap 7-9 PF: Chap 17-18, 21	<i>Provident Life Case</i>	Case Discussion
8	Valuation Using Multiples	AD: Chap 10-12 PF: Chap 4-5	<i>Sugar Unit</i>	Submission 6 of take home assignment
9	Strategy-Finance-Valuation Trilogy	AD: Chap 13-14 PF: Chap 19-21	<i>SMJ and JBS Article</i>	Submission 7 of take home assignment
10	Real Options & Brand Valuation	AD: Chap 15 PF: Chap 22-23	<i>Brand Value of Gujarat Ambuja Cement</i>	Submission 8 of take home assignment

Please note that the above sequence plan is tentative (and would be altered based on initial class experience).

Group Work Plan

Work	Proposed Task	Relevant Material
1	a) Which is the appropriate method to use?	<i>Take Home Assignment Experience Sharing & Peer Feedback</i>
2	b) Identifying frequently made errors in Valuation	<i>Take Home Assignment Experience Sharing & Peer Feedback</i>

Please note that the above sequence plan is tentative (and would be altered based on initial class experience).