

CORPORATE VALUATION			
Course Code	20MBAFM405	CIE Marks	40
Teaching Hours/Week (L:T:P)	3:0:0	SEE Marks	60
Credits	03	Exam Hours	03
Course Objectives: <ol style="list-style-type: none"> 1. Identify the purpose of corporate valuation and to obtain an overview of the basic corporate valuation process 2. To familiarize the students with the standard techniques of corporate valuation. 3. To develop analytical skills and communication strategies for discussing corporate valuation. 4. To understand the valuation in the contexts of IPOs, M&As, Bankruptcy cases 			
Module -1 Corporate Valuation Overview			7 hours
Approaches to Valuation-Features of the valuation process: Enterprise DCF Model-Analysing historical performance-Estimating the cost of Capital-Forecasting performance-Estimating the continuing value-Calculating and interpreting the results-Other DCF models: Equity DCF Model: Dividend discount model, free cash flow to Equity (FCFE) model-Adjusted present value model-Economic profit model-Applicability and Limitations of DCF analysis (Theory and problems).			
Module -2 Non-DCF Approaches to Valuation			7 hours
Book value approach, Adjusted book value approach, Stock and debt approach (numerical problems in each of these methods).Market efficiency and valuation. Call option based valuation (theory only because Numerical problems on Black and Scholes –Binomial methods are considered in Derivatives).Relative valuation-Steps involved in Relative valuation-Equity valuation multiples-Enterprise valuation multiples-Choice of multiple-Best practices using multiples-Assessment of relative evaluation. (Theory and problems).			
Module -3 Advanced Issues in Valuation			7 hours
Valuation of companies of different kinds-valuation in different contexts-Loose ends of valuation-Valuation of intangible assets: Patents, trademarks, copyrights and licenses; Franchises; Brands, WACCVs Flow to equity method. (Theory and problems).			
Module -4 Strategic Financing Decisions			7 hours
Strategic financing decisions: Valuation and financing Decisions in ideal capital markets, Capital structure and value in a perfect world, Information asymmetry, Share buyback and valuation. (Theory).			
Module -5 Leverage decisions			7 hours
, Agency costs of Debt, financial distress, Bankruptcy. Role of Government, securities Markets and financial institutions in IPO valuations and M&As. (Theory).			
Module-6 Value Based Management			5 hours
Value Based Management- Methods and Key premises of VBM-Marakon approach-Alcar approach-Mckinsey approach-Stern Stewart approach-BCG approach-Lessons from the experiences of VBM adopters. (Theory).			
Course outcomes: At the end of the course the student will be able to: <ol style="list-style-type: none"> 1. Understand corporate valuation and valuation process 2. Familiarize with the standard techniques of corporate valuation 3. Develop analytical skills relevant for corporate valuation and value based management 4. Critically evaluate IPOs, M&As, Bankruptcy cases 			
Practical Component: <ul style="list-style-type: none"> • Obtain last three years' balance sheet of any TWO firms (from different sector) that has debt and equity. • Find out the free cash flow to the firm (FCFF) and free cash flow to the equity (FCFE) for the last three years. • Determine if there is any growth in the cash flows to the firm and to the equity holders. • Find beta of the firm and Compute cost of equity and WACC. • Finally find the value of the firm and interpret the findings. • Discuss few case studies on Value-based management followed in Indian corporates. • Study the IPO valuation by Indian financial institutions. 			

CO-PO MAPPING

CO	PO				
	PO1	PO2	PO3	PO4	PO5
CO1	X				
CO2	X				
CO3	X			X	
CO4	X			X	

Question paper pattern:

The SEE question paper will be set for 100 marks and the marks scored will be proportionately reduced to 60.

- The question paper will have 8 full questions carrying equal marks.
- Each full question is for 20 marks.
- Each full question will have sub question covering all the topics under a Module.
- The students will have to answer five full questions; selecting four full question from question number one to seven and question number eight is compulsory.
- 60 percent theory and 40 percent problems in the SEE.

Textbooks

Sl. No.	Title of the book	Name of the Author/s	Publisher Name	Edition and year
1	Corporate Valuation and Value Creation	Prasanna Chanóra	Tata McGraw Hill	2011
2	Damodaran on Valuation	Aswath Damodaran	John Wiley and Sons	2/e, 2006

Reference Books

1	Corporate Valuation: A Guide for Managers and Investors	Philip R Daves, Michael C. Ehrhardt, and Ron E. Shrieves	Cengage Learning	2003
2	Corporate Valuation	David Frykman, Jakob Tolleryd	Prentice Hall	2003
3	The Valuation Handbook: Valuation Techniques from Today's Top Practitioners	Rawley Thomas, Benton E. Gup	John Wiley & Sons	2010

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