

**Amrita School of Business**  
**Amrita Vishwa Vidyapeetham**  
Coimbatore

Term IV (2019 – 2019)

<b>Course Title:</b>	Financial Modeling & Valuation
<b>Course Code:</b>	
<b>Credits:</b>	3
<b>Total Sessions:</b>	24
<b>Course Instructor:</b>	Dr. P. Harish Kumar Ph.D., CFA
<b>Contact Information:</b>	<a href="mailto:hkuma2001@gmail.com">hkuma2001@gmail.com</a>
<b>Course Link:</b>	
<b>Office:</b>	F-
<b>Office hours:</b>	Monday, Wednesday & Friday 2:00 – 4:00 pm
<b>Course contributes mostly to:</b>	<b>Employability/ Finance/ Skill Development/ Value-add</b>

## Course Description

This course provides an appreciation of the fundamentals and techniques needed to build financial models for valuing companies. The valuation methods explored in this course can be applied by different types of investors, in different market environments, and for different types of transactions. No single valuation technique suits all investors in all types of transactions, and this course adequately recognizes that fact. The course will be conducted through lectures and video presentations.

## Course Objectives

After completing this course, students should be able to:

- Understand and build cash flow based valuation models using excel spreadsheets.
- Understand and build relative valuation models using excel spreadsheets.
- Define a logical and coherent investment strategy, based on an appraisal of the range of valuations and risks associated with the stock, in the context of current market conditions.
- Write a clear, concise and well-structured report, presenting the argument as to the intrinsic value of the stock and the investment advice relevant to that stock.

## Alignment of course objectives (CO) with learning goals (LG) of Assurance of Learning

Derived from its mission, ASB has adopted five learning goals, (apart from the discipline competency) - the management-specific attributes, knowledge and skills that its graduates are expected to possess when they complete the programme. The six outcomes of this course are mapped to the '*Critical and integrative Thinking*' learning goal. The assessments, written report for the field visit and the writing exercise would reinforce the second learning goal, '*Effective written and oral communication*'.

LG \ CO	Critical and integrative Thinking	Effective written and oral communication	Societal and Environmental Awareness	Ethical Reasoning	Leadership
CO1	3	0	0	0	0
CO2	3	0	0	0	0
CO3	3	0	0	0	0
CO4	3	3	0	0	0

Key: 3 – Highly relevant; 2 – Moderately relevant; 1 – Low relevance; 0- No relevance

## Unit-wise scope for outcomes and Bloom's taxonomy

Financial Modeling & Valuation is designed focusing primarily on the Bloom's learning levels of applying, analyzing and evaluating levels of learning.

Bloom's Levels of Learning \ CO	CO 1	CO 2	CO 3	CO 4
Creating	X	X		
Evaluating	X	X	X	X
Analyzing	X	X	X	X
Applying	X	X	X	X
Understanding	X	X	X	X
Remembering				

## Structure of the course

Financial Modeling & Valuation is structured around analysing and valuing public companies using recent market data. Valuation techniques are taught in parallel and applied immediately to real companies. The class requires students to prepare industry grade equity research reports.

## Pedagogy

Each class combines short lectures, video clips and student presentations. Things that typically only equity research analysts do (like conducting equity research, writing research reports and making stock recommendations) are done by all students.

## Assessment (Grading Policy: Relative)

S. no	Assessment exercise	Description	Weight
<b>Group assessment (30%)</b>			
2	Presentations	<i>Each assignment is followed by a team presentation of the results</i>	20%
3	Project	<i>The project is in the form of writing equity research reports that use real company and market data to allow students to demonstrate their proficiency in valuation</i>	10%
<b>Individual Assessment (70%)</b>			
1	Attendance	<i>Expected attendance, as per the rules</i>	5%
2	Mid-term examination	<i>A closed book comprehensive exam with emphasis on analyzing, evaluating and problem solving</i>	30%
4	End-term examination	<i>A closed book comprehensive exam with emphasis on analyzing, evaluating and problem solving</i>	35%

## Course Requirements

During the course, the students are expected to demonstrate the highest levels of involvement in terms of efforts, quality of work and conduct. They should prepare in advance for all the classes and contribute to the overall learning in the class.

## Course Text

*Equity Asset Valuation, 3<sup>rd</sup> edition, 2015, Jerald E. Pinto, Elaine Henry, Thomas R. Robinson, John D. Stowe, Wiley*

*Damodaran on Valuation, 2<sup>nd</sup> edition, 2006, John Wiley & Sons*

*Building Financial Models using Excel, K Scott Procter, Wiley*

## Session Plan

### Session plan

	Topic	Session
1	Review of Financial Statements	1 and 2
2	Introduction to equity valuation : application and processes	3 and 4
3	Selecting the appropriate valuation model	5
4	Equity risk premium	6
5	Required rate of return, WACC	7 and 8
6	Introduction to Industry and Company Analysis: classifications, peer group	9 and 10
7	Industry and Company Analysis: Porters Five Forces	11
8	Forecasting Income Statements : Revenue	12
9	Forecasting Income Statements : Earnings and other items	13
10	Forecasting Balance Sheet	14
11	Forecasting Cash Flow Statement	15
13	DDM	16
14	Free Cash Flow concept and calculations	17
15	Equity Valuation and Firm Valuation Models: FCFE	18 and 19
16	Equity Valuation and Firm Valuation Models: FCFF	20 and 21

17	Relative Valuation Models: Method of Comparables	22 and 23
18	Communicating Valuation Results	24

### **Contribution to Placements**

The knowledge, readings, exercises and assignments for the course make explicit contributions to success during the placement process.

- Project report: Resume, Interview
- Presentations: Interview, Group Discussion
- Entry level finance positions and JD for these positions mapped with course objectives and discussed