

Programme	: MBA (Financial Services)
Course Code	: FSO314
Course Title	: Equity Valuation
Number of Credits	: 4
Effective from AY	: 2020-21

Need of the Course	: Equity valuation is one of the most important analytical processes in finance that has widespread applications in investments, corporate valuations, mergers and acquisition transactions, legal and tax matters and other similar areas. A course in equity valuation provides knowledge of necessary valuation techniques and models that can be used to determine true worth of a firm’s equity.	
Description of the Course	: The course introduces the learners to the fundamentals of valuation theory and process. It has extensive coverage of varied equity valuation models applied in practice including dividend discount models, free cash flow models, price and enterprise multiples-based models and asset-based models with specific reference to determination of intrinsic worth of shares using company fundamentals.	
Objectives of the Course	1. To familiarize learners about equity valuation concepts, applications, process and model categories. 2. To provide applied knowledge of dividend discount models of valuation. 3. To equip learners with the knowledge of free cash flow models of equity valuation. 4. To develop skills in applying market based and asset-based models of equity valuation.	
Course Content		
Unit 1	: Introduction to Equity Valuation	8 Hours
Concept and types of value – Applications of equity valuation – Valuation process – Reporting valuation results – Valuation data and data quality considerations – Selecting equity candidates for analysis and valuation – Major categories of equity valuation models.		
Unit 2	: Discounted Dividend Models of Valuation	14 Hours
Underlying principle of dividend discount models – Single and multiple holding period valuations – Gordon growth model – Multistage dividend discount models: Two-stage, H-Model and Three-stage model – Estimation of growth rates –Estimating expected rate of return for discounting – Using spreadsheet applications for building DDM valuation models.		
Unit 3	: Free Cash Flow Models of Valuation	14 Hours
Concept of free cash flow – Measuring cash flows – Categories of free cash flows: FCFF and FCFE - Present value of free cash flows – Constant growth FCFF and FCFE models – Computing and Forecasting FCFF and FCFE – Single stage and Multi stage free cash flow models.		

Unit 4	: Market Based and Asset Based Valuation Approaches	12 Hours
Market based approach - Price multiples: P/E, P/B. Price to Sales, Price to Cash Flow models – Enterprise value multiples – Asset based approach: Intrinsic value – Case studies in valuation approaches adopted by investment bankers.		
Pedagogy	: lectures/ case analysis/assignments/class room interaction/lab	
Reference/Readings	<ol style="list-style-type: none"> 1. Pinto, J., Henry, E., Robinson, T., Stowe, J. (2010), Equity Asset Valuation, 2nd Edn., Wiley. 2. Damodaran, A. (2006), Damodaran on Valuation: Security Analysis for Investment and Corporate Finance, 2nd Edn. Wiley. 3. McMillan, M., Pinto, J., Pirie, W., Venter, G. (2011), Investments: Principles of Portfolio and Equity Analysis, Wiley. 4. Veibig Jan, Poddig, T. and Varmaz, A. (2008), Equity Valuation: Models from Leading Investment Bankers, John Wiley and Sons. 5. Palepu, K and Healy, P. (2013), Business Analysis and Valuation Using Financial Statements, 5th Edn., South-Western Cengage Learning, US. 6. Damodaran, A. (2012), Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 3rd Edn., Wiley. 7. Kelleher, J. (2010), Equity Valuation for Analysts and Investors: A Unique Stock Valuation Tool for Financial Statement Analysis and Model Building, McGraw Hill. 8. Jain, S. and Narang, K. (2014), Advanced Accountancy: Corporate Accounting, Kalyani Publishers, New Delhi. 	
Course Outcome	: Upon completion of the course learners will be able to: CO1. Explain the concepts in equity valuation, its application and process. CO2. Determine value of a firm's equity using dividend discount models. CO3. Estimate equity value of listed companies using free cash flow models. CO4. Value equity shares by applying market based and asset-based models. CO5. Develop spreadsheets for equity valuation.	