



**Dr. V.N. Bedekar Institute of Management, Thane**  
**Teaching Plan (MMS/PGDM)**  
**Academic Year (2018-2019)**

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Programme Name: PGDM - Trimester: IV

Name of the Course: 'Corporate Valuations'

Maximum marks:100 marks

No. of Sessions:10

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**Learning Objectives:**

1. To be able to value companies with different approaches like Discounted Cash Flow, market-based valuation (Price and Enterprise Value Multiples) and residual income valuation.
2. To be able to understand the competitive forces shaping businesses, sectors and its impact on Financials and valuations.
3. Impact of brands and importance of Competitive advantage 'Moats' on Valuations.
4. Basic insights from Financial and economic history to have better understanding of present business and financial environment.
5. Draw some lessons from behavioural finance to enable one to recognise biases and take corrective measures.
6. Concept of 'Debt Capacity Bargains' and its utility in equity valuations.
7. Valuation of options, convertibles, warrants.
8. Value enhancement measures – EVA, MVA, CFROI

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**Reference Books:**

1. Poor Charlie's Almanack – Charles T Munger
2. Berkshire Hathaway Letters to Shareholders – Warren Buffett
3. Dhando Investor – Mohnish Pabrai



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4. Mosaic– Mohnish Pabrai
  5. The Warren Buffett Way – Robert Hagstrom
  6. Investing – the last liberal art – Robert Hagstrom
  7. Intelligent Investor – Benjamin Graham
  8. Security Analysis – Graham and Dodd
  9. Common Stocks and Uncommon Profits – Philip Fischer
  10. Inside the investments of Warren Buffett 20 cases – Yefei Lu
  11. The most important thing – Howard Marks
  12. Seeking wisdom: From Darwin to Munger – Peter Bevelin
  13. Valuations- Aswath Damodaran
  14. Measuring and Managing the Value of Companies, John Wiley & Sons, 4th Edition, 2005- Koeller, Goedhart, and Wessels
  15. The little book on valuation – Aswath Damodaran
  16. CFA Institute Level II Curriculum Modules – Equities, Derivates and Fixed Income
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**Plan:**

<b>Session No</b>	<b>Topics to be covered</b>	<b>Books referred/ Recommended/ References-Print/Articles/ News/Research papers/ Online database/ Software /Simulations used</b>	<b>Learning outcomes</b>	<b>Evaluation of Students understanding by MCQs, Quiz, Short Test</b>
1	Equity Valuations: applications and processes; Return Concepts; Difference between going concern assumptions and liquidation value; return concepts and appropriateness of using a particular rate for given the	Security Analysis - Graham and Dodd, CFA Level II Curriculum - Equities, Valuation - Aswath Damodaran, Berkshire Hathaway Letters to Shareholders – Warren Buffett, The most important Thing - Howard Marks, The Little book on valuation - Aswath Damodaran, Mosaic – Mohnish Pabrai	Learn broad approaches & processes to valuation. Various return concepts	Assignment



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	description of cash flow to be discounted.			
2	Industry and sector analysis; business analysis; Porter's Five competitive forces, Competitive Advantage (Moats) - sources, implication, Warren Buffett's classification of businesses (Great, Good and Gruesome), Capital Retention test , Negative working capital and implications, Case study of Amazon, Other case studies like HUL, Nestle etc.; Concept of 'Capacity to suffer' and it tells about a Business's future.	Measuring and Managing the Value of Companies - Koeller, Goedhart, and Wessels, Security Analysis – Graham and Dodd, Berkshire Hathaway Letters to Shareholders – Warren Buffett, Level II Curriculum - Equities, The Little book on valuation - Aswath Damodaran, Mosaic & Dhando Investor – Mohnish Pabrai	Ability to understand factors which differentiate a good business from a mediocre or a lousy one. Impact of business models on financials, capital structure and thereby valuations	Assignment
3	'Debt Capacity Bargains' ; Dividend Discounting model (DDM); situations where it is suitable for single and multiple holding period; Calculation and interpretation of present value of growth	Measuring and Managing the Value of Companies - Koeller, Goedhart, and Wessels, Security Analysis – Graham and Dodd, CFA Level II Curriculum - Equities	Learn about DDM and its applicability. Also, the concept of 'Debt Capacity' and its use in valuation.	Assignment



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	opportunities (PVGO); Gordon Growth Model; Two stage DDM,H Model,the 3 stage DDM,spreadsheet modeling.			
4	Free Cash flow valuations; FCFF and FC FE approaches to valuation; Sensitivity analysis in FCFE and FC FF Valuation; Approaches to calculating the terminal value in a multi-stage valuation model, Du Pont analysis and its use in valuations and business analysis	Measuring and Managing the Value of Companies - Koeller, Goedhart, and Wessels, Security Analysis – Graham and Dodd, 2. Berkshire Hathaway Letters to Shareholders – Warren Buffett, CFA Level II Curriculum - Equities, The Little book on valuation - Aswath Damodaran, Mosaic – Mohnish Pabrai	Learn about Free cash flow valuation model and also, it's applicability.	Assignment
5	Market based valuations: Price and Enterprise value multiples; Calculate and interpret alternative price multiples; Normalisation of EPS; PEG Ratio; Calculation and interpretation of justified PE,PB and PS Ratio for a stock based on forecasted fundamentals; EV Multiples and use of EV/EBITDA	Measuring and Managing the Value of Companies - Koeller, Goedhart, and Wessels, Security Analysis – Graham and Dodd, The Little book on valuation - Aswath Damodaran, Mosaic – Mohnish Pabrai	Learn relative valuation techniques and its applicability	Assignment



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6	Residual Income Valuations & Value enhancement measures like EVA, MVA, CFROI. Calculate and interpret EVA, MVA and C FROI; fundamental determinants of residual income; comparison of residual income models to dividend discount and free cash flow models	Measuring and Managing the Value of Companies - Koeller, Goedhart, and Wessels, Security Analysis – Graham and Dodd, CFA Level II Curriculum - Equities, The Little book on valuation - Aswath Damodaran	Learn residual income valuation techniques and its applicability.	Assignment
7	Private Company Valuations; Compare public and private company valuations; Methods of valuation like Free cash flow, capitalised cash flow and/or excess earnings methods; Asset based approach;	Measuring and Managing the Value of Companies - Koeller, Goedhart, and Wessels, Security Analysis – Graham and Dodd, CFA Level II Curriculum - Equities, The Little book on valuation - Aswath Damodaran	Valuation of Private Companies.	Assignment
8	Valuation of Brands & Intangibles; Income based methods, market based valuation methods, Cost based Brand Valuation methods	Valuation of Intangibles & Brand Name Valuation - Aswath Damodaran	Valuation of Brands, Impact of Brands on financials & valuations.	Assignment
9	Valuation of options, Convertibles and warrants	CFA Level II Curriculum - Fixed Income and Derivatives	Learn valuations of options, convertibles and warrants	Assignment



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10	Tools like Inversion, System Thinking and their utility in valuation. Lessons from Behavioural Finance and Financial History	Poor Charlie's Almanack - Charles T Munger, A short history of Financial Euphoria - J K Galbraith, The psychology of Human Misjudgement - Charles T Munger, Extraordinary Popular Delusions and the Madness of Crowds - Charles Mackay	Important important lessons from Financial History and behavioural finance. Use of inversion as a tool in valuation.	Assignment
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**2. Practical Approach : Other activities (Atleast 4 distinct activities)**

Sr. No.	Activity Name	Topic Covered	Learning outcomes	Source
1	Role Play			
2	Industry Visit			
3	Academic Projects	Students in groups will be allocated companies to perform assignments and valuation of the same.	Ability to apply classroom learning to real companies	
4	Book Review	Students need to do book reviews.	Develop a habit of reading.	
5	Group Discussion			
6	Business Quiz / Business News sharing	Classroom discussion on news about economy, industry and companies	Develop a habit of reading and to relate classroom learning to real events.	
7	Videos / Simulation	Videos from talks given by prominent investors.	Learn from the best in the field.	
8	Use of Softwares and Labs	Use of Screener.in to build	Learn about screens and its	



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		various screens.	utility in the field of equity research.	
9	Any other activity			





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**Evaluation:**

**I) Internal:**

<b>Component</b>	<b>Details</b>	<b>Marks</b>
Class Test	Semester end Examination	60 marks
Presentation	Assignment and their presentation and evaluation.	30 marks
Case Study		
Participation	Class participation	10 marks
Others		

**Signature of Faculty**

**Signature of the Co-ordinator**