

INDIAN INSTITUTE OF TECHNOLOGY KANPUR
Department of Management Sciences
Proposal for New Course

Title: Advanced Stock Valuation

Course No: MBAXXXM

Department: Management Sciences

Proposer: Dr. Harshal Rajan Mulay

Units: 3-0-0-1[5]

Duration of the course: First Half of the Even Semester

Prerequisite Courses: MBA601

Other interested faculty: NA

Course Objectives:

This course aims to delve deeply into stock valuation, with focus on practical aspects. The course first dives into Relative Valuation and DCF Valuation techniques. While exploring these two topics, students will also gain an in depth understanding of EIC Analysis, Risk and Return, Asset Pricing Models, Earnings Adjustments and Cashflow Projections. The latter part of the course discusses considerations for some special cases of valuations like valuing financial firms, start-ups, unlisted firms, distressed firms and M&As. Finally, the course provides a cursory overview of other valuation methods like Residual Income method, SOTP method and Real Options method.

Course Contents:

S. No.	Topic
1	Relative Valuation 1 –Procedure Valuing firms using Price and Enterprise Value based Multiples
2	Relative Valuation 2 – Some Applied Concepts Cautions to be taken while applying these models, estimating multiples using regression, industry specific multiples
3	DCF Models - Overview General structure of Discounted Cash Flow Models - Constant Cash Flow, Single Growth, Gordon Growth, Multiple Growth and Forecasted Cashflow Models
4 & 5	Input to DCF Models 1 – Risk, Return and Discount Rates Asset Pricing Models, estimating Risk Free Rates and Risk Premium using bond yields, credit ratings, exchange rates, inflation difference and CDS spreads. Estimating levered and unlevered beta. Calculation of WACC
6	Input to DCF Models 2 – Earning Adjustments and Calculating Cashflows Adjusting earnings for capital and financial expenses. Estimating FCFE and FCFF
7	Input to DCF Models 3 – Cashflow Projections Projecting income statement, balance sheet and cash flows for future periods.
8	Input to DCF Models 4 – Estimating Growth Estimating growth rates for DDM, FCFE and FCFF models
9	Probabilistic Approach to Valuation
10	Special Cases of Valuation 1 – Valuing Financial Firms
11	Special Cases of Valuation 2 – Valuing Startups and Unlisted Firms for IPOs
12	Special Cases of Valuation 3 – Valuing Distressed Firms
13	Special Cases of Valuation 4 – Valuation for M&A
14	Other Valuation Techniques Residual Income Valuation, SOTP Valuation, Real Option Valuation

Short summary for including in the Courses of Study Booklet: Same as Course Objectives mentioned above.

Textbook

Damodaran, A. (2012), "Investment Valuation". John Wiley & Sons. 3rd Edition.

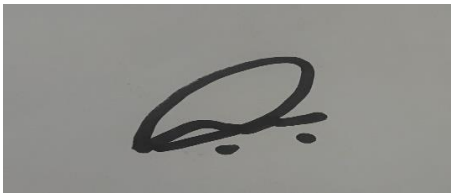
Reference Material

HBS Case Studies, YouTube Videos by Dr Aswath Damodaran, McKensey Primers on Valuation

Any other remarks:

The course is an advanced PG course, and the course pedagogy involves lectures and discussion of case studies and research papers. This course will complement two other courses viz. Investment Banking – Capital Market Operations and Mergers & Acquisitions. Students are advised to take all three of them to gain in depth understanding of the Investment Banking industry/

Signature of Proposers:

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Dr. Harshal Rajan Mulay [Date: 27-Jan-2025]

This course is Approved/ Not Approved
DPGC Convener, DoMS

This course is Approved/ Not Approved
Chairperson SPGC