



RASHTRVEEYA SIKSHANA SAMITHI TRUST
R V INSTITUTE OF MANAGEMENT
CA 17, 26 Main, 36th Cross, 4th T Block, Jayanagar
Bengaluru, Karnataka 560 041

*Department of Finance
Organized*

*Certificate Course on Corporate Valuation in Association with
Knowledge Varsity*

Date: 16th to 20th December, 2019	Venue: Computer Lab -3
Timing: 02:30pm to 5.30:pm on 17th & 18th	Semester & Section/: III B & C
No. of Participant: 55	Event Coordinator: Prof. Dileep
Objectives <ul style="list-style-type: none">▪ To familiarize the students with the standard techniques of corporate valuation & MS Excel▪ To understand the financial intricacies of the businesses	
Flow of the Event <p>Day 1: (a) Cash Flow and Free Cash Flow Computation and (b) Cash Flow Estimation Day 2: Estimate Cost of Equity, debt and Capital Day 3: Stock Valuation using discounting of (a) Dividends (Dividend discount model - Free Cash Flow to Firm (FCFF) (c) Free Cash Flow to Equity (FCFE)</p>	
Brief Profile of the Resources Person: Prof. Ratan Gupta & Knowledge Varsity: <ul style="list-style-type: none">- About Ratan Gupta Prof. Ratan Gupta, is a B-Tech in Computer Science from IIT. He is also completed Chartered Financial Analyst Program from CFA Institute, USA and Risk Management Program from GARP, USA. He has worked with Genpact (Headstrong) as Domain consultant for Investment Banking and Securities. He is an expert in Excel, Financial Modeling and Derivatives. He has been conducting a program in Christ University for students enrolled in Virginia Commonwealth University twinning program. He is the co-founder of Knowledge Varsity.- About Knowledge Varsity "Knowledge Varsity is in the space of education consulting and content developer and has a network of highly qualified and experienced faculty both from India as well as from abroad."	

Knowledge Varsity faculty have worked with several Universities in USA for collaborative programs in Business Management.

Knowledge Varsity is best equipped to bring the best resources to your benefit."



Outcome Achieved:

Day 1

Student able to compute CFO, CFF, CFI, FCFF and FCFE. They should be able to identify that changes in the cash balance is equal to sum of the cash flow in the three categories and should be able to forecast company's financials.

1. Classify Cash flow items as relating to one of the three categories
2. Compute Cash flows from operating activities (CFO) using Indirect Method.
3. Compute Cash flow from investing activities (CFI)
4. Compute Cash flow from financing activities (CFF)
5. Compute Free Cash Flows (FCFF and FCFE)
6. Using Sales driven model, forecast company's financials and estimate the cash flow items for firm

List of Participant

	<p style="font-size: small;">Rashtriya Sikshana Samithi Trust</p> <p>R.V. INSTITUTE OF MANAGEMENT</p> <p style="font-size: x-small;">CA-17, 36TH CROSS, 26TH MAIN, 4TH F BLOCK, JAYANAGAR, BANGALORE - 41 Ph: 080-26547048 Fax: 26654920; URL: rvim.edu.in; Email: contact@rvim.edu.in</p> <p>Department of Finance</p>	
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Certification Course on Corporate Valuation

Sl. No	University Registration Number	Name of the Student	Day 1 Signature 16.12.15	Day 2 Signature	Day 3 Signature
1	MB187601	ADARSH S HEGDE			
2	MB187605	AKASH D K			
3	MB187608	ARSHATHA L V			
4	MB187612	ANIL A UNDI			
5	MB187614	ANKITHA M			
6	MB187616	ARPIA SRIHATHI L GOOR			
7	MB187617	ARPITHA METI			
8	MB187618	ARPITHA S			
9	MB187619	ARUNKUMAR S NELLUR			
10	MB187620	ASHA VERMA			
11	MB187621	ASHISH D C			
12	MB187622	ASHWINI R SHETTAR			
13	MB187623	AVINASH M AGARWAL			
14	MB187624	B SAISHREE			
15	MB187626	BALAJI B V			
16	MB187627	BIHANU SATYANARAYAN HEGDE			
17	MB187628	BHARGAV HEGDE			
18	MB187629	BHARGAV HEGDE			
19	MB187630	BHUMIKA KULKARNI			
20	MB187631	CHANDANA			
21	MB187640	DIVYA S			
22	MB187642	GANESHI A			
23	MB187643	GONUGONDLA MOHANA			
24	MB187645	GURUPRASAD N			
25	MB187647	IRANNA HADAPAD			

Net Income	\$40,250
Adjustments:	
Noncash adjustment:	
Depreciation	\$8,700
Due to Interest Expense	\$8,550
Due to Dividend Received and Interest Earned	(\$4,500)
Due to changes in working capital:	
Due to change in accounts receivable	(\$22,943)
Due to change in inventories	(\$3,468)
Due to change in accounts payable	\$7,652
Due to change in accruals	\$7,749
Net cash provided (used) by operating activities	\$39,990
Investing Activities	
Cash used to acquire gross fixed assets	(\$31,264)
Due to change in short-term investments	\$3,700
Dividend Received and Interest Earned	\$4,500
Net cash provided (used) by investing activities	(\$23,064)
Financing Activities	
Interest Expense	(\$8,550)
Due to change in notes payable	(\$1,500)
Due to change in long-term debt	\$16,349
Due to change in common stock	\$10,000
Payment of common dividends	(\$10,063)
Net cash provided (used) by financing activities	\$6,237
Net increase/decrease in cash	\$23,163
Add: Cash balance at the beginning of the year	\$74,625
Cash balance at the end of the year	\$97,788

Cash flow from operations	\$39,990
Add: After Tax Interest Cost	\$5,985
Minus: Fixed Capital Investment	(\$31,264)
FCFF	\$14,711
Cash flow from operations	\$39,990
Minus: Fixed Capital Investment	(\$31,264)
Add: Debt Borrowings	\$16,349
Minus: Debt Repayments	(\$1,500)
FCFE	\$23,575

Income Statement						
	2000	2001	2002	2003	2004	2005
Sales	1000	1090.00	1198.10	1295.03	1411.58	1538.82
COGS	-400	-436.00	-475.24	-518.01	-564.63	-616.45
Employee Cost	-100	-109.00	-118.81	-129.60	-141.18	-153.86
Selling General & Admin expense	-50	-54.50	-59.41	-64.76	-70.58	-76.93
Interest paid	-32	-32.00	-32.00	-32.00	-32.00	-32.00
Interest earned	6	6.03	6.93	8.88	10.88	12.83
Depreciation	-100	-126.48	-148.83	-174.39	-203.61	-236.96
Profit Before Tax (PBT)	324	337.04	360.79	386.23	410.48	436.31
Tax	-150	-134.82	-144.30	-154.10	-164.19	-174.82
Profit Before Tax (PAT)	174	202.22	216.46	231.16	246.29	261.79
Dividend	-69.6	-80.88	-88.68	-92.46	-98.51	-104.71
Retained Earnings	104.4	121.33	128.87	138.69	147.77	157.07

Balance Sheet						
	2000	2001	2002	2003	2004	2005
Cash & cash equivalent	80	125.73	173.20	222.07	271.94	322.29
Accounts Receivable	70	76.30	83.17	90.65	98.81	107.70
Inventory	90	89.10	106.80	116.55	127.04	138.48
Fixed Asset						
At cost	1070	1264.888	1488.271	1743.931	2036.126	2369.638
Acc Depreciation	-310	-436.48	-585.32	-769.71	-963.32	-1200.29
Net Fixed asset	760	828.40	902.95	984.22	1072.80	1169.35
Total asset	1000	1128.63	1266.25	1413.80	1670.59	1737.83
Accounts Payable	60	66.40	71.29	77.70	84.69	92.32
Customer Advances	20	21.80	23.76	25.90	28.23	30.77
Debt	320	320.00	320.00	320.00	320.00	320.00
Common Stock	450	450.00	450.00	450.00	450.00	450.00
Accum RE	150	271.33	401.20	539.89	687.67	844.74
L + E	1000	1128.63	1266.25	1413.80	1670.59	1737.83

Cash flow from operations calculations to be done below						
	2001	2002	2003	2004	2005	
Net Income	202.22	216.46	231.16	246.29	261.79	
Adjustments:						
Noncash adjustment:						
Depreciation	126.48	148.83	174.39	203.61	236.96	
Due to Interest Expense	32.00	32.00	32.00	32.00	32.00	
Due to Dividend Received and Interest Earned	-5.03	-6.93	-8.88	-10.88	-12.83	
Due to changes in working capital:						
Due to change in accounts receivable	-8.30	-8.87	-7.49	-8.18	-8.89	
Due to change in inventories	-3.10	-8.93	-9.62	-10.49	-11.43	
Due to change in accounts payable	5.40	5.89	5.42	6.99	7.82	
Due to change in customer advances	1.80	1.86	2.14	2.33	2.54	
Net cash provided (used) by operating activities	348.48	382.50	420.11	461.70	507.69	

Cash flow from investing calculations to be done below						
	2001	2002	2003	2004	2005	
Cash used to acquire gross fixed assets	-194.89	-223.38	-256.66	-292.19	-333.52	
Dividend Received and Interest Earned	6.03	6.93	8.88	10.88	12.83	
Net cash provided (used) by investing activities	-188.86	-216.45	-247.78	-281.31	-320.62	

Cash flow from financing calculations to be done below						
	2001	2002	2003	2004	2005	
Interest Expense	-32.00	-32.00	-32.00	-32.00	-32.00	
Due to change in long-term debt	0.00	0.00	0.00	0.00	0.00	
Due to change in common stock	0.00	0.00	0.00	0.00	0.00	
Payment of common dividends	-80.88	-86.58	-92.46	-98.51	-104.71	
Net cash provided (used) by financing activities	-112.88	-118.58	-124.46	-130.51	-136.71	

Total Cash Flow Calculations to be done below						
	2001	2002	2003	2004	2005	
Total Cash flow (CFO+CFI+CFE)	48.73	47.46	48.87	49.87	50.36	
Net cash change	48.73	47.46	48.87	49.87	50.36	
IS net Cash change = Total Cash Flow	YES	YES	YES	YES	YES	

Free Cash Flow Calculations to be done below						
	2001	2002	2003	2004	2005	
Cash flow from operations	348.48	382.50	420.11	461.70	507.69	
Add: After Tax Interest Cost	19.20	19.20	19.20	19.20	19.20	
Minus: Fixed Capital Investment	-194.89	-223.38	-256.66	-292.19	-333.52	
FCFF	172.79	178.32	183.65	188.70	183.38	
Cash flow from operations	348.48	382.50	420.11	461.70	507.69	
Minus: Fixed Capital Investment	-194.89	-223.38	-256.66	-292.19	-333.52	
Add: Debt Borrowings	0.00	0.00	0.00	0.00	0.00	
Minus: Debt Repayments	0.00	0.00	0.00	0.00	0.00	
FCFE	153.59	159.12	163.45	169.50	174.18	

Day 2

Estimate Cost of Equity, debt and Capital: Student able to compute cost of debt, beta, weight c each component and WACC.

1. Estimation of cost of debt from

(a) bond details by computing Yield to Maturity or

(b) Adding risk premium to Govt. Of India bond

2. Estimation of beta and Market return

3. Estimation of tax rate by computing Effective Tax Rate

4. Estimation of weights for each component from the Balance Sheet

5. Calculate after tax cost of debt

6. Calculate and interpret the cost of equity capital (Retained earnings or internal accruals) using

(a) the capital asset pricing model approach

(b) the dividend discount model approach and

7. Calculate and interpret the cost of equity of NEW capital

Basic Input Data:	
Years to maturity:	20
Periods per year:	2
Periods to maturity:	40
Coupon rate:	8.000%
Par value:	INR 1,000
Periodic payment:	40
Current price	INR 1,100

a. What is the bond's yield to maturity?

Periodic YTM =	3.630%
Annualized Nominal YTM =	7.059%
Effective Annual Rate =	7.184%

Face Value of Common Shares (in INR)	100
Number of Common Shares issued	450000
Price of Common Stock (in INR)	200
Market Value of Common Stock (in INR)	90000000
Market Value of Common Stock (in INR Lakh)	900
Book Value of Debt (in INR Lakh)	320
Debt premium over book value (in INR Lakh)	20.00%
Market Value of Debt (in INR Lakh)	384
Total Capital (in INR Lakh)	1284
Weight of Equity	70.09%
Weight of Debt	29.91%

W_d	=	40.00%
W_e	=	50.00%
W_{ps}	=	10.00%
Preferred Dividend	=	6.50
Preferred Price	=	90.00
k_{ps}	=	7.22%

$W_d \times A-T r_d$	+	$W_e \times k_e$	+	$W_{ps} \times k_{ps}$	=	WACC
2.9624%	+	5.87%	+	0.722%	=	9.5531%

Day 3

Stock Valuation using discounting of; (a) Dividends (Dividend discount model - DDM)

(b) Free Cash Flow to Firm (FCFF) (c) Free Cash Flow to Equity (FCFE)

I. Estimate a company's common stock value using

(a) one year holding period DDM

(b) multiple year holding period DDM

(c) Constant Growth Model (or Gordon Growth Model)

(d) Two Stage DDM

(e) Three Stage DDM

II. Estimate a company's common stock value using

(a) single-stage (stable-growth) FCFE model,

(b) two-stage FCFE model, and

(c) three-stage FCFE model

III. Estimate a company's common stock value using

(a) single-stage (stable-growth) FCFE model,

(b) two-stage FCFE model, and

(c) three-stage FCFE model

IV. Identify appropriate model given a company's characteristic

Long-term constant growth in dividends	10.0%
Expected Price	INR 1,000.00
Present Value of Dividend	INR 98.21
Present Value of Expected Price	INR 892.86
Value of Equity	INR 991.07

b. Calculate the estimated Year-0 price per share of common equity.

Value of Equity	INR 991.07
Divided by number of shares	40.00
Price per share	INR 24.78

Expected Price	INR 2,200.00
Present Value of Dividend	INR 201.85
Present Value of Expected Price	INR 1,964.29
Value of Equity	INR 2,166.14

b. Calculate the estimated Year-0 price per share of common equity.

Value of Equity	INR 2,166.14
Divided by number of shares	40.00
Price per share	INR 54.15

a. Calculate the Dividend in year 1,2,3 and 4. Calculate estimated horizon value.

Dividend Growth Rate for years 1 to 3
Dividend Growth Rate for years > 3

15%
6%

	* Projected				
	Current 0	1	2	3	4
Dividend	INR 100.00	INR 115.00	INR 132.25	INR 152.09	INR 159.69
Horizon/Terminal value					INR 2,395.38

b. Calculate the present value of the horizon value, the present value of dividends, and the estimated Year-0 value of equity

PV of horizon value (HV)	INR 1,522.31
PV of dividends	INR 417.85
Value of Equity (PV of dividends + HV)	INR 1,940.15

c. Calculate the estimated Year-0 price per share of common equity.

Value of Equity	INR 1,940.15
Divided by number of shares	40.00
Price per share	INR 48.50

Long-term constant growth in FCF	5.0%
Horizon value of FCF	INR 1,312.50
Value of operations	INR 1,312.50

PV of horizon value	INR 1,830.21
PV of FCF	INR 463.46
Value of operations (PV of FCF + HV)	INR 2,293.67

b. Calculate the estimated Year-0 price per share of common equity.

Value of operations	INR 1,312.50
Plus value of marketable securities	INR 40.00
Total value of company	INR 1,352.50
Less value of debt	INR 400.00
Less value of preferred stock	INR 50.00
Estimated value of common equity	INR 902.50
Divided by number of shares	40.00
Price per share	INR 22.56

c. Calculate the estimated Year-0 price per share of common equity.

Value of operations	INR 2,293.67
Plus value of marketable securities	INR 40.00
Total value of company	INR 2,333.67
Less value of debt	INR 400.00
Less value of preferred stock	INR 50.00
Estimated value of common equity	INR 1,883.67
Divided by number of shares	40.00
Price per share	INR 47.09

a. Calculate the FCF in year 1,2,3 and 4. Calculate estimated horizon value.

FCFF Growth Rate for years 1 to 3
FCFF Growth Rate for years > 3

15%
5%

Free cash flow
Horizon value

	Projected				
	Current 0	1	2	3	4
Free cash flow	INR 50.00	INR 57.50	INR 66.13	INR 76.04	INR 79.85
Horizon value					INR 2,095.96

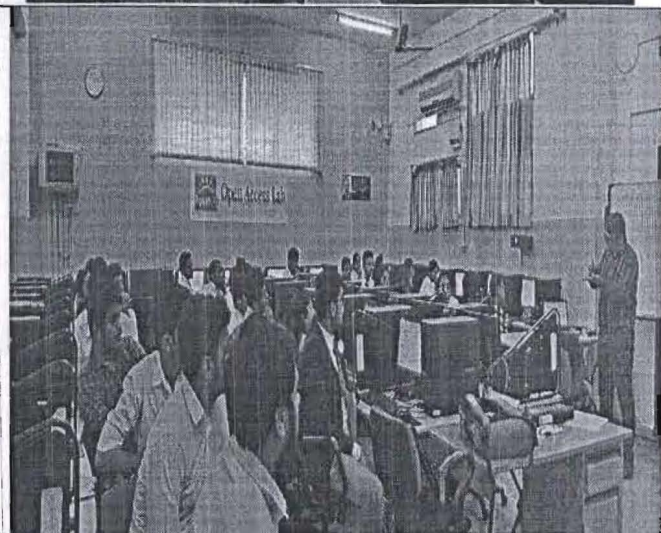
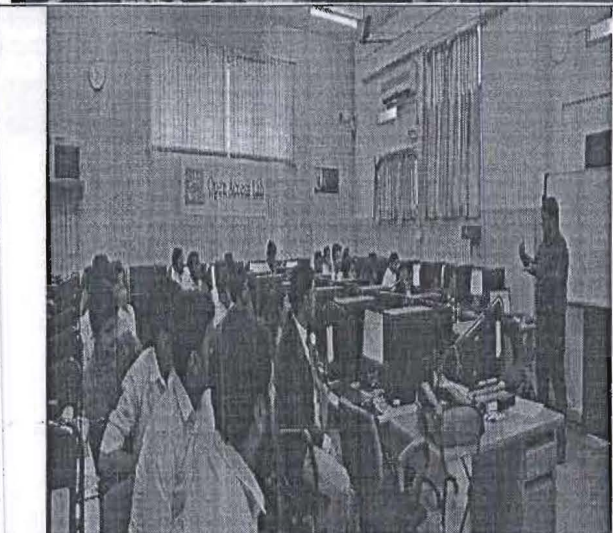
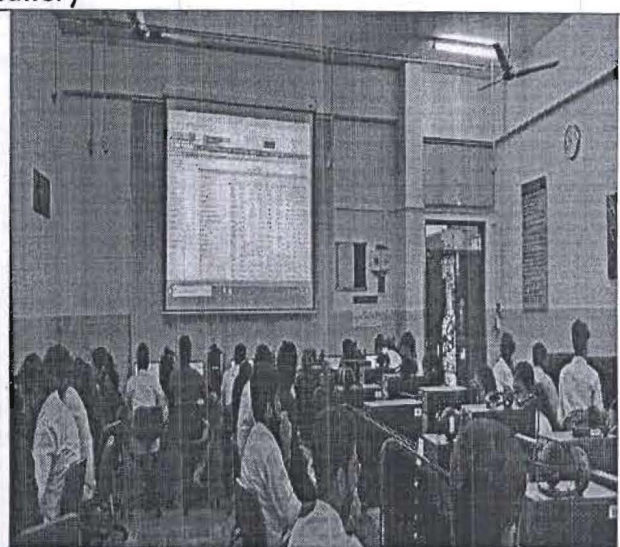
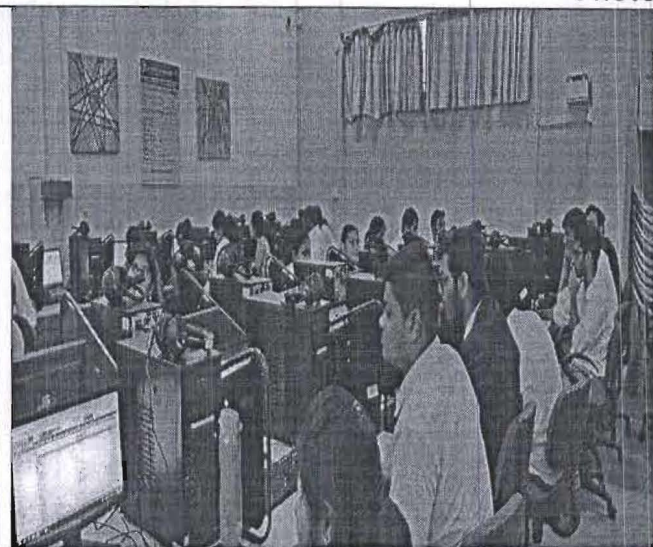
b. Calculate the present value of the horizon value, the present value of the free cash flows, and the estimated Year-0 value of operations.

PV of horizon value	INR 1,484.83
PV of FCF	INR 223.69
Value of operations (PV of FCF + HV)	INR 1,708.52

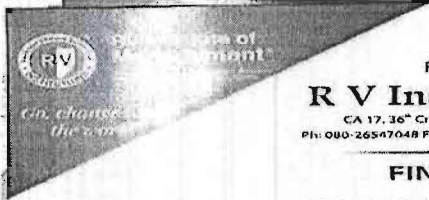
c. Calculate the estimated Year-0 price per share of common equity.

Value of operations	INR 1,708.52
Plus value of marketable securities	INR 40.00
Total value of company	INR 1,748.52
Less value of debt	INR 400.00
Less value of preferred stock	INR 50.00
Estimated value of common equity	INR 1,298.52
Divided by number of shares	40.00
Price per share	INR 32.46

Photo Gallery



Certificate



Rashtreeya Sikshana Samithi Trust

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FINANCE DEPARTMENT
ORGANIZED
CERTIFICATION COURSE ON CORPORATE VALUATION

CERTIFICATE

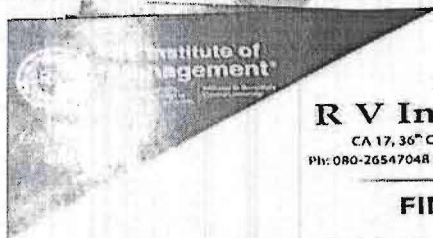
This is to certify, **VISHWANATH B GANGAPPANAVAR**
3rd semester student of R V Institute of Management has actively participated and completed 'Certification Course on Corporate Valuation' held at the R V Institute of Management in association with Knowledge Varsity during December 16-20, 2019.



Dr. Purushottam Bung
Dr. Purushottam Bung
Professor and Director
R V Institute of Management

Mr. Ratan Prasad Gupta
Mr. Ratan Prasad Gupta
Director,
Knowledge Varsity

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FINANCE DEPARTMENT
ORGANIZED
CERTIFICATION COURSE ON CORPORATE VALUATION

CERTIFICATE

This is to certify, **AKSHATHA L V**
3rd semester student of R V Institute of Management has actively participated and completed 'Certification Course on Corporate Valuation' held at the R V Institute of Management in association with Knowledge Varsity during December 16-20, 2019.



Dr. Purushottam Bung
Dr. Purushottam Bung
Professor and Director
R V Institute of Management

Mr. Ratan Prasad Gupta
Mr. Ratan Prasad Gupta
Director,
Knowledge Varsity

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Coordinators Comment:

This particular program is very much enjoyed by all the students this is also part of finance specialization subject of Corporate Valuation and Restructuring syllabus. The program is also helped for those who wish make their career in valuation specially usage of MS excel (spread sheet) for financial modeling. Students got a fair idea about the valuing a company and equity share. Overall this Certificate Course on Corporate Valuation in Association with Knowledge Varsity was great success.

Dilob S

Event Coordinator

Mr. Ratan Prasad Gupta

Director