

COURSE TITLE – EQUITY RESEARCH AND FINANCIAL MODELLING

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Course Description

This course aims to give students an exposure to the actual industry best practices in financial modelling and valuation, along with introduction to the **Bloomberg** software. For this purpose, the goal is to invite experts from the industry to take parts of the course so that the students are industry ready. Students will learn to build an integrated three-statement financial model from start to finish using supporting schedules, projection drivers and dynamic sensitivity analysis, for multiple sectors and become hands on with **Bloomberg** software. By the end of the course, a student should be able to carry out a complete valuation exercise and come up with an equity research report for any target company on their own.

The students are expected to finish their **Bloomberg market concepts (BMC) certification** by the end of the course. This is an 8 hour self-learning course which can be taken at the finance lab.

Learning Objectives:

This course endeavors to develop students with the following specific learning objectives -

- Exposure to **Bloomberg** software and its data extraction tools.
- Build a full blown integrated three-statement financial model for a case company.
- Learn how to integrate assumptions into the financial model and create supporting schedules.
- Arrive at a final target price through DCF valuation and compare with actual **Bloomberg** data.
- **BMC certification.**

Pedagogy:

The course shall be delivered essentially through a fusion of lectures, spreadsheet exercises, and by carrying out hands on financial modeling for real life companies to develop student's ability to evaluate and value them. There will be extensive references to the **Bloomberg** software. There are several sessions planned with industry stalwarts to share their perspective on valuation with the students. Total 16 sessions of 1 hr 15 minutes each would be conducted with the last 2 sessions devoted to students' presentations.

Since the course pedagogy will be primarily based on spreadsheet modelling, *carrying laptops to class for all students is mandatory.*

Course Requirements:

There will be extensive use of the **Bloomberg** software during the course and the students are expected to visit the lab and familiarize themselves. Students are expected to complete their **BMC certification** by the end of the course.

A basic knowledge of MS excel is expected. Much of the content will be spreadsheet based hence students are expected to practice them in class along with faculty and afterwards. The readings from the text will be supplemented by other materials such as relevant news articles, academic journal articles and readings from supplementary books mentioned in the course outline.

Please note that some of the industry models which will be taught by industry practitioners are proprietary in nature and can only be discussed but cannot be shared with the students.

Evaluation

Equity research report presentation	-	10%
Group Project	-	30%
Class participation	-	10%
End Term	-	50%

Recommended Text Book

- *Equity asset valuation, 3rd edition, Pinto, Robinson, Stowe (CFA institute).*

Other Reference Books

- *Financial Accounting – Reporting and Analysis, 7e, E K Stice & J D Stice, Thomson South-Western.*
- *Accounting – Text and Cases, 12e, Robert N. Anthony, David F. Hawkins and Kenneth A. Merchant, Tata McGraw Hill.*
- *Essentials of Financial Accounting, 2e, Asish K. Bhattacharya, PHI*
- *Financial Accounting : A Managerial Perspective, 5e, Narayanaswamy, R., PHI*
- *Financial Accounting, Weygandt, Kieso, Kimmel, Wiley*
- *Introduction to Financial Accounting, 9e, C.T. Horngren, G. L. Sundem, J.A. Elliott, and D. Philbrick, Pearson Prentice Hall.*
- *Financial Reporting and Management Accounting, William J Bruns Jr., Thomson South-Western.*
- *Financial Accounting for Management, 3e, N Ramachandran and Ram Kumar Kakani, Tata McGraw Hill*

Journals

- The Chartered Accountant
- Management Accountant
- Finance India
- Journal of Accounting and Finance

Relevant Websites

- www.icaai.org : ICAI
- www.myicwai.com :ICWAI
- www.icsi.edu : ICSI
- www.mca.gov.in
- www.clb.nic.in
- www.fasb.org
- www.iasb.org

Course Outline: Session/Module/Reading Material

Sessions 1-2: Annual report analysis and equity research

Sessions 1 & 2 (150 minutes)		
70 minutes →	50 minutes →	30 minutes
⇒ How to read annual reports	⇒ Bloomberg & data extraction	⇒ Communicating Valuation Results: The Equity Research Report Wrap up and key points

Readings/Handouts: Text Book Chapter 1

Sessions 3-4: Valuation Methodologies & Forecasting

Sessions 3 & 4 (150 minutes)		
20 minutes →	70 minutes →	60 minutes
⇒ Review of valuation models	⇒ Forecasting methods	⇒ Practice exercise with common size model

Readings/Handouts: Text Book Chapter 3 and 4.

Sessions 5-7: Guest session on sector modelling (IT, telecom and startups)

Sessions 5,6 and 7 (225 minutes)		
60 minutes →	40 minutes →	125 minutes
⇒ Fin modelling in industry	⇒ Valuation of tech and startups.	⇒ Industry case studies

Readings/Handouts: Provided by expert.

Session 8-10: Case study: Financial modelling of auto sector

Sessions 8,9 and 10 (225 minutes)		
60 minutes →	60 minutes →	125 minutes
⇒ Fin modelling of auto stock	⇒ Financial projections and inter linkage	⇒ Detailed valuation and sensitivity

Readings/Handouts: Model developed in class.

Session 10-11: Guest session on M&A modeling

Sessions 11 and 12 (150 minutes)		
20 minutes →	30 minutes →	100 minutes
⇒ Industry M&As	⇒ Detailed M&A models	⇒ Case studies and industry practice

Readings/Handouts: Provided by guest

Session 12-14: Case study: Financial modelling of pharma sector

Sessions 12, 13 and 14 (300 minutes)		
60 minutes →	60 minutes →	180 minutes
⇒ Fin modelling of pharma stock	⇒ Financial projections and inter linkage	⇒ Detailed valuation and sensitivity

Readings/Handouts: Model developed in class.

Sessions 15 - 16:

- Project Presentation and Discussion.
- **BMC certification to be completed.**

