INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR

PROGRAMME NAME: POST GRADUATE DIPLOMA IN MANAGEMENT

STRATEGIC FINANCIAL MANAGEMENT (COURSE CODE)

CREDIT: Three credits

SESSION DURATION: 60 Minutes

TERM: VI

YEAR: 2019

BATCH: II (PGDM 2017-19)

FACULTY (Name): Prof. Santanu Das (PART I) / Prof. Ansuman Chatterjee (PART II)

Telephone: 0674- 3042149 / 115

E-Mail: santanu@imibh.edu.in / ansuman@imibh.edu.in

Office hours: 9:30 hr. to 17:30 hr.

Consulting hours: 15.30 hr. to17.30 hr. (on working days with prior appointment)

Course Introduction:

This course develops insights into the strategic aspects to corporate investments. It goes beyond the conventional valuation metrics and focuses on value creation from investors' perspective. The importance of managerial compensation, agency problems and ethics are also learnt in this course.

Course Pedagogy: The course will use combination of class room discussion, lecture, presentation, small problems and relevant cases using excel models to create student centric participative learning.

Recommended Books:

1. Chandra, P. (2014). *Strategic financial management*. New Delhi: Tata McGraw-Hill.
2. Richard Brealey and S. Myers. *Principles of Corporate Finance*, 7e, TMH (BM)
3. T. Copeland, F. Weston and K. Shastri. *Financial Theory and Corporate Policy*, 3e, Pearson Education (CWS)
4. Horne, J. and S. Dhamija. *Financial Management and Policy*, 12e, Pearson (HD

Learning Outcomes:

1. To understand the need for the adjustment required to the financial objective and strategic outlook for the corporate in view of the dynamic environmental challenges.

2. To appreciate the strategic aspects addressed by the contemporary value metrics in contrast to the traditional ones.
3. To cognize the value based management approaches as adopted by leading consultancy companies across the globe.
4. To learn the application of option pricing in corporate finance for valuing real options.
5. The students will learn about the corporate decision making
6. To understand the theory behind corporate decision making
7. To learn the strategic demand for enhancing capability and process of capital budgeting decisions.
8. To understand the strategic significance of managerial compensation, agency problem and ethics in creating value for the organisation.

EVALUATION:

End Term	40%
Projects (1 no.)	20%
Quiz (2 nos.)	20%
Assignment	20%

Session	Content	Learning Outcome	(Chapter) References
PART I			
1-3	Corporate Payout Policy Information asymmetry and agency theory How companies decide to pay dividends (Lintner's Model, 1956) Cash Dividends Vs Share Repurchase Vs Bonus Shares – Which is to be selected? Taxes and Payout policy	LO5, LO6	CWS Chapter 16
Assignment: 1. Study the dividend payout pattern in 5 companies from different industry and the market reactions 2. Identify two companies worldwide which have recently repurchased shares and study the impact on the market valuation of these firms. (Data Source: Bloomberg)			
4-7	Capital Structure Does debt policy matter? The capital structure puzzle (Myers, 1976) Do manager's *behavior* affect capital structure (Some evidence from field) How much a firm should borrow – The Debt repaying capacity and bankruptcy cost Effect of taxes (Personal as well as corporate)	LO5	CWS Chapter 15
Assignment:			

Pick any four companies in IT, Automobile, Textiles, Oil Exploration companies (2 from India and 2 from US) and study their capital structure over last 10 years. How did the market respond? Data source: Bloomberg			
8-11	Leasing Types (Financial and Operating) Valuing Financial Lease Tax considerations	LO5	HD Chapter 21
12-15	Mergers, Acquisitions and Restructuring Forms (Consolidation, acquisition of stocks and acquisitions of assets) Synergy from acquisitions NPV of a merger Financial Distress and Bankruptcy Signals (reduction in dividends, Altman's Z-Score, Board Restructuring) Equity Carve Outs, Spin-off, Tracking Stocks, Divestiture, Recapitalisation and LBOs	LO5	CWS Chapter 18 HD Chapter 27
Assignment: Identify TWO firms (1 from India and 1 from any other market) which have gone for M&A activities in 2018 and calculate the cumulative abnormal returns in a window of ± 10 days. **Data source: Bloomberg**			
PART II			
16-18	**Corporate Objective** Logic of Shareholder Wealth Maximization; Limitations of the Shareholder Wealth Maximization Principle; Stakeholder Theory; Enlightened Value Maximization; Creating wealth for business and stakeholders: shared value perspectives guided by the idea of Triple bottom line.	LO 1	Ch 2 of SFM by Dr.PC
19-22	**Value Based Management** Traditional measures: EPS, ROI, EBIT, EBITDA, ROCE, RONA etc. New metrics: Market to Book Ratio (MBR), Total shareholder Return (TSR), Total Business Return (TBR), Market Value Added (MVA), Economic Value Added (EVA), Future Growth Value (FGV), Cash Value Added (CVA), Cash Flow Return on Investment (CFROI) and the Balanced Score Cord (BSC).	LO 2	Ch 3 & 12 of SFM by Dr.PC
23-24	**Methods and Key Premises of VBM**; Marakon Approach; Alcar Approach; Mckinsey Approach; Stern Stewart Approach; BCG Approach. Lessons from the Experiences of VBM Adopters.	LO 3	Ch 12 of SFM by Dr.PC
Assignment (Project): Take financial data for past 8 years for any two companies such that 1 belongs to India other 1 belongs to US, but both must belong to the same industry. Now (i) Calculate the value metrics for both the companies.			

(ii) Interpret whether the company is a value creator or destroyer. (iii) Find out the (financial) reason for such value creation or destruction by the company. **Data source to be used: Bloomberg**			
25-27	Strategizing Capital budgeting decisions, Capabilities and Small ticket items, Resource allotraction, Application of Option pricing in corporate finance- Real Options;	LO 7	Ch 5 of SFM by Dr.PC; Ch 6 of CV & VC by Dr.PC
28-29	The relevance of managerial compensation, agency problems and ethics in Financial management.	LO 8	Ch 11 of SFM by Dr.PC
30	Summary Discussion		