



**INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR**

**PROGRAMME NAME: PGDM**

**COURSE : STRATEGIC FINANCIAL MANAGEMENT**

**CREDIT: 3**

**SESSION DURATION: 60 Minutes**

**TERM: VI**

**ACADEMIC YEAR: 2019-2020**

**BATCH: PGDM 2018-20**

**FACULTY : Santanu Das**

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

**Consulting hours:** During Office hours

**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.

**Learning Outcomes:**

1. To appreciate the strategic aspects addressed by the contemporary value metrics in contrast to the traditional ones. (LO1)
2. To cognize the value based management approaches as adopted by leading consultancy companies across the globe. (LO2)
3. 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. (LO3)
4. To learn the application of option pricing in corporate finance for valuing real options. (LO4)
5. The students will learn about the corporate decision making (LO5)
6. To understand the theory behind corporate decision making (LO6)

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

**Course Readings**

**Books:**

1. Richard Brealey and S. Myers. *Principles of Corporate Finance*, 7e, TMH (BM)
2. J. Berk and P. Demarzo. 2016. *Financial Management*, 3e (Berk)

**Course Evaluation criteria:**

Evaluation Component	Learning Outcomes	Weightage (%)
Quiz	LO1 to LO6	20
Project	LO5 and LO6	30
Mid Term	LO1 to LO3	20
End Term	LO1 to LO6	30

**Project:** Students (in a group of 2) will identify a company (Indian or foreign) suffering from distress and suggest some measures to restructure it.

**Plagiarism**

We are committed to upholding the highest standards of academic integrity and honesty. Plagiarism is the use of or presentation of ideas, works that are not one's own and which are not common knowledge, without granting credit to the originator. You may refer the already available content just for your reference and to get the basic ideas. Only 20% of such content is acceptable, above that comes under the definition of Plagiarism which is unacceptable in IMI and will be treated seriously. All such cases will be referred to the appropriate body of the Institute for suitable disciplinary action.

**Project:** Each student (in a group of TWO) will be required to write a project on either of the following topics and present the findings:

- (i) Study the cash holdings pattern of either BSE 500/ S&P 500/ CAC/ FTSE firms over 2010-2019 (Data source: Bloomberg)
- (ii) Understanding the payout policies of Indian firms and impact on shareholder's value
- (iii) Study the leasing operations in aviation market – An empirical study
- (iv) Study the capital structure of Indian firms and their determinants (Data source: Bloomberg)
- (v) Ownership and corporate finance decisions (Data source: Bloomberg)
- (vi) Factors affecting beta of a stock – Study of Indian and US firms (Data source: Bloomberg)

**All the students will submit an interim report of the project in a soft copy at the 15<sup>th</sup> session along with Turnitin Report. This report must contain literature review, models studied, proposed methodology and data collection.**

**Session Plan:** This may be given in tabular form or without gridlines. However, must cover the following details:

Session	Content	Learning Outcome	(Chapter) References
1-4	The Cost of capital <ul style="list-style-type: none"> <li>• Market Risk Premium</li> <li>• Market Implied Risk Premium</li> <li>• Towards a better beta</li> <li>• Estimating PV of cash flows</li> <li>• Goal of value creation</li> </ul>	LO 1	Chapter 2 (BM)
5-7	Corporate cash holdings <ul style="list-style-type: none"> <li>• Understanding the Baumol and Miller and Orr Models</li> <li>• Cash holding as a strategic management tool</li> </ul>	LO 2, LO 3	Classroom discussions and relevant articles

	<ul style="list-style-type: none"> <li>• Determinants of cash holdings</li> <li>• Firm ownership and cash holdings</li> <li>• Implications for firm value</li> </ul>		
8-11	<p>Corporate Financing</p> <ul style="list-style-type: none"> <li>• Capital structure in a perfect market</li> <li>• Debt and taxes</li> <li>• Estimating debt capacity</li> </ul>	LO 2	<p>Chapter 14-15 (Berk) Chapter 18 (BM)</p> <p>Case: Blaine Kitchenware Inc.: Capital structure</p>
12-15	<p>Payout Policy</p> <ul style="list-style-type: none"> <li>• Information asymmetry and agency theory</li> <li>• Cash Dividends Vs Share Repurchase Vs Bonus Shares – Which is to be selected?</li> <li>• The Lintner's Model</li> <li>• Taxes and Payout policy</li> </ul>	LO 3	<p>Case: Dividend Policy at SRF: Buyback of Shares</p> <p><b>Assignment:</b> 1. Study the dividend payout pattern in 2 companies from different industry and the market reactions</p> <p>2. Identify two companies worldwide which have recently repurchased shares and study the impact on the market valuation of these firms.</p> <p>Do an event analysis in both the cases</p> <p>(Data Source: Bloomberg)</p> <p>Chapter 17 (Berk) Chapter 16 (BM)</p>
16-19	<p>Leasing</p> <ul style="list-style-type: none"> <li>• Lease payments and residual values</li> <li>• Lease Vs Loans</li> <li>• Operating Vs Capital lease</li> <li>• Tax and leases</li> </ul>	LO 4	<p>Chapter 26 (BM) Chapter 25 (Berk)</p>
20-23	<p>Mergers and Acquisitions</p> <ul style="list-style-type: none"> <li>• Types – Vertical, Horizontal and Conglomerate</li> <li>• Forms (Consolidation, acquisition of stocks and acquisitions of assets)</li> <li>• Synergy from acquisitions</li> <li>• NPV of a merger</li> </ul>	LO5, LO6	<p>Chapter 28 (Berk) Chapter 33 (BM)</p> <p>Assignment: Study a recent M&amp;A and write a complete report on it. This will include financials, stock prices pre and post merger. Also identify whether this has created values for shareholders or not.</p> <p>Case: Cadbury Schwepps: Capturing Confectionary (A)</p>
24-26	<p>Financial Distress and Restructuring</p> <ul style="list-style-type: none"> <li>• Signals (reduction in dividends,</li> </ul>	LO5	<p>Chapter 28 (Berk) Chapter 33 (BM)</p>

	Altman's Z-Score, Board Restructuring) <ul style="list-style-type: none"> <li>Equity Carve Outs, Spin-off, Tracking Stocks, Divestiture, Recapitalisation and LBOs</li> </ul>		Case: Bankruptcy and Restructuring at Marvel Entertainment
27-28	Understanding value based performance measures <ul style="list-style-type: none"> <li>ROCE, EPS, EBITDA</li> <li>Accounting Vs Economic Profit - EVA</li> </ul>		Classroom discussions
29-30	Best Practices in Hedging <ul style="list-style-type: none"> <li>Options Vs Forwards</li> <li>Symmetric and Asymmetric hedging</li> </ul>		Chapter 9-10 (BM)
31-32	PROJECT PRESENTATION		