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Course Case Mapping for

Financial Management - I

Mapped for
Principles of Corporate Finance
Richard A. Brealey and Stewart C. Myers

Case Studies Developed by IBSCDC

Dividend Policy Decisions

Capital Structure Decisions

Capital Budgeting Decisions

Time Value of Money

The Three Themes of this Course are

- Investment decisions
- Financing decisions
- Dividend decisions

This Course Seeks to Address the Following Questions

- How the finance function is crucial to an organisation and how other functional areas of an organisation are interrelated and interdependent on finance function? Will any implications in financial management policies affect the decisions of other functional areas?
- In the changing business world, roles and responsibilities of a CFO are increasing manifold. To what extent his increased purview will add value to an organisation?
- "Any investment decision taken by a company would influence its strategic position over the years. It is evident that for any firm, money – either in the form of equity or debt – is limited." What factors should a finance manager consider while making investment decision? To what extent one should consider the time value of money in making investment decisions?
- What is the appropriate mix of debt and equity that leads to a maximum value of the firm? As debt is the cheapest source, to what extent should firm borrow from external sources?
- Does distribution of dividends have any significant impact on company investment decisions? When should a company go for dividend declaration and on what basis the profits should be retained?

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Why Financial Management Course for an MBA?

- As finance is one of the scarce resources, it should be utilised to the optimum, which is possible only through effective financial management
- As every business decision impacts financial performance, it is necessary for every manager to be a money manager.

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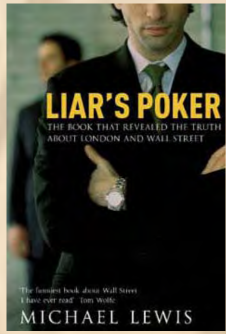
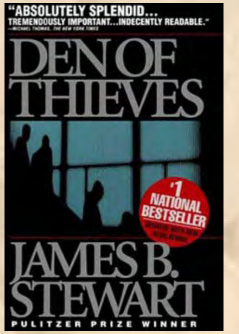
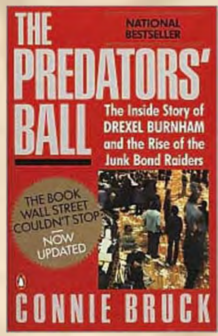
Widely Used Books for Financial Management



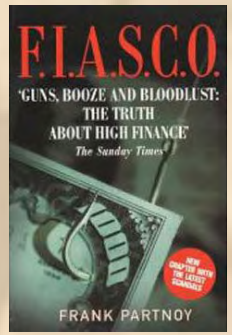
Liar's Poker



Den of Thieves

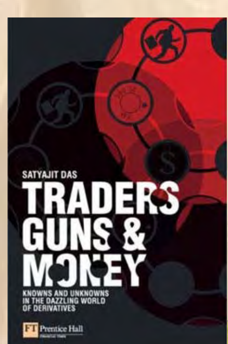


The Predator's Ball

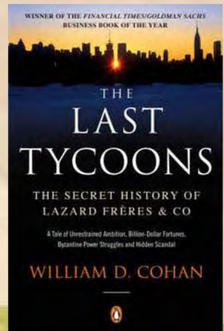


FIASCO

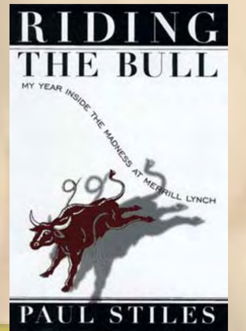
The Smartest Guys in the Room



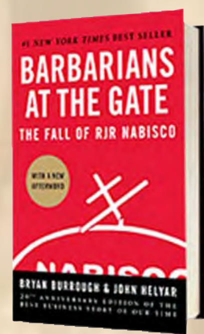
Traders, Guns and Money



The Last Tycoons



Riding the Bull



Barbarians at the Gate

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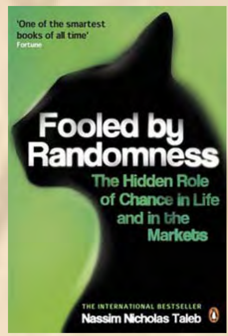
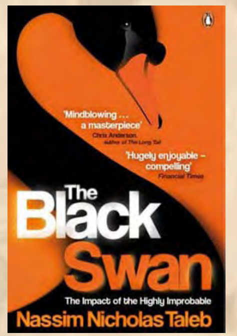
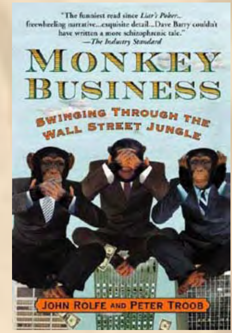


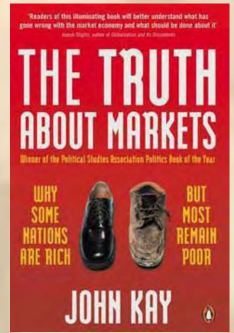
Fooled by Randomness



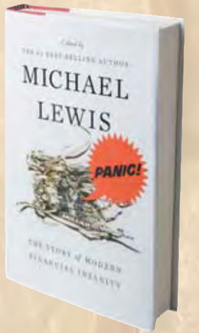
The Black Swan



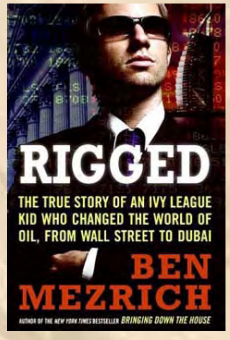
Monkey Business



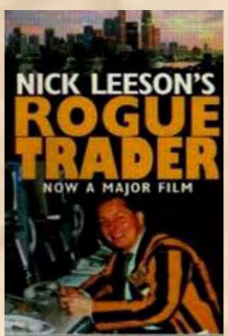
The Truth About Markets



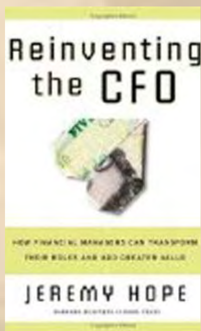
Panic



Rigged



Rogue Trader



Reinventing the CFO

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Hollywood Box Office for Financial Management

Classic Wall Street films such as *Working Girl* (1988), *Trading Places* (1983) and *Wall Street* (1987) focus on the world of New York's financial district and its workers.

In the movie ***Wall Street***, Michael Douglas plays Gordon Gecko, a Wall Street titan whose activities fall under the umbrella of alternative asset management. Gecko's days are filled with meetings, phone calls and pressure-packed trades. Even when Gecko is not in the office, he still seems to be working, often on many things at once. This portrayal is pretty accurate; a typical high-level alternative asset manager has busy days filled with high-stakes decisions. Anyone interested in such a career must be able to handle pressure, be proficient at multitasking, be willing to work long hours and be able to thrive in a highly competitive environment.

Barbarians at the Gate (1993): This especially witty satire is one of the best movies about modern corporate attitudes ever made. It's based on the true story of the leveraged buyout of RJR Nabisco in the 1980s. While the filmmakers have naturally taken some artistic license, I think they capture the spirit of the event. In big business, they assert, given the choice between being greedy and doing the right thing, being greedy usually wins. This was especially true in this case because the bidding war that broke out drove the purchase price into the stratosphere. The company's stock, which had been trading in the $40 range was driven up to over $100. A whole lot of rich people got a whole lot richer. There are many things to enjoy about *Barbarians at the Gate*, not the least of which is James Garner as F. Ross Johnson, the man who ran RJR. He is completely believable as a natural born salesman who rose to run one of the world's biggest corporations. His greed may be a turnoff, but his zest for living is infectious and charming. You can't help liking the guy. His nemesis in this high stakes game in the financier, Henry Kravis, played by Jonathon Pryce. It's a deliciously villainous role, and Pryce makes the most of it. Also of note is the great character actor Peter Riegert as Peter Cohen, Johnson's right-hand man in the deal.

Trading Places focuses on the exciting world of commodity traders and portrays it in a relatively accurate manner. Most notably, the film depicts the volatile nature of commodities markets, where a trader can be wiped out in a day. One famous real-world example is Brian Hunter from the Amaranth hedge fund. Hunter was a fantastically successful commodity trader until he lost $6 billion in the span of a couple weeks and forced his company into liquidation. Some of the best scenes in *Trading Places* are those that depict the action in the commodities trading pits. These provide an excellent view of an exciting corner of Wall Street, but one which has steadily declined in importance. Since the advent of computers, more and more trading occurs

Hollywood Classics

Hollywood Classics

Hollywood Classics

Hollywood Classics

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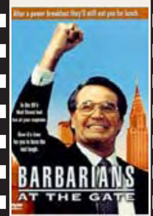
Hollywood

Management in Hollywood

Management in Hollywood



Management in Hollywood

Management in Hollywood

Management in Hollywood

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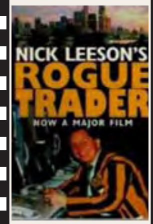
electronically and by traders working at desks. The exciting visual and audio spectacle of the brightly colored floor traders screaming out orders has not disappeared from the landscape, but it is becoming rare.

In ***Working Girl***, Melanie Griffith plays a secretary eager to break into the ranks of investment banking. She is ultimately successful, but unfortunately, her character's success is more the exception than the norm. Although there is always the possibility that a talented, intelligent, hard-working individual can find a place in investment banking, the vast majority of senior employees have followed a certain career and educational background. This background almost always includes an undergraduate degree from a strong university; most mid-level and senior investment bankers also have a Master of Business Administration (MBA) or other graduate degree.

Set in Manhattan and beginning on April Fools' Day 1989, ***American Psycho*** spans roughly 3 years in the life of wealthy young investment banker Patrick Bateman. Bateman, 26 years old when the story begins, narrates his everyday activities, from his daily life among the upper-class elite of New York to his forays into murder by nightfall. Bateman comes from a privileged background, having graduated from Philips Exeter Academy, Harvard (class of 1984), and then Harvard Business School (class of 1986). He works as a vice president at a Wall Street investment company and lives in an expensive Manhattan apartment on the Upper West Side where he embodies the 1980s yuppie culture. Through present tense stream-of-consciousness narrative he describes his conversations with colleagues in bars and cafes, his office, and nightclubs, satirising the shallow vanity of Manhattan yuppies.



Rogue Trader (1998): This movie is based on the book of the same title and the actual events that occurred to collapse the Barings Bank. It is good insight into a world few will ever know.

Boiler Room (2000): An ambitious group of young turks operated an illegal stock brokerage firm. Their success at any lifestyle and philosophy redefines the notion of wealth and success in today's ultra fast-paced and competitive world. Corruption, betrayal and conscience collide as the FBI starts to close in on them. Borrowing heavily from *Wall Street* and *Glengarry Glen Ross*, *Boiler Room* is at its best when dealing with matters of money, and powerful scenes of Davis learning to be a 'closer' showcase the significant talent of Ribisi, Nicky Katt, and Vin Diesel.

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Glengarry Glen Ross (1992): A group of sleazy real estate men face a high-pressure stress as they are put in danger of getting the axe by their hard-driving bosses. Welcome to the world of real estate, where the golden rule always is 'A.B.C.' Always Be Closing. This means, lie, cheat, steal, whatever. As long as you get a signature on the dotted line, nothing else matters. And times aren't the greatest for the salesmen at Premiere Properties. None of them are getting the good leads that they need in order to close. And if they don't start closing soon, they're going to find themselves out of the job. There are the 'Glengarry' leads, but they're reserved for closers only. And this heated-up and emotional drama gets even more deeper when it turns out that the next day the office was broken into and the Glengarry leads were stolen. In a business where lying, cheating, and stealing all are in a day's work, everyone is a suspect.

Enron: The Smartest Guys in the Room (2005): One of the greatest scandals in American corporate history is chronicled in the riveting documentary *Enron: The Smartest Guys in the Room*. Based on the bestselling book by *Fortune* magazine reporters Bethany McLean and Peter Elkin, and directed by Alex Gibney (who also produced *The Trials of Henry Kissinger*), the film is an epic morality tale, drawing upon a wealth of insider interviews and archival material to show how Enron, once the nation's seventh largest corporate entity, essentially faked its bookkeeping to report profits that never existed. The corrupt and closely-guarded mismanagement by Enron executives (including Kenneth Lay and Jeffrey Skilling, later placed on criminal trial) is revealed through such heinous concepts as 'Hypothetical Future Value' (a way of reaping fortunes based on false profit projections) and the use of offshore 'shell' companies to hide the massive losses that eventually toppled the company (along with the venerable Arthur Anderson accounting firm) and left 20,000 employees jobless. As a maddening portrait of hubris and white-collar crime, *Enron* transcends political and corporate boundaries by showing how smart and powerful men grew blinded by greed and brought ruin upon themselves, along with thousands of otherwise innocent victims. For better and worse, it's a perfect double-feature with eye-opening 2004 documentary *The Corporation*.

Investment bankers have been featured in several movies, including *Working Girl*, *American Psycho* (2000) and *Barbarians at the Gate* (1993). These movies faithfully portray several aspects of the investment banker's job, including long hours, frequent meetings and the pressure that comes from working in a business where a single deal can define a career. When Harrison Ford comments in *Working Girl* that "you're only as good as your last deal," he accurately sums up the investment banking business. Those who are interested in a career in investment banking should consider whether they are willing to put in the long hours, hard work, extensive travel and often tedious duties necessary to progress to the top of this field.

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Must-read Article Inventory

- "Advances in Financial Management", *Harvard Business Review*, January–February 1964
- "Investment Policies That Pay Off", *Harvard Business Review*, January–February 1968
- "Strategy For Financial Emergencies", *Harvard Business Review,* November–December 1969
- "Put Policy First in DCF Analysis", *Harvard Business Review*, January–February 1970
- "Framework For Financial Decisions", *Harvard Business Review*, March–April 1971
- "Cash Management Converts Dollars into Working Assets", *Harvard Business Review*, May–June 1972
- "Management Strategies For Small Companies", *Harvard Business Review*, January–February 1976
- "Commercial Vs Investment Bankers", *Harvard Business Review*, September–October 1977
- "Second Thoughts On Going Public", *Harvard Business Review*, September–October 1977
- "Measuring Investment Center Performance", *Harvard Business Review*, May–June 1978
- "New Framework For Corporate Debt Policy", *Harvard Business Review*, September–October 1978
- "Note On Theory Of Optimal Capital Structure", *HBS Note*, February 1979
- "Financial Leverage, CAPM And The Cost of Equity Capital", *HBS Note*, October 1980
- "Is Your Stock Worth Its Market Price", *Harvard Business Review*, May–June 1981
- "Selecting Strategies That Create Shareholder Value", *Harvard Business Review*, May–June 1981
- "Does The Capital Asset Pricing Model Work", *Harvard Business Review*, January–February 1982
- "How To Negotiate A Term Loan", *Harvard Business Review*, March–April 1982
- "How Much Debt Is Right For Your Company", *Harvard Business Review*, July–August 1982
- "Does The Market Know Your Company's Real Worth?", *Harvard Business Review*, September–October 1982
- "Strategies For Staying Cost Competitive", *Harvard Business Review,* January–February 1984
- "Cash Flow: It's Not The Bottomline", *Harvard Business Review,* July–August 1984

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- “Pitfalls In Evaluating Risky Projects”, *Harvard Business Review*, January–February 1985
- “Financial Goals and Strategic Consequences”, *Harvard Business Review*, May–June 1985
- “Measurements To Cure Management Myopia”, *Harvard Business Review*, May–June 1986
- “How Long Should You Borrow Short Term”, *Harvard Business Review*, March–April 1986
- “When Is There Cash In Cash Flow”, *Harvard Business Review*, March–April 1987
- “Small Company Finance: What The Books Don’t Say”, *Harvard Business Review*, November–December 1987
- “Corporate Raiders: Head Them Off At Value Gap”, *Harvard Business Review*, July–August 1988
- “Must Finance And Strategy Clash”, *Harvard Business Review,* September–October 1989
- “Putting Strategy Into Shareholder Value Analysis”, *Harvard Business Review*, March–April 1990
- “How I Learned To Live With Wall Street”, *Harvard Business Review*, May–June 1991
- “Cost of Capital: The Japanese Way”, *Harvard Business Review*, May–June 1992
- “CFOs And Strategists: Forging A Common Framework”, *Harvard Business Review*, May–June 1992
- “Efficient? Chaotic? What’s The New Finance?”, *Harvard Business Review*, March–April 1993
- “Putting The Balanced Scorecard To Work”, *Harvard Business Review*, September–October 1993
- “Diversification, The CAPM And The Cost of Equity Capital”, *HBS Note*, November 1993
- “An Introduction To Cash Flow Valuation Methods”, *HBS Note*, October 1995
- “Control Tomorrow’s Costs Through Today’s Designs”, *Harvard Business Review*, January–February 1996
- “How Financial Engineering Can Advance Corporate Strategy”, *Harvard Business Review*, January–February 1996
- “Solving The Puzzle Of Cash Flow Statement”, *Business Horizons*, January–February 1997
- “Basic Capital Investment Analysis”, *HBS Note*, July 1997
- “Alternative Methods For Estimating Terminal Value”, *HBS Note*, June 8th 1998
- “Investment Opportunities As Real Options: Getting Started On The Numbers”, *Harvard Business Review*, July–August 1998

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- “Financial Management and Planning With The Product Life Cycle Concept”, *Business Horizons*, September–October 1999
- “Is Share Buy Back Right For Your Company”, *Harvard Business Review*, April 2001
- “Four Rules For Taking Your Message To The Wall Street”, *Harvard Business Review*, May 2001
- “How Much Cash Does Your Company Need”, *Harvard Business Review*, November 2003
- “You Have More Capital Than What You Think”, *Harvard Business Review*, November 2005
- “Internal Rate of Return: A Cautionary Tale”, *McKinsey Quarterly*, 2005 (Special Edition)
- “The Practitioner’s Perspectives On Non-Financial Reporting”, *California Management Review*, Winter 2006
- “Towards a leaner finance department”, *McKinsey Quarterly*, 2006
- “On The Applicability Of WACC For Investment Decisions”, *ESADE Business School Note*
- “The Finance Function In A Global Corporation”, *Harvard Business Review*, July–August 2008
- “A Better Way To Understand Total Returns To Shareholders”, *Mckinsey Quarterly*, 2008
- “Starting up as CFO”, *The McKinsey Quarterly*, March 2008
- “How Finance Departments Are Changing”, *McKinsey Global Survey*, 2009
- “”Money And Capital Markets”, Chapter From *Finance For Managers* (*HBS*P)
- “Time Value of Money: Calculating The Real Value of Your Investment”, *Finance For Managers* (*HBS*P)
- “Valuation Concepts: Evaluating Opportunity”, *Finance For Managers* (*HBS*P)

Useful Websites

- Knowledge@Wharton
- HBS Working Knowledge
- s+b
- McKinsey Quarterly
- AT Kearney
- Financial Times
- WallStreet Journal
- Hewitt Associates
- Mercer Management Consulting

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FINANCIAL MANAGEMENT CASE MAPPING

Chapter	Detailed Syllabus	Session	Key Concepts	Case Study	Abstract	Background Reading/ Additional Reading
Introduction to Financial Management 	Objectives – Functions and Scope – Evolution – Interface of Financial Management with Other Functional Areas – Environment of Corporate Finance.	1	Finance Function and other Corporate Functions: The Interlinkages; The Supporting Functionary Role of Finance Dept .	Unilever Limited: Transforming the Finance'Function'	The case study was primarily written to understand the transformation of finance 'Function' in the modern corporate world. Meant to be discussed in the initial stages of a Financial Management module, this case study provides a holistic perspective on what is expected of a CFO in a large company. In the evolving business environment, the role of finance function is undergoing massive changes. The transformation of finance function has enlarged the role of CFO. The increased role of CFO and wide scope of finance function is creating complexities and posing unintended challenges. At the same time, the success of a company depends on the effective management of finance function and such management becomes even tougher in a multinational company. The case study helps to understand the complexities involved in effectively discharging a finance department's functions from the point of view of a CFO, at Unilever Ltd. The case study can be used to understand the position and importance of finance in an organisation; to analyse the interface of finance function with other functional areas and to understand the required skill sets for an effective CFO.	• Chapter 1, "Why Finance Matters", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • Pohl Herbert, "Building a competitive finance function: An executive roundtable", *The McKinsey Quarterly*, December 2008 • Dobbs Richard, et al., "Towards a leaner finance department", *McKinsey on Finance*, 2006 • "Framework For Financial Decisions", *HBR,* Mar-April 1971 • "The Finance Function In A Global Corporation", *HBR*, July-August 2008 • "How Finance Departments Are Changing", *McKinsey Global Survey* 2009 • "Efficient? Chaotic? What's The New Finance?", *HBR*, March-April 1993
		2	The Goal of the Finance Manager – Shareholders' Wealth Maximisation or Value Maximisation; Agency Cost (The internal responsibility of a Finance Manager)	Infosys and Satyam Computers: Whose Wealth is Maximised?	Woven around Infosys and Satyam Computers CFOs, the primary objective of the case is to analyse the role of a CFO in maximising shareholders' wealth. Every company aims at wealth maximisation of its shareholders. In order to achieve this aim, companies work in line with the interests of the shareholders. Even the companies in the most competitive IT industry are striving hard to increase their credibility among the investors by maximising their shareholders' wealth. Infosys is one such top notch company that proved that it is very essential to understand the interests of the shareholders to be successful. On the other hand, Satyam, in spite of being a top IT company, failed to gain the trust of the shareholders because of its fraudulent ways. Though the CFOs of both the companies have performed their respective duties, one has maximised the wealth of the shareholders while the other has destroyed it.	• Chapter 1, "Why Finance Matters", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "Investment Policies That Pay Off", *HBR*, Jan-Feb 1968 • "Is Your Stock Worth Its Price", *HBR*, May-June 1981 • "Selecting Strategies That Create Shareholder Value", *HBR*, May-June 1981 • "Does The Market Know Your Company's Real Worth?", *HBR,* Sep-Oct 1982

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					The case study can be used to understand the concept of wealth maximisation and the different ways of maximising shareholders' wealth; to contrast the way shareholders' wealth was managed at Infosys and Satyam over years and to debate on the role of CFO on maximising shareholders' value.	• "Financial Goals and Strategic Consequences", *HBR*, May-June 1985 • "Must Finance And Strategy Clash", *HBR*, Sep-Oct 1989 • "Putting Strategy Into Shareholder Analysis", *HBR*, Mar-Apr 1990 • "How I Learned To Live With Wall Street", *HBR*, May-June 1991 • "How Financial Engineering Can Advance Corporate Strategy", *HBR*, Jan-Feb 1996 • "Financial Management And Planning With Product Life Cycle Concept", *Business Horizons*, Sept-Oct 1999 • "A Better Way To Understand Total Returns To Shareholders", *McKinsey Quarterly* 2008
		3	The Goal of the Finance Manager – Stakeholders' Interests; Emerging Challenges for the CFO (The external responsibility of CFOs/ Finance Managers)	India's Best CFO, Praveen Kadle	Set in the backdrop of one of the best stated Indian CFOs, the primary objective of the case is to analyse the emerging roles of a Chief Financial Officer (CFO) in the changing business environment of the 21st century. Previously known for maintaining accurate financial details of the company, CFOs have now become the strategic decision-makers in the company. The case mainly focuses on various roles played by Praveen Kadle, the CFO of Tata Motors, in turning around the company and the crucial role played by him in implementing the management's decisions effectively in times of crisis. This case study can be used to understand the core function of a CFO and his/her changing roles with the increasing business demands; to discuss the role of CFO in Tata Motors' business between 2001 and 2005; to analyse the factors that made Praveen Kadle, CFO of Tata Motors, the Best Indian CFO of 2006 and to evaluate the challenges faced by Tata Motors' CFO during 2006–2008.	• Chapter 1, "Why Finance Matters", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition) • Chappuis E. Bertil, et al., "Starting up as CEO", *The McKinsey Quarterly*, March 2008 • "CFOs And Strategists: Forging A Common Framework", *HBR*, May-June 1992 • "The CFO's Central Role", *McKinsey Quarterly*, 2004 • "When Should CFOs Take The Helm", *McKinsey Quarterly*, 2006 • "The CFO As Deal Maker", *strategy+business* • "The Trouble With CFOs", *HBR*, Nov 2005 • "Four Rules For Taking Your Message To The Wall Street", *HBR*, May 2001

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Overview of Financial Markets  	Financial Markets – Functions and Classifications of Financial Markets – Money Market – Forex Market – Government Securities Market – International Capital Market – Participants	4	Indian Financial System – II (Financial Instruments – Capital Markets and Money Markets)	Indian Financial System: A Young Entrepreneur's Dilemma	This case study was written primarily to understand different constituents of a country's financial system – in this case, India's financial system. Written from the generalised experiences, the case study's learning outcomes revolve around Subodh Agarwal, the protagonist of the case study. The case study helps in debating the changes that occurred in the Indian financial system after the economic reforms in 1991 through the next decade and half. This case also enables discussion on the rules and regulations that a start-up company has to adhere to, both to float the company and also to raise capital. Indian financial system has undergone a sea change with the ushering in of the economic reforms in 1991. Vibrancy, vitality and the vigor of financial system to a large extent reflect and decide the economic health of a country. Rapid growth of the economy and maturing financial system have perfectly complemented each other, while the regulators – majorly RBI and SEBI – have kept a tight vigilance fostering balanced growth. The Indian financial markets are not byzantine compared to the western financial markets, but are also not as premature as some financial markets in developing nations. Regulators have done a splendid job in achieving a fine balance, which was well demonstrated by the way the Indian financial institutions withstood the global financial meltdown. The case study can be used to analyse the role of a financial system in the development of an economy; to understand various constituents of a country's financial system and debate on whether and how each of these constituents should work together to have the right influence on the economy and to understand the rules and regulations that govern the Indian financial markets, along with the steps taken by regulators to ensure stability amidst global financial meltdown.	• "You Have More Capital Than What You Think", *HBR*, Nov 2005 • "Money And Capital Markets", Chapter From *Finance For Managers*, *HBSP*
		5	Indian Financial System – III (Raising Foreign Capital – ECBs, ADRs, GDRs)	Tata Steel's External Commercial Borrowings: The Payoffs	The main objective of this case study is to understand the redemption pressures encountered by the Indian entities in paying back the external borrowings. With the initiation of liberalisation policies, the Indian financial markets had experienced remarkable changes and Indian companies started borrowing and investing abroad. Many Indian companies have raised substantial amounts of external borrowings through External Commercial Borrowings (ECBs) for their long-term requirements. One such company, Tata Steel Ltd., raised $500 million to support its acquisition of Corus in 2007. However, the recent financial crisis and subsequent effects – increased cost of borrowings, rupee depreciation and erratic exchange rates – hit the companies that raised funds through ECB route. In the wake of liquidity crisis, it is to be seen as to how companies, in particular Tata Steel Ltd., can manage the redemption pressures.	• Chapter 24, "The Many Different Kinds of Debt", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "How Long Should You Borrow Short Term", *HBR*, Mar-Apr 1986

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					This case study can be used to understand the need and importance of ECBs and its merits over other available fund raising options; to assess the potential of ECBs for funding foreign acquisitions and to assess the efficacy of Tata Steel's ECBs in the light of its expansion efforts.	
		6	Indian Financial System – IV (Hybrids – Convertible Bonds, Warrants and Derivatives)	Jaypee Group's Foreign Currency Convertible Bonds (FCCBs): Redemption Pressures	This case study is mainly written to understand the redemption pressures faced by the Indian companies as they raised large amounts through Foreign Currency Convertible Bonds (FCCBs). Because of the low coupon rates and embedded call option on the equity shares of the issuing company, FCCBs gained wide popularity and became an important source of raising external funds in Indian capital market. Availing the opportunity of low-cost borrowing, many Indian companies issued/raised heavy amounts through FCCBs route. However, the recent financial turbulence has created a wide gap between the current stock prices of these companies and the effective conversion price, making redemption inevitable. One such Indian company, Jaiprakash Associates Ltd. (JAL) issued FCCBs worth $400 million, which falls due in 2012. In such scenario, how can the Indian companies, in particular JAL, manage the redemption pressures? Furthermore, the case study provides a rich discussion as to what are the best possible actions for the company to manage its liquidity and profitability position? The case can be used to understand the operating dynamics of FCCBs in India; the dynamics of Jaypee Group's FCCBs and to assess the impact of the redemption pressures on the company and analyse the alternatives for it.	• Chapter 22, "Warrants and Convertibles", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition
Time Value of Money 	Introduction – Types of Cash flows – Future Value of a Single Cash Flow, Multiple Flows and Annuity – Present Value of a Single Cash flow, Multiple Flows and Annuity, Growing Annuity, Perpetuity and Growing Perpetuity.	7,8 & 9	• Stream of Cash flows – Cash outflows (single vs multiple)+ Cash Inflows (single vs multiple); Importance of Time Value/ Discounting • PV Factor • FVIFA and Perpetuity	ABC Wealth Advisors	The case mainly focuses on estimating the value of investments by using discounting and compounding techniques, keeping the time value of money in view. To meet the future requirements, one needs to invest the money, which would generate certain returns instead of keeping it idle. This is when the time value of money comes into picture. It is quite necessary to keep in view the concept of time value of money in order to get higher returns that would compensate the decreasing value of money in the future. This case study can be used to understand the concept of time value of money and to calculate the value of the investments using compounding and discounting techniques.	• Chapter 3, "How to Calculate Present Values", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "Cash Flow: It's Not The Bottomline", *HBR*, Jul-Aug 1984 • "When Is There Cash In Cash Flow", *HBR,* Mar-Apr 1987 • "Time Value Of Money: Calculating The Real Value Of Your Investment", Chapter From *Finance For Managers, HBSP*

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Introduction to Risk and Return 	Risk and Return Concepts – Risk in a Portfolio Context – Relationship Between Risk and Return – CAPM and Dividend Capitalisation Model.	10	CAPM	Cost of Equity: A CAPM Approach	The case study was written to understand the cost of equity using the Capital Asset Pricing Model (CAPM). CAPM is widely used to calculate the cost of equity while calculating the cost of capital of a firm. CAPM is also widely used to calculate the cost of equity for discounting cash flow of projects and other investments made by companies. The case takes two Sensex heavyweights – one which is aggressive (Jaiprakash Associates) and the other which is passive (Sun pharmaceuticals) – to calculate the cost of equity using CAPM. The case also provides scope for discussion on using different methods of calculating cost of equity. This case study can be used to provide platform for discussion on different methods available for estimating cost of equity; the efficacy and operating dynamics of CAPM and weigh the merits of this method vis-à-vis other methods of estimating cost of equity and to compare the cost of equity calculation of two different companies, one with higher risk and the other with lower risk, using CAPM approach.	• Chapter 8, "Risk and Return", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "Financial Leverage, CAPM and The Cost of Equity Capital", *HBS Note* • "Does The Capital Asset Pricing Model Work", *HBR*, Jan-Feb 1982 • "Diversification, The CAPM And The Cost of Equity Capital", *HBS Note*
Valuation of Securities 	Concept of Valuation – Bond Valuation – Equity Valuation: Dividend Capitalisation Approach and Ratio Approach – Valuation of Warrants and Convertibles.	11	Equity Valuation I (Dividend Discount Model and other models)	Indian Banking Sector: Pricing the Stock through Dividend Discount Model	This case study was primarily written to understand the practicality of Dividend Discount Model (DDM) in valuing a stock price. There are various approaches for valuing the price of a stock and one of the most popular approaches is the DDM. It provides a means of developing an explicit expected return for the stock market. Besides, it is used to estimate the attractiveness of a security relative to its universe and is principally applied to stock selection. Further, the case study analyses the dividend trends in the Indian banking sector. It includes an evaluation of the share price of three banking companies – Housing Development Finance Corporation Limited Bank (HDFC), Punjab National Bank (PNB) and State Bank of India (SBI) through DDM and attempts to answer the following questions – Do the share price calculated through DDM and the share price prevailing in the market remain same? If no, then what are the reasons for such differences? What are the different factors that affect the dividend payouts of the companies? This case study can be used to understand the background of the Indian banking sector; to analyse the various forms of valuing the price of a stock and to analyse the application of Dividend Discount Model in valuing the price of astock.	• Chapter 16, "The Dividend Controversy", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition
		12	Equity Valuation II (Earnings Capitalisation Approach)	Max Software Services: Relative Valuation	This case study is primarily written to explicate the concept of Relative Valuation. It is widely used by venture capital and private equity firms. It is one of the frequently used methods in valuing companies in all economic conditions, especially in valuing unlisted companies. This case study lucidly explains the concept of relative valuation with the	• Chapter 4, "The Value of Common Stocks", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition

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					help of multiples of top four Indian IT players (TCS, Infosys, Wipro and HCL Tech) to find out the true value of the privately held Max Software Services. This case study also provides adequate background data of the company to discuss each multiple used in relative valuation. This case study can be used to understand the superiority of relative valuation when compared to other forms of valuation; to understand and interpret each of the multiples used in relative valuation and to understand how to estimate the value of private companies.	• "Financial Leverage, CAPM And The Cost Of Equity Capital", *HBS* Note
Cost of Capital 	Concept and Importance – Cost of Debenture – Term Loans – Equity Capital and Retained Earnings – Calculation of Weighted Average Cost of Capital – Weighted Marginal Cost of Capital Schedule	13 & 14	• Equity Capital and Retained Earnings • WACC & Marginal Cost of Capital	Ambuja Cements: Weighted Average Cost of Capital	The case study was primarily written to explain one of the core concepts of finance – Cost of Capital. Though there are many methods to calculate the cost of capital, Weighted Average Cost of Capital (WACC) is widely used. The case study brings the concept of WACC through a discussion between a professor and his students. It further explains the importance of estimating cost of capital and capital mix. It further helps the learners to know the intricacies of estimating cost of equity, cost of debt and deciding on the appropriate weights with Ambuja Cements – one of India's biggest cement manufacturers, as the backdrop. The case study can be used to understand the relevance of cost of capital in financing decisions; how to estimate the cost of equity, debt and cost of capital and the importance of capital mix, in WACC approach.	• Chapter 17, "Does Debt Policy Matter?", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "On The Applicability Of WACC For Investment Decisions", *ESADE Business School* Note
Sources of Long-term Finance 	Equity Capital and Preference Capital – Debenture Capital – Term Loans and Deferred Credit – Government Subsidies – Sales Tax – Sales Tax Deferments And Exemptions – Leasing and Hire-Purchase – New Instruments.	15	Financing Decisions – I (Exploring Long-term Sources of Finance for a Listed Company)	Suzlon Energy: Financing Problems	The primary objective of the case is to deal with the problems encountered by Suzlon Energy Ltd., due to the liquidity crisis that surfaced in the company in the year 2008. Suzlon started as a very small company to provide alternate source of energy to the textile company of the founder, Tulsi R. Tanti. Within no time, it evolved as the world's fifth largest manufacturer of wind turbines. However, the company faced several problems in the year 2008 due to over leveraging, increased costs involved in replacing the faulty blades that it supplied to its US and Portugal clients and slowdown in sales due to the global financial downturn. The liquidity crisis was further compounded by the acquisition commitments for stake in REpower. Suzlon is looking at various financing options to meet its commitments. Given these pressures,what are the different alternative finance sources, which Suzlon can tap in order to come out of the liquidity crisis? This case study can be used to understand the various financing options available to run a business; the nature of business of Suzlon and to reflect upon various funding requirements through its growth	• Chapter 32, "Long-term Lending and Borrowing", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "New Framework For Corporate Debt Policy", *HBR*, Sep-Oct 1978

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					phase; to evaluate the reasons for the current crisis in Suzlon and to analyse the various options available for Suzlon to come out of the liquidity crisis.	
Raising Long-term Finance 	Venture Capital, Initial Public Offering , Public Issue by Listed Companies, Rights Issue, Preferential Allotment, Private Placement, Term Loans	16	Financing Decisions – II (Rights Issue)	Hindalco's Rights Issue: India's Largest Rights Issue Fiasco	This case study was written primarily to have an overview of a rights issue with specific reference to two important factors – pricing and timing of a rights issue. This case study focuses on Hindalco's rights issue. Over the years, Hindalco has grown to be India's largest vertically integrated aluminum company and the world's largest aluminum rolling company with its Novelis acquisition. The acquisition necessitated $3.03 billion bridge loan with 18-month tenure with an interest tag of LIBOR + 30 bps for the first 12 months and LIBOR+ 80 bps for the next 6 months.To tide over this loan, the company contemplated and went in for a rights issue for $1.14 billion under a comprehensive plan for repayment.However, what followed was a classic unplanned failure, where the issue was undersubscribed by 44.03% which was by far the first ever rights issue in India being undersubscribed. The underwriters had to step in to underwrite the balance. This case study offers a rich discussion on the efficacy of a rights issue and all the other accompanying issues surrounding a rights issue. This case study can be used to understand the efficacy and operating dynamics of a rights issue and weigh the merits of this source of finance vis-à-vis other sources of finance; to discuss and deliberate on the modalities of Hindalco's rights issue, debate on its mode of financing its acquisition, to analyse the reasons for Hindalco's rights issue being undersubscribed and debate on what could have prevented such a situation.	• Chapter 15, "How Corporations Issue Securities", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition
		17	Financing Decisions – IIII (IPO)	Reliance 'Power'Ful IPO	This case study was written primarily to understand the Initial Public Offer (IPO) in reference to India's largest public offering by Reliance-Anil Dhirubhai Ambani Group (R-ADAG) through the group's company, Reliance Power Limited (RPL) or Reliance Power to garner $3 billion in January 2008. The company has a biggest pipeline to develop 13 large and medium size power projects with the total outlay of $29 billion. In order to finance these projects, the company came up with the IPO to sell out 260 million shares of INR 10 each at the premium of INR 440 each. The issue got over-subsided by 73 times of shares offered and generated the demand worth more than $196 billion. However, This IPO got one of the worst listings on BSE on the very first day as stock plunged the shareholder's wealth by 17.22%. This case offers an enriching discussion on pricing and timing of IPO and other issues related to the IPO such as efficacy of book-building process, etc.	• Chapter 18, "How Much Should a Firm Borrow", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "Second Thoughts On Going Public", *HBR*, Sep-Oct 1977

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					This case study can be used to understand the various methods of raising capital; to scrutinise the pricing issue involved in public offering and highlight the difference between public issue and private placement and to understand the public offering in the Indian context and bring out the pros and cons of raising capital via IPO.	
Basics of Capital Expenditure Decisions 	The Process of Capital Budgeting – Basic Principles in Estimating Cost and Benefits of Investments – Appraisal Criteria: Discounted and Non-discounted Methods (Pay-Back Period – Average rate of return – Net Present Value – Benefit Cost Ratio – Internal Rate of Return	18	Investment Decisions – I (The process of Investment Decision and Basic Principles in Estimating Revenues and Costs)	Tata's Nano Project: Capital Investment Lessons	The objective of this case study is to illustrate the lessons of capital investment decisions through Tata Motor's Nano project. In 2003, Ratan Tata, chairman of Tata Group, announced his vision of designing a safe and affordable car for the common man. However, right from its inception, the project had gone through several hurdles. Finally, overcoming all the financial, technical and social challenges, Nano, acclaimed as the world's cheapest car, was launched amidst much hype and attention from all sections of media. While giving a brief on the entire journey of Nano from the origin of the idea to its launch, the case study highlights the importance of quantitative and qualitative factors in the evaluation of capital investment decisions. Besides, it provides the learning opportunities to discuss the nature of the capital budgeting decisions and its various types. This case study can be used to understand the nature of Tata's Nano project and analyse the sequence of events that marked the launch of Nano; to derive relevant capital investment lessons from the way Nano project was conceived, handled and executed and to debate on the role of qualitative parameters in capital investment decisions and weighing them against quantitative analysis.	• Chapter 12, "Organizing Capital Expenditure and Evaluating Performance", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "Put Policy First in DCF Analysis", *HBR*, Jan-Feb 1970 • "Measuring Investment Center Performance", *HBR*, May-June 1978 • "Investment Opportunities As Real Opportunities: Getting Started On The Numbers", *HBR*, Jul-Aug 1998
		19	Investment Decisions – II (Non-discounted Cash Flow Methods)	Evaluation of Capital Investment Projects	The main objective of the case study is to evaluate the capital investment projects. Firms make investment decisions only after considering the returns that a particular project would generate and its profitability in the long run. As the projects involve a lot of expenditure, firms evaluate and scrutinise them more rigorously. As the money that a firm has – whether in the form of equity or debt– is limited, it should be careful while selecting or rejecting a project. If a firm is not cautious while making capital expenditure decisions, not only the valuable time of the firm but also a lot of money would be wasted in the process. The case study deals with a similar situation faced by a white goods company, ABC Ltd. It primarily focuses on the capital investment decision taken by the company in selecting optimal machines required for its expansion.	• Chapter 5, "Why Net Present Value leads to better investment decisions than other criteria", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "Pitfalls In Evaluating Risky Projects", *HBR*, Jan-Feb 1985 • "Basic Capital Investment Analysis", *HBS* Note • "Alternative Methods For Estimating Terminal Value", *HBS* Note

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			The case study can be used to introduce the cash flow tables and their interpretation; to introduce and compare the strengths and weaknesses of traditional/non-discounting cash flow measures such as payback period and accounting rate of return in valuing investment projects and to stress the importance of time value of money.	
20 & 21	**(a)** Investment Decisions – III (Discounted Cash Flow Methods) **(b)** Investment Decisions – IV (Comprehensive Case)	Evaluation of GMR Hyderabad International Airport Limited (GHIAL)	The case study mainly focuses on evaluating one of the projects of the GMR group – the GMR Hyderabad International Airport Limited (GHIAL) project using the discounted cash flow techniques. The case provides an opportunity to discuss the relevance of correct time horizons and precise cash flow estimates in arriving at reliable appraisal of capital investment decisions. The case study can be used to understand the various Discounted Cash Flow (DCF) techniques; to understand the project of GHIAL and to value the GHIAL project using various DCF techniques.	• Chapter 5, "Why Net Present Value leads to better investment decisions than other criteria", *Principles of Corporate Finance*, Brealey A. Richard and Myers C. Stewart, 5th edition • "Put Policy First In DCF Analysis", *HBR*, Jan-Feb, 1970 • "Internal Rate Of Return: A Cautionary Tale", *McKinsey Quarterly*, 2005

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Sl. No.	Location/City	Contact Name	Designation	Mobile No.	email ID
1	Bangalore	Mr Sudhanshu Mishra	Sr.Territory Manager	09980565906	ssmishra@iupindia.org
2	Hyderabad	Mr D Nagavender Rao	Area Manager	09885451717	dnr@iupindia.org
3	Indore	Mr Sanjay Gangil	Area Manager	09425322620	sanjaygangil@iupindia.org
4	Kochi	Mr Musthafa K.E.	Dy.Manager	09895226559	mushthafa@iupindia.org
5	Kolkata	Mr Sumit Naha	Territory Manager	09331833254	sumitn@iupindia.org
6	Mumbai	Mr Vikram Singh Sandhu	Area Manager	09867672728	vikram@iupindia.org
7	Noida	Mr Hemant P Sharma	Territory Manager	09810080520	hemantps@iupindia.org

IBSCDC,
IBS Hyderabad,
Survey No.156/157, Dontanapalli Village, Shankerpalli Mandal
Ranga Reddy District - 501504
Phone: 08417-236672
E-mail: info@ibscdc.org, serv@ibscdc.org