COMC006 – Strategic Financial Management

Masters of Commerce
Semester II
DSC - Core Paper
COMC006: Strategic Financial Management

Course Type/ Course Code	Course Title	Lectures	Tutorials	Practical	Credit	Pre-requisites
DSC-COMC006	**Strategic Financial Management**	3	1	0	4	NIL

Objective: This course aims to equip students with strategic and analytical tools essential for complex financial decision-making in organizations. It will help the students to develop the capability to critically assess and apply financial theories and models to real-world strategic financial challenges faced by business enterprises.

Learning Outcomes: On completion of this course, the student should be able to:

- Analyze strategic capital budgeting decisions under situations of complexities.
- Design capital structure policies and recognize its importance in the presence of market imperfections.
- Value equity and value firms using different techniques.
- Evaluate capital investment decisions with embedded options.
- Assess the impact of corporate restructuring on firm value.

Contents:

Unit I **(12 hours)**

Strategic alignment of capital budgeting decisions; NPV vs. IRR conflicts, limitations of IRR and MIRR; Evaluation of mutually exclusive projects with unequal life spans; Impact of inflation; Capital budgeting under multiple constraints using mathematical programming; Risk analysis in capital budgeting: certainty equivalent and risk-adjusted discount rate approaches; sensitivity, scenario, simulation, and decision tree analyses.

Unit II **(12 hours)**

Interrelationship between corporate strategy and financial policy; capital structure, cost of capital, and leverage; Capital structure theories: Trade-off theory, agency problems (debt overhang, short-sighted investment, asset substitution, reluctance to liquidate, agency cost of free cash flows), and information asymmetry (Ross signaling argument, Pecking Order Theory).

Unit III **(12 hours)**
Firm valuation: DCF models, estimating discount rates (levered vs. unlevered beta), cash flow projections; Dividend discount models; free cash flow valuation (to equity and firm); valuation of synergies and intangibles; valuation and financing of M&As, LBOs, spin-offs, divestitures; Relative valuation: price-to-fundamentals multiples, EV/EBITDA multiple; Managerial defenses against hostile takeovers.

Unit IV **(9 hours)**
Types of risk: securities, interest rate, foreign exchange; Use of derivatives for risk management: security, interest rate, and currency derivatives; Real options: option to expand, abandon, timing, flexibility, and operating options.

Tutorial Exercise: Students would be asked to analyze corporate financial decisions pertaining to evaluation of risk, restructuring and complex situations using spreadsheets. They would be required to value equity, real options and acquisition decisions using spreadsheets.

Suggested Readings:

- Brealey, R. A., Myers, S. C., Allen, F., & Edmans, A. (2022). *Principles of Corporate Finance*. McGraw Hill.
- Chandra, P. (2023). *Projects: Planning, Analysis, Selection, Financing, Implementation, and Review*. McGraw Hill India.
- Chandra, P. (2020). *Strategic Financial Management: Managing for Value Creation*. McGraw Hill Education (India) Private Limited.
- Damodaran, A. (2001). *Corporate Finance: Theory and Practice*. Wiley.
- Damodaran, A. (2012). *Damodaran on Valuation: Security Analysis for Investment and Corporate Finance*. Wiley.
- Donaldson, G. (1961). *Corporate debt capacity: A study of corporate debt policy and the determination of corporate debt capacity.* Harvard Graduate School of Business Administration.
- Pandey, I. M. (2021). *Financial Management*. Pearson India.
- Saravanan, P., Sugavanam, J., & Jayaprakash, B. (2014). *Strategic Financial Management*. Oxford University Press.