

## DISCIPLINE SPECIFIC ELECTIVE COURSE 19 (DSE-19): BUSINESS VALUATION

### CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
<b>Business Valuation (DSE 19)</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>Class 12</b>	<b>None</b>

### Learning Objectives

The course aims at:

- Providing an understanding of the key methods and frameworks used in business valuation, including both quantitative and qualitative approaches.
- Equipping students with the skills to analyze and interpret financial statements, enabling accurate assessment of a business's financial health and value.
- Developing the ability to assess external market conditions, industry trends, and risk factors that affect the value of a business.
- Applying various valuation techniques (such as discounted cash flow, comparable company analysis, and precedent transactions) in different business contexts like mergers, acquisitions, and investments.

### Learning outcomes

By studying this course, the students will be able to:

- Apply key business valuation techniques (DCF, market comps, precedent transactions, asset-based methods) to estimate the value of a company in various scenarios.
- Interpret and critically analyze financial statements (income statement, balance sheet, cash flow) to assess the financial health and value drivers of a business.
- Assess and evaluate macroeconomic, industry, and company-specific factors, and incorporate risk elements into the valuation process.
- Make well-reasoned, defensible business valuation decisions based on solid financial data, market research, and strategic considerations.

### SYLLABUS OF DSE-19

#### **Unit 1: Introduction to Business Valuation (6 hours)**

Genesis of Valuation; Need for valuation; Hindrances/Bottlenecks in valuation; Business Valuation Approaches; Principles of Valuation ( Cost, price and Value); Purpose of Valuation: M & A, Sale of Business, Fund Raising, Voluntary Assessment; Taxation; Finance; Accounting; Industry perspective; Statutory Dimension; Society Angle.

#### **Unit 2: Business Valuation Methods (15 hours)**

Discounted Cash flow Valuation: Estimating discount rates- the cost of capital, Cash flow and valuation, valuation of companies: forecasting cash flows. Beyond valuation of companies: Growth, future value drivers, optimum capital structure.

Relative Valuation Method: Meaning, Reasons for popularity and potential pitfalls, Values and multiples- Earnings multiples, book value multiples, revenue multiples, and sector-specific multiples. Equity and Value multiples. Basic steps to using multiples. Reconciling relative and discounted cash flow valuation.

**Unit 3: Valuations of Tangibles and Intangibles (12 hours)**

Overview of valuation of Immovable Properties; Plant and Machinery; Equipments; vehicles; Capital Work in progress; Industrial Plots; land and Buildings; Vessels, ships, Barges etc. Definition of Intangible Assets; Categorization of Intangibles- Marketing Related (Trademarks, Trade names, Certification marks, internet domains), Customer or Supplier Related (Advertising Agreements, Licensing, Royalty Agreements, Servicing contracts, Franchise agreements), Technology related (Contractual or non-contractual rights to use: Patented or unpatented technologies, Data Bases, Formulae, Designs, Softwares, Process), Artistic Related (Royalties from artistic works: Plays, Books, Films, Music). Valuation of Human Resources.

**Unit 4: Valuation in Mergers and Acquisitions (12 hours)**

Meaning of business mergers, types; Sources of Synergy: revenue, operating expense, cost of capital, tax payments; effect of merger on the earnings per share; estimating synergy and its problems.

**References:**

1. Chandra, Prasanna. Corporate Valuation: A guide for Analysis, Managers and Investors. McGraw Hill Education Private Limited.
2. Damodaran, A. Damodaran on Valuation, Security Analysis for investment and Corporate Finance (2nd ed.). Wiley India Pvt. Ltd.
3. K. G., CA, & Sehrawat, N. K. Handbook on Valuation- Concept & Cases. New Delhi, Bharat Law House Pvt. Ltd.
4. Mohanty. Pitabas. Business Valuation (Text & Cases). Taxmann Publications Pvt Ltd.

**Additional References:**

1. Damodaran. Investment Valuation: Tools and Techniques for determining the value of any asset. 3rd Edition. Wiley India Pvt. Ltd.
2. Damodaran. Corporate Finance: Theory and Practical. 2nd Edition. Wiley India Pvt. Ltd.

**Note:** Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.