Fundamental Analysis Module

➢ **Fundamental Analysis: An introduction**

1. What is fundamental analysis?

2. Why is fundamental analysis relevant for investing? - Efficient Market Hypothesis (EMH), Arguments against EMH, Does fundamental analysis work?

3. Steps in Fundamental Analysis

➢ **Brushing up the Basics**

1. Concept of "Time value of Money"

2. Interest Rates and Discount Factors – Opportunity cost, Risk-Free Rate, Equity Risk Premium, The Beta, Risk Adjusted Return (Sharpe Ratio)

➢ **Understanding Financial Statements**

1. Where can one find financial statements – The Director's Report, The Auditor's Report, Financial Statements: Balance Sheet, Income Statements, Schedules and Notes to the Accounts, Cash Flow Statement

2. Financial Statement Analysis and Forensic Accounting

3. Comparative and Common-size financial statements

4. Financial Ratios

5. Du-Pont Analysis

6. Cash Conversion cycle

7. The Satyam case and need for forensic accounting

➢ **Valuation Methodologies**

1. Top-Down valuation (EIC Analysis) – Economy, Industry, Company

2. Discounted Cash Flow (DCF) Models

3. Dividend Discount Model (DDM)

4. Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE) based DCF

5. Sum of the parts (SOTP)

6. Price-to-Earnings (PE) ratio.

7. Price to Book Value PB Ratio.

8. EV/ EBITDA

9. Price to Sales (P/S) Ratio

10. Special cases of valuation – IPOs, Financial Services firms, Net interest mar with in (NIM), Firms negative cash flows, Acquisition valuation, Distressed companies