

SEMESTER – V

PAPER- 5.3

STRATEGIC CORPORATE FINANCE

Full marks: 100

Objective: The objective of this paper is to know the details of corporate finance and the strategies involved in the corporate decisions. It will enable the students to steer the corporate in better manner.

Course Contents:

UNIT-I

Introduction to Strategic Corporate Finance: Strategy Vs Planning, significance of strategy in financial decisions, Different types of financial strategy for Shareholders Wealth Maximisation, overall corporate value addition and Economic Value Addition. **(5L)**

Strategic Cost Management: Traditional costing Vs Strategic Costing, Relevant costs Vs Irrelevant costs, Different types of strategic costing and their relevance- Target Costing, Activity based Costing, Life Cycle Costing, Quality Costing, Zero Based Budgeting, Strategic cost reduction techniques and value chain analysis.

Alternative sources of financing – Difference between traditional & alternative sources of finance, different types of alternative sources of financing.

Infrastructure projects financing- Different approaches to infrastructure projects financing; Public Private Partnership (PPP) and its relevance. **(12L)**

UNIT-II

Management Buy-outs: Establishing feasibility of the buy-out, Negotiating the main terms of the transaction with the vendor including price and structure, Developing the business plan and financial forecasts in conjunction with the buy-out team for submission to potential funders, negotiations with potential funders so that the most appropriate funding offers are selected.

(10L)

Management Buy-ins: Management Buy-in/Buy-outs (“BIMBOs”), Vendor initiated buy-outs/buy-ins. **(5L)**

UNIT-III

Financial Distress and Restructuring: Meaning of Bankruptcy, Factors leading to bankruptcy, symptoms and predictions (models) of bankruptcy, reorganization of

distressed firms, liquidation of firms. Company disposals: retirement sale or the sale of a non-core subsidiary, planned exit, forceful retirement and other disposals. Exit strategy most appropriate exit route, valuation, timing of sale and tax planning opportunities, identification of potential purchasers, approaching the potential purchaser, negotiate with potential acquirers and selection of a preferred purchaser, calculation of the various tax implications. **(8L)**

Fundraising: identification of different sources of development capital, determination of capital structure and factors affecting the capital structure, cost of capital and cost saving strategy, production of a business plan and financial forecasts to enable potential funders to assess the proposition. Due Diligence: financial due diligence for both purchasers and financial institutions, good quality “added value” due diligence advice.

(6L)

UNIT-IV

Business Valuation : Company Valuation: an overview of valuation, valuation principles, methods, approaches and practices, the impact of “what if” scenarios, the key financial and commercial factors affecting the business. Value enhancement tools & techniques, the link between valuation and corporate finance. **(10L)**

Valuing Real Assets in the Presence of Risk: tracking portfolios and Real Asset valuation, Different Approaches of Valuing Real Assets, Capital Budgeting and Strategic policy. **(8L)**

Real options: Financial and real options compared, various types of real options, the Black-Scholes model, Decision tree analysis, application of Real options, Drawbacks of Real options.

(8L)

Other Strategic Issues: managing credit ratings, and setting dividend and share repurchase policy, problem of too much cash. The issues of stock liquidity and illiquidity, Strategic risk management, the substitutability of capital structure and risk management choices, such as process control efforts, financial, physical, and operational hedging, value-based management.

(6L)

Text Books:

1. Aswath Damodaran: Corporate finance theory and practice; John Wiley Sons, Inc
2. Jakhotia: Strategic Financial Management (Vikas Publication)