

FinShiksha

Course Outline

Finance Essentials – Banking and Markets

About Document

The purpose of this document is to provide an idea about the content covered in this course. You are also entitled to receive updated content for the next one year. All information has been sourced from publicly available data such as annual reports and news items.

| Videos | Content Covered |
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| Introduction to the Program | Broad outline of the program Overview of Financial System Objective of the program |
| Basics of Financial Statements | Important components of Financial statement: 1. Balance Sheet: Liabilities and Assets 2. Profit and loss statement: Income and Expenses 3. Cash flow statement: Inflow and Outflow Features and Interlinkage of Financial statements Understanding the Business Model with respect to financial statements |
| Income statement | Segments in income statement: Income, Expenses, Profit Detailed understanding on certain important line items in income statement: Revenue from operations, other income, Raw material Cost, EBITDA, Depreciation, Amortization, Finance cost, Tax, Non-Recurring items |
| Balance sheet | Segments in Balance sheet: Shareholders fund, Non-current and current liabilities, Noncurrent and current assets Understanding on certain important line items: Tangible assets, Intangible assets, Goodwill, Cash and cash equivalents, Trade receivables, Inventories, Share capital, Reserves and Surplus, preference shares, Minority Interest, Long and short-term borrowings, Deferred tax liability, Long and short-term provisions, Accounts payable |
| Cash Flow | Construction of Cash flow: Indirect and Direct Method Components of Indirect method of cash flow Segments of cash flow statement: Cash flow from Operating activity, Cash flow from Financing activity, Cash flow from Investment activity Illustrations on creating cash flow using indirect method |
| Identifying Macro Themes – 1 | India's position in Global GDP Nominal and Real GDP Growth rate projections of Indian GDP India's position in Global GDP per Capita Purchasing power parity Effects of increase in GDP per Capita on discretionary spending Demographic profile of Indian and Chinese economy Demographic pattern and consumption |
| Identifying Macro Themes – 2 | Study of Indian Fiscal Policy Understanding of Income and expenditure for Indian government Study on India's balance of payment scenario and impact of oil on India's balance of payments Concept of current account deficit Fiscal deficit of India Major Macro Economic parameters of India |

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| | | Impact of improvement in tax collection in India on infrastructure spending Effect of Oil deregulations and Rising oil prices on various sectors |
| Identifying Themes – 3 | Macro | Objectives of Monetary policy Effects of change in interest rates on economy Monetary Policy Tools: Reserve Requirement, Repo rate, Open market operations Analysing Monetary policy reports released by RBI |
| The Indian Financial System & Capital Markets | Financial | Reasons for establishing financial system Components of Indian Financial system: Institutions, Markets, Instruments Detailing on financial institutions namely RBI, SEBI, banks, NBFC, Brokers, credit rating, exchanges, leasing, Asset management companies Classification of financial markets based on type, segments and structure |
| Corporate Finance Essentials- 1 | Finance | Primary aspects of corporate finance: Investment decision, Financing decision and Dividend decision Investment decision- Net present value, IRR, Payback period, discounted payback period Challenges with IRR Comparing NPV with IRR with respect to Capital Rationing and Reinvestment Assumption |
| Corporate Finance Essentials- 2 | Finance | Financing Decision- Cost of capital, Usage of debt by companies, Debt benefits and costs, Optimal amount of debt Optimal Capital structure of Apollo tyres Chart of optimal capital structure The dividend decision- Characteristics of dividend, Importance of dividend policy, Common terms of dividend- dividend rate, dividend pay-out, dividend yield Dividend policy of companies and their share prices Effects of stock Dividend on dividend per share, dividend yield and PE ratio Reasons for stock dividend Stock split vs stock bonus |
| Introduction to Financial instruments- Income | Fixed | Construct and Basic features of fixed income securities Issuing a fixed income security Important Terminologies in fixed income securities: Face value, issue price, coupon rate, coupon frequencies, maturity/tenor, current price Relationship between price and return of a bond explained with illustration Types of long term and short-term fixed income securities |

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| | <p>Classification of bonds based on type of issuer, security, Redemption, Interest rate</p> <p>Size of Indian debt capital market</p> <p>Concept of yield explained with illustrations</p> <p>Par, premium and discount bonds with respect to Coupon and yield</p> <p>Price yield relationship</p> <p>Bond valuation process explained with examples</p> |
| Introduction to Financial instruments- Equities | <p>Concept of Equity and Debt</p> <p>Categories of Equity</p> <p>Concept of exchanges</p> <p>Companies listed on NSE and BSE</p> <p>Types of Indian equity capital markets</p> <p>Indices available on NSE and BSE: Broad market indices, Sectoral indices</p> <p>Global equity markets</p> <p>Market capitalization of shares in Indian Equity Markets</p> <p>Concept of Free float market cap</p> <p>Price weighted index and Market weighted Index</p> <p>Classification of companies based on Market capitalization: Large cap companies, Mid cap companies, Small cap companies</p> |
| Equity Markets- Data around stocks on exchange website | <p>Data points of a particular stock available on NSE: Market price, change in market price, opening closing price, low and high during the day, Bid-ask table, volume weighted average price, face value, traded volume, free float market cap, lower and upper price band, Concept of circuit breakers</p> <p>Index table</p> <p>Historical data of index</p> |
| Introduction to Financial instruments- Derivatives | <p>Features of derivatives</p> <p>Types of derivatives: Forwards, futures, swaps, options</p> <p>Forward contracts and its similarity to betting</p> <p>Risks in forwards</p> <p>Working of future contracts</p> <p>Options explained with example</p> <p>Types of options: Call option, Put option, American option, European option</p> <p>Payoff of buyer and seller of call option</p> <p>Payoff of buyer and seller of a put option</p> |
| Introduction to the Banking Structure | <p>Banking structure in India: Scheduled bank and unscheduled bank</p> <p>Categories of banks: Central bank, commercial bank, development bank, cooperative bank, investment bank, merchant banks, foreign banks, payment banks, small finance banks</p> <p>Functions of the banks: Asset (loans), liabilities (deposits), agency</p> <p>Concept of net interest income</p> <p>Functions of RBI: Regulatory, development, supervisory</p> |
| Retail Banking | <p>What is Retail banking</p> <p>Products, channel and customer group of retail banking</p> |

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| | <p>Products of retail banking explained in detail with examples: Asset product, Liability product, Payment services, Other financial products, Other services</p> <p>Growth of retail banking:</p> <p>Importance of housing and personal finance</p> <p>Loan to GDP ratio</p> <p>Growth in ATMs</p> |
| Corporate Banking | <p>What is corporate banking</p> <p>Product and services in corporate banking explained with examples- Funded services, non-funded services, value added and internet banking</p> <p>Understanding working capital cycle</p> <p>Working Capital Finance: bills discounting, letter of credit, channel financing,</p> <p>Distinction between Bill discounting, factoring and channel financing</p> <p>Other key concepts in corporate banking: Cash management services, Forex desk, Derivatives desk, Bonds desk, syndication services, structured finance</p> <p>Definition of SME banking</p> <p>SME Banking Products explained with examples: Funded services, non-funded services, value added and internet banking</p> <p>Importance of SME finance</p> |
| Specialized divisions and support functions: Investment Banking | <p>Functions of investment banking: Research and advisory, raise capital, Deploy capital, Prop desk</p> <p>Specialised focus in investment banking: Specific industries, specific functions</p> <p>Functions of investment banking in:</p> <p>Equity capital market</p> <p>Merger and acquisition</p> <p>Institutional equity</p> <p>Special situation group</p> <p>Private equity advisor</p> <p>Examples of functions of investment banks in India: Kotak, Axis, ICICI</p> |
| Specialized divisions and support functions: Treasury | <p>Definition of treasury</p> <p>Function of treasury: Reserve management and investments, liquidity and fund management, asset-liability management, transfer pricing, risk management, derivative trading, arbitrage, capital adequacy</p> <p>Products of treasury: currency options, currency futures, precious metals, fixed income securities, Interest rate futures, interest rate swap</p> <p>Structure of Treasury: Audit, Back office, Middle office, Front office</p> <p>Examples of functions of Bank's treasury department: ICICI bank, Kotak bank</p> |

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| India's economic Environment and RBI policy Review | RBI monetary policy review Important data on RBI website Review of important points in exerts of monetary policy statement Global crude prices and Trade balance Import and export scenario in India |
| Financial Statement Analysis – Tata Motors | Ratio calculation along with DuPont analysis Interpretation of ratios Cash flow and net profit interlinkage Relevant information from the annual report |

Guidelines for the live project

As a part of the live project, 2 assignments need to be completed

Assignment 1

1. Pick any ONE from below list of companies ONLY:
 - TVS Motors
 - Thyrocare
 - Airtel
 - Ceat
 - Titan Industries
 - Shree Cement
 - Britannia
2. Perform Working Capital Analysis
 - Identify the trends in working capital
 - Relative movement of Receivables, Payables and Inventory
 - Cash Conversion Cycle Analysis
3. Calculate Weighted Average Cost of Capital
 - Calculate Risk Free Rate and explain your rationale of choosing the rate
 - Calculate beta against BSE100 index over the last 3 years of data
 - Calculate Equity Risk Premium and explain your rationale.
 - Identify Cost of Equity
 - Identify Cost of Debt, and the method of finding it
 - Calculate WACC, and explain the working
 - Should the company increase or decrease the debt?
4. Provide commentary on Working Capital Scenario and WACC of selected company.

Assignment 2

For the following banks, create a table that gives the data specified in the latest annual report.

1. Bank of Baroda
2. HDFC Bank
3. ICICI bank
4. SBI

5. PNB

Data to be collated will include

- Market Cap (Full)
- Book Value
- Total Assets
- Net Profit
- Gross NPA
- Net NPA
- NPA %
- Net Interest Income
- Loans Given
- Deposits
- Other Income
- Other Income as % of total Income
- CASA ratio

pick any one of the above banks, and comment on what segments they are strong in, by looking at their Annual Reports for the last 2 years.

Make a summary of your observations. You need to prepare an excel file and a supporting word document. The word document need not reproduce the data on excel but should speak more about observations. You should also put in those observations in the excel file, wherever possible.

Please name the file as companyname_yourname_collegename.xlsx

For example SAIL_Parth_NMIMS.xlsx