



FinShiksha

# Analyst Program 2022

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## Course Outline

### **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.

# Course Outline

<p>Introduction to the Program</p> <ul style="list-style-type: none"> <li>• Broad outline of the program</li> <li>• Objective of the program</li> </ul>
<p>Basics of Financial Statements</p> <ul style="list-style-type: none"> <li>• Balance Sheet: Liabilities and Assets (Sources and application of funds)</li> <li>• Profit and loss statement: Income and Expenses</li> <li>• Cash flow statement: Inflow and Outflow</li> <li>• Understanding the Business Model with respect to financial statement</li> </ul>
<p>Income statement</p> <ul style="list-style-type: none"> <li>• Detailed understanding on important line items in income statement</li> </ul>
<p>Balance sheet</p> <ul style="list-style-type: none"> <li>• Detailed understanding on important line items in balance sheet</li> </ul>
<p>Cash Flow</p> <ul style="list-style-type: none"> <li>• Components of cash flow</li> <li>• Construction of Cash flow: Indirect and Direct Method</li> </ul>
<p>Financial Statement Linkage Exercise</p>
<p>Ratios</p> <ul style="list-style-type: none"> <li>• Business ratio explained with example</li> <li>• Usage of a ratio: Historical and Industry Which Ratios are denoted by percentage values</li> <li>• Categories of ratio</li> </ul>
<p>Annual Report Analysis – 1</p>
<p>Annual Report analysis – 2</p>
<p>Working capital analysis</p> <ul style="list-style-type: none"> <li>• Positive working capital and negative working capital Understanding working capital with help of examples</li> <li>• Funding of working capital</li> <li>• Cash and working capital</li> <li>• Banker and business perspective of working capital</li> </ul>
<p>Working Capital Analysis – What companies want</p>
<p>Working Capital – Cash conversion cycle</p>
<p>Ratios- sectoral implications</p> <ul style="list-style-type: none"> <li>• Exercise on identifying sector based on numbers by calculating ratios</li> </ul>
<p>Cash interpretation</p>

<p>Adjustment to Ratios</p> <ul style="list-style-type: none"> <li>Textbook method of financial statement analysis and Practical approach in financial statement analysis</li> </ul>
<p>Quality of Earnings</p> <ul style="list-style-type: none"> <li>Evaluation quality of earning: Sustainable of earning and optically looking better earning, outright incorrectly quoted earnings Importance of quality of earnings explained with the help of example Possible ways of manipulating earnings</li> </ul>
<p>Dividend bonus stock split analysis</p>
<p>Introduction to Equity Valuation</p>
<p>Identifying Macro Themes</p> <ul style="list-style-type: none"> <li>Understand macroeconomics and connect the dots</li> </ul>
<p>Industry Analysis Frameworks</p> <ul style="list-style-type: none"> <li>Brief Explanation on elements on Porter's 5 forces and the application of Porter's 5 forces in various sectors</li> </ul>
<p>Industry Analysis- Identifying Opportunity Size</p> <ul style="list-style-type: none"> <li>Importance of understanding opportunity size of an industry Parameters to evaluate industry's opportunity size</li> </ul>
<p>Leverage</p> <ul style="list-style-type: none"> <li>Concepts around financial leverage and operating leverage with examples</li> </ul>
<p>DCF Valuation Concepts</p> <ul style="list-style-type: none"> <li>The premise</li> <li>Conditions and Challenges</li> <li>Cash flow understanding</li> <li>Cost of capital calculation and nuances</li> <li>Risk free rate, Beta and Equity risk premium concepts and surrounding arguments</li> </ul>
<p>Relative Valuation</p> <ul style="list-style-type: none"> <li>Price to Earnings, Price to Book and EV by EBITDA – understanding and evaluation</li> <li>Sector Specific Multiples</li> </ul>
<p>Valuation Exercise - 1</p> <ul style="list-style-type: none"> <li>Setup</li> <li>Revenue drivers</li> <li>Cost drivers</li> <li>Balance sheet drivers</li> <li>Model linkages</li> <li>Valuation adjustments</li> <li>Calculation of cash flows</li> <li>Final valuation</li> <li>Sensitivity analysis</li> </ul>
<p>Valuation Modelling Exercise – 2</p>

Valuation Modelling Exercise – 3
Introduction to Credit Analysis <ul style="list-style-type: none"> <li>Importance of credit research for issuer, investor and intermediaries Challenges in credit research</li> </ul>
Rating methodologies and players <ul style="list-style-type: none"> <li>Terminologies, players and the market</li> </ul>
Risks in fixed income <ul style="list-style-type: none"> <li>Explanation and impact of interest rate risk on fixed income</li> <li>Understanding the concept of prepayment risk</li> <li>Impact of Liquidity and exchange rate risk on companies</li> <li>Probability of default, loss given default and exposure at default with help of illustration</li> </ul>
Auditor's report and Management risks
Debt schedule and importance <ul style="list-style-type: none"> <li>Analysing debt schedule</li> <li>Interpretation of debt specific ratios</li> <li>Concept of debt funded dividend</li> </ul>
Interpretations of Ratios <ul style="list-style-type: none"> <li>SSGR, return ratios, stability ratios, liquidity ratio, turnover ratio, DuPont analysis, working capital cycle, cost analysis, PAT as % CFO, dividend policy, credit specific ratio: gearing, DSCR, CDSCR, NCATD, total debt to CFO, total debt to EBITDA, years to pay debt, interest cost</li> <li>Ratios adjustments</li> </ul>
Basel reports <ul style="list-style-type: none"> <li>The pillars of Basel III</li> <li>Scope of application, amount of risk taken from particular entities,</li> <li>Capital adequacy, Monitoring and reporting capital adequacy measure</li> <li>Capital requirement for various risk areas</li> <li>NPA, Credit risk exposure</li> <li>Industry segment portfolio</li> <li>Asset liability management</li> </ul>
Credit Rating Companies Analysis – CRISIL, ICRA and CARE
Term sheet for SME and Education Rating <ul style="list-style-type: none"> <li>Analysis and process</li> </ul>
Content and structure of Credit Report <ul style="list-style-type: none"> <li>Brief and rationale</li> </ul>
Assessments <ul style="list-style-type: none"> <li>Retail credit</li> <li>Home loans and vehicle financing</li> <li>Working capital</li> </ul>
Cash Flow / Fund Flow Analysis

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### Credit Rating and Assessment of an Industry

- Explained in detail credit rating process,
- Ratios, comments, compare with other firms
- DuPont analysis, ranking and rating parameters
- Understanding size and scale, understanding business drivers
- Assign the points

### Credit Analysis Exercise