

Course Name: Financial Services (FS)

Credits	3.0
Faculty Name	Soumya G Deb
Program	MBA-2015-17: Term-IV
Academic Year and Term	2015-17 batch Term -IV

1. Course Description:

Financial Services are the services provided by finance industry encompassing a broad range of organizations that deal with the management of money. Among these organizations are banks, leasing and hire purchase companies, factoring and forfaiting companies, credit card companies, credit rating companies, insurance companies, consumer finance companies, investment banks etc.. The objective of this course will be to impart the basic understanding of the way the financial services institutions (apart from banks and insurance companies) structure, price, and deliver some of these services and what are the issues involved in that. At the end of the course the participants are expected to have obtained a holistic and better understanding of the financial services industry.

Welcome to the course !!

2. Student Learning Outcomes

After completing this course students should be able to

- Demonstrate basic understanding of what some of the important financial service providers are, apart from banks.
- Demonstrate basic idea about how these institutions structure, price and deliver some of their services.
- Demonstrate critical and analytical skills wherein they should be able to make sense out of a mass of information to address relevant issues pertaining to financial services industry.

B. Readings :

1. **Investment banks, Hedge Funds and Private equity** by David P Stowell, The New Paradigm
2. **Financial Services**, M Y Khan, latest ed, Tata Mcgraw Hill
3. **Financial Services** , N P Tripathy, latest edition , Prentice Hall of India
4. **Financial Services:** T Siddaiah , Pearson : latest edition.
5. **Financial Institutions and Markets** by F Mishkin, and S Eakins (Pearson Education)
6. **Financial Markets and Institutions**, Latest Edition, by Anthony Saunders and Marcia Cornett, (Tata McGraw Hill).
7. **Foundations of Financial Markets and Institutions**, latest Edition, by Fabozzi, Modigliani, Jones and Ferri (Prentice-Hall, 2003).
8. **Cases** : Case Materials: At least four to five Harvard Cases to be distributed in class
9. **Financial Press:**
 - I. Economic Times , www.economictimes.com
 - II. The Wall Street Journal, www.wsj.com
 - III. The Economist, www.economist.com
 - IV. Financial Times, www.ft.com

Tentative session plan**Session 1-2-3: Introduction and Mutual Funds**

- a) Introduction
- b) Mutual Funds :
 - i. Concept behind mutual fund
 - ii. Current Indian scenario
 - iii. Structure of a typical mutual fund
 - iv. Setting up a mutual fund operation
 - v. Classification based on tenor/structure, investment objective & location
 - vi. Index funds and ETFs
 - vii. Special Investment and redemption plans in MFs: SIP, SWP,STP, triggers
 - viii. Fund management Strategies (equity fund and debt funds)
 - ix. Performance evaluation of Mutual funds : Conventional and upcoming(downside risk adjusted measures)

Session 4-5-6-7 : Venture Capital Funds

- a) Framework and concept
- b) Current scenario globally and in India
- c) Structure of a VC fund
- d) Stages of Financing
- e) Pricing and valuation in a VC scenario :
 - i. PV approach and the IRR approach

- ii. Pre money and post money valuation
 - iii. Without dilution , dilution and the concept of retention ratio
 - iv. Carried interest
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- f) Term sheet
 - g) Exit routes
 - h) **Harvard cases 1 and 2 (on VC) discussion**

Session 8: Private Equity:

- a) Concept
- b) PE vs VC
- c) Types of PE transactions :
 - i. LBO s
 - ii. Growth Capital
 - iii. VC
 - iv. Turnaround
 - v. Mezzanine
 - vi. Secondary
- d) PE : current scenario India
- e) Structure of a PE fund
- f) Participants in a PE scenario
- g) Typical PE targets
- h) Stages in a PE investment
- i) Ways of exit

Session 9 : Tutorial 1 : Before Mid term

Session 10-11 : Hedge Funds

- a) Concept
- b) Characteristics
- c) Structure
- d) Current scenario globally and in India
- e) Hedge Fund Strategies
 - i. Arbitrage
 - ii. Event driven
 - iii. Equity based
 - iv. Macro
- f) Performance measures : absolute and risk adjusted
- g) Docu / Discussion: LTCM

Session 12-13 : Factoring and Forfaiting

- a) Concept
- b) Current scenario : globally and in India

- c) Functions of a factor
- d) Types of factoring
- e) Costs of availing factoring service
- f) Forfaiting : concept
- g) Difference from factoring
- h) Case discussion on Factoring

Session 14-15 : Investment banking

- a) Concept
- b) Types of IBs
- c) Typical Business models of IBs
- d) Issue management services
- e) Case discussion : Harvard Case 3 (on IB)
- f) Case discussion : Harvard Case 4 (on IB)

Sessions 16-17-18 : Leasing

- a) Concept
- b) Elements
- c) Types of leases
- d) Accounting Issues
- e) Advantages
- f) Valuation Issues : Buy or lease
- g) Breakeven rental and tax arbitrage
- h) **Case discussion : HBR Case**

Session 18: Hire Purchase

Hire Purchase :

- a) Concept
- b) HP vs Leasing
- c) Modus Operandi
- d) Accounting issues
- e) Approaches for Interest calculation : ERI, SOYD and SLM
- f) Valuation : Lease vs HP

Session 19 : Credit Rating

Credit Rating :

- a) Concept
- b) What it signifies ?
- c) 4 Cs
- d) Process Flow in credit rating

- e) Risk Analysis Framework
- f) Types
- g) Current Scenario : India

Session 20: a)

Tutorial 2: Before End term

5. Evaluation : The evaluation process is divided into three components.

- a) **Quizzes/mid-term: 30%**: May be open book or closed book (that would be announced in class).
- b) **Assignments : 40%** Assignments will be typically group projects wherein I will ask the individual groups to collect some data from various sources and do an empirical analysis about a research question pertaining to financial services theory or practice or I may ask some group to read, critically analyze, understand and present a published research paper .
- c) **End Term: 30%**: The end term examination will be a closed book one based on topics covered during the post mid-term sessions.

6. Academic Integrity:

Students involved in academic dishonesty will receive a **ZERO** grade on the particular component in which the violation occurred. Academic dishonesty consists of misrepresentation by deception or by other fraudulent means such as copying or use of unauthorized aids in tests, talking during in-class examinations; aiding another student's dishonesty; and giving false information for the purpose of gaining credits.