RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: BBA (DM)

SUBJECT: SECURITY AND PORTFOLIO MANAGEMENT

SUBJECT CODE:BBA (DM) 602

LECTURE: 9

NAME OF FACULTY: DR. NITIN GUPTA

Process of Conducting Equity Valuation..........

- **Understand the macroeconomic factors and the industry**:

No company operates in vacuum. As such, the performance of every business is influenced by the performance of the economy in general as well as the industry in which it operates. As such, before making an attempt to value a business, the macro-economic factors must be accounted for. A reasonably accurate prediction regarding these parameters creates the base for an accurate valuation.

Process of Conducting Equity Valuation……….

- **Make a reasonable forecast of the company's performance:**

Here extrapolation of the company's current financial statements does not constitute a good forecast. A good forecast takes into account how the company may change its scale of production of the forthcoming future. Then, it also takes into account how changes in this scale will affect the costs. Costs and sales do not move in linear fashion. To come up with an accurate forecast, an analyst would require intricate knowledge of the company's business.

Process of Conducting Equity Valuation……….

- **Select the appropriate valuation model:** Valuation is less of a science and more of an art. There are multiple valuation models available. Also, all these valuation models do not necessarily lead to the same conclusion. Hence, it is the job of the analyst to understand which model would be most appropriate given the type and quality of data available.