

Before going to exam hall order this classmate
formulas :-

Security Analysis

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Date

Page

1) perpetual growth = $\frac{D_1}{K_e - g}$ (only dividend not D_1 or D_2 ok
 no growth should apply)

2) If % increase in growth is given in problem then (4 1/2 years)

$$P = \frac{D_1}{(1+K_e)} + \frac{D_2}{(1+K_e)^2} + \frac{TV}{(1+K_e)^2}$$

$$\rightarrow TV = \frac{D_3}{K_e - g}$$

3) F.C.F.E = Net income (t.p.s) - $[(1-b)(\text{capex} - \text{dep}) + (1-b)(\text{A.C.})]$
 $P_0 = \frac{F.C.F.E(1+g)}{K_e - g}$ $b = \text{debt ratio of company}$

4) intrinsic value $P_0 = \frac{D_1}{K - g}$

conversion value
 stock value of bond

5) stock value of bond = Market price of share $\times$ No. of shares $\times$ bond

6) percentage of downside risk = $\frac{\text{Market price of convertible bond} - \text{straight value of bond}}{\text{S.V of bond}}$

7) conversion premium = $\frac{\text{Market price of C.B.} - \text{stock value of bond}}{\text{S.V of bond}}$

8) conversion parity price = $\frac{\text{Bond price}}{\text{No. of shares on conversion}}$

9) straight value of bond = p.v of all cash inflows

10) on case of Buyback

Market capitalization = $\text{Price after buyback} \left(\frac{\text{Total Equity} - \% \text{ of buyback}}{\text{buyback price}} \right)$

11) Favourable Income differential per share

= $\frac{\text{coupon Interest from debt} - \text{conversion ratio} \times \text{Dividend per share}}{\text{conversion ratio}}$

12) Premium buyback period = $\frac{\text{conversion premium per share}}{\text{Favourable Income differential per share}}$