

"A man is
great by
deeds, not by
birth"

-Chanakya

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INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Case Study

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Capital Budgeting: Maledia Broadcasting Ltd

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Please contact the corresponding authors if you would like to access the full case

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Abstract

In 2011, Samjad, Deputy CEO of the newly formed company Maledia Broadcasting Limited (MBL) a new venture of the Cochin based media group, Maledia, prepares to make financial projections to justify feasibility of the new Malayalam news channel. He is faced with challenges of making estimates, which make the project attractive, and at the same time practical and credible for the for the group that is conservative in his advertising sales approach.

Set in an interesting industry like broadcasting, the case simulates a real life situation that also provides a very different internal corporate context. With the help of the rich market data such as advertising spends, commercial time, competitive scenario in the region, students are expected to forecast revenue. Students are also challenged to use benchmark data of competitors to estimate hurdle rate, capex and operating costs. Estimation of initial investments are also required to be made. Using the processed financial data and projections, students are required to prepare Discounted Cash Flows (DCF), NPV (Net Present Value) and IRR (Internal rate of Return) for the broadcast channel project. They learn to build alternate scenarios to deal with decisions under uncertainty.

Thus, the case provides several opportunities to discuss narratives and numbers helping students of finance realize the value of analyzing the company policies and values, business situation, market environment and competitive financial information in capital budgeting and project finance beyond number crunching.

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