MEDIA CAPITAL - AN INNOVATIVE STRATEGY

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In these days of the corporate era large numbers of corporates are endeavouring to survive the current global competition. They have been looking towards some common known jargons, of the industry, for survival or expansion like merger, acquisition, IPO, private equity, debt funding etc. But these all transactions include the big factor "Cash" which is either to be received or expended by a company following any such corporate action. In such a cash strip situation we recollect the olden days of barter system…. "Cashless transaction".

The same rule has been devised by some large media houses, in the recent times, as an attractive business model by helping corporates to augment their topline by some brand building exercise in these tough times and even otherwise.

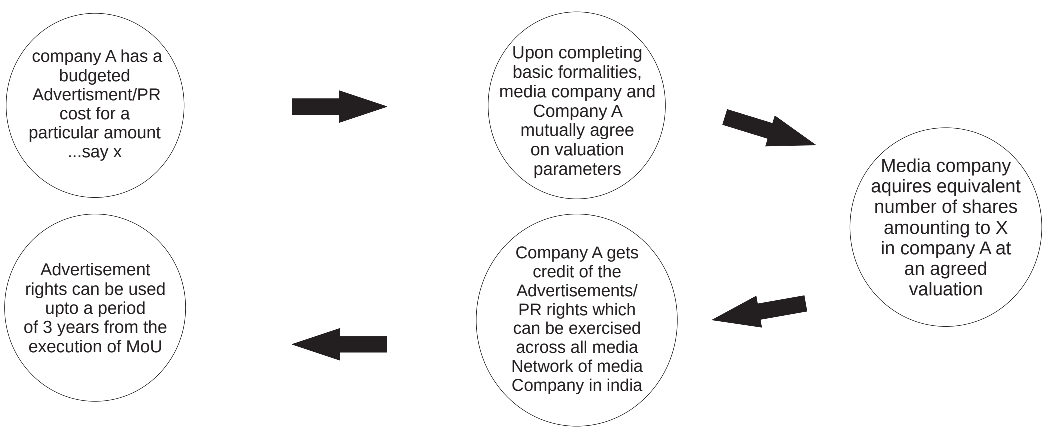
"Long-term brand equity and growth depends on our ability to successfully integrate and implement all elements of a comprehensive marketing program." - Timm F Crull, Chairman & CEO of Nestle

"Your premium brand had better be delivering something special, or it's not going to get the business". - Warren Buffett

Such transactions are proving a boon to the companies as it facilitates to boost their topline growth through advertising and promotions in different media channels. It helps the company to save cash and increases working capital of the corporate house which can even be deployed for other strategic activities.

This concept helps company to survive in competitive market without spending a single penny. In every business if it has powerful brand in its product basket it plays very important role in fuelling enterprise value

In simple words, the concept is that the company gets a credit limit, from the media house, for advertising its products in the different channels of the media house like television, internet, radio, newspapers, magazines, events etc. Against such credit limit the company dilutes some equity stake in the company, at competitive valuation, to the media house.



Apart from the recessionary phase, induction of reputed media equity partners sets a benchmark for future corporate actions and makes the company more attractive for various investors including venture capital funds, FIIs, FIs, Banks, etc. at the time of exploring primary / secondary market options. In furtherance of the tangible benefits some intangible benefits like cross referencing among the investee companies, better public and investor relations, improved brand equity, large market reach etc. can help the company to generate additional business

Benefit Highlights

- Cash-less transaction
- Income Tax saving upto 30% of actual advertisement credit utilized
- Wider customer reach across the nation due to increased advertisement
- Media planning support to result into improved brand equity
- Induction of reputed organization like Times Group as a stakeholder in the Company helps to attract other investor groups including VC / PE funds
- Times Group has wide portfolio of investments and hence, cross-referencing among investee companies can result into additional business
- Valuation offered by Times serves as a benchmark while diluting stake in future
- Better public and investor relations

Several media companies including Bennett Coleman & Co Ltd (BCCL), HT Media, Network 18, NDTV, Dainik Bhaskar, Dainik Jagran, etc. which are active in this domain. BCCL has the largest portfolio of 100+ companies across various sectors. Its portfolio also includes large cap companies like Pantaloons, Kingfisher, Sahara, Club Mahindra, HDIL, BAJAJ Hindustan, IndiaInfoline, Birla Power, Vishal Retail, Wockhardt, Emaar MGF, Rajesh Exports, Gitanjali etc.

With the infusion of media capital, especially for SME, can have a far reaching positive impact on the growth of the company in any phase of acute cash crunch or even otherwise.

'Survival of the fittest' is the universal principle followed in the world and needless to mention, 'Media Capital' can make companies to be healthier to survive and grow in the ruthless corporate world.

FOREIGN DIRECT INVESTMENT

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Procedures:

1. If we decide to obtain FDI for a project we need to identify the investor. This requires preparation of an information memorandum. This shall be circulated to various funds who are interested in investment in Indian companies. Generally a merchant banker is appointed for doing this job.
2. After identifying the investor, an MOU is prepared which is signed by both the parties. Thereafter, the investor shall appoint an auditor to carry out financial due diligence and a legal council for legal due diligence. Once the due diligence is completed, the share holders agreement and share subscription agreement is entered into.
3. If the investment comes under automatic route then no approval is required, otherwise, the FIPB approval is to be obtained.
4. After the above step, conditions precedent, if any are to be complied with. After the same, the money shall be remitted by the investor.
5. Once money is received, the shares are allotted. The necessary formalities of filing the intimation with RBI and FCGPR for allotment of shares shall then be completed.

FDI is an important source of project financing. Especially in projects with a long gestation period FDI is very useful. Of late, huge investments have come to India and other developing countries through this route and the same has enabled us to move ahead with greater GDP growth and better prosperity of the citizens.

DEBT FUNDING

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3) Bank Overdrafts usually allowed against the personal guarantees on personal or current account. It is a facility provided by the bank to the customer under which the bank agrees to honor the cheque issued by the customer in excess of his credit balance.
4) Bills discounting/Bill Purchasing/Import-Export Credit, packing credit and such other facilities.

Conclusion:

B.Franklin has said "Rather to go bed super-less than rise in debt". But for a businessman in this competitive, liberal and globalised economy, living without debt is almost an impossibility. May it be his own money or money borrowed from banks and financial institutions since, money or finance is the lifeblood of every business. Availing loan, servicing and repaying it is not all that easy but with proper financial discipline debt funding can be comfortable. There should be commitment from both the parties. Banks/Financial institutions make tall claims of service, but at times fail to deliver the same, and the borrower is in a grave danger. HDFC says 'we understand your world', Union Bank tagline is ' good people to bank with', Bank of India claims, 'Relationship beyond banking' whereas Federal Bank claims itself as ' your perfect banking partner'. For IDBI it is 'some relationships grow deeper in time'. They need to introspect and see if they are really making the life of borrowers comfortable. Do they actually stand by their claims? All this can be done if both the parties-borrower and Lender (Depositor and Creditor) observe discipline, ethics and standards of good governance.