

Corporate Finance 15.402
Case 9: Diamond Chemicals

Your task is to evaluate the proposed plan to modernize Diamond's production line. Please answer the following questions:

- 1) What changes, if any, should Lucy Morris ask Frank Greystock to make in his discounted-cash-flow (DCF) analysis? Why? What should Morris be prepared to say to:
 - a. the Transport Division?
 - b. the Director of Sales?
 - c. her assistant plant manager?
 - d. the analyst from the Treasury staff?

- 2) How does Diamond Chemicals evaluate its capital-expenditure proposals? What is your assessment of this scheme?

- 3) After incorporating all changes that you identified in part (1) into Greystock's DCF analysis, do you think that Morris should continue to promote the project for funding?