# Mini-Case: Business Intelligence Platform
## Business Fundamentals, CBA , ISB

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An FMCG firm is considering investing in a sophisticated business intelligence platform that will help its Product Development group create superior customer value propositions.

- The initial hardware and software costs for this business intelligence platform are ₹5,000,000.
- This cost will be depreciated over 5 years, which means annual depreciation and amortization expenses of ₹1,000,000.
- Some employees will need to be trained to work on the business intelligence platform, for which the company will incur a one-time cost of ₹1,000,000.
- The company has office space that it is not using and has rented it out. It earns an annual rental of ₹1,000,000 on this office space. However, if it starts using the business intelligence platform, it will need to use this office space to house the business intelligence platform and the team that will operate it.
- There is uncertainty about how large the increase revenues will be. There is a 50% chance that the business intelligence platform will increase revenues by ₹5,000,000 in the first year, which will grow at 15% per year over the next two years and at half that rate over the following two years. There is a 50% chance that revenues will increase only by ₹3,000,000 in the first year, which will grow at a constant 5% a year after that.
- Cost of goods sold will be 65% of revenues and additional selling, general and administrative expenses will be ₹1,500,000 in the first year, which will increase at an inflation rate of 3% a year after that.
- The uncertainty will affect only the revenues and COGS and none of the other costs related to the project.
- The increased revenues will need to be supported by additional investments of ₹2,000,000 in inventories, ₹1,250,000 in accounts receivables and ₹1,800,000 in accounts payable.
- Introducing the business intelligence platform will reduce some of the company's existing marketing costs by ₹500,000 in the first year. This saving will increase at the inflation rate of 3% a year after that.
- We will look at a five-year horizon after which FCFs are expected to increase at a constant 5% a year forever.
- The company will incur annual interest expenses of ₹500,000 on loans that the company has taken to fund this project.

- The company has a tax rate of 35%.
- Its discount rate for this project is 10% per year.
- Should the FMCG go ahead with the business intelligence platform?