

MOLYCORP: ISSUING THE "HAPPY MEAL" SECURITIES (B)

INTRODUCTION

The use of 'Happy Meal' securities by Molycorp is a classic example of financial innovation and managing of risks. In analysing the details of this case regarding the issuance of these distorted securities, this case is useful in understanding financing policies as well as investment policies in Molycorp.




BACKGROUND

Molycorp, which specialises in the mining of rare earths, is experiencing stratification problems as it attempts at expansion. To this end, the company came up with the invitation of the “Happy Meal” securities which are new financial instruments with all the qualities that investors would look forward to via the new relevant feature.



RISK MANAGEMENT

The main issue was regulating the risks which are connected with fluctuations at the market and the overall condition of the company. The case focus on how the risks are managed by Molycorp and the possible consequences to the prospect financial health of the firm.



CONCLUSION

The case of Molycorp creates a perfect context of moving by innovative financial instruments to cover capital requirements while handling the related risks. It also realises the notion of strategic financial management and risk management in the attainment of corporate financial objectives. In particular, for students and practitioners in the field of finance it describes important lessons in the area of financial creativity and investor relations.



RECOMMENDATION

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