# HO 210002 – THE TEXTILE COMPANY - EVALUATING ALTERNATIVES

The Textile Company is planning Installation of a waste heat recovery system at a stenter and has following two options;

**Option-1:** Locally made system with investment of USD 30,000. This may result in annual savings of USD 20,000 with an annual O&M cost of USD 2,162. The equipment life is estimated to be 15 years.

**Option-2:** Imported system with investment of USD 75,000 resulting in annual savings of USD 25,000 and O&M USD 1,500. Equipment life is estimated to be 20 years

Company uses 10% discounting factor in all calculations and does not invest in IRR below 15%.

**Your tasks** (individual task)

1. Create a cash flow for the options in excel
2. Calculate NPV, IRR and EAA
3. Suggest which option should company opt for and why

Time: 15 min