



# Nodal Logistics and Custo Brasil

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**Case Background**

Capital Budgeting Focus

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Capital Budgeting Focus  
Investment Analysis &  
Comparison

NPV

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## Case Background

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NPV

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## Assumptions

Growth Rate: Constant at 2%  
Inflation Rate: Constant at 1%  
SG&A Costs: 7% of revenues  
Interest Expense:  
6.9% (BB)  
90% financed

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## A: Existing Machine

Book Value: \$2 million  
Salvage Value: \$500,000  
No market value in 4 years  
Estimated 10 years of operation left

## B: Zinser 351

Capitalized cost: \$8.25 million  
Estimated future values (10 years):  
Book value: \$0 (fully depreciated)  
Salvage value: \$100,000

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## Values & Goals

People: 50%  
Customer satisfaction  
Long-term customer success  
Profit: 40%  
Advanced equipment  
New products  
Planet: 10%

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## Executive Summary

Values & Goals  
Industry Analysis  
Scenario Analyses  
Recommendation

## Industry Analysis

Product  
Operation  
Information technology  
Legal  
Economy

# Values & Goals

People: 50%

Customer satisfaction

Long-term customer success

Profit: 40%

Advanced equipment

New products

Planet: 10%

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Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
t=	0	1	2	3	4	5	6	7	8	9	10
Growth Rate	2%										
Inflation	1%										
Hurdle Rate	10%										
Cost	2,000										
Price/lb	1.0235	1.1259	1.1371	1.1485	1.1600	1.1716	1.1833	1.1951	1.2071	1.2191	1.2313
Gross Pounds lbs/yr	144,116	146,998	149,938	152,937	155,996	159,116	162,298	165,544	168,855	172,232	175,677
Other Plant	114,116	116,398	118,726	121,101	123,523	125,993	130,000	130,000	130,000	130,000	130,000
Original Capacity	30,000	30,600	31,212	31,836	32,473	33,122	32,298	35,544	38,855	42,232	45,677
Revenues(P*Q)		34,451	35,491	36,563	37,667	38,805	38,218	42,479	46,900	51,486	56,243
<b>Expenses</b>											
<b>COGS</b>											
Conversion Costs	0.4296	0.433896	0.4382	0.4426	0.4470	0.4515	0.4560	0.4606	0.4652	0.4698	0.4745
Yarn Costs	0.4509	0.4554	0.4600	0.4646	0.4692	0.4739	0.4786	0.4834	0.4883	0.4931	0.4981
Total COGS		27,213	28,035	28,881	29,753	30,652	30,188	33,554	37,046	40,669	44,426
Gross Margin		7,238	7,457	7,682	7,914	8,153	8,030	8,925	9,854	10,817	11,817
SG&A Expenses	7%	2,412	2,494	2,559	2,637	2,715	2,755	2,974	3,283	3,604	3,937
Depreciation Expense	4 year SL	500	500	500	500						
Operating Profit		4,327	4,472	4,623	4,777	5,437	5,354	5,951	6,571	7,213	7,880
Interest Expense		553	553	553	553	553	553	553	553	553	553
EBT		3,774	3,919	4,070	4,224	4,884	4,801	5,398	6,018	6,660	7,327
Equity Payment (bond)											8019
Sale of Old Equipment											100
Net Taxable		0									(592)
Taxes	36%	0	1,359	1,411	1,465	1,521	1,758	1,729	1,943	2,166	(213)
Net Income			2,415	2,508	2,605	2,704	3,126	3,073	3,455	3,851	4,263
+ Depreciation			500	500	500	500					825
CFt		0	2,915	3,008	3,105	3,204	3,126	3,073	3,455	3,851	4,263
PV(CFt)		0	2,650	2,486	2,333	2,188	1,941	1,735	1,773	1,797	1,808
NPV		18,882									

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