Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Capital Project Appraisal Presentation

2127098
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ACPA7002
Financial Management and Planning

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About Our Company

PCT Group Sales LTD. is a small to medium-sized manufacturing enterprise specializing in the production of lifting equipment, including hoists, cranes, and jibs, among others. The company's distinctiveness lies in its ability to offer comprehensive solutions tailored to the energy sectors. This includes supplying explosion-proof equipment for potentially hazardous environments in the Oil & Gas industry, providing decontaminable and safety-compliant equipment for the nuclear sector, and utilizing corrosion-resistant materials in the offshore industry.

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Problems and solutions

Currently, we sub-contract two important processes from our manufacturing activity: machining and painting.

The report investigated the pros and cons of subcontracting as opposed to bringing the processes in-house.

In-house

- cost control
- quality assurance
- intellectual property protection
- speed and flexibility
- customization and innovation
- supply chain resilience
- confidentiality and security
- long-term cost savings
- quality control
- better integration

Subcontract

- cost savings
- focus on core competencies
- scalability
- reduced risk
- access to expertise
- faster time to market
- reduced capital investment
- global reach
- risk sharing
- focus on innovation

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Proposal

Two projects have been researched to be presented to the board.
the aims of the project appraisal are:

- Selecting the best project
- Gauging project creditworthiness,
- Measuring the profitability of the project.
- Calculating the probable cost and benefit.
- Evaluating the fixed and working capital.
- Anticipating the possible impact of the improvement on the business.
- Finding out whether the various factors of production are available.

Machining

Project Machining involves the purchase of a CNC machine that would cover most of the machining requirements, along with the hiring of a skilled operator for this machine.

Shotblasting

Project Shotblasting centres around the purchase of a shotblasting facility, and the training of our painting operators to use it in our coating process.

The project team has identified the capital investment project that will add the largest value to the manufacturing process within our business. While the team has analysed two potential projects, the recommendation is to pursue the project SHOTBLASTING with immediate effect.

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Cost of the Project

Cost	£	Benefit/yr	£
Shotblasting container	£12,000.00	Subcontracting	14,000
Consumables	£1,775.60	Utility	-5400
Installation	£2,430.00	Reduced Transport an	7500
Service/Maint/Parts	£1,870.00	PPE	-1800
Training	£3,800.00	Cleaning	-2600
	£21,875.60		11,700

Shotblasting Container

£ 12,000.00

Utility

£5,400.00

Personnel Training

£3,800.00

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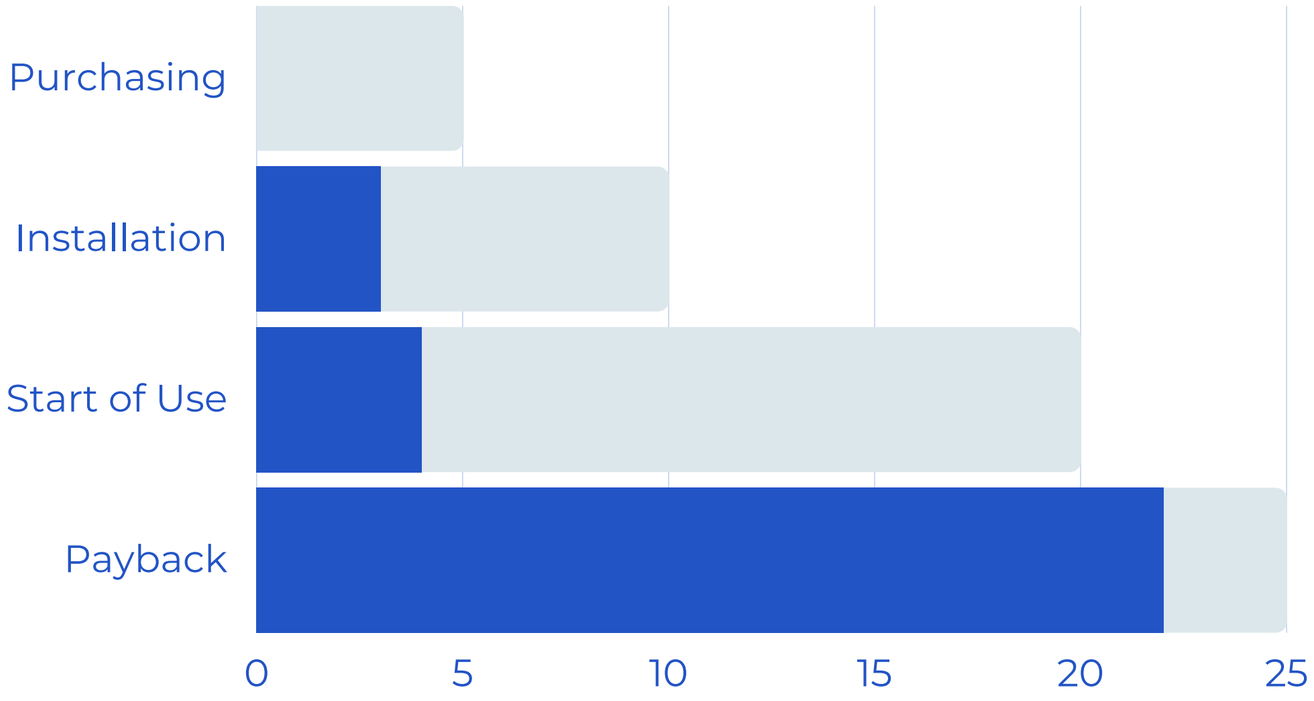
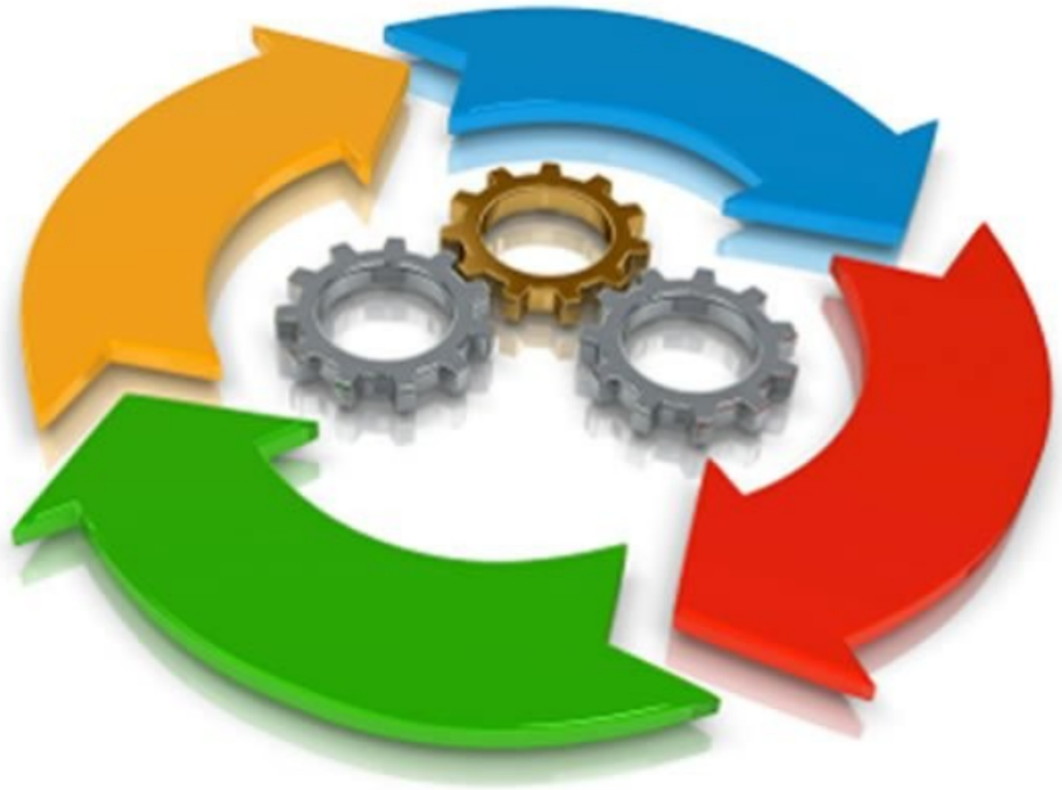
Lifespan of the project





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Risk assesment

Risks	Initial assesment	Mitigation	Mitigated Risks
Scope Development and Front-End Planning	Low Risk	Utilize a methodical and systematic approach for collecting project requirements to ensure all requirements are captured up front or identify any information gaps	Low risk
Budget Management	Medium Risk	Maintain frequent and consistent communication between all stakeholders and team members.	Low Risk
Schedule Management	Medium Risk	Set realistic schedule expectations from the beginning. Incorporate strong project controls.	Low Risk
Contractor Performance and Trust	Low Risk	Work with well-established contractors that are known within the industry to not only deliver project success but to treat the goals of project owners as their own.	Low Risk

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Project Overview (Financial appraisal)

ARR	68%
NPV	£ 32,214
IRR	48.5%
PI	2.47
BCR	1.47

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Project funding

Funding sources for these projects include bonds, grants, bank loans, existing cash reserves, company operation budgets, and private funding.

Initial Investment in the Project

£ 21,875.60

Using grant application to the Scottish Enterprise Development Fund or alternatively using the company's operating budget

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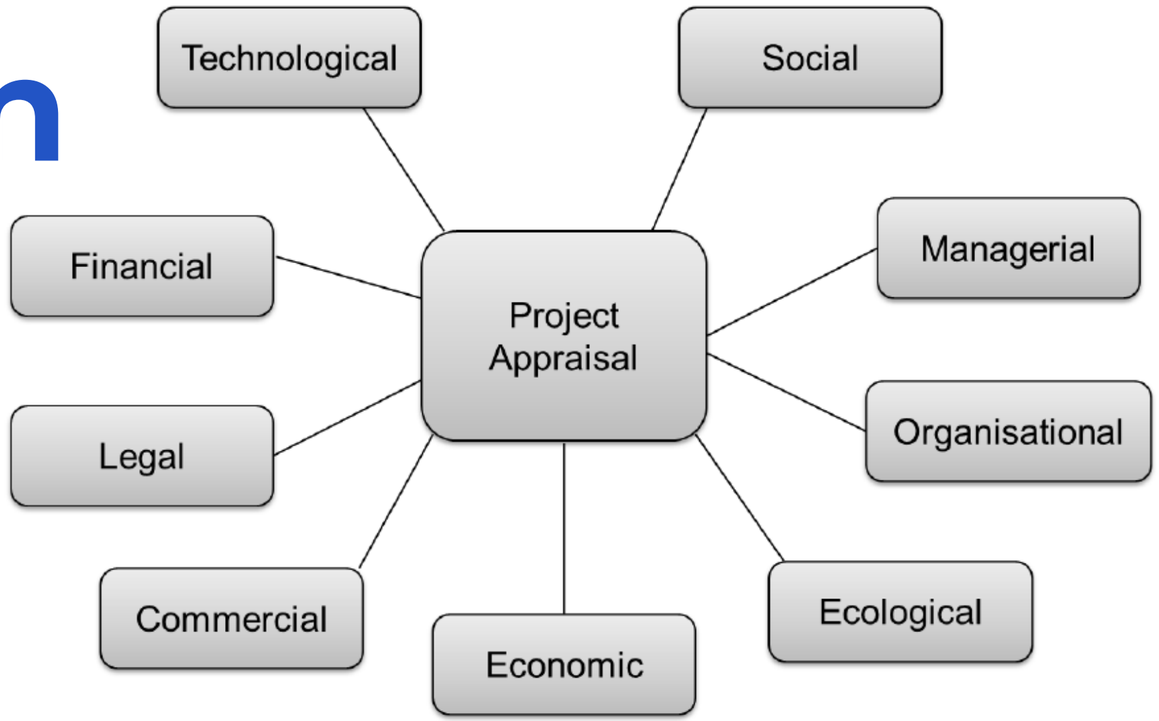
Conclusion and recommendation



The project analysis identified the investment as worthwhile and beneficial for the company, considering different aspects of the appraisal, as well as the financial tools..

The recommendation is to pursue the project SHOTBLASTING with immediate effect.