

SCRAP SLICER RATE OF RETURN ANALYSIS

PRODUCTION AND COST ASSUMPTIONS

Average shipped coil width:	48"
Coil I.D.	20"
Coil O.D.	70"
Average coil weight	48,000 lbs.
Average coils/hour	1
Scrap width (winders)	.375" (two strips)
Scrap width (slicer)	.250" (two strips)
Workdays/year	260
Shifts/day	2
Hours/shift	8
Cold rolled strip	
Using the above assumptions, the calculated amount of scrap generated per coil is:	
Scrap winders	750 lbs/coil, 1,560 tons/year
Scrap slicer	500 lbs/coil, 1,040 tons/year
Scrap slicer investment	\$323,000
Depreciation	\$23,071/yr (straight line, 14 year life)

SAVINGS CALCULATIONS

SLICED SCRAP PREMIUM

Generally speaking, there is a premium to be earned by providing sliced scrap to your scrap-recycling dealer. A volume of 1,040 tons/year of sliced scrap at a \$50.00/ton premium will produce an additional scrap revenue of \$52,011/year.

IMPROVED MATERIAL YIELDS

Even bigger savings can be realized from improved material yields. Many processors find that by using a scrap slicer, they can buy and process narrower coils for the same end-product yield. This occurs due to the fact that trim widths used with scrap winders tend to be wider than those used with slicers. In the example above, the reduction in average incoming coil width amounts to .250" or 520 tons/year. At a prime steel price of \$400.00/ton, the material yield savings are \$208,043/year.

PROJECT INCOME/CASH FLOW

Scrap Premium Revenue	\$ 52,011
Yield Savings	<u>\$208,043</u>
Total	\$260,054
Depreciation	(23,071)
Sub-Total	\$236,983
Taxes @ 42%	(99,533)
Income after tax	\$137,450
Depreciation	23,071
After tax cash flow	<u>\$160,521</u>

RATE OF RETURN CALCULATION

Year 0 (Investment)	(\$323,000)
Year 1-14 Cash Flow	\$160,521
Internal Rate of Return	49.5%