

“Examples of Lending for EE/RES, Calculation of Project Feasibility Indicators” (Part 2)

Vahan Babajanyan

INOGATE Technical Secretariat Expert

Financial Analysis and EE/RES Financial Sources Preparation

OVEN REPLACEMENT

Assignment

PROJECT IDEA

A bakery uses an old gas-fired oven to bake bread. The costs for the oven replacement are 32 500 EURO installation included. Once the new oven is in operation the energy costs (13 200 EURO) will be cut by 42%. The Discount rate is 12%, the project life is 10 years.

ASSIGNMENT

Calculate the Net Present Value (NPV), Savings-to-Investment Ratio (SIR) and Internal Rate of Return (IRR) and evaluate the financial feasibility of the project

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DISCOUNT RATE

12%

YEAR	INVESTMENT	DISCOUNTED NET INVESTMENT	NET SAVINGS	DISCOUNTED NET SAVING	NET CASH FLOW	NET CASH FLOW (DISCOUNTED)
0	32 500	32 500	-	-	(32 500)	(32 500)
1	-	-	7 656	6 836	7 656	6 836
2	-	-	7 656	6 103	7 656	6 103
3	-	-	7 656	5 449	7 656	5 449
4	-	-	7 656	4 866	7 656	4 866
5	-	-	7 656	4 344	7 656	4 344
6	-	-	7 656	3 879	7 656	3 879
7	-	-	7 656	3 463	7 656	3 463
8	-	-	7 656	3 092	7 656	3 092
9	-	-	7 656	2 761	7 656	2 761
10	-	-	7 656	2 465	7 656	2 465
TOTAL	32 500	32 500	76 560	43 258	44 060	10 758

NPV



I26 - G26

10 758

SIR



I26 / G26

1,33

IRR



IRR (J15:J25)

19,63%

SPBP



F15 / H16

4,25