

# [Nucor case persuasive essay](https://assignbuster.com/nucor-case-persuasive-essay/)

NUCOR CASE In this analysis we use the Net present value to consider if Nucor should invest in the newtechnologycalled: thin slab minimill. NPV is really useful in order to make this kind of decision because it uses the concept of future cash value to evaluate whether the investment is worth, however the NPV is sometimes difficult to calculate because it is not always easy to estimate future cash flow.

Considering the assumption I made in the first part of the spread sheet, the thin slab project doesn’t appear to be a wise investment for Nucor because the future cash flows at the present value are less than the initial cost of the investment. Comparing the NPV of the three different scenarios it is evident that the best option for Iverson is to continue whit the unmodernized process. The first consideration about to undertake the investment is based on particular assumptions about the future, if we change those the result of the decision could also change.

Due to the fluctuation of the market is difficult to make the right assumptions and this is why to calculate the NPV is not easy. For instance if we changed the discount rate and we lower it below the IRR, the resulting NPV will be positive and this case to invest in the new technology could be a profitable decision. We can also change the steel price rate keeping the cost rate constant, if it is increased enough the NPV could result positive, at the same time if we reduce cost rate keeping the price rate constant we can find an equal result.

Regarding the real option analysis if Nucor decides to wait it is unlikely that another will decide to make this kind of investment first. The follow strategy could be a wise decision for Nucor, because the NPV is slightly negative so the management could decide to undertake this investment in order to gain experience and subsequently use that experience for other plants so this initial price could generate future opportunities.