

A STUDY ON CAPITAL BUDGET WITH REFERENCE TO FLSMIDTH PRIVATE LIMITED

Submitted in partial fulfillment of the requirements for the award of Degree in
MASTER OF BUSINESS ADMINISTRATION

by

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Register No.41410120



**DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF MANAGEMENT STUDIES**

**SATHYABAMA
INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE
JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI -600119

MAY 2023



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SCHOOL OF MANAGEMENT STUDIES

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **HARISHMA.R** **41410120** who carried out the project entitled "**A Study on Capital Budget with Reference to FLSMIDTH Private Limited**" under my supervision from January 2023 to March 2023.

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Submitted for Viva voce Examination held on 05/05/2023

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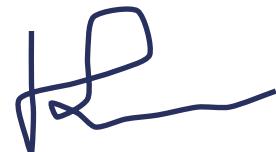
External Examiner

DECLARATION

HARISHMA.R (41410120) hereby declare that the Project Report entitled "**A Study On Capital Budget With Reference to FLSMIDTH Private Limited**" done by me under the guidance of Dr.Umamaheswari.S is submitted in partial fulfillment of the requirements for the award of Master of Business Administration Degree.

DATE:05/05/2023

PLACE:Chennai



HARISHMA.R

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ABSTRACT

The main task of financial management is to choose the best results from the investment, and this is the most important decision for the finance manager because any decision made by the president in this regard can affect the operations of the company and its profits for many years.

The purpose of the research is to examine the decisions of companies in the financial investment process by examining the importance of capital investment in organizations and to determine the sources of financial capital in which the company will be well invested in various ways. business decisions. It also provides information on cash flow and cash flow for each year.

Thus, the comparison gives a clear idea of the investment and return that will be useful for the next year. The analysis is based on data collected from the Income and Expense Report and the Business Report.

Financial resources such as present value, rate of return, and method of repayment over time are used in the analysis of the collected data. Some other estimation tools such as standard deviation, correlation analysis, and analysis of variance were also used in this study.

CHAPTER I

INTRODUCTION

1.1 INTRODUCTION OF THE STUDY:

Capital budgeting, also known as "investment analysis," is a planning process used to determine the long-term capital expenditures an organization must make.

Investment financing involves selecting projects that will add value to the company. This can include just about anything from acquiring more land to buying a new car or replacing an old machine. Businesses, especially corporations, are often required, or at least approved, to carry out activities that increase profits and therefore the wealth of their owners.

When a company is faced with a financial decision, one of its first tasks is to determine whether the project will be profitable. Net present value (NPV), rate of return (ARR), and payback period (PB) methods are the most commonly used methods for project selection.

While the best investment solution is one where all three metrics show the same decision, this process often leads to conflict.

According to management preferences and selection criteria, there should be more guidance for one method than the other. However, these measurements are widely used to indicate strengths and weaknesses.

A company's capital budgeting decisions may consist of several discrete decisions, each of which is referred to as a project. A capital budget is a set of assets that depend on each other and are considered together. Suppose a company is considering the possibility of producing a new product. He has to decide whether to produce this new product or not. This capital project entails acquiring land, constructing facilities, and purchasing manufacturing equipment. And the project may require the company to increase its investment in working capital, such as inventory, cash, or receivables.

Working capital is a collection of assets required for day-to-day operations that support a company's long-term investments.

Nature of capital investment financing:

Investment financing is a process in which investment decisions are made through the use of capital. Capital expenditures can be defined as expenditures that are expected to be profitable for more than one year.

The main feature of capital expenditures is that the expenditure is realized at once and the expenditure results are obtained at a different point in the future. In simple terms, we can say that capital expenditure is an expenditure on the acquisition or improvement of fixed assets, the benefits of which are expected to be received in the next year.

The following are some examples of capital expenditure:

- (1) Costs associated with acquiring fixed assets such as land and buildings, factory and machinery, and goodwill.
- (2) Cost of adding, expanding, improving, or replacing fixed assets.
- (3) Changing the value of fixtures.
- (4) R&D project expenses etc.

Capital expenditure will not change long-term financial commitments.

For this reason, investment decisions are also called long-term investment decisions. Investment financing involves planning and managing the use of capital. It is the process of deciding whether to make a long-term commitment to certain resources

whose benefits will be seen over a period of more than one year. Investment finance is also known as investment decision-making, investment planning, and investment analysis.

Horngreen defines equity investment as: "An equity investment is a long-term plan for the creation and use of funds by financial means."

G.C. "Investment financing involves apportioning the company's financial deficit among business opportunities. Decision-making involves comparing the project's expected future benefits with the immediate and subsequent benefits of the project and the immediate and post-flow use of the project," says Philippatos.

Richard and Greenlaw refer to mutual funds as investments that provide long-term returns. In the words of

Lynch, "Investing in capital involves preparing resources that can yield long-term economic benefits."

From the above description, it may be concluded that the important features which distinguish Capital Investment budgeting decisions from ordinary day-to-day business decisions are:

- (1) Investment decisions involving swapping available funds for future benefits;
 - (2) Future benefits must be received within a few years;
 - (3) Funds invested in long-term projects;
 - (4) The results of the business have a long and significant impact;
 - (5) The amount is generally large;
 - (6) Are irrevocable decisions.
- (7) Large sums are "judgmental" investments that differ from the company's past practices and are not "tactical" investment decisions where significant changes in the

company's expected returns are associated with relatively high risk. Calculate the amount that will not cause the product to deviate from the company's past practices.

Need and Importance of Capital Budgeting:

Capital budgeting means planning for capital assets.

Capital budgeting decisions are vital to any organization as they include the decisions:

- (a) Whether or not funds should be invested in long-term projects such as the setting of an industry, purchase of plant and machinery, etc.
- (b) Analyze the proposal for expansion or creating additional capacities.
- (c) To decide the replacement of permanent assets such as buildings and equipment.
- (d) To make a financial analysis of various proposals regarding capital investments to choose the best out of many alternative proposals.

The importance of Capital Investment budgeting can be well understood from the fact that an unsound investment decision may prove to be fatal to the very existence of the concern.

The need, significance, or importance of Capital budgeting arises mainly due to the following:

(1) Large Investments:

Capital budgeting decisions, generally, involve large investments of funds. But the funds available with the firm are always limited and the demand for funds far exceeds the resources. Hence, a firm needs to plan and control its capital expenditure.

(2) Long-term Commitment of Funds:

Capital expenditure involves not only large amounts of funds but also funds for the long term or more or less permanently. The long-term commitment of funds increases

the financial risk involved in the investment decision. The greater the risk involved, the greater the need for careful planning of capital expenditure, i.e. Capital budget.

(3) Irreversible Nature:

Capital expenditure decisions are irreversible. Once the decision for acquiring a permanent asset is taken, it becomes very difficult to dispose of these assets without incurring heavy losses.

(4) Long-Term Effect on Profitability:

Capital Investment budgeting decisions have a long-term and significant effect on the profitability of a concern. Not only the present earnings of the firm are affected by the investments in capital assets but also the future growth and profitability of the firm depend upon the investment decision taken today. An unwise decision may prove disastrous and fatal to the very existence of the concern. Capital Investment budgeting is of utmost importance to avoid over-investment or under-investment in fixed assets.

(5) Difficulties of Investment Decisions:

The long term investment decisions are difficult to be taken because:

- (i) Decision extends to a series of years beyond the current accounting period,
- (ii) Uncertainties of the future and
- (iii) A Higher degree of risk.

(6) National Importance:

Investment decision though taken by individual concern is of national importance because it determines employment, economic activities, and economic growth. Thus, we may say that without using Capital Investment budgeting techniques a firm may involve itself in a losing project. Proper timing of purchase, replacement, expansion, and alteration of assets is essential.

Limitations of Capital budget:

Capital budgeting techniques suffer from the following limitations:

- (1) All the techniques of Capital Investment budgeting presume that various investment proposals under consideration are mutually exclusive which may not practically be true in some particular circumstances.
- (2) The techniques of Capital Investment budgeting require the estimation of future cash inflows and outflows. The future is always uncertain and the data collected for the future may not be exact. Obviously the results based on wrong data may not be good.
- (3) There are certain factors like the morale of the employees, goodwill of the firm, etc., which cannot be correctly quantified but which otherwise substantially influence the capital decision.
- (4) Urgency is another limitation in the evaluation of capital investment decisions.
- (5) Uncertainty and risk pose the biggest limitation to the techniques of Capital Investment budgeting.

1.2 INDUSTRY PROFILE

FLSmidth is the full flowsheet technology and service supplier to the global mining and cement industries.

We help our customers to improve performance, lower operating costs and reduce environmental impact.

With our Mission Zero program, we have set a target of providing solutions for zero-emissions mining and zero-emissions cement production by 2030, supporting a green transition built upon sustainable materials.

Delivering sustainable productivity to the global mining and cement industries is our primary goal

We can help you to increase output, lower operating costs, and minimize the environmental impact of your operations. And with our life-cycle approach, we enable you to reduce the total cost of ownership over the entire life of your plant or mine.

So You can achieve the highest level of sustainable productivity, we offer you full flowsheet coverage that integrates pioneering products, extensive process know-how, and end-to-end services – and combines almost 140 years' worth of global experience with the latest in digital technologies and innovation.

- Aggregates
- Cement
- Chemical
- Food & Pharmaceuticals
- Mining
- Oil & Gas Refining
- Port & Terminals
- Power Utilities
- Pulp & Paper

- Steel
- Waste to Energy
- Water Treatment

Aggregates:

Solutions and parts that enhance the productivity of your aggregates operation.

Aggregates are the most extracted material in the world and production is essential to compete. We help global customers increase efficiency and reduce downtime through durable materials and products, engineering design, and global customer service and support.

Cement:

Increase the productivity of your cement plant.

Are you looking for opportunities to invest in a new plant, increase the capacity of an existing plant, or increase productivity? As a complete flow chart supplier with over 135 years of experience in the cement industry, we are here to assist you throughout the entire life cycle of your plant.

Chemicals:

Utilizing synergetic technologies in the chemicals industry.

The many processes and equipment our core industries share with the chemicals industry mean your chemicals operations can benefit strongly from using our products. Whether it concerns crushing, grinding, materials handling, drying, separation, or conveying, we provide premium technologies and solutions.

Food And Pharmaceutical:

Creating value in the food and pharmaceutical industries with products from key industries.

We supply specialist equipment and solutions for the food and pharmaceutical industries. Our range of premium products provides ideal solutions for material handling, filtration, and separation. This enables customers to meet or exceed industry quality standards in the food and pharmaceutical industries.

Mining:

A complete set of the best mining technologies and solutions.

From downhole crushing and delivery to waste management, you can get a complete set of productive products - mineral processing, technology, and equipment development. Leverage digitization and the knowledge of the experts we work with to unlock new talent to make your mining operations profitable and profitable.

Oil And Gas Refining:

Safe and efficient products and solutions for oil and gas refining.

Operations can be more hazardous in the oil and gas refining industry than in other industries and require equipment featuring the highest level of safety. As most of our products were conceived in harsh industries, we can provide your operations with high productivity and stability.

Port And Terminal:

Enhancing productivity in materials handling and logistics.

Through a century of supplying equipment and solutions to the mining industry, we have achieved a market-leading position for our products. The mining and the port and terminal industries share many similarities in terms of demands for materials handling.

Our experience and expertise in both industries fuel our ambition to be your preferred productivity provider.

Power Utilities:

Premium solutions for enhanced productivity and sustainability

Facing an ever-increasing demand for power and the obligation to meet strict environmental regulations, power utilities need to leap forward. We give you the benefits of our expertise and know-how to meet and even exceed power utilities industry expectations through the design and supply of equipment and systems worldwide.

Pulp And Paper:

World-class solutions for quality, productivity, and safety.

The pulp and paper industry is in many ways similar to the cement industry in meeting both productivity and high energy consumption. We are the leading manufacturer of rotary kilns for the pulp and paper industry, providing around 50% of the current global system.

Steel:

Robust tools and quality control.

FLSmidth, we've been perfecting our technology and products for over a century. With our strong commitment and expertise in products and services, we support steel industry practices by providing quality products and services that provide durable, sustainable cans and stability.

Water To Energy:

Core industry competencies, utilized for improved sustainability.

We have gained unique know-how through more than 130 years of designing, building, and maintaining cement production equipment. Since cement production is very energy intensive, we have mastered the art of extracting thermal energy from alternative sources. Today we are bringing this experience to a wide range of industries.

Water Treatment:

Solving global problems with premium products and innovations.

Water scarcity is a well-known global problem and access to clean drinking water is a critical issue in developing countries. We take this challenge seriously by providing state-of-the-art products and solutions to the water treatment industry, contributing to the construction of new cities and societies around the world.

1.3 COMPANY PROFILE:

Flsmidth Private Limited is a private, non-public company established on April 18, 2000. It is classified as a private limited company and is headquartered in Kelambakkam, Tamil Nadu.

Has a registered capital of INR 45.20 and a total paid-in capital of INR 27.14.

Flsmidth Private Limited has an operating income of more than INR 500 for the fiscal year ending 31st March 2022.

Its EBITDA increased by 176.74% compared to the previous year.

Meanwhile, the book network grew by 10.16%.

Additional features and resources are available here.

The company provides products and services for design, sales, installation and maintenance, and engineering for complete automation and control systems for cement and other industrial processes: metal ore, gold, copper, fertilizer, coal, cement, mineral processing, and equipment. Handling, Mining Machinery, Mining Equipment, Slurry Handling, Mining Equipment, Air Pollution Control, Pumps, Automation, and Laboratory Automation.

Category: Service Provider

Flsmidth Private Limited current status - Active.

According to our information, the last published General Assembly Meeting (Annual General Assembly) of Flsmidth Private Limited was held on September 30, 2022. In addition, according to our records, the final balance sheet was prepared on the date ending on March 31, 2022.

Flsmidth Private Limited has five directors - Arumugam Kulandaivelu Sankar, Aarthi Yuvaraj, and others.

The Corporate Identification Number (CIN) of Flsmidth Private Limited is U26941TN2000PTC044765. The registered office of Flsmidth Private Limited is at FLSMIDTH PRIVATE LIMITED, "FLSMIDTH HOUSE" 34, EGATOOR, RAJIV GANDHI SALAI, KELAMBAKKAM, Tamil Nadu.

FLSmith and Co. A/S was founded on 2 January 1882 in Copenhagen by Frederik Læssøe Smidt (da). It started out as a consulting company to purchase machinery and manufacture small machines for local artisans. Within a few years, the company, then called the "Technical Bureau", specialized in the manufacture of machinery for the brick and tile industry.

In 1887, two engineers, Poul Larsen, and Alexander Foss, became partners and the company was renamed F.L. Smith & Co. In 1887 the first FLSmidth cement plant was built near Limhamn, Sweden.

The company grew stronger and opened its first international office in London in 1890. Later, offices were opened in major cities such as Paris, New York, Tokyo, and Beijing (Beijing).

In 1957 FLSmidth machines accounted for 40% of all cement production in the world

In 1954, FLSmidth opened its headquarters in Vigerslev Alle on the outskirts of Valby in Copenhagen and has become a part of the city with its beautiful red brick building

The building was designed by architect Palle Suenson.

In 2022, FLSmidth announced that it would relocate to its new headquarters in Copenhagen, possibly in the second half of 2024. widely distributed in the cement engineering industry, plastic, aerospace, cement building materials, etc.

During the 1990s manufacturers such as Pfister, Ventomatic, and MAAG Gear were acquired.

In 1990, the group acquired Fuller Corporation and F.L. Smith Fuller Engineering Group. Two mineral processing divisions, Fuller Mineral Processing, and FLSmidth Mineral Processing were built under FLSmidth and Fuller, respectively.

In 1997, the company changed its name to FFE Minerals after merging its two mining divisions into a single company.

The process was developed to dissolve and remove organic wood stored in wood using supercritical carbon dioxide, an alternative to chromium copper arsenate (CCA).

FLS Since the closure of Miljo in 2004, some workers have been involved in similar processes to,cork 2,4,6-trichloroanisole (TCA) from wine.

In the early 2000s, the group began selling non-essential businesses.

On April 2, 2007, FFE Minerals acquired Rahco International, Inc.

In May 2007, FFE Minerals changed its name to FLSmidth Minerals, on 10 August 2007, FLSmidth obtained the status of GL14, the largest trading company at that time, making a steady course in the international copper market.

Between May and October 2008, FLSmidth acquired Pneumapress Inc.

In 2009, FLSmidth acquired Conveyor Engineering Inc.and EEL India Limited on 1 March 2009 and 28 July 2009, respectively.

These acquisitions give FLSmidth the expertise to design and supply large-scale equipment for the cement, mining, heavy industry, and packaging industries worldwide.

In 2011 FLSmidth acquired ESSA Australia Limited on 17 February 2011, [19] Phillips Kiln Service Ltd on 18 August 2011, and Transweigh India Ltd. on 20 October 2011

On July 3, 2012, FLSmidth completed the acquisition of Australian engineering and equipment company Ludowici Limited[22], a provider of coal centrifuges, vibrating screens, and ancillary wear parts, products, and services for the mining industry.

In 2012, FLSmidth acquired Decanter Machine, Inc., a USbased international manufacturer of centrifugal equipment for mining (August), TEUTRINE GmbH IndustrieTechnik, a German company of Mobile Solutions specializing in Repair, Service Repair, and Retrofit (September) and Australian service company MIE Enterprises Pty Ltd.

To provide construction, commissioning, maintenance, and repair services.

FLSmidth divested capital sales of lime kilns and causticizing equipment for white liquor in the pulp and paper industry to strengthen its core business focus on cement and minerals.

Under a license agreement, the business is transferred to Metso Paper Sweden. The license associated with FLSmidth is perpetual and exclusive.

In 2022, FLSmidth acquired Mining Technologies, the mining division of its largest industrial company, ThyssenKrupp, Germany.

With this, FLSmidth has become the world's leading supplier of technology and services to the global mining industry. After the Mining Technologies merger, FLSmidth's mining business grew to 65% of the company's business.

Core Business And Group Strategy:

In 2019, through the sustainability pledge "MissionZero", FLSmidth committed to providing technologies to accelerate mining and cement towards zero emissions by 2030. Mining and cement operations have a significant impact on the environment, contributing approximately 10% of global CO2 emissions.

The company already has much of the technology needed to help both industries reduce emissions, while new technologies will be developed through R&D partnerships with customers, universities, start-ups, and companies from different industries.

In 2021, FLSmidth signed up for the Science Based Targets initiative, gaining validation for specific sustainability-related targets aligned to the most ambitious scenario of the 2015 Paris Agreement, which aims to keep global warming below 1.5°C.

In 2023, FLSmidth announced the division of its operations into two stand-alone entities in a so-called “pure play strategy”. The Mining and Cement divisions operate independently, each with its own business strategy and organizational structure.

FLSmidth & Co. A/S

Type	Publicly Traded Aktieselskab
Traded As	Nasdaq Copenhagen
Industry	Construction Engineering
Founded	1882; 141 Years Ago
Founder	Frederik Laessoee Smidth
Headquarters	Copenhagen, Denmark
Key People	Mikko Keto (Group CEO) Tom knutzen (Chairman)
Products	Machinery, Systems, and Services For The Cement and Mineral Industries
Revenue	21.849 billion (2022)
Net Income	352 million (2022)
Total Asset	29.85 billion (2022)
Total Equity	10.79 billion (2022)
Number Of Employees	10,977 (2022)
Website	www.flsmidth.com

1.4 OBJECTIVES OF THE STUDY

Primary Objective:

To study the Impact of Capital budget and to evaluate the data of Capital budgeting techniques in FLSmidth Private Limited.

Secondary Objective

- To study and ensure planning for the future by setting up various budgets.
- To know the Sales budget of the company.
- To analyze the elimination of wastage and increase in profitability.
- To find out the standard deviation for Total assets.

1.5 NEED OF THE STUDY

- Capital budgeting or decisions are of considerable importance to the firm since they tend to determine its value by influencing its growth, profitability, and risk.
- The process of allocating money to fixed assets is important because it often takes a long time and cannot be easily reversed all at once. So we can say that this is an asset allocation process where management has to use financial resources to determine which activity will generate more profits over time.
- Companies are in a situation to invest a huge amount of money in order to take their firm to a greater extent of growth. In this case, they have to take a sound investment decision among various alternatives.

- If the investment decision taken up on a project is not worth undertaking, the amount invested on a particular project would not generate profit or value rather it creates a loss to the firm.
- Hence, to increase the wealth and profit of the firm or to avoid loss, a sound procedure is needed. Thus, the need for Capital budgeting arises.

1.6 SCOPE OF THE STUDY

The study has been undertaken to understand the significance of Capital budgeting through which to analyze the performance of Capital budgeting.

- The study can help the organization to take investment decisions in forthcoming years.
- It can be used as a reference.
- It will be helpful for fund allocation.

Capital budgeting is the process of making investment decisions in capital expenditures. Capital expenditures can be defined as expenditures that are expected to be profitable for more than one year.

CHAPTER II

REVIEW OF THE LITERATURE

2.1 REVIEW OF THE LITERATURE:

(Kengatharan Linesiya 2022), Capital Budgeting Theory and Practice: A Review and Agenda for Future Research. *Applied Economics and Finance*, 3(2), p. 15-38. The main purpose of this research is to identify the inconsistencies in the current budget and practices in the last two years, thus laying the groundwork for future scholarships.

(Sihlaer William W. et al 2022), Financial Management: Policy and Practice, Mumbai: Jaico Press, Financial Management aims to assist CEOs of small businesses, especially fast-growing people, to ensure that the company's financial management is reliable. has been included. the company's strategy. From the methodology of the book, all the details were recorded.

(Rakesh HM 2022), A study of capital use in Mumbai, listed companies, nuanced management research journal, 2(2), p.15, December March 2012 to March 2013, Research conducted by Focus on Capital Within the scope of capital budgeting investment. Budgeting Practices, a questionnaire was sent to 5,163 people responsible for capital expenditures in companies listed on the Bombay Stock Exchange.

(Kulkarni P.V. and Satyaprasad B.G. 2022), Financial Management: A Perspective, Mumbai: Himalaya Press, This book considers investment decisions in the face of risk and uncertainty. The focus is on the type and location of the risk.

(Prof. TatikondaNeelakantam 2022), Developments in Capital Budgeting Evaluation Practices: A Conceptual Analysis, 9, p.615, This study explores the evaluation of progress in capital budgeting evaluation practices; From onwards, all points are well analyzed in this study to find the most efficient way of capital investment. The study concludes that these modern methods are useful in companies' long-term decisions.

(Susan F. Haka, Michigan 2021) "Capital Budgeting and Investment Review" and historical review of current developments in equity investment budgeting and equity investment evaluation educational research. Explain the modern capital investment strategy and methods. In the late 18th and early 19th centuries, the Industrial Revolution helped create the need for capital investment processes and technologies. Educational research began in the late 1940s and early 1950s and was divided according to assessment methods decision-making processes, organizational issues, and environmental concerns.

Experimental, clinical, workplace, observational, and research-based data are reviewed. His research reflects the findings of educational research and many unresolved issues.

(Mawih Kareem Al,Ani. 2021), A Strategic Plan to Evaluate Oman's Energy, Oil and Gas Sector'Capital Expenditures Using Payback Period. International Journal of Economics, and Financial Issues, 5(2), p. 469/475, this research paper examines different organizational strategies, and uses payback periods to evaluate investment from the point of view of managers and executives. Considerations for investors in Oman.

(Davina F. Jacobs 2021) is a senior economist at the Department of the Treasury and conducts research on investment finance. According to his research, the main challenge of the government budget is to determine the balance between current and capital expenditures. Expenditure on government resources is also poorly integrated into the budgeting process in many countries.

Therefore, this research is designed to provide an overview of past and present public investment practices. The study will also compare the use of funds in low-income and developed countries and make several recommendations on how to increase the efficiency of capital planning and financial management in low-income countries.

(Theory Psaros 2021) states that similar to stakeholder theory, management theory uses a different perspective from organization theory. For example, management theory does not support the idea that people are the most productive resource, nor does it support the claim that all business decisions are based on financial considerations. Recognizes that some business decisions are based on non-economic rewards such as social impact.

(Michelon et al., 2020) Researchers interested in Capital Budget often focus on the evaluation phase, where most CB publications are based on analysis of Capital Budget. Other activities in the evaluation phase such as identifying positive factors affecting CB or decision-making processes such as assigning weights.

(Sizba and Hall, 2020) encourage researchers to participate in the decision-making phase of the investment process. Guidelines should examine whether managers are ready to use a solid budget.

(Michelon, Lunkes, & Bornia, 2020) Investment decisions today can improve the company's future results, therefore it is considered one of the most important financial management decisions.

(Niels Hermes, Peter Smid ,and Lu Yao 2020) Groningen University Faculty of Management and Organization and Groningen University Faculty of Economics, Netherlands, for "Capital Investment budgeting practices: a comparative study of the Netherlands and China". This article compares the use of financial resources by Dutch and

Chinese companies using data from a survey of 250 Dutch companies and 300 Chinese companies. In order to understand the importance of economic development, it is aimed to analyze the capital investment use of the companies of the two countries comparatively. The empirical analysis provides evidence that Dutch CFOs, on average, use more capital investment resources than Chinese CFOs. But at the same time, the results show that the gap between Dutch and Chinese companies is smaller than it should be compared to the difference in the development level of the two countries; this is the smallest of the models used to predict price, cost of capital and use of CAPM as a method for measuring the cost of capital.

(Mbabayize Peter & Daniel Twesige 2020), Equity investment practices in developing countries: Rwanda case, Financial Research Journal, 2(3), p. 1-19, This paper looks at the use of capital, strategies and financial forecasts. The results of this study show that companies in Rwanda have adopted the financial discount system, although there are still some inconsistencies in the recognition, as it is not correct for most companies to still use the discount rate to reduce revenue.

(Donaldson and Davis 2019) add that some people feel satisfied in jobs that are difficult for them and/or gain the trust of colleagues and managers to support their decisions. At its core, control theory is about how people rank their social needs, such as being recognized and valued by their peers and superiors. Similar to job compensation or compensation, "these needs help align people with the goals of the organization." If the organization maintains good relationships with stakeholders, including the local community, people will want to decide to identify with the organization as it will help their social relationships. If people have relationships high on their needs lists, it will help them work harder to achieve the organization's goals.

(Mubashar and Tariq 2019) surveyed 200 nonfinancial companies listed on the Pakistan Stock Exchange with a 35% response rate. Most of the listed companies in Pakistan were found to use NPV, ARR, and PI for budgeting. Among these DCF methods, NPV is the most common capitalization method (61.4% of surveyed companies always use NPV). Similarly, 27% of companies always use ARR, but interestingly, all com

panies surveyed use ARR and NPV as secondary criteria.

Similarly, the WACC forecast uses a weighted target cost and a capital cost model (with added risk) to determine the cost of capital. Sensitivity analysis and scenario analysis are important methods for risk assessment; however, the actual use of these options is very low despite their benefits.

(V.K Saxena and VashistC. D. 2019), Essentials of Financial Management, New Delhi: Sultan Chand & Sons Educational Publishers, the financial section of this book covers all educational goals. It helps students, investors, and researchers understand the meaning of capital investment, the selection process for projects, various strategies, and their limitations in the process.

(Alain et al. 2018) reviewed 41 companies in Barbados. This study shows that companies in Barbados are less able to use capital in project selection. Most of the respondents listed PBM as their preferred method of financing because of its simplicity, ease of calculation, low effort, and flexibility. The results also show that most organizations are using "realsite" and non-traditional budgeting methods to aid decision-making. Professional accountants are more likely to use NPV and screen sentiment than lay accountants, although the use of capital employed by different activities is not statistically different.

(Yohanes,Debela,&Shibru,2018)Investing in assets is a very important activity as it affects profitability. The concept of capital expenditure was first published in the 1960

(J. Scott Armstrong 2018) People who make environmental decisions must not only act now, but also anticipate the future. They should do this for at least two reasons. First, if they are looking for an alternative way not to work, they need to consider whether the current change will be beneficial or negative in the future. Second, if they do intervene, they must evaluate their success in terms of future trends and their impact on humans and the natural environment. Prediction, by which I mean the precise process of determining what will happen in the future, can be helpful above all else. Se

veral factors affect the choice and use of estimation methods. First, the focus on environmental forecasting is often long-term, that is, large-scale change. Second, perhaps the environment interacts and creates new concerns. Intervention can also lead to undesirable changes. This section discusses predictive methods for environmental decision-making, shows when they are useful, explains the evidence for the effectiveness of each method, and provides comments. An important consideration is whether the estimation method is designed to measure the impact of the intervention. The chapter then explores the issues involved in offering good predictions. Finally, it describes the evaluation made to determine whether the most appropriate estimator was used.

(Weerakun Banda Yatiwelle Koralalage 2018), The Use of Corporate Finance in Large Business: Evidence from Sri Lanka, International Journal of Arts and Business, 3(9 p. 77'84. This research paper explores the use of financial resources & explores various variables and relationships related to the use of financial resources of big-name companies in Sri Lanka. As a result of the research, it has been determined that present value, rate of return, payback period, return value ,and profit margin are used in the evaluation of the investment.

(AlMutairi et al. 2018) Methodology,Creswell We recommend using different methods to address the "what" and "how" topics.

(Ghahremani M. et al. 2018), Four'Year Capital Budgeting Technology Options: Focusing on Real Options, InternationalJournal of Business and Management, 7(17), p. 98/117, This article aims to examine and analyze financial resources in developing and technological countries. developing countries according to the best results in machine selection.

(Khan M.Y. thiab Jain P. K. 2018), Accounting for Managers: Texts, Issues and Cases. New Delhi: McGraw-Hill Publishing Ltd.

The financial section of this book discusses principles and ideas, their importance, i mportance, difficulty, causes, and types.

(Batra and Verma ,2017) examined the responses of 77 Indian companies listed on the Mumbai Stock Exchange. Their evidence shows that firm managers often follow t he investment strategy suggested by learning theory.

For NPV and IRR, the DCF methods and riskadjusted sensitivity analysis are the mo st popular. Executives also prefer WACC as their cost of capital.

However, there are theoretical and practical differences in the use of real options, adj usted returns, and other specifications.

(Baker et al.2017) According to a survey of 75 listed companies in Morocco, 64% of companies use IRR, 63% ARR, and 53% PBM, but NPV is the most popular method i n Morocco. Some companies respond by using real options when making investment decisions. They tend to use less efficient methods than their counterparts in developi ng countries to seize investment opportunities and calculate investment costs. The m ost common methods used to estimate the cost of equity for companies listed on the Chittagong Stock Exchange are CD plus risk premium and market return on equity.

(Vongai Maroyi & Huibrech Margaretha Van DP 2017), Analysis of Accounting Pr actices of a South African Stock Exchange Listed Mining Company, African Journal of Business Management, 6(32), p. 9279/9292, Authors discuss potential sources of investment. South African mines listed on the Stock Exchange (JSE) in Johannesburg and their reasons for use were investigated. The main purpose of this study is to in vestigate the most efficient investment methods.

(Agarwal N.P. and Mishra B.K. 2017), Capital Budgeting, Jaipur: RBSA Publishers, This book is divided into 9 chapters and covers capital budgeting, planning, certainty ,and an introduction to risk uncertainty. It covers the meaning and definition of capital expenditure, its characteristics, importance, types and methods. Project analysis and design is also well explained.

(Gupta Sanjeev et al,2017), "Capital Budgeting Practices in Punjab Companies", IC FAI Journal of Applied Finance, Lub Ob Hlis 2007, Vol. 1. 13, XIV, p.57/701 tries to find out what capital resources are used by the business in Punjab and factors such as the size of the capital investment, age and stability, education and experience of the capital CEO, and other influences on budgeting decisions.

JOURNALS:

A Review of the Literature on Capital Budgeting Appraisal: Past, Present, and Future :

Abstract:

This chapter provides a historical appraisal of the development of current Capital Investment budgeting practices and reviews Capital Investment budgeting academic research. In the late eighteenth and early nineteenth centuries, the industrial revolution was instrumental in creating demand for Capital Investment budgeting processes and techniques. Academic research, beginning in the late 1940s and early 1950s, is categorized by its focus on appraisal techniques, individual decision-maker effects, organizational issues, and environmental factors. Experimental, analytical, agency-based, survey-based, and case-based research is reviewed. The chapter concludes with a compilation of issues identified by academic research and a set of questions that have not yet been addressed.

Capital budgeting Theory and Practice: A Review and Agenda for Future Research:

Lingesiya Kengatharan¹ Department of Financial Management, University of Jaffna, Sri Lanka

The main purpose of this study is to identify inconsistencies in current financial resources and practices over the past two years, thereby creating spring for future scholarships. Research studies network and iCat search are used to find research papers published in the last 20 years.

Four criteria were used to select research articles: image search, publication in English, publication in peer-reviewed journals, and full research articles.

This document is available in OneFile (GALE), SciVerse ScienceDirect (Elsevier), In forma - Taylor & Francis (CrossRef), Wiley (CrossRef), Business (JSTOR), Arts & Sciences (JSTOR), Proquest, MEDLINE (NLM), and Wiley Online Library .

To identify these, thematic literature was searched. Recent studies provide evidence of the increasing use of multiple sources of investment capital as well as capital investment sources for corporate risk. However, it reflects the differences between developed and developing countries.

In addition, the factors affecting the choice of financial resources are analyzed and inconsistencies in financial behavior and research methods are emphasized. More extensive research is needed to build a more reliable and informed understanding of the use of financial resources in chaotic environments. The design of this work was painstaking and contributed over the past two decades by addressing both known and unknown sources of capital investment. The relationship benefits the experts, experts, policymakers and stakeholders in the company.

CHAPTER III

RESEARCH METHODOLOGY

3.1 METHODOLOGY:

There are many financial analysis methods that can be used to determine the economic value of an investment. Capital Budgeting is the process by which investors determine the value of a potential investment project. The three most common approaches to project selection are the Payback Period (PB), Accounting Rate of Return (ARR), and Net Present Value (NPV).

3.2 RESEARCH DESIGN:

A research design is a conceptual framework for a research study; establishes standards for data collection, measurement and analysis. Research design is the collection of data in accordance with the purpose of education and the functioning of the process and the preparation of events for analysis.

DESCRIPTIVE RESEARCH:

Descriptive research determines the relationship between two or more variables. It includes surveys and fact-finding inquiries of different kinds. The major purpose of descriptive research is the description of the state of affairs as it exists at present. The main characteristics of this method are that the researcher has no control over the variables, he can only report for the happening. The method of research utilized in descriptive research is a survey method of all kinds including the comparative method and correlation method.

3.3 SOURCES OF THE DATA:

There are two types of data to be collected,

- Primary data
- Secondary data

Primary data are those which are collected afresh and for the first time and thus happen to be original in character.

Secondary data, The data that are already available, It refers to the data which have already been collected and analyzed by someone else. The secondary data was recollected from the company profile and website. Mostly the data used for the project are secondary data.

3.4 Method Used For The Study:

Payback Period Method (PBP)

The payback period is also called a payoff or payout period method. That represents the period in which the total investment in permanent assets payback itself. The method is based on the principle that every capital expenditure pays itself back within a certain period out of the additional earnings generated from the capital assets. Thus, it measures the period of time for the original cost of the project to be recovered from the additional earnings of the project itself. Under this method, various investments are ranked according to the length of their payback period in such a manner that the investment with a shorter payback period is preferred to the one which has a longer payback period. It is the exact amount of time required for a firm to recover its initial investment in a project as calculated from cash flows.

The **payback** measures the length of time it takes a company to recover its initial investment. This concept can also be explained as the length of time it takes the project to generate cash equal to the investment and pay the company back. It is calculated by dividing the capital investment by the net annual cash flow. If the net annual cash flow is not expected to be the same, the average of the net annual cash flows may be used.

The payback method is a one-sidedly derived number which tells a small amount about a project's beginning phase, but it tells one close to nothing about the full lifetime of the project. The effortlessness of calculating payback can possibly promote carelessness, especially in the failure to incorporate all the costs linked with investing in a project, such as training and maintenance. The payback method does not account for the time value of money either, and is therefore considered an unsophisticated Capital Investment budgeting technique. Even though the payback method has these cons associated with it, the simplicity of the method can allow it to be used as a filter for those projects which should go on to a more in-depth method, such as those explained below. If a project is not recommended based on the payback method, then chances are pretty high the project should not even be considered for the other methods.

Accounting Rate of Return (ARR)

The Accounting Rate Of Return (ARR) is a formula that reflects the Percentage rate of return expected on an investment or asset, compared to the initial Investment's cost.

The Accounting Rate Of Return (ARR) formula divides an asset's average revenue by the company's initial investment to derive the ratio or return that one may expect over the lifetime of an asset or project.

The Accounting Rate of Return does not consider the time value of money or cash flow which can be an integral part of maintaining a business.

The method takes into account the earnings expected from the investment over their whole life. It is known as the Accounting rate of return method for the reason that under this method, the accounting concept of profit is used rather than cash inflows.

According to this method, various projects are ranked in order of the rate of earnings or Accounting rate of returns. The project with the higher rate of return is selected as compared to the one with a lower rate of return. This method can also be used to make decisions as to accepting or rejecting the proposal.

Net Present Value Method (NPV)

This is a modern way of evaluating investment ideas. This method takes into account the time value of money and tries to calculate ROI by taking time into account. Present value of income and expenses incurred over the life of the project Determine the present value each year by subtracting the cash flow from the company's cost of capital or interest rate.

Net Present Value measures the difference between the present value of future cash flows and the cash flows from a project at a particular time. With the help of the current price, we can calculate the investment that is expected to yield a good income. The NPV method takes into account the time value of money, hence it is known as a complex capital investment financial process. So everything is in today's money. For example, if you want to earn \$300,000 in 5 years, it would be \$155,811 in today's money.

This method is easier than the manual IRR method. Also, the NPV method offers more solutions as it allows the average amount of company revenue to be reinvested in the company's cost of capital than the higher rates suggested by the IRR method. The NPV method is theoretically the preferred method for capital investment financing methods. (p. 429-430)

NPV is considered inconsistent as it does not measure interest, income, and other benefits associated with the amount invested. This means that NPV meas

ures the number of dollars expected to be received from the offer. Generally, financial managers want to see results measured over an annual return period, such as the IRR method. To calculate the net present value (NPV), we first estimate the future financial needs of the project in question. The next step is to calculate the present value of the cash flows using the discounted cash flow (DCF) method. When we have an estimate, we estimate NPV as the difference between the present value of the cash flows and the cost of capital.

Net Present Value Measurement The difference between the present value of future cash flows for a given project and the cash outflows from the project time. With the help of the current price, we can calculate the investment that is expected to yield a good income.

To calculate the net present value (NPV), we first estimate the future financial needs of the project in question.

The next step is to calculate the present value of the cash flows using the discounted cash flow (DCF) method. When we have an estimate, we estimate NPV as the difference between the present value of the cash inflows and the cost of capital.

ADVANTAGES AND DISADVANTAGES OF CAPITAL INVESTMENT BUDGETING TECHNIQUES

Advantages

The payback method is popular with business analysts for several reasons. The first is its simplicity. Most companies will use a team of employees with varied backgrounds to evaluate capital projects. Using the payback method and reducing the evaluation to a simple number of years is an easily understood concept. Identifying projects that provide the fastest return on investment is particularly important for companies with limited cash that need to recover their money as quickly as possible. Managers use the payback method to make quick evaluations of projects with a small investment.

These small projects do not necessarily involve a group of employees, and it is not necessary to conduct rigorous economic analysis.

Disadvantages

The payback method ignores the time value of money. The cash inflows from a project may be irregular, with most of the return not occurring until well into the future. A project could have an acceptable rate of return but still not meet the company's required minimum payback period. The payback model does not consider cash inflows from a project that may occur after the initial investment has been recovered. Most major capital expenditures have a long life span and continue to provide income long after the payback period. Since the payback method focuses on short-term profitability, an attractive project could be overlooked if the payback period is the only consideration.

Capital Budgeting by Payback Period

The most-used method of Capital Investment budgeting is determining the payback period. The company establishes an acceptable amount of time in which a successful investment can repay the cost of capital to make it. Investment alternatives with too long a payback period are rejected. Investment alternatives inside the payback period are evaluated on the basis of the fastest payback. The payback method disadvantages include that it does not account for the time value of money.

Net Present Value Capital Investment budgeting

In net present value Capital Investment budgeting, each of the competing alternatives for a firm's capital is assigned a discount rate to help determine the value today of expected future returns. Stated another way, by determining the weighted average cost of capital over time, also called the discount rate, a company can estimate the value today of the expected cash flow from an investment of capital today. By comparing this net present value of two or more possible uses of capital, the opportunity with the highest net present value is the better alternative.

A disadvantage of the net present value method is the method's dependence on correctly determining the discount rate. That calculation is subject to many variables that must be estimated.

The Accounting Rate of Return Method

An advantage of Capital Investment budgeting with the internal rate of return method is that the initial calculations are easier to perform and understand for company executives who may not have a financial background. Excel has an ARR calculation function.

The disadvantage of the ARR method is that it can yield abnormally high rates of return by overestimating the value of reinvesting cash flow over time.

TOOLS USED FOR ANALYSIS:

1. Payback Period (PBP)
2. Average rate of return (ARR)
3. Net Present Value (NPV)

CHAPTER IV

DATA ANALYSIS AND INTERPRETATION

4.1 PAYBACK PERIOD (PBP):

The payback measures the length of time it takes a company to recover its initial investment. This concept can also be explained as the length of time it takes the project to generate cash equal to the investment and pay the company back. It is calculated by dividing the capital investment by the net annual cash flow. If the net annual cash flow is not expected to be the same, the average of the net annual cash flows may be used.

Payback Period =	Initial Investment
	Cash Inflow per Period

CALCULATION OF ANNUAL CASH INFLOW

Year	2018	2019	2020	2021	2022
Total Sales	160631097 0	195257498 3	206249626 9	217738195 6	237163352 3
Less: Costs	155588500 7	181561415 7	196132425 2	206819641 5	228601771 0
EBDT	50425963	136960826	101172022	128327364	85615818
LESS: Depreciation or other exceptional items	-	967090	-	10393113	12541810

EBT	50425963	135993136	101172022	117934251	73074008
LESS: Tax	17100966	100752605	(22354952)	38433857	26851541
PAT (Annual Cash Inflow)	33324997	35241131	123526969	79500394	46222467

Payback Period Analysis

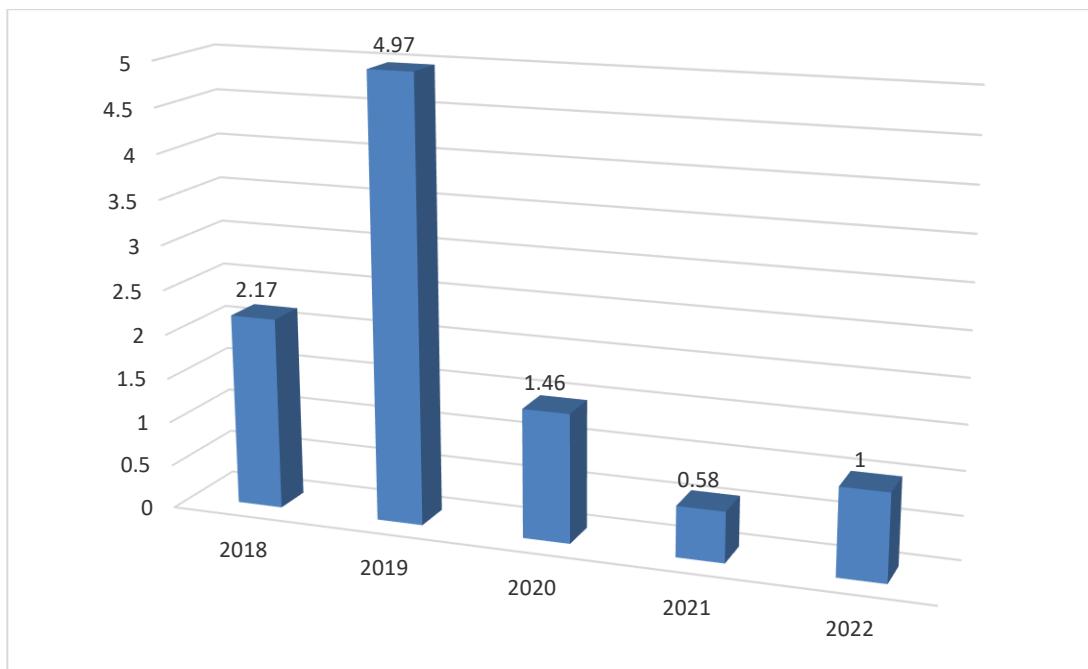
Year	Initial investments	Annual cash Inflow	Payback period
2018	72368453	33324997	2.17
2019	175080399	35241131	4.97
2020	180236203	123526969	1.46
2021	46246000	79500394	0.58
2022	46246000	46222467	1.00

INTERPRETATION

The shorter the payback period, the sooner the company recovers its cash investment. Whether a cash payback period is good or poor depends on the company's criteria for evaluating projects. From the above, it is inferred that the company have its highest payback in 2019 with 4.97 or 5 years.

The current year (2022) PBP is found to be 1 year. This shows that the company recovers its investment in 1 year.

Payback Period Analysis



4.2 ACCOUNTING RATE OF RETURN (ARR):

ARR method uses accounting information as revealed by financial statements, to measure the profitability of the investment proposals. It is also known as the return on investment. Sometimes it is called the Average rate of return. (ARR)

PAT

Accounting Rate of Return (ARR) = $\frac{\text{PAT}}{\text{Original Investment}} * 100$

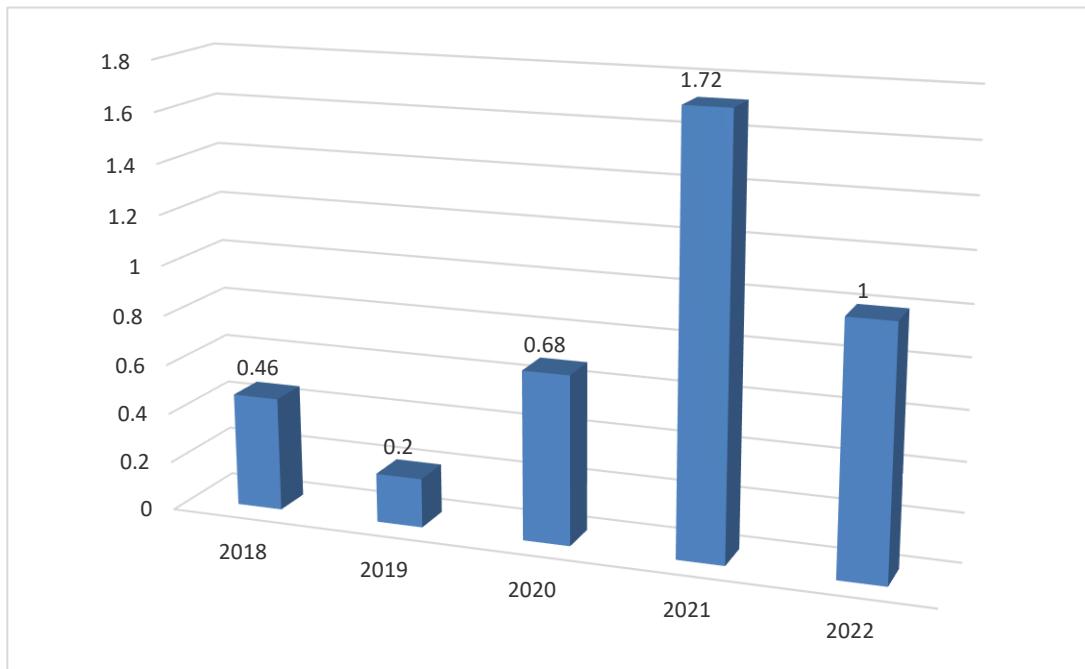
Original Investment

Year	PAT	Initial investments	Accounting Rate of Return
2018	33324997	72368453	0.46
2019	35241131	175080399	0.20
2020	123526969	180236203	0.68
2021	79500394	46246000	1.72
2022	46222467	46246000	1.00

Inference:

The chart shows that in the year 2019, the company had a lower expected rate of return than the minimum rate so the investment in the particular project can be reduced. In the year 2021, the project has a higher rate of return than the minimum rate. A higher rate of return indicates that investment made in the particular year has a higher cash inflow in the future. The accounting rate of return for the year 2022 is reduced to 1 year.

ACCOUNTING RATE OF RETURN (ARR)



4.3 NET PRESENT VALUE (NPV):

Considering the time value of money is important when evaluating projects with different costs, different cash flows, and different service lives. Discounted cash flow techniques, such as the net present value method, consider the timing and amount of cash flows. To use the net present value method, you will need to know the cash inflows, the cash outflows, and the company's required rate of return on its investments. The required rate of return becomes the discount rate used in the net present value calculation.

Formula

Present value = Cash flows * Present value of Re. 1 @ 10% discount using present value table

Net present value = Present value of all cash inflows – present value of initial investment.

Decision Rule:

Accept: NPV > Zero

Reject: NPV < Zero

Net Present Value Analysis:

Year	PAT	Discounting present value Table (Present value of Re.1 @ 10 %)	Present Value of Net Cash Flows	Present value of Initial investment
2018	33324997	0.909	30292422.27	65782923.78
2019	35241131	0.826	29109174.21	144616409.6
2020	123526969	0.751	92768753.72	135357388.5
2021	79500394	0.683	54298769.1	31586018
2022	46222467	0.621	28704152.01	28718766
		TOTAL =	235173271.3	406061505.8

Calculation:

Present value of all cash flows	23, 51, 73, 271.3
Less: Present value of all Initial Investment	<u>40, 60, 61,505.8</u>
Net Present Value (20118-12)	<u>(17, 08, 88,234.5)</u>

Interpretation:

The above table clearly indicates that the Net Present Value for the five years from 2018 to 2022 is **(17, 08, 88,234.5)**

A negative NPV indicates that the project will probably be unprofitable and therefore should be adjusted, if not abandoned altogether.

NPV enables a manager to consider the time value of money it will invest. This concept holds that the value of money increases with time because it can always earn interest in a savings account.

Therefore, any other investment of that money must be weighed against how the funds would perform if simply deposited and saved.

CHAPTER V

FINDINGS, SUGGESTIONS, AND CONCLUSION

5.1 FINDINGS:

- The current year (2022) PBP is found to be 1 year. This shows that the company recovers its investment in 1 year.
- From the above, it is inferred that the company have its highest payback Period in 2019 with 4.97 or 5 years.
- The value of the Payback Period (2018: 2.17), (2019: 4.97), (2020: 1.46), (2021: 0.58), (2022: 1.00).
- A negative NPV indicates that the project will probably be unprofitable and therefore should be adjusted, if not abandoned altogether.
- The average rate of return for the year 2022 is reduced to 1 year the Net Present Value for the five years from 2018 to 2022 is **(17, 08, 88,234.5)**.
- A negative NPV indicates that the project will probably be unprofitable and therefore should be adjusted, if not abandoned altogether.
- The Accounting rate of return for the year 2022 is reduced to 1 year.

- The value of the Accounting Rate of Return (2018: 0.46), (2019: 0.20), (2020: 0.68), (2021: 1.72), (2022: 1.00).
- The average rate of return for the year 2021 is reduced to 1 year the Accounting Rate of Return for the five years from 2021 is **(1.72)**.

5.2 SUGGESTIONS:

1. The shorter the payback period, the sooner the company recovers its cash investment. Whether a cash payback period is good or poor depends on the company's criteria for evaluating projects.
2. A higher rate of return indicates that investment made in the particular year has a higher cash inflow in the future.
3. A negative NPV indicates that the project will probably be unprofitable and therefore should be adjusted, if not abandoned altogether.
4. NPV enables a manager to consider the time value of money it will invest. This concept holds that the value of money increases with time because it can always earn interest in a savings account.
5. Therefore, any other investment of that money must be weighed against how the funds would perform if simply deposited and saved.
6. The PAT trend is decreasing so the company should take necessary steps to increase the profit of the company by decreasing the expenses and debtors
7. The EBIT trend is decreasing in 2022 this may be due to an increase in expenses and high interest. So the company should take necessary actions to decrease expenses.

5.3 LIMITATION OF THE STUDY:

- Some company information is confidential
- The training period is only ten years.
- This study is based on the company's historical data.
- This study focuses only on capital investments made by companies.

All studies focus on different capital investments. Although this technique has its advantages, there are some computational problems and disadvantages when using this technique. While the NPV method is easy to use when cash flow is known, it is difficult to obtain a cash flow estimate due to uncertainty in practice.

Discount rate It is also difficult to measure the discount rate in practice. Also, the NPV approach should be used with caution when considering other projects with unequal lifestyles or financial constraints. Under the NPV principle, the valuation of capital is not independent of the discount rate.

Similarly, the payback method is not an appropriate measure of the benefits of the investment as it does not include the total revenue of the project. This approach does not include the revenue model.

There is no reasonable basis for setting a maximum payment period. This is usually a decision. The return is inconsistent with the purpose of the market value of the company's stock. The stock price does not depend on the payback period of the investment.

5.4 CONCLUSION:

Capital budgeting or investment evaluation is the planning process used to determine the organization's long-term investments such as new machinery, replacement machinery, new factories, new products, and research and development will be worth following.

Capital or investment finance, expenditure. It is a process used to determine whether a company's investment or project is worth making. The process of allocating funds to fixed assets is important because they are usually long-lived and cannot be easily recovered all at once.

So we can say that this is an asset allocation process where management has to use financial resources to determine which activity will generate more profits over time.

It is clear from this study that capital investment mainly involves evaluating the value of investment capital based on estimates of income and expense. This study clearly shows that the efficient allocation of funds is the most important aspect of financial performance in today's world.

Therefore, capital investment or investment decisions are very important to companies because they often determine their value by influencing their growth, profitability and risk. Analysis of the payback period and the average rate of return concluded that management should try to acquire capital efficiently.

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BALANCE SHEET:

Consolidated five years Balance Sheet of FLSMIDTH PRIVATE LIMITED

Income and Expenditure

PARTICULARS	2018	2019	2020	2021	2022
Rs. Crore (Non-Annualised)					
Total income	10.229	10.642	12.177	13.944	12.793
Sales	9.713	10.152	11.685	13.316	12.312
Industrial sales	9.713	10.152	11.685	13.316	12.312
Income from non-financial services	0	0	0	0	0
Income from financial services	0.488	0.461	0.47	0.601	0.406
Interest	0.18	0.153	0.135	0.174	0.255
Dividends	0.19	.222	.25	0.098	.142
Treasury operations	0.118	0.086	0.085	0.329	0.009
Other income	0.017	0.012	0.012	0.014	0.055
Prior period income & extraordinary income	0.011	0.017	0.01	0.013	0.02
Change in stock	-0.029	0.189	0.383	-0.316	-0.075
Total expenses	9.379	9.942	11.677	12.893	11.824
Raw material expenses	4.161	4.423	5.596	6.715	5.205
Packaging expenses	0	0	0	0	0
Purchase of finished goods	0	0	0	0	0
Power, fuel & water charges	0.863	0.709	0.708	0.855	1.123
Compensation to employees	1.006	1.123	1.264	1.418	1.598

Indirect taxes	1.048	1.254	1.356	1.054	0.89
Royalties, technical know-how fees, etc.	0	0	0	0	0
Lease rent & other rent	0.011	0.011	0.011	0.015	0.016
Repairs & maintenance	0.234	0.218	0.242	0.265	0.305
Insurance premium paid	0.031	0.027	0.02	0.014	0.029
Outsourced mfg. jobs (incl. job works, etc.)	0.224	0.346	0.489	0.351	0.308
Outsourced professional jobs	0.005	0.008	0.007	0.01	0.01
Directors' fees	0.002	0.002	0.002	0.002	0.002
Selling & distribution expenses	0.576	0.56	0.674	0.727	0.896
Travel expenses	0.153	0.177	0.187	0.208	0.186
Communication expenses	0.042	0.039	0.039	0.045	0.041
Printing & stationery expenses	0	0	0	0	0
Miscellaneous expenses	0.314	0.306	0.335	0.444	0.404
Other operational exp. of indl. Enterprises	0	0	0	0	0
Other oper. exp. of non-fin. service enterprises	0	0	0	0	0
Share of loss in subsidiaries/JVs,etc.	0	0	0	0	0
Lease equalisation adjustment	0	0	0	0	0
Loss on securitisation of assets/loans	0	0	0	0	0
Fee based financial service expenses	0.015	0.017	0.022	0.025	0.021
Treasury operations expenses	0	0	0	0	0.064
Total provisions	0	0	0.003	0.025	0
Write-offs	0.006	0.007	0.011	0.004	0.001
Less: Expenses capitalized	0.026	0.03	0.074	0.072	0.029
Less: DRE & expenses charged to others	0.024	0	0.03	0.047	0.036

Prior period & extraordinary expenses	0	0.005	0.011	0	0.003
Interest paid	0.015	0.012	0.023	0.045	0.052
Financial charges on instruments	0	0	0	0	0
Expenses incurred on raising deposits/debts	0	0	0	0	0
Depreciation	0.393	0.396	0.416	0.375	0.35
Amortisation	0	0	0	0	0
Provision for direct taxes	0.33	0.332	0.365	0.415	0.385
PAT	0.821	0.889	0.883	0.735	0.894
PBDITA	0.1559	0.1629	1.687	1.57	1.681
PBDTA	0.1544	0.1617	1.664	1.525	1.629
PBT	0.1151	0.1221	1.248	1.15	1.279

Investments Report

PARTICULARS	2018	2019	2020	2021	2022
Rs. Crore (Non-Annualised)					
-					
Investments	3.347	3.255	2.962	2.899	2.91
In equity shares	0.397	0.401	0.412	0.417	0.42
Group companies	0.223	0.223	0.223	0.219	0.219
Other than group companies	0.174	0.178	0.189	0.198	0.201
In debt instruments	0.776	0.636	0.565	0.352	0.116
Other than government debentures/bonds	0.775	0.635	0.564	0.351	0.116
Other than group companies	0.775	0.635	0.564	0.351	0.116
In bonds/debentures of government/local bodies	0.001	0.001	0.001	0.01	0
In mutual funds	2.159	2.225	1.99	2.161	0.238
Other than group companies	2.159	2.225	1.99	2.161	2.38
In others	0.024	0	0.004	0	0
Less: Provision for diminution in value of investments	0.009	0.007	0.01	0.032	0.006
Book value of quoted investments	0.288	0.292	2.292	2.328	2.55
Market value of quoted investments	0.415	0.426	2.065	0.831	0.859
Marketable securities	2.447	2.517	2.292	2.328	2.55

PARTICULARS	2018	2019	2020	2021	2022
Rs. Crore (Non-Annualised)					
-					
PBDITA	1.559	1.629	1.687	1.57	1.681
Depreciation	0.393	0.396	0.416	0.375	0.35
Amortisation	0	0	0	0	0
PBIT	1.166	1.233	1.271	1.195	1.331
Interest paid	0.015	0.012	0.023	0.045	0.052
Financial charges on instruments	0	0	0	0	0
Fee based financial services expenses	0	0	0	0	0
PBT	1.151	1.221	1.248	1.15	1.279
Provision for direct tax	0.33	0.332	0.365	0.415	0.385
Corporate tax	0.336	0.355	0.35	0.401	0.42
Deferred tax	0	0	0	0	0
Less: Deferred tax assets / credit	0.026	0.039	0.005	0.005	0.035
Other direct tax	0.02	0.016	0.02	0.019	0
Fringe benefits tax	0.02	0.016	0.02	0.019	0
PAT	0.821	0.889	0.883	0.735	0.894
Prior period & extra-ordinary income	0.011	0.017	0.01	0.013	0.02
Prior period & extra-ordinary expenses	0	0.005	0.011	0	0.003

Net prior period & extraordinary transactions	-0.011	-0.012	0.001	-0.013	-0.017
PBDITA net of P&E	1.548	1.17	1.688	1.557	1.664
PBIT net of P&E	1.155	1.221	1.272	1.182	1.314
PBT net of P&E	1.14	1.209	1.249	1.137	1.262
PAT net of P&E	0.81	0.877	0.884	0.722	0.877
Distribution of profits (o/a)					
PBDITA	100	100	100	100	100
Depreciation & Amortisation	2.5208467	2.43093923	2.46591583	2.38853503	2.08209399
Financial charges	0.096215523	0.073664825	0.136336692	0.286624204	0.309339679
Tax	2.1167415	2.03806016	2.16360403	2.6433121	2.29030339
PAT	5.26619628	5.45733579	5.23414345	4.68152866	5.31826294
Non—provisions	0	0	0	0	0
Diminution in investement	0	0	0	0	0
Sundry debtors	0	0	0	0	0
Loans & advances including NPAs	0	0	0	0	0
Loans & advances to group cos.	0	0	0	0	0
Interest expenses	0	0	0	0	0
Power expenses	0	0	0	0	0
Gratuity	0	0	0	0	0
Others	0	0	0	0	0

