

Available online @ [www.iaraindia.com](http://www.iaraindia.com)  
 SELP Journal of Social Science - A Blind Review & Refereed Quarterly Journal  
 ISSN: 0975-9999 (P) 2349-1655 (O)  
 Impact Factor: 3.655 (CIF), 2.78(IRJIF), 2.5(JIF), 2.77(NAAS)  
 Volume XV, Issue 56, April-June 2024  
 Formally UGC Approved Journal (46622), © Author

## **EVALUATING CAPITAL BUDGETING TECHNIQUES FOR INVESTMENT DECISION-MAKING**

**Mr. S. ARUNESWARAN, MBA., M.Phil., (Ph.D.)**

&

**S. PRANEETH, MBA.,**

Department of Management Studies - PG  
 K.S.Rangasamy College of Arts and Science (Autonomous), Tiruchengode

### *Abstract*

*Capital budgeting stands as a pivotal process in strategic financial management, directly influencing a company's potential for success and its foundational cost structure. This paper delves into the multifaceted nature of investment decisions, which are characterized by substantial initial cash outflows and the consequential commitment of significant funds. The paper presents an empirical application to a specific business case, integrating relevant literature on capital budgeting, business valuation, management accounting, and investment decisions. It follows a structured path, employing financial techniques and instruments that facilitate decision-making, thereby evaluating the potential benefits of a new investment for the company.*

**Keywords:** *Capital budgeting, Management accounting, Financial techniques.*

### **INTRODUCTION**

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period. Analysts and investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate. Financial performance measures a firm's financial health based on assets, liabilities, revenue, expenses, equity, and profitability. It is a thorough analysis of company financial statements. Analysts examine a firm's Income Statement, Cash Flow Statement, Balance Sheet, and Annual Report.

### **OBJECTIVES**

- To study on evaluating capital budgeting techniques for investment decision making.
- To evaluate the capital budgeting performance of the company.
- To study the Investment pattern and decision-making policies of ponni sugars.

### **NEED OF THE STUDY**

- The main purpose of the study is to analyze the growth and working of the company for financial periods of five years.
- The main aim of financial performance analysis is to understand better financial position of the firms.
- The purpose is to assess the Ponni Sugars short term and long-term financial stability.

### **SCOPE OF THE STUDY**

Analysis and interpretation of evaluation of capital budget refer to such a treatment of information contained in the balance sheet and income statement as to afford full diagnosis of the financial position and profitability of the business enterprises. Effective and secure investment

decision making tools are essential for operation of the business enterprises. They determine the operational efficiency and the ultimate success or failure of a business.

**LIMITATION OF THE STUDY**

- The study is restricted only to a period of four month.
- The data for the study is secondary in nature and the bias in them reflect over the analysis and conclusion.
- The study was mainly based on annual reports of the company of 5 years.

**LITERATURE REVIEW**

**Singh, Jain and Yadav.,(2012)** studied the contemporary practices in capital budgeting in Indian companies. Result of the study is based on responses received from 31 nonfinancial companies listed in BSE 200 index. The study confirmed the ongoing trend towards use of advanced techniques of capital budgeting.

**Arora, Preeti., (2012)** made a study of Capital Budgeting practice of top 500 companies of India, enlisted in market index in terms of their size of market capitalization. She collected data through structured questionnaire from 125 companies covering 9 industries. **Kengatharan, L.,(2016)** in his research paper “Capital Budgeting Theory and Practice: A Review and Agenda for Future Research” made a longitudinal study on capital budgeting practices followed across the world during the last two decades i.e., from 1993-2013.

**RESEARCH METHODOLOGY**

- Research design: Ratio Analysis.
- Collection Method: Annual reports of Ponni sugars of 5 years.

Tools used for analysis: 1. Liquidity ratio. 2. Current Ratio. 3. Fixed Asset ratio.4.Debt equity ratio

**ANALYSIS & INTERPRETATION**

**Ratio Analysis:**

**Liquidity Ratio:** Liquidity refers to the ability of a firm to meet its short-term financial obligations when and as they fall due. The main concern of liquidity ratio is to measure the ability of the firms to meet their short-term maturing obligations.

Year	Liquid Assets	Current Liabilities	Ratio
2023	4345.09	1376.46	3.16
2022	2791.60	1438.63	1.94
2021	2749.09	1315.42	2.09
2020	2678.23	1165.82	2.30
2019	1796.02	995.82	1.80

In the above table indicates the Liquid ratio of the company during the study period of 2019 to 2023 the highest ratio of 3.16 in the year 2023 and lowest ratio of 1.80 in the year 2019. The remaining ratios are in fluctuating trend.

**Current Ratio:** The Current Ratio expresses the relationship between the firm's current assets and its current liabilities. Current liabilities consist of accounts payable, short-term notes payable, short-term loans, current maturities of long-term debt, accrued income taxes and other accrued expenses (wages).

**Current Ratio:** The Current Ratio expresses the relationship between the firm's current assets and its current liabilities. Current liabilities consist of accounts payable, short-term notes payable, short-term loans, current maturities of long-term debt, accrued income taxes and other accrued expenses (wages).  
In the above table indicates the Current ratio of the company during the study period of 2019 to 2023 the highest ratio of 3.16 in the year 2023 and lowest ratio of 1.81 in the year 2019. The remaining ratios are in fluctuating trend.

Year	Current Assets	Current Liabilities	Ratio
2023	4352.76	1376.46	3.16
2022	2795.18	1438.63	1.94
2021	2765.75	1315.42	2.10
2020	2686.99	1165.82	2.30
2019	1797.72	995.82	1.81

**Fixed Assets Ratio:** The 'Fixed-Asset Ratio'

The fixed-asset turnover ratio is, in general, used by analysts to measure operating performance. This ratio specifically measures how able a company is to generate net sales from fixed-asset investments, namely Property, Plant and Equipment (PP&E), net of depreciation.

Year	Fixed Assets	Long Term Funds	Ratio
2023	410.94	6731.34	0.06
2022	416.54	6110.19	0.07
2021	394.51	7146.78	0.05
2020	375.94	6619.65	0.06
2019	320.41	7084.53	0.04

In the above table indicates the Fixed ratio of the company during the study period of 2019 to 2023 the highest ratio of 0.07 in the year 2022 and lowest ratio of 0.04 in the year 2019. The remaining ratios are in fluctuating trend.

#### DEBT EQUITY RATIO

Year	Long Term Debt	Share Holder Fund	Ratio
2023	6731.34	5035.69	1.34
2022	6110.19	4572.95	1.34
2021	7146.78	4246.03	1.68
2020	6619.65	3326.34	1.99
2019	7084.53	3085.19	2.30

#### FINDINGS

The analysis results depict in the highest liquid ratio of 3.16 in the year 2023. In the current ratio of 3.16 of the company was good in the year of 2023. In the Fixed ratio 0.07 of the company was good in the year of 2022. The working capital changes in the year 2019-2020 got 79.84 was increased. The working capital was decreased in the year of 2020-2021 was 0.48. The working capital was decreased the value 51.04 in the year of 2021-2022. The schedule changes in working capital for the year 2022-2023 was decreased the value of 521.55.

#### SUGGESTIONS

- The company take necessary steps to improve its financial performance position as its working capital turnover ratio has fluctuations during the study period.
- The fixed asset ratio of the company was satisfied when comparing previous years.
- The debt equity ratio of the company was not satisfied when comparing previous years.
- The company was able to maintain adequate working capital during the study period. Hence the same level of operation can be continued.

#### CONCLUSION

The project presents a clear picture of the workings and present financial position of the company. If the company adopts the suggestions given in this report, it is sure that, the company will make a better position in its financial activities. The company will concentrate on the working capital.

#### REFERENCES

1. Anand Manoj (2002): Corporate Finance Practices in India: A Survey, Vikalpa, Vol. 27, No. 4, October-December 2002, pp. 29-55
2. Andor, Gyorgy; Mohanty, S. K. and Toth, T. (2015): "Capital Budgeting Practices: A Survey of Central and Eastern European Firms", Emerging Markets Review, Vol.23, pp.148-172.
3. Arnold and Hatzopoulos (2000): "The Theory-Practice Gap in Capital Budgeting: Evidence from the United Kingdom", Journal of Business Finance and Accounting, Vol. 27 (5-6).
4. Arora, Preeti (2012): 'An Empirical Investigation of Capital Budgeting Practices in India', International Journal of Research in Commerce and Management, Vol.3 Issue 5, May.
5. Kalpana Naidu. C and Paramasivan. C (2015 ), A Comparative Study Of Public & Private Life Insurance Companies In India, *International Journal of Multidisciplinary Research Review*, Vol.1, Issue – 7, Sep -2015. Page- 15-18
6. Paramasivan C & Mari Selvam P (2013). Progress and Performance of Micro, Small and Medium Enterprises in India. *International Journal of Management and Development Studies*, 2(4), 11-16.
7. Paramasivan. C (2015), Conventional Methods of Training to Teacher and Its Impact in Higher Education, Advanced Scientific Research &Development (IJASRD), Volume 02, Issue 04 (Oct – Dec'2015) | PP 01 – 09
8. Paramasivan C, & Pasupathi R (2016), Performance of agro based industries in India, National Journal of Advanced Research, Volume 2; Issue 6; November 2016; Page 25-28.
9. Paramasivan C, & Pasupathi R (2017), A study on growth and performance of Indian agro based exports, International Journal of Humanities and Social Science Research, Volume 3; Issue 9; September 2017; Page No. 01-05.