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Capital Budgeting in Vijaya Milk Diary Ltd.

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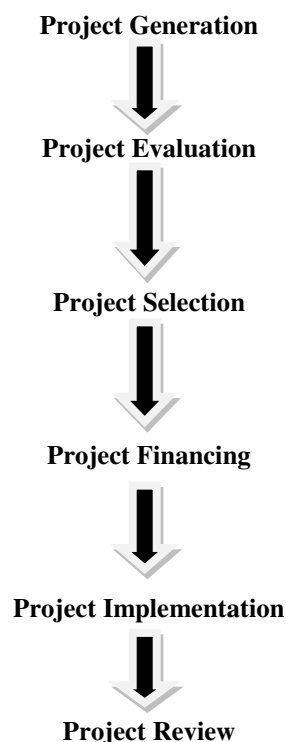
ABSTRACT: In corporate finance, capital budgeting refers to the planning process used to assess whether an organization's long-term capital investments, such as new equipment, replacement equipment, new plants, new products, and research and development projects, are worthwhile for funding with cash through the firm's capitalization structures (debt, equity or retained earnings). It involves allocating funds for significant capital, or investment, expenditures. To improve the value of the company to the shareholders is a fundamental aim that is consistent with the general corporate finance strategy. The current study analysed Vijaya Milk Diary Ltd.'s capital budgeting choices. Just secondary data from business websites, publications, and research articles were used for the study.

KEYWORDS: Capital Budgeting, Finance, Internal Rate of Return, Project and Payback period.

I. INTRODUCTION

Allocating the company's limited financial resources among the many market prospects is the focus of capital budgeting. Capital budgeting is more or less a continuous process carried out by various functional management areas in any grouping company, including production, marketing, engineering, financial management, etc. All relevant functional departments play a significant role in the capital budgeting decision are taken into consideration. However, in addition to project- and company-specific considerations, other factors also affect the rate of return that is regarded acceptable or unsatisfactory.

II. CAPITAL BUDGETING PROCESS





Project Generation: Investment proposals of various types may originate at different levels with affirm. The investment proposals any fall into one of the following categories. The company has various options for capital employment on a long-term basis. In the initial stage, the management needs to analyse the strengths and weaknesses of every project for foreseeing the potential of each option

Project Evaluation: The management then gathers and compares all of the investment offers based on factors including cost, risk, potential returns, and return on investment, among others.

Project Selection: The finance team must investigate all available options for raising or acquiring funding once the project has been finalised. This process is known as capital budget preparation. There must be a decrease in the average cost of funds. It is necessary to streamline a thorough process for periodic reports and project tracking right from the start. Profitability, economic factors, viability, and market conditions are taken into account while making the final decisions.

Project Financing: The next step after choosing a project is financing. In most cases, the quantity needed is known once the project has been chosen. Financing arrangements must be made during this phase. Equity and debt are two types of broad sources that are available.

Project Implementation: Following the distribution of the long-term investment, the business takes measures to carry out its choice. A thorough project plan should be laid out in advance by the management to prevent difficulties and unnecessary time consumption.

Project Review: The final step in capital budgeting entails contrasting the actual outcomes with the expected ones. To identify the deviation and implement corrective measures, management must measure and compare the actual performance with the estimated one.

III. OBJECTIVES OF THE STUDY

1. To study the theoretical frame work of capital budgeting in Vijaya Milk Diary Ltd.
2. To analyze the capital budgeting decision of Vijaya Milk Diary Ltd.

Table 1 Capital Budgeting Decisions of Vijaya Milk Diary Ltd. from 2016 to 2021

Particulars	Values
Pay Back Period	4.06 Years
Average Rate of Return	59.36 %
Net Present Value	Rs.72,84,797
Internal Rate of Return	47.06 %
Profitability Index	1.90%

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Table 1 shows that the capital budgeting decisions of from the year 2016 to 2019. The firm has been used different capital budgeting decisions like Pay Back period, Average rate of return, Net Present Value, Internal rate of return of return and Profitability index and all these carries by the firm as follows PBP(4.06 years), ARR (59.36%), NPV (Rs.72,84797), IRR (47.06%) and PI (1.90%).



IV. OUTCOMES OF THE STUDY

1. It is found that the firm obtained their investments back at 4.06 years
2. The study found that the firm having the average return on their investments is 59.36 percent.
3. It is found that the firm having net present value of Rs. 72, 84,797 during the study period.
4. The study tells us that internal rate of return is that 47.06 %
5. The firm carries the overall profitability is 1.90 %

V. CONCLUSION

Budgeting for capital expenditures is a key management task. Making the right choices might help the firm reach new heights. However, given the sum of money at stake and the length of these initiatives, one bad choice might push the company closer to closing down.

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