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## **A Study on Capital Budgeting in Hindustan Coca - Cola Beverages (Pvt) Ltd., at Srikalahasti**

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### **ABSTRACT:**

Capital budgeting is a step-by-step process that businesses use to determine the viability of an investment proposal. The decision of whether to accept or not accept an investment project as part of a company's growth initiatives, involves determining the investment required rate of return that such a project will generate positive cashflows. As per the project data is concerned, it is concluded that the payback period of the project is good and which is get returned with in standard payback period of 4 years. And also, capital invested is getting more return which is greater than the company policy.

Key words: Capital budgeting, Investment Proposal

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### **Introduction: -**

The time period Capital Budgeting refers to long term planning for proposed capital outlay and their financing. It includes raising long-term period finances and their utilization. It may be described as a company's formal system of acquisition and funding of capital.

Capital Budgeting May also be defined as "The selection making manner through which a firm evaluates the purchase of principal constant belongings. It involves firm's choice to make investments its cutting-edge finances for addition, disposition, amendment and substitute of fixed assets.

The position of a finance supervisor inside the capital budgeting basically lies inside the system of severely and in-intensity analysis and evaluation of numerous alternative proposals after which to pick out one out of these.

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### **Need of the study: -**

Capital Budgeting means planning for capital assets. Capital Budgeting decision are vital to an organization as to include the decision as funds should be invested in long term projects such as purchase of plant and machinery etc., and analyze the proposals for expansion or creating additional capacities. To make financial analysis of various proposals regarding capital investment so as to choose the best out of many alternative proposals.

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### **Scope of the study: -**

The scope of the study is to understand the importance of the capital budgeting decisions in Hindustan Coca-Cola beverages private limited at Srikalahasti, evaluating investment proposal of setting up facilities at Hindustan Coca-Cola beverages private limited at Srikalahasti, and explain the principles of the investment and financing decisions.

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### **Objectives of the study: -**

- To analyze and assess the financial viability of the investment proposal using the methods of capital budgeting.
- To assess the effectiveness of long-term investment decisions of Hindustan Coca-Cola beverages private limited at Srikalahasti.
- To evaluate the capital budgeting practices relating to investment activities of Hindustan Coca-Cola beverages private limited at Srikalahasti.

**Limitations of the study: -**

- Period of the study is restricted to five years only.
- Limited span of time (30 days) is a major limitation for this project.
- The result does not reflect the day-to-day transaction.
- It is also impossible to the study of day-to-day transaction in cash management.

**Data Analysis & Interpretation: -****SHOWS PAYBACK PERIOD FOR GIVEN PROJECT (Amount in Lakhs)**

YEARS	CASH INFLOWS	CUMULATIVE CASH FLOWS
2016-17	423.91	423.91
2017-18	1078.75	1502.66
2018-19	193.45	1696.11
2019-20	3999.33	5695.44
2020-21	2331.02	8026.46

**INTERPREITATION:**

PBP can be used as a criterion to accept or reject an investment proposal. A proposal whose actual payback period is more than what is pre-determined by the management. PBP thus, is useful for the management to accept the investment decision on the capital budgeting in Hindustan Coca-Cola beverages private limited at Srikalahasti and also to assist the management to know that the initial investment is recovered in 3.57 years.

**SHOWING ARR FOR GIVEN PROJECT (Amount in Lakhs)**

YEARS	CASH INFLOWS
2016-17	423.91
2017-18	1078.75
2018-19	193.45
2019-20	3999.33
2020-21	2331.02

**INTERPREITATION: -**

The method allows capital budgeting in Hindustan Coca-Cola beverages private limited at Srikalahasti to fix a minimum rate of return. Any project expected to give a return below it will be straight away rejected. The average rate of return is as 80.74% of capital budgeting in Hindustan Coca-Cola beverages private limited at Srikalahasti depicts the prospects of management efficiency.

**Findings: -**

- The Standard Pay Back Period Of The HINDUSTAN COCA COLA BEVERAGES PVT LTD Industries For Considering The Projects Is 5 Years But The Actual Pay Back Period Is 3.6 Years. So it should be thisProject Accepted.
- The Standard ARR Of HINDUSTAN COCA COLA BEVERAGES PVT LTD Management Is Higher. The Actual ARR Is 80.74% It Is Higher Than The Standard ARR Set By The Management. And then A Project Can Be Accepted.
- The Net Present Value Of The Project Having The Positive Value.
- The Project Is Accepted When IRR Is Higher Than Its Cost Of Capital Or Cut Of Rate (15%). The Project Is Accepted Because Of The Calculation OfIRR Is Higher Than Its Cost Of Capital (21.11%).
- A Project Can Be Accepted If Its PI Is Greater Than One. If PI Is Less Than One It Should Be Rejected. Profitability Index Of The Project Is 1.23, This Is Greater Than One. So, It Should Be Accepted

**Suggestions: -**

1. The data is concerned that, to establish a close link between physical progress and monetary outlay.
2. Need a basic plan for allocation and budgetary support by the government.
3. The relevant facts and quantifications of anticipated results and benefits, risk factor if any must be clearly brought out.

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**Conclusion: -**

Finally, as per the project data in concerned, it is concluded that the payback period of the project is good and which is get returned with in standard payback period. And also, capital invested is getting more return which is greater than the fixed percentage.

**Reference: - 1**

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Edition	:	Eighth Edition.

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**WEBSITE**

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