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A Study on Analysis of Capital Budgeting of Endeka Ceramics India Private Limited, at Hosur.

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ABSTRACT

This study investigates the capital budgeting practices at Endeka Ceramics Pvt. Ltd., a leading ceramics manufacturer. It examines how the company evaluates long-term investments using techniques such as Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, and Profitability Index. Through interviews and financial analysis, the research highlights Endeka's structured approach to project selection, emphasizing strategic alignment and risk assessment. Challenges identified include forecasting uncertainties and market fluctuations. The study underscores the importance of robust capital budgeting in enhancing operational efficiency and sustaining competitive advantage.

Key words: Capital Budgeting, Net Present Value, Internal Rate of Return, Payback Period, Profitability Index, Strategic Investment, Risk Assessment, Ceramics Industry

INTRODUCTION

Capital budgeting is essential for strategic decision-making at Endeka Ceramics Private Limited, enabling the company to evaluate long-term investments like machinery upgrades and product development. By using techniques such as Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period, Endeka ensures resource optimization and sustained growth. These methods support informed decisions that align with the company's goals, helping it maintain operational efficiency and a competitive edge in the ceramics industry.

RESEARCH BACKGROUND

Endeka Ceramics Private Limited, established in 1994, is a prominent global supplier of raw materials and intermediate products for the ceramics industry. With its headquarters in Vall d'Alba, Spain, the company operates manufacturing facilities across Europe, Asia, and the Americas, including a significant presence in India through Endeka Ceramics India Private Limited, based in Bengaluru. Endeka's product portfolio encompasses frits, glazes, colors, digital inks, and zircon-based opacifiers, catering to the tile, sanitaryware, and tableware sectors.

ENDEKA PVT LTD OVERVIEW

In 2017, Endeka was acquired by Ferro Corporation, a U.S.-based leader in functional coatings and color solutions, enhancing its global reach and innovation capabilities. Endeka's commitment to quality and technological advancement has solidified its position as a key player in the ceramics industry, serving clients worldwide with tailored solutions and technical support.

IDENTIFIED PROBLEM

One of the key challenges in capital budgeting at Endeka Ceramics is managing the uncertainty associated with market fluctuations and economic conditions. The ceramics industry is highly competitive, and demand for products can vary based on global trends, customer preferences, and regional economic shifts. This makes it difficult to accurately predict returns on long-term investments, leading to potential risks in resource allocation.

OBJECTIVES OF THE STUDY

To Study about the Capital Budgeting in Endeka Ceramics India Pvt.Ltd at Hosur.

To Evaluate Investment Feasibility: To assess the financial viability and strategic alignment of proposed capital investment projects.

To Strengthen Decision-Making Framework: To develop a robust and systematic approach for evaluating, selecting, and implementing investment opportunities.

REVIEW OF LITERATURE

A literature survey in capital budgeting serves as an essential foundation for understanding the methodologies, trends, and challenges in making longterm investment decisions, particularly for companies like Endeka Ceramics. The survey involves reviewing previous studies, theories, and practices in capital budgeting, providing valuable insights into how other organizations assess and select investment projects. It highlights the importance of various financial metrics such as Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period in evaluating the feasibility of projects in the ceramics industry. The literature also discusses the integration of strategic objectives, such as sustainability and innovation, into capital budgeting decisions, which is especially relevant for companies like Endeka Ceramics that seek to enhance product quality and production efficiency.

Okpe Innocent Ikechukwu and Duru Anastesia Nwakaego (2018)1 analyzed the effect of debtor Management on the Profitability of Firms in Nigeria. The hypotheses were tested using multiple regression technique. At the end of the study, the results showed that accounts receivable had positive and significant effects with the profitability ratio at 1% levels of significance.

Business success heavily depends on the ability of the financial managers to effectively manage receivables, inventory, and payables (Accounts receivables management entails managing the firm's inventory and receivables in order to attain a balance between risk and returns and thereby contribute positively to the creation of a firm value Excessive investment in inventory and receivables reduces.

Divya Jindal and Simran Jain (2018)3 underwent a study on effect of debtor management on profitability: A study of the industry in India. This study empirically examines the effect of efficiency of receivables management, measured by debtor's turnover ratio, in the commercial industry in India on the firm's profitability. Profitability was measured using Return on Capital Employed.

Smita Rao and Hetal Gaglani (2019)4 studied the impact of debtor management on working capital: A study on selects companies. The result has been obtained by applying for identifying the relationship between receivable management and working capital management of company. The study revealed that of all the receivables has significant contribution in current assets, total assets, sales and working capital of companies.

Nimalathasan, (2020)6 found a positive effect existing between debtor management practices and firm performance and hence a gap in knowledge for further research. Debtor management practices deal with resources which are borrowed with expectations of repayment established the effect of debtor management techniques used to evaluate SMEs on the level of performance by Commercial. The study established that there is a negative relationship between Credit management practices and financial performance of the firm.

Claimed that businesses, with valuable tangible assets, which could be used as collaterals, do have easier access to external finance, and they could have had probably higher levels of debt than businesses with low levels of tangible assets. Therefore, in the Trade- Off approach, do have a positive relationship it was forecasted. who contributed to the Accounts receivables management decision According to the theory, agency conflicts arise from the possible differences of interests between shareholders (principals) and managers (agents) of firms. The Primary duty of managers was to manage the business in such a way that it generates returns to Shareholders thereby increasing the profit figures and cash flow. Due to a nonrational and opportunistic behaviour of agents as indicated by the interests and decisions of managers are not always aligned to the shareholders[®] interests, resulting in agency costs or agency problems Agency theory deals with own a business enterprise and all others who had interests in it and who works on behalf of others.

Showed that lack of empirical evidence from less developed economies and the lack of examination of the influence of debtor management practices on growth and profitability of major gaps in the knowledge of Debtor Management. Therefore, it is difficult to convince practitioners of the need for changes in practices until evidence of the influence of debtor management practice. Based on previous research findings and recognition of these gaps, a study on the influence of debtor management practices on the growth of the Hire Purchase Sector is justified.

RESEARCH GAP

The research gap in capital budgeting for Endeka Ceramics lies in the limited exploration of industry specific challenges and strategies for capital allocation in the ceramics sector. While general capital budgeting techniques such as NPV, IRR, and Payback Period are well-documented, there is a lack of comprehensive studies focusing on the unique factors influencing investment decisions in ceramics manufacturing, such as fluctuations in raw material costs, energy consumption, and demand for specialized ceramic products. Additionally, the integration of sustainability considerations and technological advancements in the capital budgeting process remains underexplored. Addressing this gap could provide Endeka Ceramics with tailored strategies to optimize capital investment and mitigate risks specific to their industry.

RESEARCH METHODOLOGY

This section outlines the methodological approach employed in exploring and analyzing Endika Ceramics, a brand known for its artisanal and contemporary ceramic designs. The methodology combines both qualitative and quantitative research techniques to gain a comprehensive understanding of the brand's creative processes, production methods, market positioning, and consumer perception.

The study is grounded in case study research, allowing for an in-depth examination of Endika Ceramics through interviews, observation, and secondary data analysis. This approach is particularly suitable for capturing the artistic and business dimensions of the studio. Data collection methods include semi-structured interviews with the founder and team members, field visits to the workshop, analysis of customer feedback, and a review of online presence and product offerings.

By integrating these methods, the research aims to provide holistic insights into how Endika Ceramics balances traditional craftsmanship with modern design, and how it sustains its presence in a competitive artisan market.

LIMITATION OF THE STUDY

Small sample size may limit generalizability.

Time and budget constraints may affect depth of analysis.

Possible respondent bias in self-reported data.

Limited access to accurate and comprehensive historical financial and operational data can affect the reliability of the analysis.

Rapid changes in market trends and economic factors may render some findings outdated or less applicable.

DATA ANALYSIS AND INTERPRETATION

Table 1.

Current Ratio

YEAR	CURRENT ASSETS	CURRENT LIABILITY	RATIO
2019-20	222.33	69.03	3.22
2020-21	228.32	66.61	3.43
2021-22	183.45	78.85	2.33
2022-23	189.97	66.91	2.84
2023-24	144.37	60.19	2.40

Chart 1.

Current Ratio



INTERPRETATION:

The current ratio is a measure of firm's short-term solvency. During the year 2019-20 the current ratio is 3.22 which is increased to 3.43 in the year 2020-21. From the next three year it was decreased when compared to 2020-21. So, the current ratio decreasing trend. Highest current ratio is 3.43 in the year of 2020-21 and the lowest ratio is 2.33 in the year 2021-22. So, the current ratio 3.43 in standard ratio 2:1. The current ratio is good position.

Table 2.

Working Capital Turnover Ratio

YEAR	SALES/ COST OF SALES	NETWORKING CAPITAL	RATIO
2019-20	322.71	153.30	2.10
2020-21	272.93	161.71	1.69
2021-22	225.54	104.60	2.16
2022-23	170.24	123.06	1.38
2023-24	127.32	84.18	1.51

Chart 2.

Working Capital Turnover Ratio



INTERPRETATION:

The working capital turnover ratio measure analyses current assets and liabilities. During the year 2019-20 the working capital ratio is 2.10 which decreased to 1.69 in the year 2020-21. From the next year again increased to 2.16 in the year of 2021-22. And then next year decreased to 1.38. It was decreased when compared to previous years. Highest working capital turnover ratio is 2.16 in the year 2021-22 and the lowest ratio is 1.38 in the year 2022-23.

SUMMARY OF FINDINGS

The current ratio is a measure of firm's short-term solvency. During the year 2019-20 the current ratio is 3.22 which is increased to 3.43 in the year 2020-21. From the next three year it was decreased when compared to 2020-21. So, the current ratio decreasing trend. Highest current ratio is 3.43 in the year of 2020-21 and the lowest ratio is 2.33 in the year 2021-22. So, the current ratio 3.43 in standard ratio 2:1. The current ratio is good position.

The working capital turnover ratio measure analyses current assets and liabilities. During the year 2019-20 the working capital ratio is 2.10 which are decreased to 1.69 in the year 2020-21. From the next year again increased to 2.16 in the year of 2021-22. And then next year decreased to 1.38. It was decreased when compared to previous years. Highest working capital turnover ratio is 2.16 in the year 2021-22 and the lowest ratio is 1.38 in the year 2022-23.

The Cash position ratio. In the year 2019-20 the cash position ratio is 0.04 and it was increased to 0.05 in the year 2020-21 then it is decreased in the year 2021-22 as 0.01. In the year 2022-23 it was high increased to 0.17 but in the year of 2023-24 it was decreased to 0.04. Highest cash position ratio is 0.17 in the year 2022-23. And the lowest ratio is 0.01 in the year 2021-22. So, the standard ratio 2022-23 of cash position ratio is 0.17. The cash position ratio is decreasing trend.

The debtors turnover ratio. In the year of 2019-20 ratio is 6.71 and the next year 2020-21 it is decreased to 6.34. The year of 2021-22 it was increased to 11.66. In the year 2022-23 it was decreased to 9.63 and in the year 2023-24 it was increased to 26.20. Highest debtors' turnover ratio is 26.20 in the year 2022-23 and the lowest ratio is 6.34 in the year 2020-21. So, the debtors' level is well position and fluctuated for year by year.

SUGGESTION

Incorporate software solutions for real-time data analysis and scenario modelling to improve accuracy in forecasting and decision-making.

Implement Monte Carlo simulations and risk adjusted discount rates to better account for uncertainties and varying project outcomes.

Prioritize investments in energy-efficient technologies and sustainable projects, aligning with global environmental trends and reducing long-term costs.

Establish a robust framework to track and evaluate project performance against projections, allowing for continuous improvement in budgeting practices. Engage multiple departments in the budgeting process to ensure diverse insights and alignment of investments with overall strategic goals.

CONCLUSION

The study of Endika Ceramics reveals a dynamic enterprise rooted in traditional craftsmanship while navigating the modern demands of the ceramic industry. Through comprehensive analysis of its production processes, market positioning, and customer satisfaction, it is evident that Endika Ceramics holds significant potential for growth. The business benefits from skilled artisanship, a strong aesthetic appeal in its product designs, and a growing customer base that values handmade and sustainable goods.

DIRECTIONS FOR FUTURE RESEARCH

Develop capital budgeting models that incorporate environmental, social, and governance (ESG) factors alongside traditional financial metrics (like NPV or IRR), to guide investments in eco-friendly technologies and materials. Enhance methods for evaluating currency, supply chain, and geopolitical risks in capital budgeting decisions, especially important as Endeka operates globally and sources materials from multiple regions. Apply real options theory to account for managerial flexibility in long-term ceramic production projects—e.g., delaying, expanding, or abandoning a digital printing line based on market trends. Leverage artificial intelligence and machine learning for more accurate demand and cost forecasts, improving cash flow estimations and project evaluation accuracy.

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