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A PROJECT REPORT ON CAPITAL BUDGETING IN LARSEN & TOUBRO INFOTECH LTD

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ABSTRACT

Capital budgeting is the process a business undertakes to evaluate potential major projects or investments. Construction of a new plant or a big investment in an outside venture are examples of projects that would require capital budgeting before they are approved or rejected. As part of capital budgeting, a company might assess a prospective project's lifetime cash inflows and outflows to determine whether the potential returns that would be generated meet a sufficient target benchmark. The capital budgeting process is also known as investment appraisal.

INTRODUCTION

Money Budget management requires the relationship in between a firm's initial assets and their short-term liabilities. Typically the goal of Money Budget Management is usually to make sure a new firm is in a position to continue their businesses and this that has satisfactory capacity to gratify both maturation short-term debt in addition to upcoming operational expenditures. The management regarding working capital requires ma**naging inventories** Selections in relation to working money and short-term loans are termed as Money Budget management. These kinds of involve handling usually the relationship between a fresh firm's short-term methods and its primary liabilities. The purpose of Capital Cost range Management is usually to be able to be sure that the firm has the capacity to continue its procedures and that it features adequate dollars flow to satisfy both maturing short-term debt and forthcoming operational expenses.

OBJECTIVES OF THE STUDY

• To find whether the company maintains minimum investment in inventory

Organized the profitability.

• To know whether the company maintain a large size of inventory for efficient and smooth production and sales operations.

• To know how the company maintains its credit policy.

• To understand the methods of financing functioning capital

•Suggestions for the administrative centre Budget management.

Vol 12, Issue 02, Feb/2021
ISSN NO:0377-9254

NEED OF THE STUDY:

Capital Budgeting constitutes area of the Crown's investment in a department. Associated with this is definitely an opportunity price to the Crown. (Money invested in one location may "price" opportunities for expense in other areas.) If a department is definitely operating with more working capital than is necessary, this over-expense represents an unnecessary price to the Crown.

From a department's perspective, excess functioning capital means operating inefficiencies. In addition, unnecessary capital Budgeting increases the quantity of the capital demand which departments are required to meet from 1 July 1991.

SCOPE OF THE STUDY

The scope of the present study on composes within its fold a theoretical frame work of Capital Spending budget management. In general, analysis of capital trends, relationship of working capital to sales, liquidity of Spending budget capital, analysis of administration of components of working capital and the administration of capital finance in the select unit.

LIMITATIONS

- A merchant account of Shortage of period, energy and money that is confined only L&T InfoTech Pvt Ltd, Chennai.
- Some data's aren't given as a result of confidential.
- Due to insufficient practical knowledge, I am struggling to research within an comprehensive manner.

RESEARCH METHODOLOGY

RESEARCH DESIGN

A research design is the arrangement of conditions for data collection and analysis in a way that aims to combine meaning with economics in the process for the purpose of the research.

The planning of the research project's design, generally referred to as the "research design," is the formidable challenge that accompanies the task of defining the research problem. Decisions as to whether, when, where, how often, by what means, an investigation or research study constitutes a research design.

DATA COLLECTION

SECONDARY DATA

Secondary data signifies that already are available we.e. they make reference to the data that have already been accumulated and analyzed by another person. Secondary data may either come to be posted data or unpublished data.

This study is period for the gross annual reports and statements of accounts extended from the years

ANALYTICAL TOOL FOR THE STUDY

During the course of research for the researcher for analysis and interpretation o data is given below has applied various tools.

- Ratios analysis
- Comparative balance sheet
- Trend analysis

REVIEW OF LITERATURE

The need for cash flow isn't fresh to the financing literature. Over 20 roughly years back, Largay and Stickney (1980) reported that usually the then-recent bankruptcy concerning W. T. Present, a nationwide cycle of department retailers, must have been recently anticipated because organization have been functioning a deficit money flow from businesses for 8 within the last 10 yrs from the organization lifestyle. Within a examine of the Bundle of cash 500's economical supervision practices, Gilbert furthermore to Reichert (1995) recognize that time value regarding money cash movement analysis is employed to be able to select projects inside 91 pct in the firms. Accounts receivable management versions are widely-used in 59 pct of these businesses, while inventory supervision versions were applied in 60 pct of the firms.

Recently, Farragher, Kleiman and Sahu (1999) realize that 55 pct of organizations inside the S&P Business index complete several sort of a funds flow assessment, nevertheless did not current insights regarding company accounts receivable and supply management, or versions of any kind of existing accounts asset or simply liability accounts around industries.

Theoretical perseverance of optimal business credit limits tend to be the main topic of different articles recently (e. g., Schwartz, mid 1970s and scherr, 1996), with scant focus paid out to genuine accounts receivable supervision.

Across a minor sample, weinraub furthermore to visscher (1998) see an inclination of organizations with low ranges of current percentages to likewise have reduced degrees of current liabilities. Merging accounts receivable and payable into one issue is certainly hill, satoris, and ferguson's (1984) discovering that payees define date of repayment as the date repayment is certainly received, while payors view repayment as the postmark date. Additional WCM insight across firms, industries, and period is necessary! maness and zietlow (2002, pp. 51, 496) presents two types of benefit creation through powerful short-term financial control activities.

Journal of Engineering Sciences

Vol 12, Issue 02, Feb/2021

ISSN NO:0377-9254

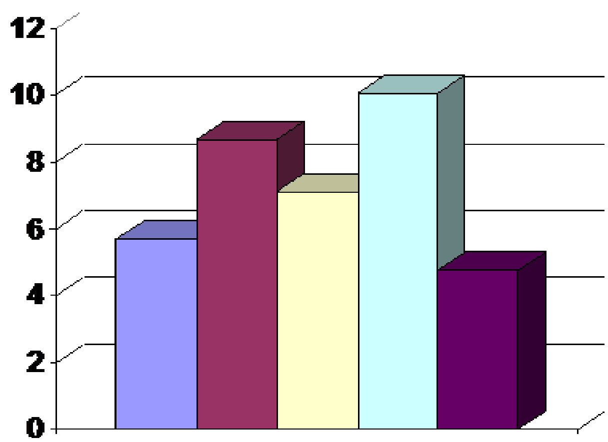
DATA ANALYSIS AND INTERPRETATION

CURRENT RATIO:

CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO (Times)
2015-2016	1259369308	221153699	5.69
2016-2017	1607087538	183830663	8.69
2017-2018	857669926	120307697	7.12
2018-2019	1135662118	112919857	10.05
2019-2020	1039098939	220779835	3.75

Chart 5.1 Current Ratio



INFERENCE:

This ratio is a measure of the company's devotion to fulfilling its short-term obligations. There were not enough existing assets in the company. Due to the fact that if the current assets are reduced to fifty percent (i.e.) instead of 2 then the creditors will still be able to get their payments in full, the ideal current ratio 2 is known as a secure solvency margin. However, at a specific time of the year, a company with seasonal trading operation may show a lower current ratio. Also, a very high current ratio is not ideal because it means effective usage of funds. In the successful use of funds, the organization is not attractive.

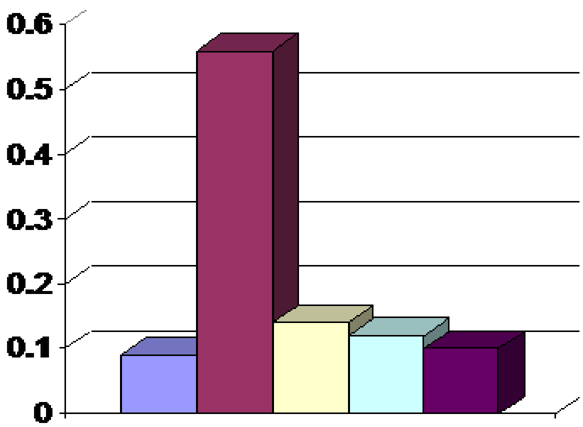
Vol 12, Issue 02, Feb/2021
ISSN NO:0377-9254

WORKING CAPITAL TURNOVER RATIO

5.2 WORKING CAPITAL TURNOVER RATIO

YEAR	SALES (Rupees)	CAPITAL (Rupees)	RATIO (Times)
2015-2016	98392557	1038213709	0.09
2016-2017	136213011	231219109	0.56
2017-2018	138087677	1083193229	0.13
2018-2019	121535360	1022732261	0.12
2019-2020	85310661	828319091	0.10

Chart 5.2 WORKING CAPITAL TURNOVER RATIOS



INFERENCE:

This ratio indicates whether working capital has been effectively employed in generating sales or not.

From the table it really is observed that doing work capital had some fluctuation in the center of the analysis period, the company could rise it in the old age.

Hence the turnover signifies that enterprise had applied its doing work capital proficiently and the business can also make an effort to focus on this to obtain additional effective values.

Vol 12, Issue 02, Feb/2021
ISSN NO:0377-9254

TREND ANALYSIS

$$Y = a + bX$$

$$\text{Where } a = \frac{\sum Y}{n} \quad ; \quad b = \frac{\sum XY}{\sum X^2}$$

Table – 5.11

INVENTORIES

YEAR	X	X^2	Inventories (Rs) Y	XY (Rs)
2015-2016	-2	3	3,33,218,275	-8,86,336,550
2016-2017	-1	1	3,56,536,533	-3,56,536,533
2017-2018	0	0	3,93,636,982	0
2018-2019	1	1	3,78,936,593	3,78,936,593
2019-2020	2	3	3,53,879,029	9,07,758,058
TOTAL	5	10	2,326,227,323	33,731,558

(Source: Annual Report)

$$a = \frac{2,326,227,323}{5} = 3,65,235,383.8$$

$$b = \frac{33,731,558}{10} = 3,373,155.8$$

Inventories value in 2003-05 will be about 1,31,19,367.3 lakh.

Table – 5.12

CASH / BANK

YEAR	X	X^2	Cash / Bank (Rs) Y	XY (Rs)
2015-2016	-2	3	3,72,165,527	-9,33,331,053
2016-2017	-1	1	3,57,605,655	-3,57,605,655
2017-2018	0	0	5,21,238,923	0
2018-2019	1	1	3,06,633,076	3,06,633,076
2019-2020	2	3	2,31,319,357	3,82,638,913
TOTAL	5	10	1,898,982,638	-512,653,719

(Source: Annual Report)

Vol 12, Issue 02, Feb/2021
ISSN NO:0377-9254

$$a = \frac{1,898,982,638}{5} = 379,796,527.6$$

$$b = \frac{-512,653,719}{10} = -51,265,371.9$$

Cash/Bank value in 2003-05 will be about 318,36,67,912.3 lakh.

Table – 5.13

RECEIVABLE

YEAR	X	X^2	RECEIVABLE (Rs) Y	XY (Rs)
2015-2016	-2	3	3,26,151,232	-65,23,02,363
2016-2017	-1	1	3,19,961,287	-3,19,961,287
2017-2018	0	0	2,96,585,353	0
2018-2019	1	1	3,13,999,932	3,13,999,932
2019-2020	2	3	12,02,157,553	23,03,315,108
TOTAL	5	10	2,359,855,369	1,737,051,299

(Source: Annual Report)

$$a = \frac{2,359,855,369}{5} = 391,971,073.8$$

$$b = \frac{1,737,051,299}{10} = 173,705,129.9$$

Sundry Debtors value in 2003-05 will be about 13,903.03 lakh.

Table –5.13

CURRENT LIABILITIES

YEAR	X	X^2	Current Liabilities (Rs) Y	XY (Rs)
2015-2016	-2	3	2,21,153,699	-3,32,309,398
2016-2017	-1	1	1,83,830,663	-1,83,830,663
2017-2018	0	0	1,20,307,697	0
2018-2019	1	1	1,12,919,857	1,12,919,857
2019-2020	2	3	2,20,779,838	3,31,559,696

Vol 12, Issue 02, Feb/2021
ISSN NO:0377-9254

TOTAL	5	10	8,60,092,765	-72,660,509

(Source: Annual Report)

a = $\frac{8,60,092,765}{5}$ = 17,2018,553

b = $\frac{-72,660,509}{10}$ = -7,266,050.9

Current liabilities value in 2003-05 will be about 8,01,338,369.33 lakh.

Table – 5.15

BILLS PAYABLE

YEAR	X	X^2	BILLS **PAYABLE** (Rs) Y	**XY (Rs)**
2015-2016	-2	3	56,677,193	-1,13,353,388
2016-2017	1	1	1,28,990,900	-1,28,990,900
2017-2018	0	0	13,035,050	0
2018-2019	1	1	1,03,122,991	1,03,122,991
2019-2020	2	3	67,966,652	1,35,933,303
TOTAL	5	10	371,802,787	-2,288,993

(Source: Annual Report)

a = $\frac{371,802,787}{5}$ = 73,360,557.3

b = $\frac{-2,288,993}{10}$ = -228,899.3

Bills Payable value in 2003-05 will be about -6,866,979 lakh.

FINDINGS

- Cash to current assets ratio has huge fluctuations during the period.
- Cash position in of the company has uneven pattern.
- Uneven trend in networking
- The company has its Spending budget ratio has been above the standard norms during the period 2005-06, 01-02, 02-03.
- Liquidity placement of the company is satisfied.
- Current assets are not properly utilized by the concern towards the turnover.
- Capital turnover ratio in the year 2007 better when compare to the previous year.
- The company has spent huge expenses.

Vol 12, Issue 02, Feb/2021
ISSN NO:0377-9254

SUGGESTION:

- The money position of the business is not properly maintained. Therefore the company must try to decrease the expenses and in addition cash to current possessions ratio.
- Company can employ their possessions properly.
- Modernized equipments can buy.
- From current ratio, overall ratio was above the accepted norms of 0.5. therefore the company must decrease the overall ratio steer clear of the unnecessary cash maintained in ideal.
- Company may properly maintain their debtors to revenue turnover ratio.
- AN OPERATING capital ratio has been preserved below the norms.

CONCUSION: The project report may be the apex of the master of business administration course conducted by the crescent business school. The analysis is executed at L & T InfoTech, Chennai with the title of a study on Capital Budgeting management. This study was conducted generally with help of secondary data acquired from the unit. The company should use the minimum expense in inventory to organize it profitability. Whether the company may invest large size of inventory to the concern. The efficient and production levels will be decreased. So the concern should maintain the maximum expense in inventory. The company able to achieve the Capital Price range Management objectives in appropriate way.

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