

**A STUDY ON CAPITAL BUDGETING AT ANANTHA PVC PIPES PVT LTD  
HAMPAPURAM, ANANTAPUR**

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**Abstract**

This study explores the crucial aspect of capital budgeting within the context of Anantha PVC Pipes, aiming to enhance the organization's decision-making processes regarding long-term investments. Capital budgeting is a fundamental process that enables companies to allocate their financial resources effectively and efficiently towards projects that align with their strategic goals and generate potential returns.

Through a comprehensive analysis of Anantha PVC Pipes' capital budgeting practices, this study examines various methods employed for evaluating investment opportunities, such as Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, and Profitability Index. By evaluating real-life case studies and financial data, this research sheds light on the strengths and limitations of each method in different scenarios, helping the company identify the most suitable approach based on project characteristics and market conditions

**Introduction**

**Capital budgeting:**

Management plans fixed asset spending using the capital budget. Budgets help management choose long-term growth projects. To grow, management can buy or sell assets. Capital budgeting chooses initiatives with long-term benefits and predicted returns.

Businesses evaluate significant investments using capital budgeting. Capital budgeting is needed before management approves projects like building a new facility or investing a

**INDUSTRY PROFILE**

**Introduction:**

Modern life involves plastic. This product undoubtedly affects people's daily lives. The industry's success in raw material supply, processing capability diversification, and equipment manufacture is understandable.

Due to its light weight, easy processing, corrosion resistance, energy conservation, and other advantages, this flexible material will likely replace many traditional and expensive production resources including wood, metal, glass, jute, lather, etc. Polymers are used in transportation, electrical, electronics, packaging, and agriculture, proving their applicability. Nearly all plastic machinery used in the business, accounting for 80% of raw material needs, is made locally. The sector employs about eight lakh people and invests Rs. 1250 crores in raw material production, processing capacity expansion, and process gear manufacturing. Due to their properties and versatility, plastics are used in various applications worldwide. Looms, shopping bags, water travel, bottled water, school supplies, tiffin boxes, hair combs, tooth tools, show frames, and fountain pens are made from plastic in our country. Packaging, cars, technology, electronics, telecommunications, military, medicine, construction, and roofing employ plastics. Plastics in agriculture and water management are growing.

**Meaning of capital budgeting**

Capital budgeting or expenditures. Capital budgeting plans large-scale capital asset acquisitions like new buildings, equipment, or projects. Long-term capital expenditures are planned and financed.

A firm management must anticipate project sponsorship costs and advantages. These investments feature long-term assets with a multi-year profit forecast. Capital budgeting includes these

**Introduction:**

Sri S P Y Reddy, a successful businessman, founded Nandi Pipes Pvt Ltd, a black pipe manufacturer, in Nandyal, Kurnool, in 1977. 2002 established Anita PVC Pipes Pvt Ltd. Nandi Group Company acquired the factory in NH-7, Hampapuram Village, Raptadu Mandal, Anantapur District. S. Sreedhar Reddy, a young, experienced, and energetic managing

**NEED OF THE STUDY**

The goal of the study is to examine and comprehend ANANTHA PVC PIPES PVT LTD's capital budgeting procedures and methods.

**SCOPE OF THE STUDY**

The study spans a 5-year period, from 2017–18 to 2021–2022, and focuses on capital budgeting for Anantha PVC Pipes Pvt Ltd, Anantapur.

**OBJECTIVE OF THE STUDY :**

In order to research the capital budgeting method used by Anantha PVC Pipes Pvt Ltd.

To evaluate Anantha PVC Pipes Pvt Ltd's non-discounted cash flow strategies.

To examine Anantha PVC Pipes Pvt Ltd's discounted cash flow methods.

**RESEARCH METHODOLOGY**

**SOURCES OF DATA:** The study is mainly based on the “secondary data”

Secondary data

YEARS	Profit after tax	Depreciation	Cash flow after tax	Cumulative cash flows
2017-18	374540	2432956	2807496	2807496
2018-19	3049546	2167152	5216698	8024195
2019-20	4380048	2437146	6817194	14841389
2020-21	5300374	3102096	8402470	23243860
2021-22	7567635	5611603	13179238	36423098

The secondary data is gathered from the Anantha PVC Pipes Pvt Ltd. annual reports, published journals, and financial statements.

**TOOLS AND TECHNIQUES**

**TRADITIONAL METHODS:** Payback period method

Average rate of return

**DISCOUNTED MODREN METHODS**

Net present value method

Internal rate of return method

Profitability index method

**LIMITATIONS OF THE STUDY**

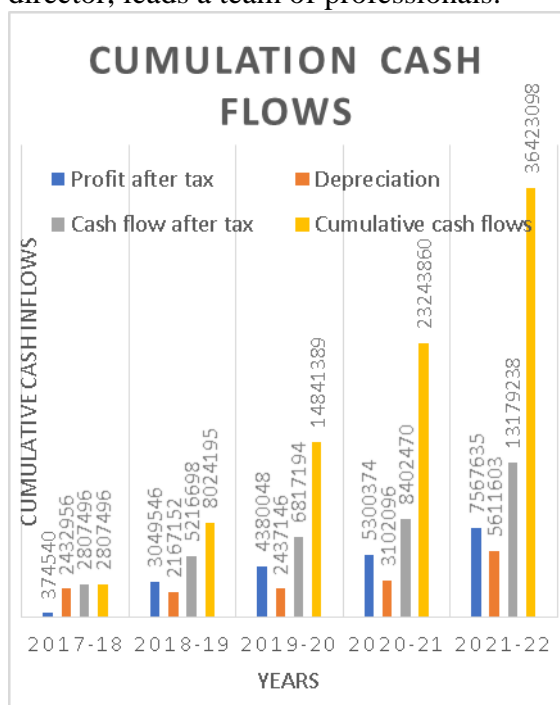
The study is limited to Anantha PVC Pipes Pvt Ltd.

The study is based on 5 years of data from 2017-18 to 2021-22 Anantha PVC Pipes Pvt Ltd..

**INVESTMENT EVALUATION CRITIRIEA**

**PAY BACK PERIOD:**

Pay back period=initial investment\annual cash flows  
 director, leads a team of professionals.



**Interpretation**

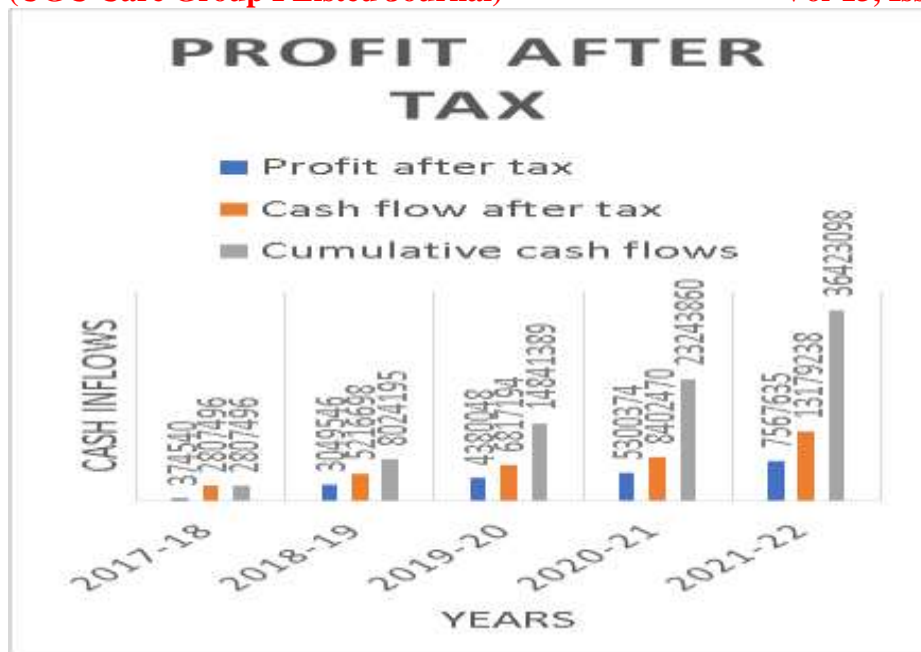
The project can be accepted from the point of the repayment period.because to receive the \$2,000,000,000 initial investment.It requires 3 years, 2 months, and 20 days to complete

Average Rate of Return (ARR):

$$ARR = \frac{\text{profit after tax}}{\text{book value of investment}} * 100$$

**SHOWING CALCULATION OF AVERAGE RATE OF RETURN**

Year	Profit before tax	Tax25% (include 10%surcharge	Profit after tax
2017-18	483278	108737	374540
2018-19	3934898	885352	3049546
2019-20	5651675	1271626	4380048
2020-21	6839192	1538818	5300374
2021-22	9829346	2261711	7567635



Interpretation:

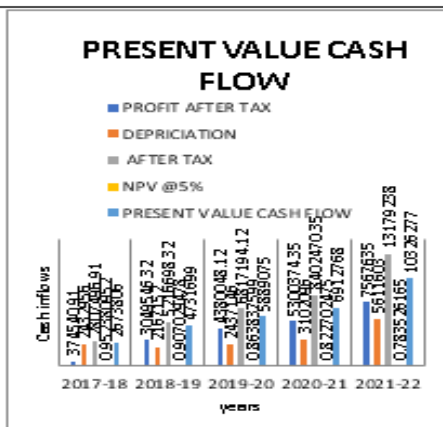
From the point of ARR method is the classic economic method of evaluating the investment we can get with in less time

Net Present Value (NPV):

$$NPV = \frac{\text{Cash flow 0}}{(1+k)^0} + \frac{\text{cashflow 1}}{(1+k)^1} + \dots + \frac{\text{cash flow n}}{(1+k)^n} - C_0$$

Net Present Value = Present Value Cash Inflows - Initial Investment or cash outflows

YEARS	PROFIT AFTER TAX	DEPRICIATION	AFTER TAX	NPV @5%	PRESENT VALUE CASH FLOW
2017-18	374540.91	2432956	2807496.91	0.9523809523	2673806
2018-19	3049546.32	2167152	5216698.32	0.9070294784	4731699
2019-20	4380048.12	2437146	6817194.12	0.8638375985	5889075
2020-21	5300374.35	3102096	8402470.35	0.8227024747	6912768
2021-22	7567635	5611603	13179238	0.783526165	10326277
Total					30533625



the above table calculated values are

Present value of cash inflow = 3,05,33,625

Initial Investment cash outflow = 2, 00, 00,000

Interpretation:

As NPV is positive ,the project is accepted.

Profitability Index:

Profitability =present value of cash in flow \initial investment of cashflows

**SHOWING CALCULATION OF PROBILITTY INDEX**

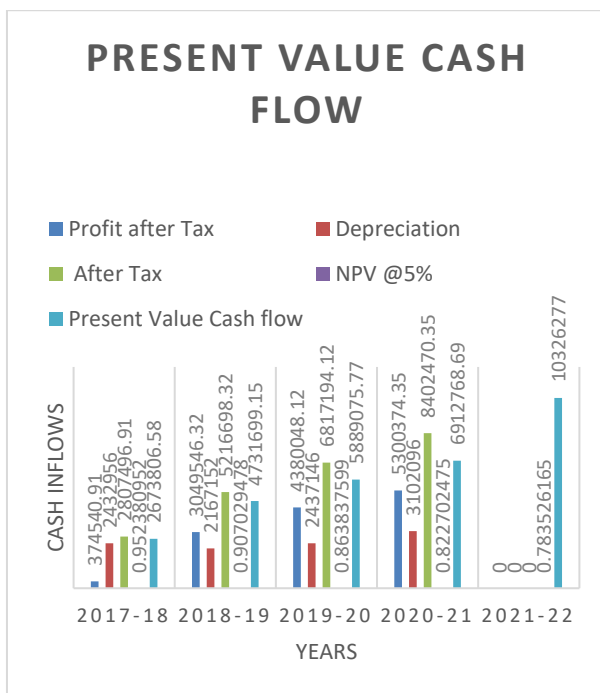
(In Rupees)

From the above table calculated values are

Present value of cash inflow= 3,05,33,625

Initial Investment cash outflow= 200000000

Years	Profit after Tax	Depreciation	After Tax	NPV @5 %	Present Value Cash flow
2017-18	374540.91	2432956	2807496.91	0.9523809523	2673806.58
2018-19	3049546.32	2167152	5216698.32	0.9070294784	4731699.15
2019-20	4380048.12	2437146	6817194.12	0.8638375985	5889075.77
2020-21	5300374.35	3102096	8402470.35	0.8227024747	6912768.69
2021-22	7567635	5611603	13179238	0.783526165	10326277
				Total	30533625



Net Profitability Index = PI -1

=1.5266 – 1  
 =0.5266

### **Findings**

The company needed a longer time, 3 years, 2 months, and 20 days, to repay its initial investment. The average rate of return, or ARR, is not favorable at 41.34% because it only served to offset marginal profits.

As of NPV = 3,05,33,625, ANANTHA PVC PIPES PVT. Ltd.'s net present value is good.

The internal rate of return, or IRR, is 18.89%, which is a respectable value.

The profitability index is reasonably good because, as illustrated visually, it gradually increased each year.

The potential buyer may claim the unit cost and any expenses that have been authorized by the Regulatory Commission.

### **Suggestions**

The business should pursue technological advancements to boost productivity.

The Company can pursue a variety of projects to increase its operations because it has enormous reserves and excess.

The Company is profitable enough to use reserves and excess to grow its operations.

The company needs to lower production costs per unit.

Companies should choose for subscribed rates for societies with lower income levels or those below the poverty line, and they should slightly raise their prices for certain industries to make up for losses.

It needs to invest in more items so that NPV would be high in order to diversify its operations.

### **CONCLUSION**

In order to accept the project, the corporation must focus on the Pay Back Period and NPV in light of the conclusions derived from the analysis. Given that the rate of return depends on present values, discounting methods are the best option. Except for the payback period, all of the project's strategies yielded favorable results. Finally, it is determined that the company can make enormous profits by diversifying its business and investing in other initiatives.