

A Study on Capital Budget of Mahindra Pvt. Ltd. In Nagpur

Author: Ms. Khushali Wanjari, M. Com-Semester-IV, Dr S. C. Gulhane Prerna College of Commerce, Science and Arts, Nagpur, MS, (India)

Guide: Dr. Manjiri Pathak, Assistant Professor, Dr S. C. Gulhane Prerna College of Commerce, Science and Arts, Nagpur, MS, (India)

Abstract

This study focuses on analyzing the capital budget of Mahindra Pvt. Ltd. in Nagpur to assess the company's financial planning and investment efficiency. Capital budgeting plays a crucial role in determining the long-term profitability and sustainability of an organization by evaluating potential investment projects and allocating resources effectively. The research examines the capital budgeting process adopted by Mahindra Pvt. Ltd., including project selection, cost estimation, risk assessment, and return analysis. Data for the study has been collected through company reports, financial statements, and interviews with key personnel. The findings indicate that Mahindra Pvt. Ltd. follows systematic capital budgeting techniques such as Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period analysis to evaluate investment proposals. The study also highlights the challenges faced by the company, including market uncertainties and cost fluctuations, which influence capital budgeting decisions. The research concludes by suggesting measures to enhance the efficiency of capital budgeting practices to support the company's growth and financial stability.

Keywords: Capital Budgeting, Mahindra Pvt. Ltd., Investment Decisions, Financial Planning, Project Evaluation, NPV, IRR, Payback Period, Resource Allocation

1. Introduction

Capital budgeting is a critical aspect of financial management that involves the process of planning and managing a company's long-term investments. It plays a vital role in determining the financial strength, profitability, and sustainable growth of an organization. Through effective capital budgeting, businesses can evaluate potential investment opportunities, allocate financial resources wisely, and minimize associated risks.

Mahindra Pvt. Ltd., a prominent player in the Indian automobile and engineering sector, has established a strong presence in Nagpur with its manufacturing and operational facilities. As the company continues to expand and invest in new projects, the importance of sound capital budgeting practices has become increasingly significant. Effective capital budgeting enables Mahindra Pvt. Ltd. to assess the viability of large investments, such as setting up new production units, acquiring advanced machinery, or investing in technological innovations.

This study aims to analyze the capital budgeting practices followed by Mahindra Pvt. Ltd. in Nagpur. The research focuses on understanding how the company selects, evaluates, and implements investment projects to achieve its long-term strategic objectives. By examining the tools and techniques used, this study provides insights into the company's approach to financial decision-making and its impact on operational efficiency and profitability.

2. Types of Capital Budget in Planning Help

A financial plan isn't a static document it's a tool to track your progress, and one you should adjust as your life evolves. It's helpful to reevaluate your financial plan after major life milestones, such as getting married, starting a new job, having a child or losing a loved one.

Complete Capital budget in plan and investment advice

Online Capital budget in planning services offer virtual access to human advisors. A basic service would include automated investment management (like you'd get



from a robo-advisor), plus the ability to consult with a team of Capital budget in advisors when you have other financial questions. More comprehensive providers basically mirror the level of service offered by traditional Capital budget in planners: You're matched with a dedicated human Capital budget in advisor who will manage your investments, create a comprehensive Capital budget in plan for you, and do regular check-ins to see if you're on track or need to adjust your Capital budget in plan.

Specialized guidance and/or want to meet with an advisor face-to-face

If you have a complicated Capital budget in situation or need a specialist in estate Capital budget in, tax Capital budget in or insurance, a traditional Capital budget in advisor in your area may fit the bill. To avoid conflicts of interest, consider fee-only Capital budget in advisors who are fiduciaries (meaning they've signed an oath to act in the client's best interest). Note that some traditional Capital budget in advisors decline clients who don't have enough to invest; the definition of "enough" varies, but many advisors require \$250,000 or more. If you want to know more about how much seeing an advisor will cost, read our guide to Capital budget in advisor fees.

Portfolio management only

Robo-advisors offer simplified, low-cost online investment management. Computer algorithms build an investment portfolio based on goals you set, and your answers to questions about your risk tolerance. After that, the service monitors and regularly rebalances your investment mix to ensure you stay on track. Because it's all digital, it comes at a much lower cost than hiring a human portfolio manager.

2.1 Why is Capital budget in planning important?

Capital budget in planning can help you feel more confident about navigating bumps in the road like, say, a recession or historic inflation. According to Charles

Schwab's 2023 Modern Wealth Survey, Americans who have a written Capital budget in plan feel more in control of their finances compared with those without a plan

Once your basic needs and short-term goals have been addressed, a Capital budget in plan can also help you tackle big-picture goals. Thoughtful investing, for example, can help build generational wealth, and careful estate planning can ensure that wealth gets passed down to your loved ones.

3. Strategic Planning and Capital Budget in Planning Processes

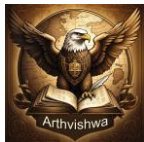
According to Runy (2005), the following are steps in the strategic planning goal process and the Capital budget in planning goal process:

1. Step One: establish a mission and vision statement of the organization;
2. Step Two: develop a long-term plan that supports the mission and vision of the organization;
3. Step Three: create plans at each organizational level that integrate the mission and vision;
4. Step Four: identify and evaluate the organization's external environment for new opportunities;
5. Step Five: develop forecasting for market opportunities; (f)
6. step six: develop a plan based on capital budgets, and
7. Step Seven: monitor and evaluate the results. Revise, as needed.

3.1 Capital Budget in Planning Goals

Based on Runy's step by step process of strategic and Capital budget in planning, the following is a step by step strategic financial planning process that can be successfully utilized by a healthcare organization.

1. Step One: Evaluate the Current Performance of The Organization;
2. Step Two: Compare the Organization's Performance Against Historical Data;



3. Step Three: Develop Financial Projections;
4. Step Four: Assess the Organization's Financial Status;
5. Step Five: Integrate the Capital Budget in Goals with The Strategic Goals to Ensure Compatibility
6. Step Six: Monitor and Evaluate the Results. Revise, As Needed.

3.2 Proposed Steps of The Strategic Capital Budget in Planning Process

1. Establish the mission and vision statement of the organization. Revise, as needed;
2. Create mission and vision statements at all department levels that support the organization's mission and vision;
3. Assess the current performance of the organization and compare it to historical data;
4. Develop a plan based on capital budgets which support the mission and vision of the organization;
5. Integrate the capital budget in goals with the strategic goals to ensure compatibility;
6. Identify and evaluate the organization's external environment for new opportunities;
7. Develop Capital Budget in projections based on new opportunities. Assess the risk.

1. Benefits of Capital Budget in Planning

Creating a Capital budget in plan is an extremely beneficial way for an individual to evaluate their current financial situation and plan ahead for future objectives and expenses. Listed below are the advantages of creating a Capital budget in plan.

1. Better management of personal income
2. Increased preparation for future expenses
3. Clarity in retirement objectives
4. Reduced risk of debt
5. Increased likelihood of achieving personal and financial goals

6. Decrease in stress levels, anxiety, and worry
7. Increased probability of financial success

Producing a Capital budget in plan brings forth an assortment of benefits that would not be present previously. Other than time loss, there are no disadvantages to creating a financial plan.

2. Reasons to Create A Capital Budget in Plan

If one is uncertain about investing the personal time to create a capital budget plan, consider its advantages. A capital budget helps to manage resources effectively, make informed financial decisions, and prepare for future investments. It also reduces financial risks and promotes long-term growth, stability, and improved financial performance.

1. Prioritize financial goals

If an individual is saving up for a down payment on a house, mortgage, or car, a financial plan helps organize associated expenses, allowing the individual to plan ahead for a large future purchase.

2. Prioritize personal goals

Personal goals such as a specific savings account balance, portfolio value, or luxury vehicle can be achieved by constructing a Capital budget in plan that assigns income effectively to achieve preset goals.

3. Standard of living

The ongoing collection and distribution of finances is a stressful topic for most individuals but can be minimized by the creation of a Capital budget in plan. This is because a Capital budget in plan is organized, laid out, and provides information on how to reduce debt.

3. When to Create or Adjust Capital budget in Plan

On average, an individual should review and adjust their financial plan every year. However, if you've not yet created a Capital budget in plan, here are some of the factors that should influence and motivate



the idea to begin the process.

1. Change in income

When an individual is granted a change in income, their purchasing power will either increase or decrease. The change will significantly lead to a change in the ability to spend money, invest, and pay off debt.

2. Job change

When an individual land a new occupation, an assortment of new expenses and costs must be accounted for. For example, a new job may result in an increase in transportation or communication expenses.

3. Change in family dynamics

The creation or adjustment of a Capital budget in plan should occur when a change in family dynamics occurs, such as the birth of a child, marriage, or divorce. It is necessary because a number of new expenses will be added, which will affect personal income.

4. Inheritance

Receiving some sort of inheritance could significantly impact the allocation of income towards expenses and investment, which would warrant an individual to either create or adjust their financial plan. Beyond the criteria above, it is recommended that every individual who is earning should eventually create a financial plan to ensure comfortability, relief, and success.

4. Conclusion

The present study highlights the significance of effective capital budgeting practices in enhancing the financial performance and long-term sustainability of Mahindra Pvt. Ltd. in Nagpur. The analysis reveals that the company adopts systematic and well-structured capital budgeting techniques, including Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period analysis, to assess the feasibility and

profitability of investment projects. These methods assist the company in making informed decisions regarding resource allocation and project selection.

However, the study also identifies certain challenges faced by the company, such as market uncertainties, price fluctuations, and unforeseen operational risks, which can impact the accuracy of capital budgeting decisions. Addressing these challenges requires continuous monitoring, updated forecasting models, and risk mitigation strategies.

Overall, it can be concluded that while Mahindra Pvt. Ltd. demonstrates a sound capital budgeting approach, further improvements can be made by enhancing risk assessment practices, integrating advanced financial tools, and strengthening project evaluation mechanisms. These measures will support the company's growth objectives, improve financial stability, and contribute to better investment efficiency in the highly competitive business environment.

5. References

- Mahindra Pvt. Ltd. (2024). Annual financial report 2023–2024. Mahindra Pvt. Ltd.
- Mahindra Pvt. Ltd. (2024). Capital budgeting process and project evaluation guidelines. Mahindra Pvt. Ltd.
- Ross, S. A., Westerfield, R., & Jaffe, J. (2022). Corporate finance (13th ed.). McGraw-Hill Education.
- Brealey, R. A., Myers, S. C., & Allen, F. (2020). Principles of corporate finance (13th ed.). McGraw-Hill Education.
- Khan, M. Y., & Jain, P. K. (2018). Financial management: Text, problems and cases (8th ed.). Tata McGraw-Hill.