



## **A Study on Capital Budgeting of Hyundai Pvt. Ltd of Nagpur City**

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### **Abstract**

This research paper examines the capital budgeting practices of Hyundai Pvt. Ltd. located in Nagpur City. Capital budgeting, a core financial management function, involves planning and evaluating long-term investments. The study analyzes the tools and techniques used by the company for investment decision-making, identifies challenges, and evaluates their effectiveness. Primary and secondary data were used to explore how Hyundai Pvt. Ltd. makes strategic financial decisions to ensure long-term profitability and sustainability.

**Keywords:** Capital budgeting, investment appraisal, Hyundai Pvt. Ltd., Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, Profitability Index

### **1. Introduction**

Capital budgeting is the process of planning and managing a firm's long-term investments. For manufacturing companies like Hyundai Pvt. Ltd., proper capital budgeting is critical for expanding capacity, acquiring new technology, and maintaining competitiveness. This study explores how Hyundai Pvt. Ltd. applies capital budgeting techniques to evaluate investment opportunities.

Strategic planning is the action plan for running a business over a long-term period. This plan is a commitment by senior management to pursue established sets of goals that are developed to promote the company's vision and mission. Financial planning is the process of analyzing the financial opportunities of the organization and selecting opportunities that will provide financial success. Integrating strategic planning and financial planning is the best way for HSOs to ensure their budget allocations are appropriately targeted to long range solutions. In strategic financial planning, in order to ensure that there is long range financial success, annual budgets need to be analyzed from a long-term organizational perspective. Establishing

multi-year forecasting for the organization provides the financial reality that will support activities that will focus on the mission and vision of the organization

### **2. Objectives of the Study**

- To understand the capital budgeting process at Hyundai Pvt. Ltd.
- To analyze the tools and techniques used for investment decision-making.
- To identify challenges faced in capital budgeting.
- To evaluate the effectiveness of the capital budgeting process.

### **3. Research Methodology**

Type of Research: Descriptive and analytical methods are used in this research.

Data Collection: For Primary data, interviews with finance staff of Hyundai Pvt. Ltd., Nagpur were done while secondary data was collected from the company reports, journals, financial statements. The purposive sampling technique is used.

### **4. Literature Review**

Capital budgeting is a key element in financial planning and control. According to Brealey & Myers (2020), the use of



modern tools like NPV and IRR improves investment decisions. Studies also emphasize the importance of risk analysis and post-implementation reviews for successful capital projects.

## 5. Company Profile – Hyundai Pvt. Ltd., Nagpur

Hyundai Pvt. Ltd. is an authorized dealer and service provider for Hyundai Motors in Nagpur. It engages in vehicle sales, servicing, and spare parts. The company invests in infrastructure, technology, and human capital to support its growing operations.

## 6. Financial Performance of Hyundai

The financial performance of a company is a key indicator of its operational success, profitability, and long-term viability. In the case of Hyundai Pvt. Ltd. in Nagpur City, evaluating the financial performance helps in understanding how well the company is managing its resources and generating returns on investments, particularly in the context of capital budgeting decisions.

## Capital Budgeting Practices at Hyundai Pvt. Ltd.

- Process: Initiation → Feasibility Study → Financial Evaluation → Decision Making → Implementation → Review Tools Used
- Net Present Value (NPV): Evaluates future cash flows discounted at a required rate of return. Hyundai uses this to determine the profitability of expansion projects.
- Internal Rate of Return (IRR): Measures the discount rate that makes the NPV of all cash flows equal to zero. Hyundai prefers projects with IRR above the company's cost of capital.
- Payback Period: Determines how

quickly the initial investment can be recovered. Useful for quick decisions, though less effective for long-term profitability.

- Profitability Index: Compares the present value of future cash flows to the initial investment. It helps prioritize projects when capital is limited.
- Decision Criteria: Projects with positive NPV and IRR above cost of capital are approved.
- Risk Management: Sensitivity analysis is used to evaluate risk factors like inflation, demand fluctuation, and interest rates.

## 7. Data Analysis and Interpretation

### Key Financial Indicators Analyzed

Due to limited availability of public data at the branch level, the financial performance was assessed through the following parameters based on interviews and internal reports:

- Revenue Growth
- Net Profit Margin
- Return on Investment (ROI)
- Operating Efficiency
- Inventory Turnover Ratio
- Fixed Asset Utilization

### Revenue Trends (Last 3 Years)

Year	Total Revenue (₹ Cr)	Growth Rate (%)
2021	32.5	-
2022	38.0	16.9
2023	44.2	16.3

Interpretation: Hyundai Pvt. Ltd. in Nagpur has shown consistent revenue growth, driven by increased vehicle sales, improved service center performance, and strong brand presence.



## Profitability Ratios (2023)

- Net Profit Margin: 7.5%
- Operating Margin: 10.2%
- Return on Capital Employed (ROCE): 14.8%
- Earnings Before Interest and Taxes (EBIT): ₹6.1 Cr

**Interpretation:** A solid profit margin indicates efficient cost control and pricing strategies. ROCE above 12% reflects good capital allocation. Efficiency Indicators

**Inventory Turnover Ratio:** 5.4 times/year

- Fixed Asset Turnover: 2.1
  - Accounts Receivable Days: 32 days
- Interpretation: Efficient inventory and asset usage suggests Hyundai maintains good liquidity and avoids overstocking.

## 8. Findings

- Hyundai Pvt. Ltd. follows a structured approach to capital budgeting.
- Preference is given to NPV and IRR as decision tools.
- The company incorporates risk analysis but lacks formal post-project evaluations.
- Delays sometimes occur due to data inadequacy or external factors.

## 9. Recommendations

- Conduct regular post-investment audits to assess actual vs. projected performance.
- Enhance training in advanced financial modelling techniques.
- Incorporate real options analysis for better strategic flexibility.

- Automate parts of the capital budgeting process for better accuracy and efficiency.

## 10. Conclusion

Capital budgeting at Hyundai Pvt. Ltd. is systematic and financially driven, ensuring efficient use of capital resources. With improvements in risk analysis and performance tracking, the company can further enhance its investment decision-making framework. Hyundai Pvt. Ltd. in Nagpur demonstrates robust financial performance with healthy revenue growth, profitability, and operational efficiency. Strategic capital investments have yielded tangible improvements, supporting long-term business sustainability. Continued focus on innovation, service quality, and diversification will further enhance financial outcomes.

## 11. References

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