

A STUDY ON FINANCIAL CAPITAL ESTIMATION WITH REFERENCE TO NANDHINI TRADE NETWORK PVT LTD

Submitted in partial fulfillment of the requirements for the award of Degree in

MASTER OF BUSINESS ADMINISTRATION

by

SATHISH S

Register No.41410281



DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF MANAGEMENT STUDIES

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE

JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119

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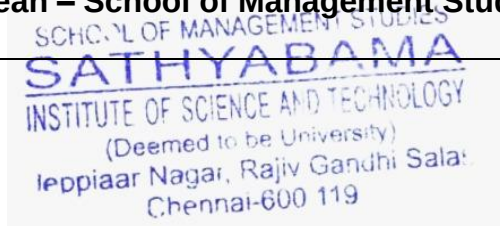
This is to certify that this Project Report is the Bonafede work of **SATHISH.S 40410211** who carried out the project entitled "**A Study on Financial capital estimation with reference with Nandhini Trade Network**" under my supervision from January 2023 to March 2023.

Dr.B. BHAVYA,

Internal Guide

External Guide

Dr. BHUVANESWARI. G, MBA., Ph.D.
Dean – School of Management Studies



Submitted for Viva voice Examination held on 06.05.2023

Internal Examiner

External Examiner

DECLARATION

SATHISH S (41410281) hereby declare that the Project Report entitled “**A Study on Financial capital estimation with reference to Nandhini Trade Network**” done by me under the guidance of **Dr.B. BHAVYA** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE:06.05.2023

PLACE: CHENNAI

Sathish
SATHISH S

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ABSTRACT

The key function of the financial management is the selection of the most profitable assortment of financial capital investment and it is the most important area of decision making of the financial manger because any action taken by the manger in this area affects the working and the profitability firm to come.

The objective of the research is to study on the company's forecasting decision through financial capital estimation technique through which the importance of financial capital estimation in an organization and to analyze the financial capital estimation process to be adopted by the company in order to take better investment decisions for various business projects.

The research topic is **“A Study on financial capital estimation with Nandhini Trade Network Pvt, Ltd, Chennai.”** The data used are of last five years from 2017-18 to 2021-22.

The analyses have been done by the data collected from income and expenditure statement and separate investment report. Financial capital estimation techniques like Net Present Value, Rate of Return method and Payback Period are used to analyze the collected data. Some other forecasting tools like and analysis used in this study.

Further, it caters information about cash inflows and outflows of various years. Thus, the comparison provides clear idea about investments and return on the same which can be helpful for the years to come.

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CHAPTER I

INTRODUCTION

1.1 INTRODUCTION

FINANCIAL CAPITAL ESTIMATION

Financial capital estimation is the planning process used to determine which of an organization's long-term investments. Financial capital estimation involves choosing projects that add value to the firm. This can involve almost anything from acquiring a lot of land to purchasing a new truck or replacing old machinery. Businesses, specifically corporations, are typically required, or at least recommended, to undertake those projects which will increase profitability and thus enhance shareholders' wealth. Capital estimate is a financial term used in accounting and business. It refers to estimate value of a company assets. This number is used to calculate a company's capital structure.

When a firm is presented with a financial capital estimation decision, one of its first tasks is to determine whether the project will prove to be profitable. Although an ideal financial capital estimation solution is such that all three metrics will indicate the same decision, these approaches will often produce contradictory results. Depending on managements' preferences and selection criteria, more emphasis will be put on one approach over another. The firm is one of India's foremost private sector companies it is important financial statement calculation that helps a business determine the amount of money it needs to finance its long-term liabilities and its equity

The firm's financial capital estimation decision may be comprised of several distinct decisions, each referred to as a project. A financial capital estimation is a set of assets that are contingent on one another and are considered together. Suppose a firm is considering the production of a new product.

It must decide of whether to produce this new product. This financial capital project entails acquiring land, building facilities, and purchasing production equipment. And this project may also require the firm to increase its investment in its working financial capital inventory, cash, or accounts receivable. Working financial capital is the collection of assets needed for day-to-day operations that include all money that the company owes to others, including debt and leases. Total equity includes everything that the company owns, including the value of its stock and the value of any common or preferred shares that are owned by the company shareholders.

The capital estimate is important support a firm's long-term investments and calculated by multiplying a company's total liabilities by its total equity. Total liabilities because it helps determine a company's financial stability. A high capital estimate indicates that a company is financially sound and has the resources to handle difficult times. A low capital estimate indicates that a company is in trouble and may need to borrow money or sell assets to meet its obligations.

Financial capital estimation is to assess the financial health and stability of a company, identify areas for improvement, make informed investment and financing decisions, and monitor the company's financial performance over time.

Financial capital is a crucial aspect of financial management, as it provides valuable insights into a company's financial health, stability, and overall performance. It helps companies make informed decisions regarding their operations, investments, and financing activities. A Company based in India that deals with the distribution and retail of their products. The estimation of financial capital for this company involves determining the value of its financial resources, including cash, investments, and other assets.

Nature of Financial capital Estimation:

Financial capital estimation is the process of making investment decisions in financial capital expenditures. A financial capital expenditure may be defined as an expenditure the benefits of which are expected to be received over period exceeding one year.

The main characteristic of a financial capital expenditure is that the expenditure is incurred at one point of time whereas benefits of the expenditure are realized at different points of time in future. In simple language we may say that a financial capital expenditure is an expenditure incurred for acquiring or improving the fixed assets, the benefits of which are expected to be received over several years in future.

The following are some of the examples of financial capital expenditure:

- (1) Cost of acquisition of permanent assets as land and building, plant and machinery, goodwill, etc.
- (2) Cost of addition, expansion, improvement, or alteration in the fixed assets.
- (3) Cost of replacement of permanent assets.
- (4) Research and development project cost, etc.

Financial capital expenditure involves non-flexible long-term commitment of funds. Thus, financial capital expenditure decisions are also called as long-term investment decisions. Financial capital estimation involves the planning and control of financial capital expenditure. It is the process of deciding whether to commit resources to a particular long-term project whose benefits are to be realized over a period of time, longer than one year. Financial capital estimation is also known as Investment Decision Making,

Financial capital Expenditure Decisions, Planning Financial capital Expenditure and Analysis of Financial capital Expenditure.

Charles T. Horngren has defined financial capital estimation as, “Financial capital estimation is long term planning for making and financing proposed financial capital outlays.”

According to G.C. Philipp Atos, “Financial capital estimation is concerned with the allocation of the firm’s scarce financial resources among the available market opportunities. The consideration of investment opportunities involves the comparison of the expected future streams of earnings from a project with the immediate and subsequent streams of earning from a project, with the immediate and subsequent streams of expenditures for it.”

Richard and Greenlaw have referred to financial capital estimation as acquiring inputs with long-run return.

In the words of Lynch, “Financial capital estimation consists in planning development of available financial capital for the purpose of maximizing the long-term profitability of the concern.”

From the above description, it may be concluded that the important features from the ordinary day to day business decisions are:

- (1) Financial capital estimation decisions involve the exchange of current funds for the benefits to be achieved in future;
- (2) The future benefits are expected to be realized over a series of years;
- (3) The funds are invested in non-flexible and long-term activities;

(4) They have a long term and significant effect on the profitability of the concern;

(5) They involve, generally, huge funds;

(6) They are irreversible decisions.

(7) They are 'strategic' investment decisions, involving large sums of money, major departure from the past practices of the firm, significant change of the firm's expected earnings associated with high degree of risk, as compared to 'tactical' investment decisions which involve a relatively small amount of funds that do not result in a major departure from the past practices of the firm.

Financial capital estimation decisions are vital to any organization as they include the decisions as to:

(a) Whether or not funds should be invested in long term projects such as setting of an industry, purchase of plant and machinery etc.

(b) Analyze the proposal for expansion or creating additional capacities.

(c) To decide the replacement of permanent assets such as building and equipment's.

(d) To make financial analysis of various proposals regarding financial capital investments to choose the best out of many alternative proposals.

The importance of financial capital estimation can be well understood from the fact that an unsound investment decision may prove to be fatal to the very existence of the concern.

The importance financial capital arises mainly due to the following estimation:

(1) Large Investments:

Financial capital estimation decisions, generally, involve large investment of funds. But the funds available with the firm are always limited and the demand for funds far exceeds the resources. Hence, it is very important for a firm to plan and control its financial capital expenditure.

(2) Long-term Commitment of Funds:

Financial capital expenditure involves not only large amount of funds but also funds for long-term or on permanent basis. The long-term commitment of funds increases the financial risk involved in the investment decision. Greater the risk involved, greater is the need for careful planning of financial capital expenditure, i.e., financial capital estimation.

(3) Irreversible Nature:

The financial capital expenditure decisions are of irreversible nature. Once the decision for acquiring a permanent asset is taken, it becomes very difficult to dispose of these assets without incurring heavy losses.

(4) Long-Term Effect on Profitability:

Financial capital estimation decisions have a long-term and significant effect on the profitability of a concern. Not only the present earnings of the firm are affected by the investments in financial capital assets but also the future growth and profitability of the firm depends upon the investment decision taken today. An unwise decision may prove disastrous and fatal to the very existence of the concern. Financial capital estimation is of utmost importance to avoid over investment or under investment in fixed assets.

(5) Difficulties of Investment Decisions:

The long-term investment decisions are difficult to be taken because:

- (i) Decision extends to a series of years beyond the current accounting period,
- (ii) Uncertainties of future and
- (iii) Higher degree of risk.

(6) National Importance:

Investment decision though taken by individual concern is of national importance because it determines employment, economic activities, and economic growth. Thus, we may say that without using financial capital estimation techniques a firm may involve itself in a losing project. Proper timing of purchase, replacement, expansion, and alternation of assets is essential.

Objectives of financial capital estimate: -

The process of financial capital estimation helps in assessing a company's financial health by analyzing its financial statements and reports. This helps in identifying any financial risks or challenges that the company may be facing and it is Assessing the financial health of the company. company helps in determining its financial stability, which is critical for investors, lenders, and other stakeholders. It provides information on the company's ability to generate sufficient cash flows and meet its financial obligations of Identifying areas for improvement of process of capital estimation helps in identifying areas where the company can improve its financial performance identify areas where the company can reduce its expenses, improve its profitability

1.2 INDUSTRY PROFILE

- NTN Limited is a diversified conglomerate company based in India with businesses spanning across various sectors including Fast-Moving Consumer Goods (FMCG), Hotels, Paperboards & Specialty Papers, Packaging, Agri-business, and Information Technology.
- The FMCG segment of includes products like cigarettes, cigars, packaged foods, personal care products, education, and stationery products. This segment is one of the largest contributors to revenue and has a strong presence in the Indian market. The company's FMCG products are marketed under various brands such as Ashirwad, Bingo! SunFest, Fiamma, and Savlon, among others.
- The Hotels segment operates a chain of luxury hotels under the company owns and operates hotels across various cities in India and is known for its focus on sustainability and responsible tourism practices and Paperboards and Specialty Papers segment is a leading player in the Indian paper industry and offers a range of packaging solutions. The company's Packaging and Printing Business focuses on producing a range of packaging materials such as cartons, labels, and laminates for the food and beverages, personal care, and healthcare industries.
- The trade network industry generally refers to the network of businesses and organizations involved in the buying, selling, and distribution of goods and services across different markets and geographies. This industry can encompass a wide range of sectors, including manufacturing, retail, wholesale, logistics, and transportation.
- Nandhini Trade Network is a company based in India that is involved in the trading of various products, including food items, agricultural products, and textiles. According to its website, the company has a strong focus on quality and customer satisfaction, and it operates with a goal of building long-term relationships with its customers and partners.
- As a trading company, Nandhini may work with a wide range of suppliers and buyers across different industries and markets. Its success may depend on its ability

to source high-quality products at competitive prices, manage logistics and transportation efficiently, and build strong relationships with its customers and partners. Overall, the trade network industry can be highly competitive and dynamic, with companies facing challenges related to supply chain disruptions, changing consumer preferences, and shifting global trade policies.

- Information Technology business offers a range of services including consulting, software development, and infrastructure management as a well-diversified company with a presence in multiple industries. The company has a strong focus on sustainability and corporate social responsibility, and it has won several awards for its efforts in these areas.
- Financial capital estimation is influenced by the competitive dynamics and market trends in each of these sectors. The company's strategy of diversification across multiple sectors helps to mitigate risks and capitalize on opportunities in each of these sectors.

1.3 COMPANY PROFILE

- Indian multinational conglomerate headquartered in Kolkata, West Bengal, India. It was established in 1910 as the Imperial Tobacco Company of India Limited, and later renamed as NTN Limited in 1974. Today, it is one of India's foremost private sector companies with a diversified presence in FMCG (Fast-Moving Consumer Goods), Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, and Information Technology.
- FMCG segment comprises of products such as cigarettes, packaged foods, personal care products, education, and stationery products, agarbatti, and safety matches. Some of the popular brands under the FMCG segment include Ashirwad, SunFest, Bingo! Yippee! Classmate, Fiama, Vivel, Engage, and Wills Lifestyle.
- The company's FMCG segment reported a revenue of INR 38,598 crores (approximately USD 5.2 billion), while its hotels segment reported a revenue of INR 2,146 crores (approximately USD 288 million) for the fiscal year 2020-21.
- The Paperboards and Specialty Papers segment reported a revenue of INR 6,447 crores (approximately USD 867 million), while the Packaging and Printing Business division reported a revenue of INR 5,452 crores (approximately USD 734 million).
- The Packaging and Printing Business division manufactures and supplies high-quality packaging materials for consumer goods, food and beverage, healthcare, and other industries. Agri-Business division deals with commodities such as wheat, rice, spices, and coffee. It sources raw materials directly from farmers and uses sustainable farming practices. Last and the Information Technology segment provides a range of services including digital transformation, cloud services, cyber security, and enterprise mobility.
- It is committed to sustainable and inclusive growth, and has won several awards and accolades for its social and environmental initiatives. It is financial capital estimation

is strong, indicating the company's ability to generate sustainable profits, manage its debt levels prudently, and invest in future growth opportunities.

1.4 NEED&PURPOSE OF THE STUDY:

- Financial capital estimation is a crucial aspect of financial management for businesses of all sizes. Accurately estimating financial capital can help businesses make informed decisions about investments, expansion, and risk management.
- Estimating financial capital is necessary to determine the amount of funds needed to start or expand a business. A business owner needs to estimate the required financial capital to secure the necessary funds from banks, investors, or other sources.
- Financial capital estimation helps businesses manage risks associated with their operations. By estimating the amount of financial capital needed to cover potential losses, businesses can ensure they have enough funds to mitigate the impact of unexpected events.
- Financial capital estimation is essential to evaluate the performance of a business. By comparing estimated financial capital to actual financial capital, business owners can identify areas of improvement, identify inefficiencies, and make strategic decisions to increase profitability.
- Estimating financial capital is also important for making investment decisions. By evaluating the amount of financial capital required for a particular investment opportunity, businesses can determine the feasibility of the investment and make informed decisions.

- In summary, financial capital estimation is necessary for businesses to determine funding requirements, manage risks, evaluate performance, and make investment decisions. It is essential to have accurate financial capital estimates to make informed decisions that can lead to the success of a business.

1.5 OBJECTIVES OF THE STUDY: -

Since Financial capital estimation is one of the most important aspects of Finance, it enables to study in dept the methods involved in it. financial capital estimation may vary depending on the specific context and purpose of Organization.

Primary Objective: -

To study the performance of financial capital estimation in Nandhini Trade Network.

Secondary Objectives: -

- To study and ensure planning for future by setting up various budgets.
- To analyze the financial capital estimation of the company from 2017-18 to 2021-22.
- To analyze the performance of the financial capital estimation.
- To determined its value by influencing its growth, profitability, and risk.
- To evaluates their financial situation of the firm.

1.6 SCOPE OF THE STUDY: -

Duty of a financial manager is to choose investments with satisfactory cash flows and rates of return. Therefore, a financial manager must be able to decide whether an investment is worth undertaking and be able to choose intelligently between two or more alternatives. To do this, a sound procedure to evaluate, compare, and select projects is needed. This procedure is called financial capital Estimation.

Financial capital estimation is the process of making investment decisions in financial capital expenditures. A financial capital expenditure may be defined as an expenditure the benefits of which are expected to be received over the period exceeding one year.

The study has been undertaken to understand the significance of financial capital estimation through which to analyze the performance of the financial capital estimation.

- The study can help the organization to take investment decision in forthcoming years.
- It can be used as reference.
- It will be helpful for fund allocation.

1.7 STATEMENT OF THE PROBLEM

- Based on my understanding, you are asking for a statement of the problem related to finance capital estimation. Here is a possible statement of the problem:
- "Accurately estimating finance capital is crucial for individuals and organizations to make informed financial decisions. However, estimating finance capital can be challenging due to the complexity of financial data, market volatility, and the influence of external factors.
- This can lead to inaccurate estimations, which can result in financial losses or missed opportunities for growth. Therefore, there is a need for reliable and efficient methods to estimate finance capital, which can provide accurate and timely information for financial decision-making."
- The amount of financial capital required to fund a particular business venture or project. This involves determining the total costs associated with the venture or project, as well as identifying potential sources of funding and determining the most appropriate financing options.
- Inaccurate estimates can lead to insufficient funding or financial difficulties down the line, while overly optimistic estimates can lead to over-spending and financial mismanagement. Therefore, there is a need for accurate and reliable financial capital estimation methods and tools to ensure the financial viability and success of the venture.

1.8 LIMATATIONS OF THE STUDY: -

1. The company's certain information is kept secret.
2. The period of study restricted only to five years.
3. The study is based on the past records of the company.
4. The study concentrates only on financial capital estimation of the company.

All the techniques of financial capital estimation presume that various investment proposals under consideration are mutually exclusive which may not practically be true in some circumstances.

The techniques of financial capital estimation require estimation of future cash inflows and outflows. The future is always uncertain and the data collected for future may not be exact. Obviously the results based upon wrong data may not be good.

There are certain factors like morale of the employees, goodwill of the firm, etc., which cannot be correctly quantified but which otherwise substantially influence the financial capital decision.

Urgency is another limitation in the evaluation of financial investment decisions and risk the biggest limitation to the techniques of financial capital estimation.

CHAPTER II

2.1 REVIEW OF LITERATURE

CONCEPTUAL REVIEW

Financial capital as Limited Resource: -

The foremost importance is that the financial capital is a limited resource which is true of any form of financial capital, whether it is raised through debt or equity. The firms always face the constraint of financial capital rationing. This may result in the selection of less profitable investment proposals if the budget allocation and utilization is the primary consideration. So, the management should make a careful decision whether a particular project is economically acceptable and within the specified limits of the investments to be made during a specified period. In the case of more than one project, management must identify the combination of investment projects that will contribute to the value of the firm and profitability. This, in essence, is the basis of financial capital estimation.

In the form of either debt or equity, financial capital is a very limited resource. There is a limit to the volume of credit that the banking system can create in the economy. Commercial banks and other lending institutions have limited deposits from which they can lend money to individuals, corporations, and governments. In addition, the Federal Reserve System requires each bank to maintain part of its deposits as reserves. Having limited resources to lend, lending institutions are selective in extending loans to their customers. But even if a bank were to extend unlimited loans to a company, the management of that company would need to consider the impact that increasing loans would have on the overall cost of financing.

Any firm has limited borrowing resources that should be allocated among the best investment alternatives. One might argue that a company can issue an almost unlimited

amount of common stock to raise financial capital. Increasing the number of shares of company stock, however, will serve only to distribute the same amount of equity among a greater number of shareholders. In other words, as the number of shares of a company increases, the company ownership of the individual stockholder may proportionally decrease.

The argument that financial capital is a limited resource is true of any form of financial capital, whether debt or equity or retained earnings, accounts payable or notes payable, and so on. Even the best-known firm in an industry or a community can increase its borrowing up to a certain limit. Once this point has been reached, the firm will either be denied more credit or be charged a higher interest rate, making borrowing a less desirable way to raise financial capital.

All other things being equal, using internal rate of return (IRR) and net present value (NPV) measurements to evaluate projects often results in the same findings. However, there are several projects for which using IRR is not as effective as using NPV to discount cash flows. IRR's major limitation is also its greatest strength: it uses one single discount rate to evaluate every investment.

Although using one discount rate simplifies matters, there are several situations that cause problems for IRR. If an analyst is evaluating two projects, both of which share a common discount rate, predictable cash flows, equal risk, and a shorter time horizon, IRR will probably work. The catch is that discount rates usually change substantially over time. For example, think about using the rate of return on a T-bill in the last 20 years as a discount rate. One-year T-bills returned between 1% and 12% in the last 20 years, so clearly the discount rate is changing.

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Research comprises defining and redefining problems, formulated hypothesis or suggested solution, collections, organizing and evaluating data, making deductions, and searching for conclusions and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.

Payback Period:

Payback period is the time duration required to recoup the investment committed to a project. Business enterprises following payback period use "stipulated payback period", which acts as a standard for screening the project.

Computation of Payback Period

When the cash inflows are uniform the formula for payback period is cash outflow divided by annual cash inflow

Computation of Payback Period

When the cash inflows are uneven, the cumulative cash inflows are to be arrived at and then the payback period must be calculated through interpolation.

Here payback period is the time when cumulative cash inflows are equal to the outflows.

Payback Reciprocal Rate:

The payback period is stated in terms of years. This can be stated in terms of percentage also. This is the payback reciprocal rate.

Reciprocal of payback period = $[1/\text{payback period}] \times 100$

Decision Rules

Financial capital Rationing Situation:

- Select the projects which have payback periods lower than or equivalent to the stipulated payback period.
- Arrange these selected projects in increasing order of their respective payback periods.
- Select those projects from the top of the list till the financial capital budget are exhausted.

Decision Rules

Mutually Exclusive Projects:

In the case of two mutually exclusive projects, the one with a lower payback period is accepted, when the respective payback periods are less than or equivalent to the stipulated payback period.

Determination of Stipulated Payback Period:

- Stipulated payback period, broadly, depends on the nature of the business/industry with respect to the product, technology used and speed at which technological changes occur, rate of product obsolescence etc.
- Stipulated payback period is, thus, determined by the management's capacity to evaluate the environment vis-a-vis the enterprise's products, markets and distribution channels and identify the ideal-business design and specify the time target.

Accounting Rate of Return:

Accounting rate of return is the rate arrived at by expressing the average annual net profit (after tax) as given in the income statement as a percentage of the total investment or average investment. The accounting rate of return is based on accounting profits. Accounting profits are different from the cash flows from a project and hence, in many instances, accounting rate of return might not be used as a project evaluation decision. Accounting rate of return does find a place in business decision making when the returns expected are accounting profits and not merely the cash flows.

Computation of Accounting Rate of Return:

The accounting rate of return using total investment. Or sometimes average rate of return is calculated by using the following capital budget allows.

EMPIRICAL REVIEW: -

- **Eichen green and Mussa (1998):** The causes of the Asian financial crisis and found that a combination of factors, including excessive lending by banks and inadequate regulation, contributed to the crisis and examined the impact of foreign institutional

investment on Indian capital markets and found that foreign investment had a positive impact on Indian financial markets.

- **Barlev and Haddad (2003):** Measurement of financial capital and found that financial capital can be measured using both accounting and economic measures. The study highlighted the importance of using both measures to gain a comprehensive understanding of a company's financial position.
- **Chinn and Ito (2004):** The determinants of capital flows to emerging markets and found that factors such as economic growth, interest rate differentials, and exchange rate stability were significant drivers of capital flows and the role of international capital flows in the global economy and found that capital flows played a critical role in the process of global economic integration.
- **Rajan and Zingales (2005):** The impact of financial development on economic growth and found that financial development had a positive effect on economic growth in developing countries. The study highlighted the importance of financial reform and liberalization in promoting economic growth.
- **Bordo and Redish (2006):** Financial capital in found that there were significant challenges in measuring financial capital due to the increasing complexity of financial instruments and the global financial system. The study highlighted the importance of developing new measurement tools and metrics to better understand the role of financial capital in the economy.
- **Rajan and Zingales (2007):** It examined the measurement of financial development and found that traditional measures, such as bank credit and stock market capitalization, were inadequate to capture the full extent of financial development.

The study suggested that new measures, such as access to finance and the quality of financial institutions, should be developed to better understand the role of financial capital in the economy.

- **Beck et al. (2008):** A analyzed the impact of the global financial crisis on economic growth and found that the crisis had a significant negative impact on economic growth in both developed and developing countries. The study highlighted the importance of maintaining strong financial systems to promote economic growth and stability.
- **Brunner Meier (2009):** Systemic risk in financial markets and found that traditional measures, such as volatility and correlations, were inadequate to capture the systemic risks associated with complex financial instruments. The study suggested that new measures, such as interconnectedness and common exposures, should be developed to better understand the role of financial capital in systemic risk.
- **Niels Hermes, Peter Smid and Lu Yao (2010):** Faculty of Management and Organization, University of Groningen and Faculty of Economics, University of Groningen, The Netherlands, have made a study on “Financial capital estimation practices: A comparative study of the Netherlands and China”. The paper compares the use of financial capital estimation techniques of Dutch and Chinese firms, using data obtained from a survey among 250 Dutch and 300 Chinese companies. It aims to analyze the use of financial capital estimation techniques by companies in both countries from a comparative perspective to see whether economic development matters. The empirical analysis provides evidence that Dutch Chief Financial Officers on average use more sophisticated financial capital estimation techniques than Chinese CFOs do. At the same, however, the result suggests that the difference between Dutch and Chinese firms is smaller than expected based upon the

differences in the level of economic development between both countries, at least with respect to the use of methods of estimating the cost of financial capital and the use of CAPM as the method of estimating the cost of equity.

- **Susan F. Haka, Michigan State University, USA (2011):** Financial capital estimation and investment appraisal and historical appraisal of the development of current financial capital estimation practices and reviews financial capital estimation academic research. He has explained modern financial capital estimation and its processes. In the late eighteenth and early nineteenth centuries, the industrial revolution was instrumental in creating demand for financial capital estimation processes and techniques. Academic research, beginning in the late 1940s and early 1950s, is categorized by its focus on appraisal techniques, individual decision-maker effects, organizational issues, and environmental factors. Experimental, analytical, agency-based, survey-based, and case-based research is reviewed. His study concluded with a compilation of issues identified by academic research and a set of questions that have not yet been addressed.
- **Davina F. Jacobs (2012):** The economist in the Fiscal Affairs Department has done research on financial capital estimation practices. His study argues that the key challenge in government estimation is to define an appropriate balance between current and financial capital expenditures. Estimation for government financial capital investment also remains not well integrated into the formal budget preparation process in many countries. Hence, the research has been prepared with an aim to provide an overview of past and current estimation practices for public investment. The study will also provide a comparison between the budget practices between low-income countries and developed countries and make a series of recommendations for how to ensure efficient integration of financial capital planning and budget management in low-income countries.

- **Niels Hermes, Peter Smid and Lu Yao (2013):** Faculty of Management and Organization, University of Groningen and Faculty of Economics, University of Groningen, The Netherlands, have made a study on “Financial capital estimation practices: A comparative study of the Netherlands and China”. The paper compares the use of financial capital estimation techniques of Dutch and Chinese firms, using data obtained from a survey among 250 Dutch and 300 Chinese companies. It aims to analyze the use of financial capital estimation techniques by companies in both countries from a comparative perspective to see whether economic development matters. At the same, however, the result suggests that the difference between Dutch and Chinese firms is smaller than expected based upon the differences in the level of economic development between both countries, at least with respect to the use of methods of estimating the cost of financial capital and the use of CAPM as the method of estimating the cost of equity.

- **Forecasting for Environmental Decision Making - J. Scott Armstrong (2014):** Those making environmental decisions must not only characterize the present, they must also forecast the future. They must do so for at least two reasons. First, if a no-action alternative is pursued, they must consider whether current trends will be favorable or unfavorable in the future. Second, if an intervention is pursued instead, they must evaluate both its probable success given future trends and its impacts on the human and natural environment. Forecasting, by which I mean explicit processes is whether the forecasting methods are designed to assess the outcomes of interventions. The chapter then examines issues related to presenting forecasts effectively. Finally, it describes an audit procedure for determining whether the most appropriate forecasting tools are being used.

- **Shikha Bhatia, Aman Srivastava (2016):** This article focuses to investigate the relationship between financial capital management and firm performance in an emerging market. This study based on India finds a negative relationship between

the working capital management and firm performance, necessitating the need to efficiently manage the working capital for enhanced profitability.

- **Peter Smid (2016):** Overall, estimating financial capital is a complex process that involves analyzing a wide range of financial and non-financial factors. By using a combination of different methods and considering various indicators, analysts and investors can arrive at a more accurate estimate of a company's financial capital and make more informed investment decisions.
- **Arvind Shrivastava, Nitin Kumar, and Purnendu Kumar (2017):** Their study found that longer cash conversion period has detrimental influence on profitability. The purpose of this paper is to examine impact of working capital on profitability for Indian corporate entities. Larger firms seem to be more profitable and significant as per Bayesian approach has led to considerable gain in capital estimation fit.
- **Debabrata Jana (2018):** He reveals that capital estimation plays a vital role in the success of businesses because of its effect on profitability and liquidity. The purpose of this study is to examine the relationship and the efficiency of the working capital management strategies of FMCG company in India. Using panel data analysis, this study finds a significantly positive and negative relationship between profitability and working capital management.
- **Nafez il Altaf and Farooq Ahmad (2019):** In this study they give an overview of impact of financial constraints on the relationship between working capital financing and firm performance in India. The study is based on secondary financial data of 437 non-financial Indian companies. The findings of the study confirm the inverted U-shape relationship between estimation capital financing and firm performance.

- Market-based methods, such as market capitalization, are also commonly used to estimate financial capital. Market capitalization is calculated by multiplying a company's stock price by its number of outstanding shares, and provides a measure of the total value of a company's equity.

- **Erik Rehn (2019):** Valuation-based methods, such as discounted cash flow (DCF) analysis, are also used to estimate financial capital. DCF analysis involves estimating the future cash flows of a company and discounting them back to their present value using a discount rate, to arrive at an estimate of the company's overall value.

- **Kien Xuan PHAM, Quang Ngoc NGUYEN, Cong Van NGUYEN (2020):** This study examines the influence of financial capital management factors on the profitability of steel companies listed on the Stock Exchange of Vietnam. Research results from companies during this period indicate that has a strong impact on the profitability of business. This conclusion is almost in contrast to many previously published studies due to the specifics of the industry as well as the different stages of economic management policies of the state.

- **Santiago Hernandez, Davide Migliaro, Pablo Suarez, Arnaldo (2021):** The relative importance of family financial capital in the transition into self-employment. Specifically, we estimate the impacts of individual's own wealth and secured ability to do financial development eliminates investment barriers for businesses through provision of access to financial capital.

CHAPTER III

3.1 RESEARCH METHODOLOGY: -

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

3.2 RESEARCH DESIGN: -

The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement, and analysis of data. The research design is the arrangement of conditions for collections and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

Analytical Research Descriptive:

Descriptive research determines the relationship between two or more variables. It includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the situation as it exists at present. The main characteristics of this method are that the researcher has no control over the variables, he can only report for the happening. The method of research utilized in descriptive research is survey method of all kinds including comparative method and correlation method.

3.3 SOURCES OF DATA:

The data to be collected Secondary data.

Secondary data

Secondary data, the data that are already available, it refers to the data which have already been collected and analyzed by someone else. The secondary data recollected from company profile and website. Mostly the data used for the project are secondary data.

These criteria include, but not limited to date of publication, credential of the author, reliability of the source, quality of discussions, depth of analyses, the extent of contribution of the text to the development of the research area etc.

3.4 PROFILE AREA OF THE STUDY: -

A. Profile of the study:

- The project was carried out in Nandhini Trade Network Pvt Ltd, Chennai.

B. Topic of the study:

- “A study on Financial capita; estimation with reference to Nandhini Trade Network Pvt Ltd, Chennai.”

C. Period of the Study:

- The sources of data are from the annual reports of the company from the year 2017-18 to 2021-22.

3.5 TOOLS FOR ANALYSIS: -

1. Payback Period (PBP),
2. Accounting rate of return (ARR),
3. Net Present Value (NPV),
4. Profitability Index (PI),
5. Ratio Analysis.
 - a) Equity Ratio,
 - b) Liquidity Ratio,
 - c) Working capital ratio.
6. Trend Analysis.

METHODS: -

Payback Period Method

The payback period is also called as pay off or payout period method. That represents the period in which the total investment in permanent assets payback itself. The method is based on the principle that every financial capital expenditure pays itself back within a certain period out of the additional earnings generated from the financial capital assets. Thus, it measures the period for the original cost of the project to be recovered from the additional earnings of the project itself. Under this method, various investments are ranked according to the length of their payback period in such a manner that the investment with a shorter payback period is preferred to the one which has longer payback period. It is exact amount of time required for a firm to recover its initial investment in a project as calculated from cash flows.

The **payback** measures the length of time it takes a company to recover in cash its initial investment. This concept can also be explained as the length of time it takes the project to generate cash equal to the investment and pay the company back. It is calculated by dividing the financial capital investment by the net annual cash flow. If the net annual cash flow is not expected to be the same, the average of the net annual cash flows may be used.

The payback method is a one-sidedly derived number which tells a small amount about a project's beginning phase, but it tells one close to nothing about the full lifetime of the project. The effortlessness of calculating payback can possibly promote carelessness, especially in the failure to incorporate all the costs linked with investing in a project, such as training and maintenance. The payback method does not account for the time value of money either, and is therefore considered an unsophisticated financial capital estimation technique. Even though the payback method has these cons associated with it, the simplicity of the method can allow it to be used as a filter for those projects which should

go on to a more in-depth method, such as those explained below. If a project is not recommended based on the payback method, then chances are high the project should not even be considered for the other methods.

Rate of Return Method

The method considers the earnings expected from the investment over their whole life. It is known as accounting rate of return method because under this method, the accounting concept of profit is used rather than cash inflows.

According to this method, various projects are ranked in order of the rate of earnings or rate of returns. The project with the higher rate of return is selected as compared to the one with lower rate of returns. This method can also be used to make decision as to accepting or rejecting the proposal.

The IRR method is another sophisticated financial capital estimation technique and is the most widely used. It is, however, more complicated to calculate by hand, and a scientific calculator or spreadsheet application may need to be used. Businesspeople typically would rather see calculation results in the form of annual rates of return instead of actual dollar returns. This allows them to really compare two or more projects for ranking purposes to see which project is going to provide more bangs for the buck. The IRR method gives the rate of return result. This is especially important in our current economic climate, where businesses are trying to cut costs and only invest in those projects which will yield a higher rate of return.

Net Present Value Method

It is modern method of evaluating investment proposals. This method takes into consideration the time value of money and attempts to calculate the return on investments by introducing the factor of time element. The net present values of an inflows and outflows of cash occurring during the entire life of the project is determined separately for each year by discounting these flows by the firms cost of financial capital or predetermined rate.

Net Present Value measures the difference between present value of future cash inflows generated by a project and cash outflows during a specific period. With a help of net present value, we can figure out an investment that is expected to generate positive cash flows.

The NPV method does take into consideration the time value of money, so it is referred to as a sophisticated financial capital estimation technique. Therefore, everything is calculated based of today's dollars. For example, if \$300,000 is expected to be earned in year 5, then it is worth is \$155,811 in today's dollars. This method is easier to calculate by hand than the IRR method. In addition, the NPV method gives a more realistic solution because it takes into consideration that the firm reinvests intermediate cash flows at the company's cost of financial capital rate, rather than the high rate specified by the IRR method. The NPV method is the theoretically preferred method of financial capital estimation techniques. (p. 429-430)

The NPV is considered less insightful because it does not measure the interest rates, profitability, and other benefits relative to the amount invested. This means that NPV gives one a measure of the expected dollar amount of money made from the proposed project. Most often, financial managers want to see results measured in annual rate of return, such as with the IRR method.

In order to calculate net present value (NPV), we first estimate the expected future cash flows from a project under consideration. The next step is to calculate the present value of these cash flows by applying the discounted cash flow (DCF) valuation procedures. Once we have the estimated figures then we will estimate NPV as the difference between present value of cash inflows and the cost of investment.

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4. DATA ANALYSIS AND INTERPRETATION

4.1 PAY BACK PERIOD

The **payback** measures the length of time it takes a company to recover in cash its initial investment. This concept can also be explained as the length of time it takes the project to generate cash equal to the investment and pay the company back. It is calculated by dividing the financial capital investment by the net annual cash flow. If the net annual cash flow is not expected to be the same, the average of the net annual cash flows may be used.

Payback Period =	Initial Investment
	Cash Inflow per Period

CALCULATION OF ANNUAL CASH INFLOW

PBP TABLE- 4.1.1

Year	2018	2019	2020	2021	2022
Total Sales	1606310970	1952574983	2062496269	2177381956	2371633523
Less: Costs	1555885007	1815614157	1961324252	2068196415	2286017710
EBDT	50425963	136960826	101172022	128327364	85615818
LESS: Depreciation or other exceptional items	-	967090	-	10393113	12541810
EBT	50425963	135993136	101172022	117934251	73074008
LESS: Tax	17100966	100752605	(22354952)	38433857	26851541
PAT (Annual Cash Inflow)	33324997	35241131	123526969	79500394	46222467

4.1.1 Payback Period Analysis

Year	Initial investments	Annual cash Inflow	Payback period
2018	72368453	33324997	2.17
2019	175080399	35241131	4.97
2020	180236203	123526969	1.46
2021	46246000	79500394	0.58
2022	46246000	46222467	1.00

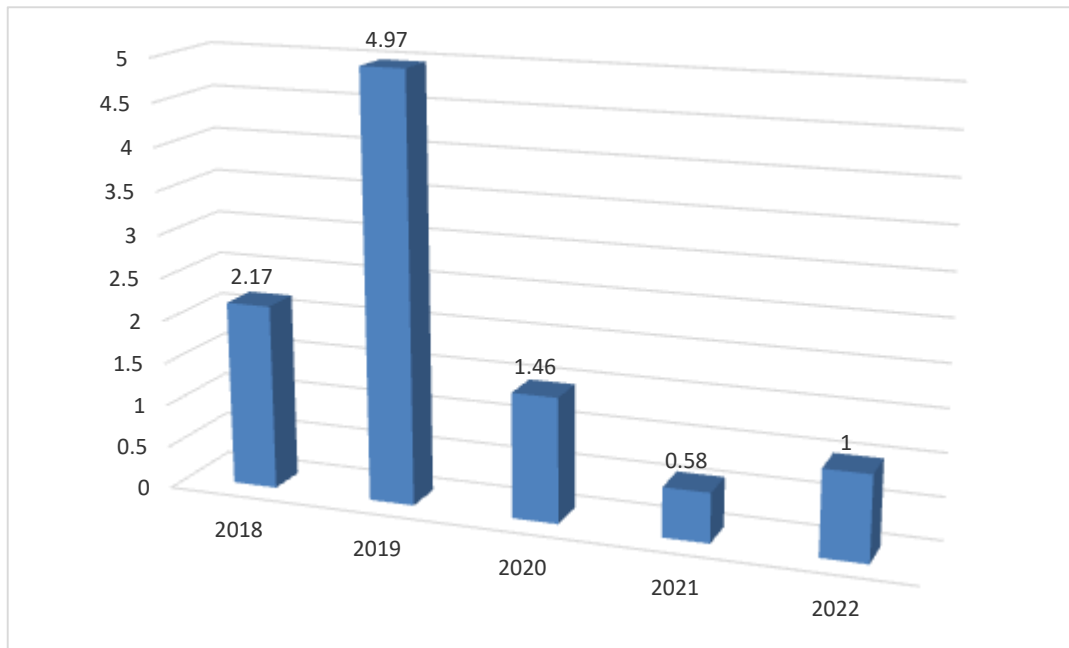
INTERPRETATION: -

The shorter the payback period, the sooner the company recovers its cash investment. Whether a cash payback period is good or poor depends on the company's criteria for evaluating projects. From the above it is inferred that the company have its highest pay back on 2020 with 1.46 or 5 years.

The current year (2022) PBP is found to be 1 year. This shows that the company recovers its investment in 1 year

4.2.1 PAY BACK PERIOD ANALYSIS

4.2.1 CHART



4.2 ACCOUNTING RATE OF RETURN (ARR)

ARR method uses accounting information as reveals by financial statements, to measure the profitability of the investment proposals. It is also known as the return on investment.

Sometimes it is called as the Average rate of return. (ARR)

PAT

Average Rate of Return (ARR) = ----- * 100

Original Investment

4.1.2 ARR TABLE

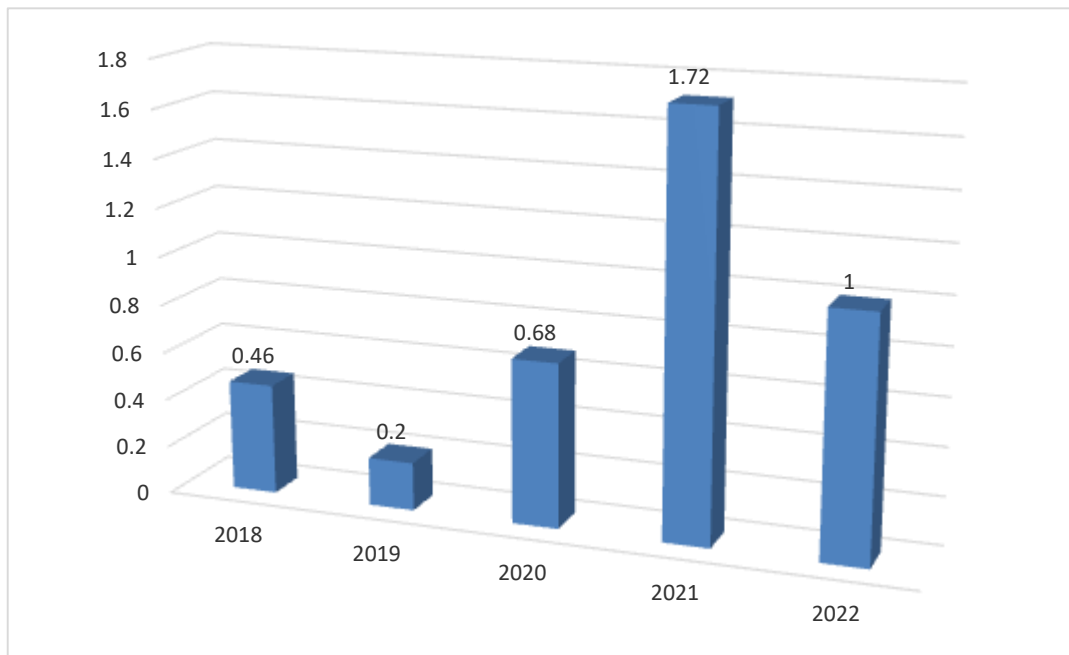
Year	PAT	Initial investments	Average Rate of Return
2018	33324997	72368453	0.46
2019	35241131	175080399	0.20
2020	123526969	180236203	0.68
2021	79500394	46246000	1.72
2022	46222467	46246000	1.00

INTERPRETATION: -

The chart shows that, in the year 2019 the company had lower expected rate of return than the minimum rate so the investment on the project can be reduced. In the year 2021 the project has a higher rate of return than the minimum rate. Higher rate of return indicates that investment made in the particular year has higher cash inflow in the future. The Average rate of return for the year 2022 is reduced to 1 year.

4.2.2 ARR CHART

ACCOUNTING RATE OF RETURN (ARR)



4.3 NET PRESENT VALUE

Considering the time value of money is important when evaluating projects with different costs, different cash flows, and different service lives. Discounted cash flow techniques, such as the net present value method, consider the timing and amount of cash flows. To use the net present value method, you will need to know the cash inflows, the cash outflows, and the company's required rate of return on its investments. The required rate of return becomes the discount rate used in the net present value calculation.

Formula: -

Present value = Cash flows * Present value of Re. 1 @ 10% discount using present value table

Net present value = Present value of all cash inflows – present value of initial investment.

Decision Rule:

Accept: NPV > Zero

Reject: NPV < Zero

4.1.3 NPV TABLE

Year	PAT	Discounting present value Table (Present value of Re.1 @ 10 %)	Present Value of Net Cash Flows	Present value of Initial investment
2018	33324997	0.909	30292422.27	65782923.78
2019	35241131	0.826	29109174.21	144616409.6
2020	123526969	0.751	92768753.72	135357388.5
2021	79500394	0.683	54298769.1	31586018
2022	46222467	0.621	28704152.01	28718766
		TOTAL =	235173271.3	406061505.8

Calculation:

Present value of all cash flows	23, 51, 73, 271.3
Less: Present value of all Initial Investment	<u>40, 60, 61,505.8</u>
Net Present Value (20118-12)	<u>(17, 08, 88,234.5)</u>

INTERPRETATION: -

Above table clearly indicates that the Net Present Value for the five years from 2018 to 2022 is **(17, 08, 88,234.5)**

A negative NPV indicates that the project will probably be unprofitable and therefore should be adjusted, if not abandoned altogether. NPV enables a management to consider the time value of money it will invest. This concept holds that the value of money increases with time because it can always earn interest in a savings account.

Therefore, any other investment of that money must be weighed against how the funds would perform if simply deposited and saved.

4.4 PROFITABILITY INDEX

Profitability index (PI), also known as profit investment ratio (PIR) and value investment ratio (VIR), is the ratio of payoff to investment of a proposed project. It is a useful tool for ranking projects because it allows you to quantify the amount of value created per unit of investment.

The ratio is calculated as follows:

$$\text{Profitability index} = \frac{\text{PV of future cash flows}}{\text{Initial investment}}$$

If the cash flow calculated does not include the investment made in the project, a profitability index of 1 indicates breakeven. Any value lower than one would indicate that the project's PV is less than the initial investment. As the value of the profitability index increases, so does the financial attractiveness of the proposed project.

Rules for selection or rejection of a project:

- If $PI > 1$ then accept the project
- If $PI < 1$ then reject the project

4.1.4 PROFITABILITY INDEX TABLE

Year	PAT (Rs. In Crore)	Discounting present value Table (Present value of Re.1 @ 10 %)	Present Value of Net Cash Flows	Present value of Initial investment
2018	33324997	0.909	30292422.27	65782923.78
2019	35241131	0.826	29109174.21	144616409.6
2020	123526969	0.751	92768753.72	135357388.5
2021	79500394	0.683	54298769.1	31586018
2022	46222467	0.621	28704152.01	28718766
		TOTAL =	235173271.3	406061505.8

PROFITABILITY INDEX = PV OF CASH INFLOWS ÷ INITIAL INVESTMENT

$$PI = 235173271.3 \div 406061505.8$$

$$PI = 0.579$$

DECISION RULE:

Accept: $PI > 1$

Reject: $PI < 1$

INFERENCE:

PI is lesser than 1 so Reject the proposal

It indicates that for every one-rupee investment there will be 0.579 loss.

4.5 RATIO ANALYSIS

Ratio Analysis: -

Ratio analysis is a tool used in financial analysis to evaluate the performance and financial health of a company. It involves analyzing financial ratios that are derived from financial statements such as the income statement, balance sheet, and cash flow statement. Ratio analysis is used by investors, creditors, and other stakeholders to make informed decisions about investing or lending to a company.

4.6 EQUITY RATIO

Equity Ratio: -

Equity ratios are calculated by dividing one financial statement item by another to provide a relative measure of a company's financial performance. For example, the current ratio is calculated by dividing current assets by current liabilities. The result provides a measure of a company's ability to pay its short-term obligations.

Equity Ratio

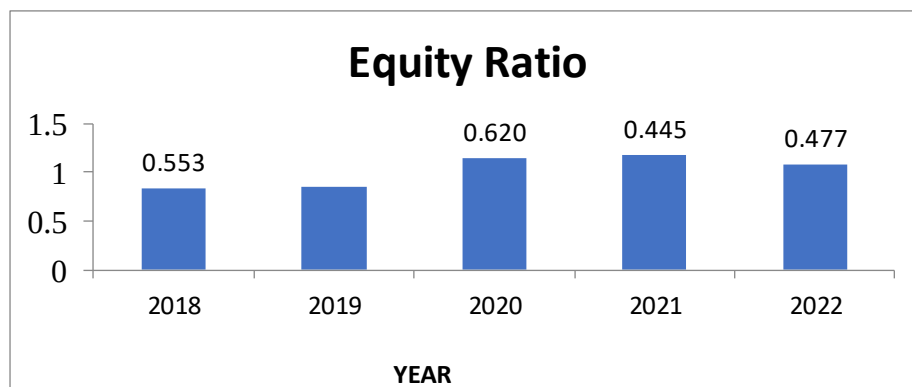
$$\text{Equity Ratio} = \frac{\text{Shareholder's Equity}}{\text{Total Asset}}$$



4.1.5 EQUITY RATIO TABLE

Year	Share capital	Total assets	Current ratio
2018	3,001	5.425	0.553
2019	2,879.38	5,032.47	0.572
2020	2,737.49	4,409.84	0.620
2021	2,735.85	6,138.85	0.445
2022	2,565.56	5,375.13	0.477

4.2.3 EQUITY RATIO CHART



INTERPRETATION: -

Equity ratio has increasing trend from the year 2018 till 2021, then its gradually had a fall in 2022 compared to previous years. Equity ratio is highest in the year 2020-2021 and lowest in the year 2017-2018.

4.7 LIQUIDITY RATIO

Liquidity Ratio: -

A liquidity ratio is a financial ratio that measures a company's ability to meet its short-term financial obligations with its available liquid assets. It compares a company's liquid assets, such as cash and accounts receivable, to its current liabilities, such as accounts payable and short-term debt. The purpose of liquidity ratios is to determine if a company has enough liquid assets to meet its short-term financial obligations, and to provide insight into the company's overall financial health.

FORMULA: - **Liquid assets**
Current liability

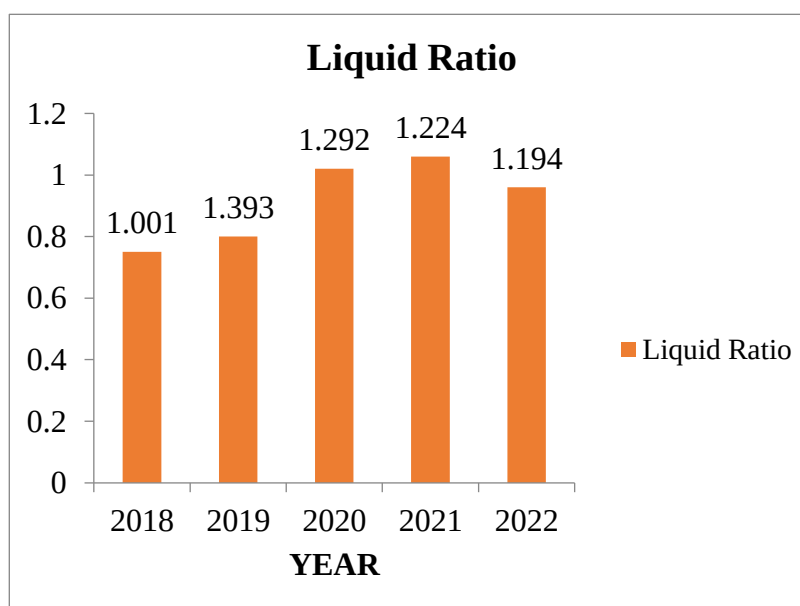
Liquidity assets= current assets-inventory

LIQUIDITY RATIO TABLE-4.1.6

	Liquid assets	Current liabilities	Liquidity ratio
Year			

2018	2,347.04	2320.24	1.011
2019	2,838.43	2036.86	1.393
2020	2,068.06	1600.06	1.292
2021	4,096.58	3344.40	1.224
2022	3,273.13	2739.31	1.194

LIQUID CHART-4.2.4



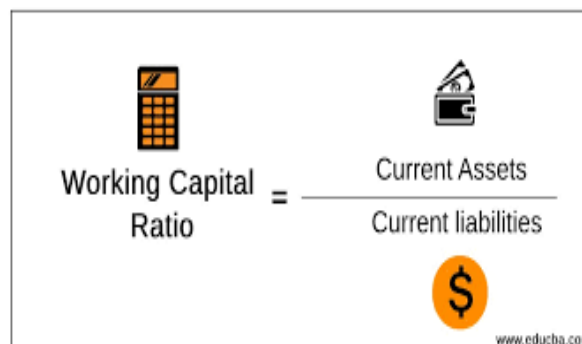
INTERPRETATION: -

Liquid Ratio has increasing trend from the year is gradually had a fall in 2022 compared to previous years. Liquid ratio is the highest in the year 2020-2021 and lowest in the year 2017-2018.

4.8 WORKING CAPITAL RATIO

Working Capital: -

The working capital ratio, also known as the current ratio, is a financial ratio that measures a company's ability to meet its short-term financial obligations using its current assets. It compares a company's current assets, such as cash, inventory, and accounts receivable, to its current liabilities, such as accounts payable and short-term debt. The working capital ratio is calculated by dividing a company's current assets by its current liabilities.

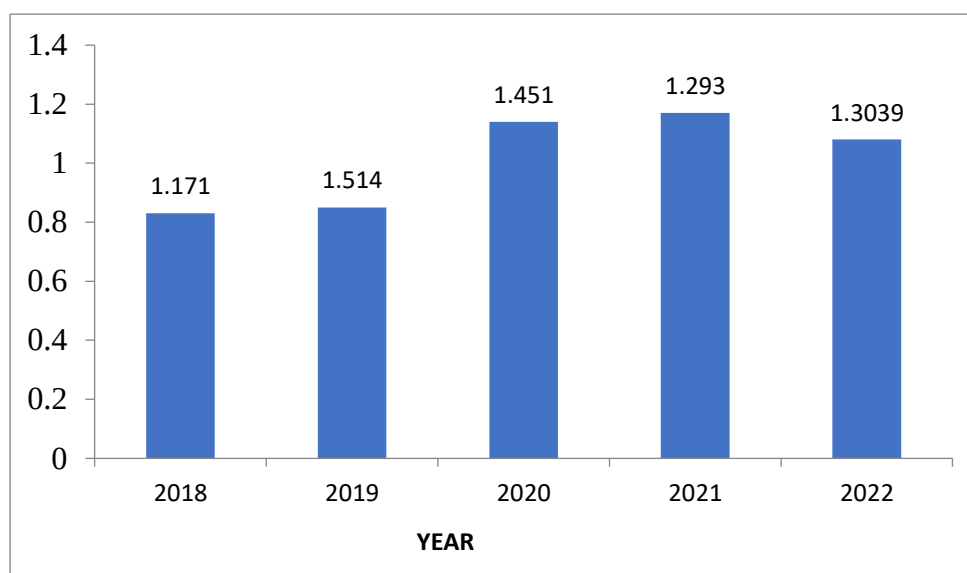

$$\text{Working Capital Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

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WCR TABLE-4.1.7

Year	Current assets	Current liabilities	Current ratio
2018	2717.39	2320.24	1.171
2019	3084.34	2036.86	1.514
2020	2323.07	1600.06	1.451
2021	4327.02	3344.40	1.293
2022	3571.43	2739	1.3039

WCR CHART -4.2.5



INTERPRETATION: -

Working capital ratio has increased in the year 2019 compared to 2018 and from 2020 to 2022 it has decreasing trend compared to the year 2019. Working capital Ratio is highest in the year 2018-2019 and it is lowest in the year 2021-2022.

4.9 TREND ANALYSIS

Trend analysis is based on the idea that what has happened in the past gives traders an idea of what will happen in the future. Trend analysis has a great advantage that it can also be used to predict the future events. This is possible by forecasting the future cash flow based on the data available of the past. With the help of trend analysis, you can predict the future and track the variances to add performance.

$$Y=a+b(x)$$

TREND ANALYSIS -PAT

4.1.8 TABLE

Year	PAT(y)	x	X ²	xy	Y=a+b(x)
2018	0.3332	-2	4	-0.6664	0.4955
2019	0.3524	-1	1	-0.3524	0.56556
2020	1.2353	0	0	0	0.63562
2021	0.7950	1	1	0.795	0.70568
2022	0.4622	2	4	0.9244	0.77574
	$\Sigma y = 31.781$		$\Sigma x^2=10$	0.7006	

$$Y=a +b (x)$$

$$a = \Sigma y /n$$

$$b= \Sigma xy / \Sigma x^2$$

$$a= 0.63562$$

$$b= 0.07006$$

For: 2022

Let us assume x=3

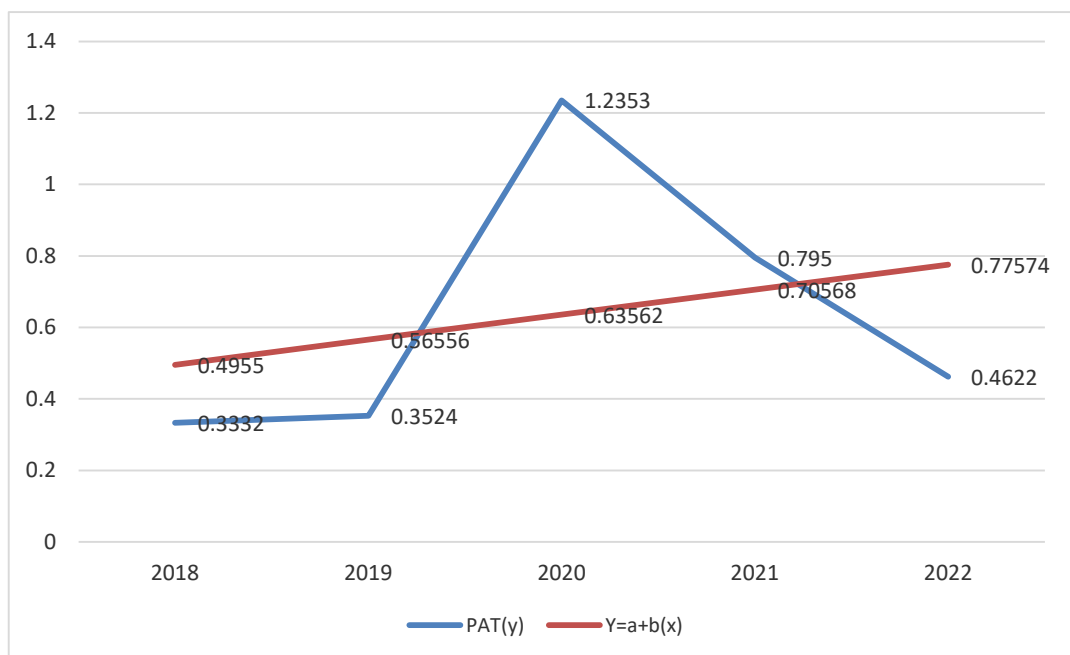
$$Y=a + b(x)$$

$$Y= 6.3562 +0.0368737 *3$$

$$Y = 0.7462411$$

4.2.6 CHART

PAT



INTERPRETATION: -

- The PAT is increasing at an increasing rate for the all the five years. The company has the highest PAT on 2020 with 1.2535
- The PAT trend is found to be increasing rate this is due to the gradual decrease of expenses for the first 3 years. In the year 2022 the PAT is tended to decrease this is due to the increase in the interest and expenses of the company.
- The PAT trend is decreasing so the company should take necessary steps to increase the profit of the company by decreasing the expenses and debtors.

EBIT**4.1.9 TABLE**

Year	EBIT(y)	x	X²	xy	Y=a+b(x)
2018	0.504	-2	4	-1.008	0.8776
2019	1.360	-1	1	-1.36	0.9403
2020	1.012	0	0	0	1.003
2021	1.283	1	1	1.283	1.0657
2022	0.856	2	4	1.712	1.1284
	5.015		Σ x²=10	0.627	

$$Y=a +b (x)$$

$$a = \Sigma y /n$$

$$b= \Sigma xy / \Sigma x^2$$

$$a=1.003$$

$$b=0.0627$$

For: 2022

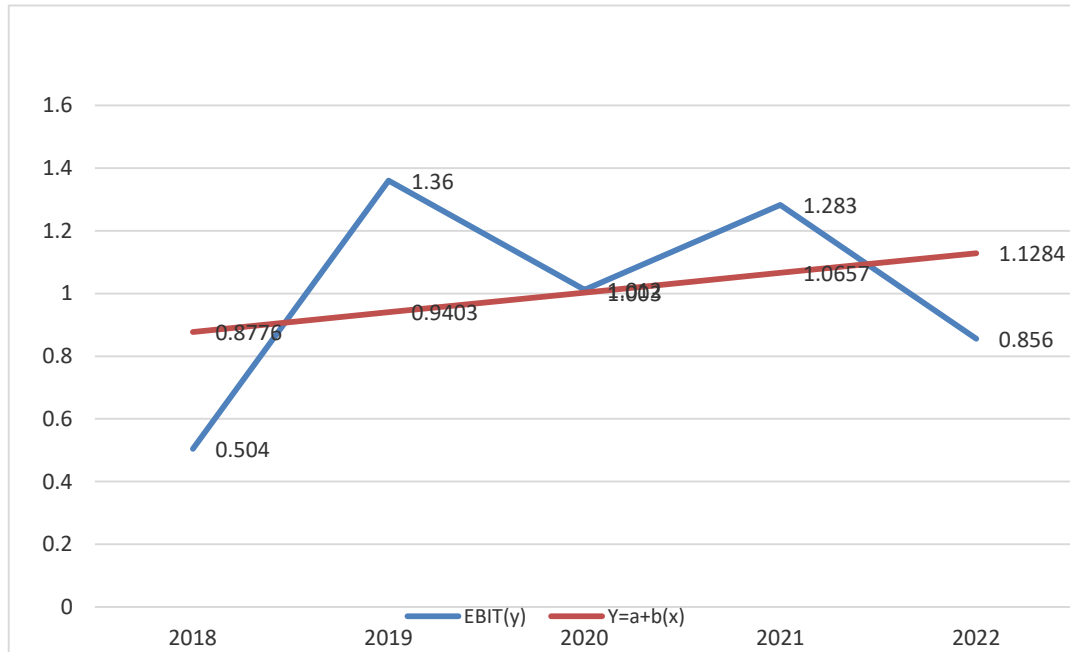
Let us assume $x=3$

$$Y=a + b(x)$$

$$Y= 1.003 +0.033*3$$

$$Y= 1.102$$

4.2.7 EBIT CHART



INTERPRETATION: -

- The EBIT is fluctuating for the all the five years. The company has the highest EBIT on 2019 with 13.60
- The EBIT trend is found to be increasing rate this is due to the gradual Increase of Sales
- The EBIT trend is decreasing in 2022 this may due to increase in the expenses and high interest.

5.1 FINDINGS OF THE STUDY: -

1. The current year (2022) PBP is found to be 1 year. This shows that the company recovers its investment in 1 year.
2. The Average rate of return for the year 2022 is reduced to 1 year the Net Present Value for the five years from 2018 to 2022 is **(17, 08, 88,234.5)**. A negative NPV indicates that the project will probably be unprofitable and therefore should be adjusted, if not abandoned altogether.
3. PI is lesser than 1 so Reject the proposal. It indicates that for every one-rupee investment there will be 0.579 loss.
4. The current year (2022) PAT is decreased to 4.622 when compared to the previous year (2021) with 7.950.
5. Current ratio is the highest in 2020-2021 and it is lowest in 2017-2018.
6. Liquid ratio is the highest in 2020-2021 and it is lowest during 2017-2018.
7. Equity ratio is highest in 2018-2019 (i.e., 32.50 times) and it is lowest in 2021-2022 (i.e., 13.52 times).
8. Working capital ratio has increased in the year 2019 compared to 2018 and from 2020 to 2022 it has decreasing trend compared to the year 2019. Working capital Ratio is highest in the year 2018-2019 and it is lowest in the year 2021-2022.
9. The PAT is increasing at an increase rate for all the five years. The company has the highest PAT on 2020 with 1.2535.
10. The PAT trend is found to be increasing rate this is due to the gradual decrease of expenses for the first 3 years.
11. In the year 2022 the PAT is tended to decrease this is due to the increase in the interest and expenses of the company.
12. The EBIT is fluctuating for the all the five years. The company has the highest EBIT on 2019 with 1.360.

13. The EBIT trend is found to be increasing rate this is due to the gradual Increase of Sales

5.2 SUGGESTIONS&RECOMMENDATIONS: -

1. The shorter the payback period, the sooner the company recovers its cash investment. Whether a cash payback period is good or poor depends on the company's criteria for evaluating projects. Higher rate of return indicates that investment made in the particular year has higher cash inflow in the future.
2. A negative NPV indicates that the project will probably be unprofitable and therefore should be adjusted, if not abandoned altogether.
3. NPV enables a management to consider the time value of money it will invest. This concept holds that the value of money increases with time because it can always earn interest in a savings account. Therefore, any other investment of that money must be weighed against how the funds would perform if simply deposited and saved.
4. Current Ratio: This ratio measures a company's ability to pay its short-term debts. It is calculated by dividing current assets by current liabilities. A high current ratio indicates that a company has sufficient short-term assets to cover its liabilities. Quick Ratio is also known as the acid-test ratio, this ratio measures a company's ability to pay its short-term debts with its most liquid assets. It is calculated by subtracting inventory from current assets and dividing the result by current liabilities. A quick ratio of 1 or greater indicates that a company has sufficient liquid assets to cover its liabilities. Working capital ratio has increased in the year 2019 compared to 2018 and from 2020 to 2022 it has decreasing trend compared to the year 2019. Working capital Ratio is highest in the year 2018-2019 and it is lowest in the year 2021-2022.

5. The PAT trend is decreasing so the company should take necessary steps to increase the profit of the company by decreasing the expenses and debtors
6. The EBIT trend is decreasing in 2022 this may due to increase in the expenses and high interest. So, the company should take necessary actions to decrease the expenses.

5.3 CONCLUSION: -

- Financial capital estimation or investment appraisal is the planning process used to determine whether an organization's long term investments such as new machinery, replacement machinery, new plants, new products, and research development projects are worth pursuing.
- It is budget for major financial capital, or investment, expenditures. It is a process used to determine whether a firm's proposed investments or projects are worth undertaking or not. The process of allocating budget for fixed investment opportunities is crucial because they are generally long lived and not easily reversed once they are made. So, we can say that this is a strategic asset allocation process and management needs to use financial capital estimation techniques to determine which project will yield more return over a period of time.
- Through this study it is very clear that financial capital estimation essentially involves evaluation of the worth of financial capital investment proposals based on estimates of cash inflows and outflows. The study emphasizes that efficient allocation of financial capital is the most important finance function in the modern times. Thus, financial

capital estimation or investment decisions are of considerable importance to the firm, since they tend to determine its value by influencing its growth, profitability, and risk. The analysis of payback period and Average Rate of Returns conclude that management should take efforts to perform the financial capital budget in efficient manner.

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**CONSOLIDATED FIVE YEARS BALANCE SHEET OF NANDHINI
TRADE NETWORK**

INCOME AND EXPENDITURE

PARTICULARS	2018	2019	2020	2021	2022
Rs. Crore (Non-Annualized)					
Total income	10.229	10.642	12.177	13.944	12.793
Sales	9.713	10.152	11.685	13.316	12.312
Industrial sales	9.713	10.152	11.685	13.316	12.312
Income from non-financial services	0	0	0	0	0
Income from financial services	0.488	0.461	0.47	0.601	0.406
Interest	0.18	0.153	0.135	0.174	0.255
Dividends	0.19	.222	.25	0.098	.142
Treasury operations	0.118	0.086	0.085	0.329	0.009
Other income	0.017	0.012	0.012	0.014	0.055
Prior period income & extraordinary income	0.011	0.017	0.01	0.013	0.02
Change in stock	-0.029	0.189	0.383	-0.316	-0.075
Total expenses	9.379	9.942	11.677	12.893	11.824
Raw material expenses	4.161	4.423	5.596	6.715	5.205
Packaging expenses	0	0	0	0	0
Purchase of finished goods	0	0	0	0	0
Power, fuel & water charges	0.863	0.709	0.708	0.855	1.123
Compensation to employees	1.006	1.123	1.264	1.418	1.598
Indirect taxes	1.048	1.254	1.356	1.054	0.89
Royalties, technical know-how fees,	0	0	0	0	0

etc.					
Lease rent & other rent	0.011	0.011	0.011	0.015	0.016
Repairs & maintenance	0.234	0.218	0.242	0.265	0.305
Insurance premium paid	0.031	0.027	0.02	0.014	0.029
Outsourced mfg. jobs (incl. job works, etc.)	0.224	0.346	0.489	0.351	0.308
Outsourced professional jobs	0.005	0.008	0.007	0.01	0.01
Directors' fees	0.002	0.002	0.002	0.002	0.002
Selling & distribution expenses	0.576	0.56	0.674	0.727	0.896
Travel expenses	0.153	0.177	0.187	0.208	0.186
Communication expenses	0.042	0.039	0.039	0.045	0.041
Printing & stationery expenses	0	0	0	0	0
Miscellaneous expenses	0.314	0.306	0.335	0.444	0.404
Other operational exp. of idle. Enterprises	0	0	0	0	0
Other opera. exp. of non-fin. service enterprises	0	0	0	0	0
Share of loss in subsidiaries/JVs, etc.	0	0	0	0	0
Lease equalization adjustment	0	0	0	0	0
Loss on securitization of assets/loans	0	0	0	0	0
Fee based financial service expenses	0.015	0.017	0.022	0.025	0.021
Treasury operations expenses	0	0	0	0	0.064
Total provisions	0	0	0.003	0.025	0
Write-offs	0.006	0.007	0.011	0.004	0.001
Less: Expenses financial capitalized	0.026	0.03	0.074	0.072	0.029
Less: DRE & expenses charged to others	0.024	0	0.03	0.047	0.036
Prior period & extraordinary expenses	0	0.005	0.011	0	0.003
Interest paid	0.015	0.012	0.023	0.045	0.052
Financial charges on instruments	0	0	0	0	0
Expenses incurred on raising deposits/debts	0	0	0	0	0
Depreciation	0.393	0.396	0.416	0.375	0.35
Amortization	0	0	0	0	0

Provision for direct taxes	0.33	0.332	0.365	0.415	0.385
PAT	0.821	0.889	0.883	0.735	0.894
PBDITA	0.1559	0.1629	1.687	1.57	1.681
PBDTA	0.1544	0.1617	1.664	1.525	1.629
PBT	0.1151	0.1221	1.248	1.15	1.279

Investments Report

PARTICULARS	2018	2019	2020	2021	2022
Rs. Crore (Non-Annualized)					
-					
Investments	3.347	3.255	2.962	2.899	2.91
In equity shares	0.397	0.401	0.412	0.417	0.42
Group companies	0.223	0.223	0.223	0.219	0.219
Other than group companies	0.174	0.178	0.189	0.198	0.201
In debt instruments	0.776	0.636	0.565	0.352	0.116
Other than government debentures/bonds	0.775	0.635	0.564	0.351	0.116
Other than group companies	0.775	0.635	0.564	0.351	0.116
In bonds/debentures of government/local bodies	0.001	0.001	0.001	0.01	0
In mutual funds	2.159	2.225	1.99	2.161	0.238
Other than group companies	2.159	2.225	1.99	2.161	2.38
In others	0.024	0	0.004	0	0
Less: Provision for diminution in value of investments	0.009	0.007	0.01	0.032	0.006
Book value of quoted investments	0.288	0.292	2.292	2.328	2.55
Market value of quoted investments	0.415	0.426	2.065	0.831	0.859
Marketable securities	2.447	2.517	2.292	2.328	2.55

Report Showing Appreciation of Profit

PARTICULARS	2018	2019	2020	2021	2022
Rs. Crore (Non-Annualized)					
-					
PBDITA	1.559	1.629	1.687	1.57	1.681
Depreciation	0.393	0.396	0.416	0.375	0.35
Amortization	0	0	0	0	0
PBIT	1.166	1.233	1.271	1.195	1.331
Interest paid	0.015	0.012	0.023	0.045	0.052
Financial charges on instruments	0	0	0	0	0
Fee based financial services expenses	0	0	0	0	0
PBT	1.151	1.221	1.248	1.15	1.279
Provision for direct tax	0.33	0.332	0.365	0.415	0.385
Corporate tax	0.336	0.355	0.35	0.401	0.42
Deferred tax	0	0	0	0	0
Less: Deferred tax assets / credit	0.026	0.039	0.005	0.005	0.035
Other direct tax	0.02	0.016	0.02	0.019	0
Fringe benefits tax	0.02	0.016	0.02	0.019	0
PAT	0.821	0.889	0.883	0.735	0.894
Prior period & extra-	0.011	0.017	0.01	0.013	0.02

ordinary income					
Prior period & extra-ordinary expenses	0	0.005	0.011	0	0.003
Net prior period & extraordinary transactions	-0.011	-0.012	0.001	-0.013	-0.017
PBDITA net of P&E	1.548	1.17	1.688	1.557	1.664
PBIT net of P&E	1.155	1.221	1.272	1.182	1.314
PBT net of P&E	1.14	1.209	1.249	1.137	1.2.62
PAT net of P&E	0.81	0.877	0.884	0.722	0.877
Distribution of profits (%)					
PBDITA	100	100	100	100	100
Depreciation & Amortization	2.5208467	2.43093923	2.46591583	2.38853503	2.08209399
Financial charges	0.096215523	0.073664825	0.136336692	0.286624204	0.309339679
Tax	2.1167415	2.03806016	2.16360403	2.6433121	2.29030339
PAT	5.26619628	5.45733579	5.23414345	4.68152866	5.31826294
Non—provisions	0	0	0	0	0
Diminution in investment	0	0	0	0	0
Sundry debtors	0	0	0	0	0
Loans & advances including NPAs	0	0	0	0	0
Loans & advances to group cos.	0	0	0	0	0
Interest expenses	0	0	0	0	0
Power expenses	0	0	0	0	0
Gratuity	0	0	0	0	0
Others	0	0	0	0	0

