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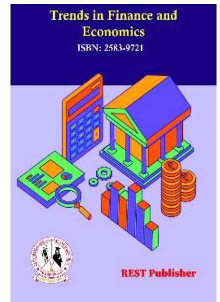

A Study on Capital Structure Analysis with Reference to Ultratech Cement

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Abstract. A study of capital structure involves an examination of long term as well as short term sources that a company taps to meet its requirement of finance. This study covers introduction to ultra tech cement and making of the investment in an appropriate manner to maintain the company's sustainability to serve in the market. The scope of the study confined to the sources that ultratech cements tapped over the years knowing the relationship between capital structure and value of firm value.

Key Words: capital structure, value of the firm, Investment.

1. INTRODUCTION

Capital structures refer to the mix of long-term sources of funds, such as debentures, long-term debt and preference shares. Some companies do not plan their capital structure and they may face considerable difficulties in raising funds to finance their activities. May also fail to economize the use of their funds. Features of an appropriate capital structure: The capital should be planned generally keeping in view the interest of the equity shareholders, being the owners of the owners of the company.

2. REVIEW OF LITERATURE

This survey provides a synthesis of the empirical capital structure literature. Our synthesis is divided into three parts. The first part examines the evidence that relates to the cross-sectional determinants of capital structure. This literature identifies and discusses the characteristics of firms that tend to be associated with different debt ratios. In the second part, we review the literature that examines changes in capital structure. The papers in this literature explore factors that move firms away from their target capital structures as well as the extent to which future financing choices move firms back toward their targets. Finally, we complete our review with a set of studies that explore the consequences of leverage, rather than its determinants. These studies are concerned with feedback from financing to real decisions. For example, we explore how a firm's financing choices influences its incentive to invest in its workers, price its products, form relationships with suppliers, or compete aggressively with competitors.

3. OBJECTIVE OF THE STUDY

1. To study different sources of finance available from the firm for its operations.
2. To know the total value of the firm.
3. To analyze earnings per share under different capital structures.
4. To analyze the liquidity and ability of the firm to service fixed charge through ratio analyses.
5. To show how to take account of a firm's financing mix in evaluating investment decisions.
6. To study the capital structure of Ultra tech cements through EBIT-EPS analysis.

4. LIMITATIONS OF THE STUDY

- The study is restricted to the capital structure method followed by the company.
- The Period of 5 years for analysis is a limitation.
- Comparative study is restricted to debt and equities of the company.
- The period of research of 45 days was a limitation.
- The Study is based largely on secondary data and the limitation existing therein would creep into the findings.

5. DATA ANALYSIS & INTERPRETAION

TABLE 1. Analysis Of Capital Structure From 2019 To 2023

PARTICULARS	2019	2020	2021	2022	2023
I. Authorized capital					
Equity shares	550	550	550	550	550
II. Issued sharers	550	550	550	550	550
III. Reserves &surplus					
1.share premium	1487.50	1487.50	1487.50	1487.50	1487.50
2.capital reserve	48.18	48.18	48.18	48.18	48.18
3.capital investment subsidy	30	30	30	30	30
4.General reserve					
	6059.70	4848.93	5848.93	5998.93	6228.93

Interpretation: In the above table represent the analysis of capital structure from 2019 to 2023. The Authorized capital (or) equity shares are constant from the beginning year 2019 to 2020 (5,50 lack) and issued shares also constant from 2019 to 2023 (5,50 lack). The company maintained reserves &surplus from 2019 to2023 including share premium (1487.50 lack) Capital reserve (48.18 lacks) capital investment subsidy (30 lacks) and general reserve changed in every year from 2018.9

TABLE 2. Debit Capital

Loans & Funds	2019	2020	2021	2022	2023
I. Secured Loans A. Term loans & W.C. borrowing from Bank	7996.55	8228.56	10280.35	13077.04	15284.48
II. Unsecured Loans	2283.43	2093.25	1432.13	4047.47	877.7

Interpretation: The above table shows from the loans &funds position of the net worth. In 2019 to 2023 secured loans including term loans and working capital borrowing from banks increasing every year from 2019 (7996.55lakhs)to 2022(15284.48 lacks) and unsecured loans represent the position of the debt capital from 2019 to 2023. Here 2019 increased from(2283.4lacs) and 2022 decreased(2093.25lacs) and 2019 increased (4047.47lacs) and 2023 decreased(877.7lacs) Here the unsecured loans changed in fluctuation from 2019 to 2023.

TABLE 3. Growth of Owners Funds

Years	Equity share capital	Reserve & surplus	Net worth
2019	550	7685	8235

2020	550	6470	7020
2021	550	7559	8109
2022	550	8353	8903
2023	550	9225	9775

Interpretation: The growth of the owner's funds table represents the mill position of every year. Here the equity shares capital constant from 2019 to 2023 (5,50 lack) and reserve &surplus measured high in the year 2019 i.e. (7685) from the it has gradually decreased in the year 2020,2023. Measuring (8353) and (9225) these are represented and changes in the net worth position of the 2019 to 2023.

TABLE 4. Growth Of Debt Capital

Year	Secured loans	Unsecured loans	Total debt
2019	7996.55	2283.43	10279.98
2020	8228.56	2093.25	10321.81
2021	10280.35	1432.13	11712.48
2022	13077.04	4047.47	17124.51
2023	15284.48	877.71	16162.19

Interpretation: The above table depicts growth of debt capital of net worth. Here mentioned secured loans and unsecured loans from 2019 to 2023 the above loans are representing the total debt

Debt Equity Ratio

Debt equity ratio= total debt / net worth

Rs. Lakhs

Years	Debt	Equity (net worth)	Ratio
2019	10279.98	8234.64	1.24838
2020	10321.81	7020.11	1.47032
2021	11712.48	8108.72	1.44443
2022	17124.51	8903.24	1.92340
2023	16162.19	8775.21	1.65340

Interpretation: It is evident from the above table that debt equity ratio of the net worth was approximately 1.24 times in the year 2019. And it is increased to 1.92 times in the year 2023 and suddenly decreased 1.65 in the year 2023.

Interest Coverage Ratio

Interest coverage ratio= EBIT/ INT

(EBIT = PBT – DEP – INT)

Rs. Lakhs

Year	EBIT	INT	I.C.R
2019	3352.86	1118.37	2.998
2020	3385.02	1038.45	3.260

2021	4240.58	896.83	4.728
2022	4185.45	1082.33	3.867
2023	4269.01	1159.13	3.683

Interpretation: The above table shows the interest coverage ratio. Here mentioned EBIT and INT from 2019 to 2023 calculated ICR (interest coverage ratio). The ICR measured very low from the starting position 2019 (2.998 lack) it is increased 2020 (4.728 Lack) 2023 and 2023 decreased finally (3.683 lack)

Return On Net worth.

Return on net worth= PAT (net profit)/net worth

Rs. Lakhs

Years	Net profit	Net worth	R.O.N	%
2019	781.47	8234.64	0.09	9
2020	888.74	7020.11	0.13	13
2021	1398.84	8108.72	0.17	17
2022	1042.71	8903.24	0.12	12
2023	1122.61	9775.15	0.11	11

Interpretation: The return on net worth table shows of net worth position of the 2019 to 2023. Here Net profit & Net worth calculated RON return on equity and percentage of RON is every year increased and decreased from 2019 to 2023.

Performance of the Company Turnover

Rs. Thou

Years	Turnover
2019	24490.09
2020	29556.77
2021	28101.73
2022	33516.26
2023	36752.25

Interpretation: The above table shows the performance of the company turnover from 2019 to 2023. The company turnover increased from 2019 (24490.09 thou) to 2023 (36752.25 thou) finally the company turnover position is very high.

Earnings Per Share

Earnings per share= Profit after tax/No of shares

Rs. Lakhs

Years	Net profit	No of shares	E.P.S	%
2019	781.47	55,00,000	142.09	14.21
2020	888.74	55,00,000	161.59	16.16
2021	1398.84	55,00,000	254.33	25.43
2022	1042.71	55,00,000	189.58	18.96
2023	1122.61	55,00,000	204.01	20.04

Interpretation: From the above table it can be observed that Net worth earning per share 2019 the EPS is (142.09) and increased 2021 (254.33) and finally decreased from 2023(204.1).

Ebit And Eps Analysis

	% of equity % of debt		
EBIT	42.69	42.69	42.69
(-) Interest @ 7%	11.59	9.07	13.65
PBT	31.10	33.61	29.04
(-) tax @ 18%	2.47	6.05	5.22
PAT	28.63	27.56	23.81
No. of shares	0.55 Cr	0.74 Cr	0.37 Cr
EPS	52.05	37.24	64.35

Interpretation: The EPS of a firm is very high when the capital structure consists of 25 % equity and 75 % debt. The no. of shares will increase by 34 % when the capital structure consists of 50 % equity and 50 % debt capital. The interest rate will get reduced by 21% when capital structure of 50 % equity and 50% debt capital.

Findings

1. The Authorized capital (or) Equity shares are constant from the beginning year 2018 to 2022 (550lakhs). And issued shares were also constant from 2018 to 2022 (550lakhs), from this we find that retained earnings form the major source of finance.
2. Analysis of debt equity ratio reveals that the company employed more of debt for financing growth. The debt equity ratio was approximately 1.24 times and increased to 1.92 times in the year 2022.
3. The Interest coverage ratio in the year 2018 is 2.99 indicating that the firm has very low debt servicing capacity. The interest coverage ratio is high in the year 2018. Indicating that the firm has sufficient earnings to cover the interest charges. Company ability to service the debt has increased over the period of study.
4. The Return on net worth is high in the year 2020 by 17% indicating that the firm earned greater returns on the investment.
5. The company turnover position is gradually increasing every year from 2018 to 2022.
6. From EBIT – EPS Analysis EPS will be high when capital structure consists of 25% equity and 75% debt capital.
7. The Net profit of the firm is growing for the last 5 years which shows good operational efficiency of firm.
8. The Net worth of firm is very high due to high reserve in relation to equity.

Suggestions

1. To earn sufficient profit to pay periodically the interest charges the company must increase its coverage ratio to 6 - 7 times.
2. The pattern of the Capital Structure should be so designed that it involves minimum risk and avoids loss of control of the company.
3. Reserves are increasing every year so far, the proper utilization of these reserves, the Company should capitalize by giving the bonus shares to the existing shareholders.
4. A company's EBIT is variable as well as interest coverage ratio is less, the company can think of reducing the debt capital by retiring high interest debt.

6. CONCLUSION

1. After analyzing the financial position of ULTRATECH CEMENT INDUSTRIES LIMITED and evaluating its Capital Structure Analysis inrespect of Ratio Analysis and source and utilization of funds.
2. The following conclusions are drawn from the project preparation.
3. The progress of KESORAM INDUSTRIES LIMITED shows the debt equity ratio was approximately 1.24 times and increased to 1.92 times in the year 2022 and the Net worth of the Company 39.04%.
4. Regarding Capital Structure Analysis Equity Capital decreased from 2018-09 to 2021-12.
5. Regarding Capital Structure Analysis Turn Over was increased and decreased in the year 2018-09 and profit after tax was increased during the year 2021-12.
6. From EBIT – EPS Analysis EPS will be high when capital structure consists of 25% equity and 75% debt capital.
7. From the above study can be said that the ULTRATECH CEMENT INDUSTRIES LIMITED financial position on Capital Structure Analysis is quite satisfactory

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