



ANALYSIS OF CAPITAL STRUCTURE ON AUTOMOBILE AND CEMENT INDUSTRY IN INDIA

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Abstract

The corporate finance pattern is of vital important financial decision for financial well being of companies. The choice of appropriate source of fund for capital structure is one of the major policy decisions taken by a firm .The combination of debt & equity is known as capital structure of the firm. In this paper an attempt has been made to study the emerging trends/practices in financing pattern of capital structure pattern of automobile and cement industry in India to understand the importance of financing pattern in capital structure decisions. To achieve the objective of analyzing the trend in financing pattern of selected industries, the trend analysis of debt-equity mix as well as debt- equity ratio of 13 automobile companies and 11 cement companies has been chosen as sample size from top 100 manufacturing companies for 10 years The data of these companies have been collected from financial statements of the companies published in their annual reports as well as from capital line database also. It has been observed from the study that cement industry is more using debt financing in its capital structure pattern as compared to automobile industry.

Keyword: Capital Structure, Financial Risk, Financial Decisions, Leverage.

Introduction

The corporate finance pattern is vital importance for financial well being of companies (mishra, 2011). The finance manager of a company is concerned with solution of three major decisions of financial operations of a firm relating to investment, financing and dividend decisions. The choice of appropriate source of fund for capital structure is one of the major policy decisions taken by a firm.(Kumar, Anjum & Nayyar,2012) The major concern for finance personnel is to determine the proportion of debt and equity with the effects of financial risk factors. The combination of debt & equity is known as capital structure of the firm.The term capital structure "is generally used to refer to proportion of debt and equity deployed by a company to finance its assets (Srivastava,2012).

Overview of Capital Structure

Capital structure is that part of financial structure which represents long-term sources. Capitalstructure includes only long-term debt and total stockholder"s investment. It is the mix of longterm sources of funds, such as equity shares, reserves and surpluses, debentures, long- term debt from outside sources and preference share capital .The firm"s mixture of debt and equity is known as capital structure (Ehrhardt, Brigham, 2008). Capital structure refers to composition of capitalization i.e. to the proportion between debt and equity which makes up capitalization. The term structure has been associated with the term capital. The term capital may be defined as the long-term funds of the firm. Capital is the aggregation of items appearing on the left hand side of the balance sheet minus current liabilities.

Capital=Total Assets-Current Liabilities. Capital of a company can be broadly categorized into equity and debt (Kishore, 2003). Equity=Equity Share Capital+ preference share capital + share premium +free reserves +surplus profits +provision for contingency +development rebate reserve. Debt= All borrowings from government, semi-government ,statutory financial corporations and other agencies +term loans from banks ,financial institutions etc +Debentures + All deferred payment liabilities.

Patterns of Capital Structure

- Capital Structure with equity shares only.
- Capital Structure with equity and preference.
- Capital Structure with equity and debentures.
- Capital Structure with equity, preference shares and debentures
- The capital structure of financing pattern decision is a significant managerial decision. This
- Decision is a continuous process. The pattern of this decision changes from what it was at the
- Inception as compared to expanding the business. This decision is normally concerned about :
- The proportion of debt and equity to finance the operations of a company
- How does the debt to equity mix look like?
- The extent to which internal as well as external funds can be used to finance the



Company's various activities. In India, capital structure patterns are peculiar to specific industries. They differ from industry to industry but exhibit homogenous pattern in similar industry. Such patterns are similar throughout the world. Utilities, transportation companies and capital- intensive manufacturing firms have high debt- equity ratios as compared to service firms, mining companies and technology – based manufacturing firms which employ very little long-term debt. (Kapil,2011). In case of large capital intensive industries such as fertilizers, aluminium, paper and cement plants in private sector, the debt –equity ratio has been permitted to be around 3:1, for the shipping industry the same ratio has been approximately 6:1 or even higher (Banerjee, 2008). A study has been conducted by B.K.Madan, Chairman, Management Development Institute (MDI) on the norms of debt- equity ratio and report has been submitted in February 1977. It was disclosed in study that the debt-equity ratio of 2:1 is a broad indicator or general guideline for assessing the capital structure of companies applying for issues or increasing capital.(Banerjee, 2008).The results of the RBI Bulletin, Nov. 2007 highlighted that average ratio of proportion of debt and equity of 2730 non-government , non-financial public limited companies for three years was .82:1.This was also observed from the study that public limited companies were not using as much debt as expected from them. As per the Public Enterprises Survey, 2003-04 and 2005-06, the average debt- equity ratio of Central Government Companies was .76:1. It was observed from the study that central public enterprises were also not using as much debt as was expected from them. (Banerjee , 2008). This necessitates the study of emerging trends/ practices in debt- equity ratio in corporate sector in India.

Review of Literature

Capital structure has become one of the most significant subjects in modern finance .It has received lot of recognition from researchers during recent years .How a firm determines its capital structure continues to be a puzzle for researchers? **Rajan & Zingales (1995)** investigated the determinants of capital structure choice by analyzing the financial decisions of public firms in major industrialized countries. The firm leverage was fairly similar across the different countries.

Booth,Aivazian,Kunt & Maksimovic(2001) in their study analyzed the capital structure choices of firms in 10 developing countries. It was found that variables which are relevant for explaining capital structure in United States & European Countries are also relevant in developing countries.

Bhole and Mahakud (2004), in their study analyzed the trends in corporate capital structure in India in respect of public limited companies and private limited companies during the period of 1966 – 67 to 2000 – 01. The determinants of capital structure have also been studied by using panel data pertaining to 330 private limited companies. It was found that leverage ratios of public limited & private limited companies have increased significantly during 1966 – 2000. The dependence on debt is more in case public limited companies as compared to private limited companies.

Sahoo & Omkar Nath (2005), analyzed the capital structure of Indian corporate sector to examine whether any shift has taken place in the financing pattern of Indian corporate sector after the implementation of Financial Liberalization in profitability and service diversification are main critical factors influencing the capital structure of Indian banking firms.

Kaur, Jatinder (2007), discussed in her study about the preferred hierarchy among debt and equity by the corporate firms and differences in capital structure practices followed by private sector companies, magnitude of short term debt, long term debt and major changes in capital structure practices of private corporate sector companies in view of economic liberalization and globalization in India using data of top 25 companies chosen from BT 500. It was found from the study that since the early 1990s significant structural changes in Indian capital markets, particularly in equity market have enhanced Indian firms' flexibility in choosing their capital structure optimally.

Mishra(2011) in his study observed a changing pattern in financing of PSUs with reforms in Indian economy. He found that PSUs have challenge to access the market for both equity & debt finance .

Kumar,Anjum & Nayyar (2012) in their paper analyzed the change in capital structure pattern of three reputed pharmaceutical companies for the period of 2007-2011.It was found that in the initial period, companies were raising maximum debt fund to reduce the cost of capital but which resulted in increase of financial risk. So, later on they shifted to equity financing.

Kalyani& Reddy (2012) in their study found that Amara Raja Batteries Ltd mostly depended on equity financing. It was suggested that ARBL should raise the debt funds to bring the optimum capital structure for improving financial performance of the companies.



Objectives of Study

- To analyze the trend in financing pattern as well as composition of capital structure of selected companies
- To comparatively analyze the trend of corporate debt financing and equity financing industry wise.
- To study the importance of financing pattern in capital structure decisions.

Research Methodology

The study has been based on the secondary data i.e. financial information from company's annual reports two main manufacturing industries i.e. automobile and cement industry comprising of 13 automobile companies and 11 cement companies has been chosen as sample size from top 100 manufacturing companies comprising of ten manufacturing industries listed in Capital line data base on account of having highest sales turnover as on 1.2.2012. It covers a period of 10years from 2003-2004to 2012-13.To achieve the objective of analyzing the trend in financing pattern of selected industries, the trend analysis of debt-equity mix as well as debt- equity ratio for 10 years has been used for study.

Hypothesis

- 1) Ha: Financing pattern of different companies are similar
H0: Financing pattern of different companies are not similar
- 2) Ha: Debt-Equity ratio in automobile and cement industry are relatively significance
H0: Debt-Equity ratio in automobile and cement industry are not relatively significance

Analysis of Study

(i) Trends in Financing Pattern of Automobile Industry:

To study the trend in financing pattern of automobile industry, the composition of capital structure of 13 automobile companies i.e. Toyota Kirloskar, Volvo India Ltd, Maruthi Suzuki, TVS Motors, Mahindra & Mahindra, VST Tillers Ltd., Bajaj Ltd., Automotive excel, Tata Motors etc, has been analyzed from 2003-04 to 2012-13. The table given below shows the trend in debt and equity calculated from the tables of composition of capital structure of these companies.

Table1.

COMPA NIES	2003--04		2004-05		2005-06		2006-07		2007-08		200-09		2009-10		2010-11		2011-12		2012-13	
	Debt Equ	Equ	Debt Equ	Equ	Debt Equ	Equ	Debt Equ	Equ	Debt Equ	Equ	Debt Equ	Equ	Debt Equ	Equ	Debt Equ	Equ	Debt Equ	Equ	Debt Equ	Equ
Toyota Kir.	100	100	84	121.7	119	137	182	154.8	187	184.2	245	217	310	232.4	307	267	363.8	292	485	306
Volvo Ind. Lt.	100	100	106	113.4	95.1	133	111	163.9	141	210.6	185	268.1	374	416.1	316	451.6	341.1	499	297	547
Maruthi Suzuki	100	100	81.8	123.2	118	134	254	192.5	330	216.3	457	246	645	255.4	676	275.6	577.6	296	952	314
Hero Motor Corp.	100	100	124	115.9	160	126	488	130.8	770	143	1228	158	1665	160.2	1559	173.7	1832	188	2012	196
TVS Motors	100	100	142.6	113.4	1245	131	1589	151	1888	173.5	1560	197.5	2005	22.5	2050	244.3	2195	273	562	316
Mahindra & Mahindra	100	100	104	117.5	97.6	136	93.6	157.3	65.3	179.7	61.8	205.2	1226	233	72.3	265	112.8	304	261	341
Eicher Motors	100	100	124	685.8	124	664	124	811.9	136	966.2	155	1226	456.6	1502	245	1682	315.5	2030	298	2666
VST Tillers Ltd	100	100	446	124.9	483	147	676	330.1	923	366.4	980	456.6	1179	489.1	1474	794.3	2177	890	2881	911
Automotive Excel	100	100	100	111.2	110	127	111	163.5	131	291.3	151	1179	370.1	4323	1400	5652	2220	9050	36663	7107
Tata Motors	100	100	89.8	145.2	64.3	212	61.3	234.4	43.8	269.7	38.1	370.1	219.6	462.7	31.4	547.4	28.8	639	107	707
Bajaj Auto Ltd.	100	100	110	101.2	92.6	147	110	153.7	155	182.6	181	219.6	182	218.4	188	285.1	263.4	399	290	215
Daewoo Motors	100	100	76.7	117.7	82.7	137	86.8	169.2	212	198.2	45.4	229.5	14.6	269.9	9.7	398.2	266.8	456	2.6	513
Rane (Madras) Ltd.	100	100	140	114.8	141	286	118	328.7	163	355	189	1050	338	1120	308	1776	333.4	1852	309	1972
Total	1300	1300	301.3	2106	2933	2517	4005	3142	5144	3737	5475	6022	7360	9905	8637	12822	11026	17167	12118	16110
Average	100	100	232	162	226	194	308	241.7	396	287.4	421	463.3	566	761.9	664	986	848	1320	932	1239



The table 1. Shows the trend in financing pattern of debt and equity of automobile industry.

There is a rising trend in pattern of debt in Toyota Kir., Volvo India Ltd., Maruthi Suzuki, Hero Motor Corp, TVS Motors, etc. The trend in pattern of debt is fluctuating in case of Daewoo Motors. The trend is falling in case of Mahindra & Mahindra and Tata Motors. The trend in equity is rising in all the companies from 2003-2013. The overall average of trend of debt and equity is rising in all the companies of the automobile industry from 2003-2013.

(ii) Trends in Financing Pattern of Cement Industry:

To study the trend in financing pattern of cement industry, the composition of capital structure of 11 cement companies i.e. ACC, JK, Penna Cement, L&T, etc. has been analyzed from 2003-04 to 2012-13. The table given below shows the trend in debt and equity calculated from the tables of composition of capital structure of these companies.

Table2.

Compan ies	2003-04		2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11		2011-12		2012-13	
	Deb t	Eq u	Deb t	Equ	Deb t	Equ	Deb t	Equ	Deb t	Equ	Deb t	Equ	De bt	Eq u	Deb t	Equ	Deb t	Equ	Deb t	Equ
ACC	100	100	79.8	141.7	64.8	221.5	59.5	306.2	228.2	442.2	426.4	856.8	638	932.3	597	1167	669.7	1521	560.7	1639
JK	100	100	66.9	199.4	44.4	408.1	33.1	499	32.2	685.7	23.4	913.3	58.1	1108	127	1319	158.9	1468	124.1	1577
Penna cement	100	100	89.1	272.1	91.6	403.6	152.5	443.4	132.2	1046	116.5	1084	139	1109	347	2137	-	-	-	-
L&T	100	100	267	11.6	472	236.5	653.4	288	549	554.1	774.9	656	-	-	349	1016	763.1	1123	1177	991.8
UltraTec h	100	100	116	117	169	225.9	310.1	315.9	396.2	427.6	436.4	643.4	561	927.5	947	793.6	1369	1489	1624	1858
Adithya Birla	100	100	120	196.1	169	149.5	261.7	117.6	416.8	241.5	735.1	323.2	1037	482.8	146	1270	2133	1172	2548	1547
JP Cement	100	100	80.5	112.9	64.5	412	68.9	569.8	70.2	731.7	127	1004	190	1041	195	299.7	201.2	2253	207.1	2420
Ambuja	100	100	112	115.2	303	179.5	427.3	267.2	264.8	263.3	282.3	271.1	844	271.1	844	674.6	875.9	321.3	737.3	451.7
Madras cement	100	100	108	130.9	136	198.5	230.8	258	337.2	332.8	544.6	534.3	380	623.5	551	449.5	574	711.6	543.2	770
India Cement	100	100	97.1	110.8	171	186.2	278.5	237.1	307.7	200.6	347.7	432.4	716	303.1	956	450.8	1078	529.7	1174	512.6
Ramco Cement	100	100	107		159	123.8	204.8	155.2	307.2	200.3	347.7	281.6	348	383.7	265	449.5	303.6	479.7	608.4	517.4
Total	1100	110	1243	1654	184.5	2745	2681	3456	3444	5337	4599	7000	4910	7182	6644	10732	8126	1106 7	9302	12283
Avg.	100	100	113	150.5	168	249.5	243.6	314.3	313.1	485.2	418.1	636.4	491	718.2	604	975.7	812.6	1107	930.2	1228

The table 2. Shows the trend in financing pattern of debt and equity of cement

industry. There is a rising trend in pattern of debt in L& T cement, Ultratech cement, Adithya Birla, Ambuja Cement, Madras Cement, India cement and Ramco cement. The trend in pattern of debt is fluctuating in case of JK Cement, Penna Cement, ACC and JP Cement. The trend in equity is almost rising in all the years in all the companies. The overall average of trend of debt and equity is rising in all the companies of the cement industry from 2003-2013.

(iii) Debt Equity Ratio of Automobile Industry

Table3.

COMPANIES	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Toyota Kir.	0.77	0.53	0.67	0.9	0.78	0.86	1.02	0.88	0.95	1.22
Volvo Ind. Lt.	0.77	0.66	0.5	0.48	0.45	0.46	0.65	0.49	0.46	0.36
Maruthi Suzuki	0.69	0.46	0.61	0.92	1.06	1.29	1.75	1.7	1.35	1.42
Hero Motor Corp.	2.99	1.99	1.84	2.13	1.59	1.1	0.75	0.26	0.22	0.2
TVS Motors	0.02	0.28	0.21	0.24	0.24	0.18	0.2	0.19	0.18	0.04
Mahindra & Mahindra	0.32	0.29	0.23	0.19	0.12	0.1	0.08	0.09	0.12	0.25
Eicher Motors	1.24	1.39	1.44	1.18	1.08	0.97	1.15	1.12	1.2	0.86
VST Tillers Ltd	0.66	2.72	2.63	1.5	1.9	1.54	1.58	1.24	1.62	2.08
Automotive Excel	4.15	3.74	3.6	3.08	1.87	0.61	0.44	1.03	1.07	2.14
Tata Motors	5.34	3.29	1.61	1.39	0.87	0.61	0.44	1.03	1.07	2.14
Bajaj Auto Ltd.	3.37	3.67	2.13	2.41	2.86	2.9	2.87	2.96	2.23	4.55
Daewoo Motors	-	-	-	-	-	-	-	-	0.07	-
Rane(Madras)Ltd.	1.38	1.72	0.69	0.5	0.63	0.25	0.27	0.24	0.25	0.22
Total	21.7	21.74	16.16	14.92	13.45	10.18	11.2	11.23	10.79	15.48
Average	1.8	1.72	1.34	1.24	1.12	0.9	0.93	0.93	0.83	1.29



(i) The table shows that in 2003-04, the debt equity ratio is highest in Tata Motors i.e. 5.34 and lowest in TVS Motors i.e. .02. In 2004-05, it is highest in Automotive Excel i.e. 3.74 and lowest in TVS Motors i.e. .28. In 2005-06 it is highest in Automotive Excel i.e. 3.6 and lowest in TVS Motors i.e. .21. . In 2006-07, it is highest in Automotive Excel i.e. 3.08 and lowest in M&M i.e. .19. In 2007-08, it is highest in Bajaj Auto i.e. 2.86 and lowest in M&M i.e. .12. In 2008-09, it is highest in VST Tillers i.e. 1.54 and lowest in TVS i.e. .1 . In 2009-10, it is highest in Baja Auto i.e. 2.87 and lowest in TVS i.e. 2. In 2010-11, it is highest in Bajaj Auto i.e. 2.96 and lowest in M&M i.e. .09. In 2011-12, it is highest in Bajaj Auto i.e. 2.23 and lowest in Daewoo Motors i.e. .07. In 2012-13, it is more in Bajaj Auto i.e. 4.55 and less in TVS i.e..04. The average of debt equity ratio is highest in 2004-05 i.e. 1.72 in automobile Industry.

(iv) Debt Equity Ratio of Cement Industry

Table4.

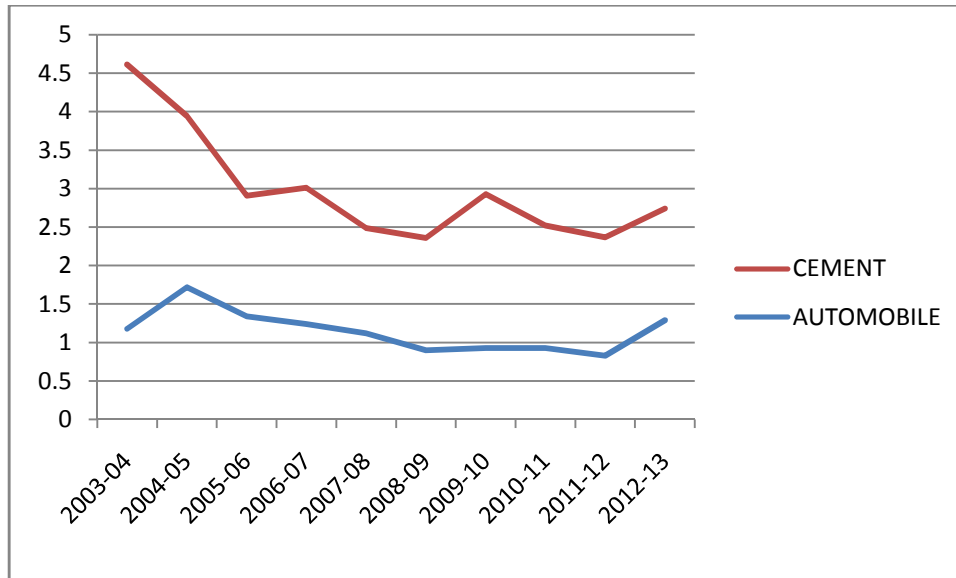
COMPANIES	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	20010-11	2011-12	2012-13
ACC	1.33	0.74	0.39	0.26	0.69	1.08	1.34	0.68	0.59	0.45
JK	5.14	1.72	0.56	0.34	0.24	0.13	0.27	0.5	0.54	0.4
Penna cement	12.28	7.99	4.47	5.59	1.7	1.34	1.57	-	-	-
L&T	0.64	1.51	1.51	1.64	0.67	0.78	-	0.24	0.4	0.7
UltraTech	1.56	1.2	1.14	1.49	1.4	1.03	1.92	1.24	1.39	1.33
Adithya Birla	1.55	1.58	1.8	2.29	2.67	3.52	3.98	2.89	2.86	2.72
JP Cement	8.59	4.15	1.43	1.07	0.84	1.06	1.51	1.26	0.74	0.69
Ambuja	1.16	1.09	1.86	1.67	2.62	2.79	3	2.71	2.63	1.57
Madras cement	3.1	2.74	1.98	2.54	1.8	1.48	1.71	2.28	2.25	1.97
India Cement	2.01	1.37	1.7	2.17	1.89	2.4	4.37	3.98	3.77	4.24
Ramco Cement	0.39	0.37	0.5	0.51	0.59	0.48	0.35	3.93	0.24	0.46
Total	37.75	24.46	17.34	19.57	15.11	16.09	20.02	15.97	15.41	14.53
Avg.	3.43	2.22	1.57	1.77	1.37	1.46	2	1.59	1.54	1.45

The table 4. Shows that in 2003-04, the debt equity ratio is highest in Penna i.e. 12.28 and lowest in Ramco i.e. .39. In 2004-05, it is highest in Penna i.e. 7.99 and lowest in Ramco i.e. .37. In 2005-06 it is highest in Penna i.e. 4.47 and lowest in ACC i.e. .26. . In 2006-07, it is highest in Penna i.e. 5.59 and lowest in ACC i.e. .26. In 2007-08, it is highest in i.e. 2.67 and lowest in JK i.e. .24. In 2008-09, it is highest in Adhitya i.e. 3.52 and lowest in JK i.e. .1 3 . In 2009-10, it is highest in India Cement i.e. 4.37 and lowest in JK i.e. 27. In 2010-11, it is highest in India Cement i.e. 3.93 and lowest in L&T and Ramco i.e. .24. In 2011-12, it is highest in India Cement i.e. 3.77 and lowest in Ramco i.e. .24. In 2012-13, it is more in India Cement i.e. 4.24 and less in JK i.e. .4. The average of debt equity ratio is highest in 2002-03 i.e. 3.43 in Cement Industry.

(V) Debt Equity For Different Industries (Annual Averages)

Table5

DEBT EQUITY FOR DIFFERENT INDUSTRIES (ANNUAL AVARAGES)										
YEARS	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
INDUSTRIES										
AUTOMOBILE	1.18	1.72	1.34	1.24	1.12	0.9	0.93	0.93	0.83	1.29
CEMENT	3.43	2.22	1.57	1.77	1.37	1.46	2	1.59	1.54	1.45
TOTAL	5.23	3.94	2.91	3.01	2.49	2.36	2.53	2.53	2.37	2.74
AVERAGE	2.615	1.97	1.45	1.5	1.24	1.18	1.26	1.26	1.18	1.37

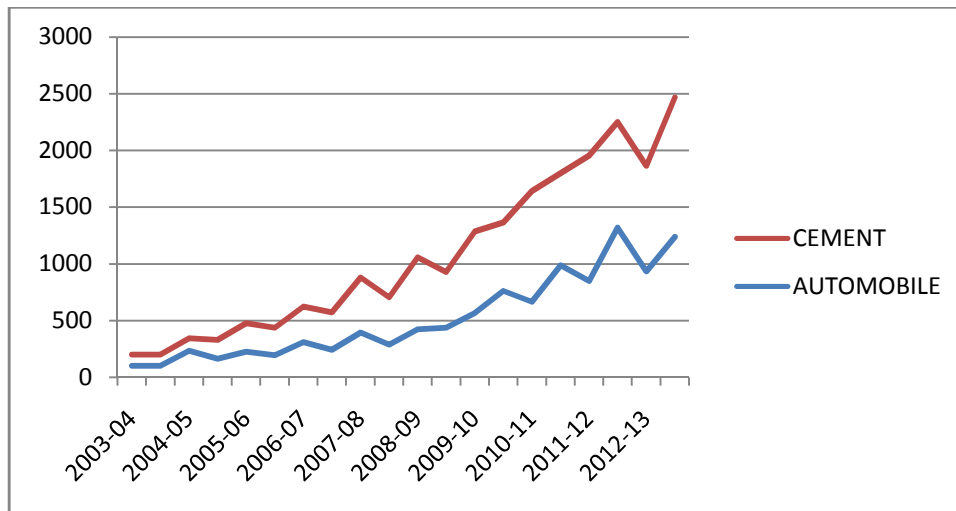


The above chart shows that the Annual averages of debt equity for different companies is lower in the year 2008-09 and 2011-2012 in case of automobile industry and higher in the year 2003-04. In case of cement industry it was higher in the year 2003-04 and lower in the year 2007-08

(VI) Trend In Financing Pattern For Different Industries (AnnualAverages)

Table6

YEAR	2003-04		2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11		2011-12		2012-13	
INDUSTRIES	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ	Trend in Debt	Trend in Equ
AUTOMOBILE	100	100	231.7	162	225.6	193.6	308	241.67	393	287.4	421	436.3	566	761.6	664	986	848	1320	932	1239
CEMENT	100	100	113	167.7	249.5	243.6	314.31	331.1	485.2	418	636.4	491	718.2	604	975.7	813	1107	930.2	1228	1228
TOTAL	200	200	344.7	312.4	398.3	443.1	551.5	556	727	772	840	1072	1057	1479	1268	1961	1661	2427	1862	2467
AVERAGE	100	100	172.4	156.2	196.1	221.5	275.7	278	363.5	386	420	536	528	739	634	980.5	831	1213	931.1	1234



Findings

The rising overall average of trend of debt and equity in case of automobile and cement industry implies that these industries have access to market for both equity and debt financing. Initially, companies were raising maximum debt fund to reduce the



cost of capital but which resulted in increase in financial risk. So they shifted to equity financing also. They are maintaining a tradeoff between debt and equity.

The average ratio of debt and equity is better in cement industry as compared to automobile industry. It shows that cement industry is more using debt financing in its capital structure pattern as compared to automobile industry. It implies that company is adopting NOI approach of capital structure. The more use of debt financing in this industry is increasing the value of the firm and minimizing the cost of capital resulting in overall wealth maximization of shareholders.

It has been found from the study that average of debt equity ratio of cement and automobile industry in 2002-03 i.e. 2.61 is only as per the standard norm of 2:1 of debt equity ratio for all the industries.

Suggestions

- The automobile and cement industry should improve their debt equity ratio as it is not as per the standard norm. These industries are not using as much debt as expected from them.
- The average ratio of debt and equity is not better in automobile industry as compared to cement industry. The automobile industry should pay more attention towards their reserves and surpluses, because due to this they are not getting higher profits. They should more focus towards debt financing to maximize the wealth of shareholders.
- The automobile and metal industries are advised to maintain a trade –off between debt and equity in future also so as to achieve the objective of optimum capital structure.

Conclusion

An optimal capital structure is that which maximizes the shareholder's wealth with best combination of debt and equity mix by minimizing the firm's cost of capital. Firm's capital structure trends have a great impact on firm's financial performance. The analysis of the study concludes that companies are using both debt and equity financing as a part of their capital structure pattern. Although the trend in debt and equity financing is increasing in both the industries which implies that due to fear of financial risk, the companies are using debt financing also to the maximum possible extent. But they are advised to maintain a right balance between debt financing and equity financing.

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