www.ijrream.in Impact Factor: 2.9463
INTERNATIONAL JOURNAL OF RESEARCH REVIEW IN ENGINEERING AND MANAGEMENT (IJRREM)
Tamilnadu-636121, India
Indexed by
Scribd impact Factor: 4.7317, Academia Impact Factor: 1.1610
ISSN NO (online) : Application No : 17320 RNI –Application No 2017103794

"A Study on Capital Structure in A.W.industries Pvt.ltd at Bangalore"

DR. P.BALASUBRAMANIAN
Associate Professor
Department of Management Studies
AMS College of Engineering
Erumapatty, Namakkal Dist , Tamilnadu, India
Mobile No :9943350596

Abstract

This Article was carried out and analysis the assets of a company can be financed either by increasing the owners claim or the creditors claim. The owners claims increase when the form raises funds by issuing ordinary shares or by retaining the earnings, the creditors' claims increase by borrowing .The various means of financing represents the "financial structure" of an enterprise. The article is an attempt to seek an insight into the aspects that are involved in the capital structuring and financial decisions of the company. A study of the capital structure involves an examination of long term as well as short term sources that a company taps in order to meet its requirements of finance. The share capital of the company

remained in charge during the three-year period because of no public issues made by the company.

Keywords: assets, retaining, borrowing, enterprise, decisions

CHAPTER-I

I-INTRODUCTION

The assets of a company can be financed either by increasing the owners claim or the creditors claim. The owners claims increase when the form raises funds by issuing ordinary shares or by retaining the earnings, the creditors' claims increase by borrowing .The various means of financing represents the "financial structure" of an enterprise .The financial structure of an enterprise is shown by the left hand side (liabilities plus equity) of the balance sheet. Traditionally, short-term borrowings are excluded from the list of methods of financing the firm's capital expenditure, and therefore, the long term claims are said to form the capital structure of the enterprise .The capital structure is used to represent the proportionate relationship between debt and equity .Equity includes paid-up share capital, share premium and reserves and surplus. The financing or capital structure decision is a significant managerial decision .It influences the shareholders returns and risk consequently; the market value of share may be affected by the capital structure decision. The company will have to plan its capital structure initially at the time of its promotion.

www.ijrream.in Impact Factor: 2.9463
INTERNATIONAL JOURNAL OF RESEARCH REVIEW IN ENGINEERING AND MANAGEMENT (IJRREM)
Tamilnadu-636121, India
Indexed by
Scribd impact Factor: 4.7317, Academia Impact Factor: 1.1610
ISSN NO (online) : Application No : 17320 RNI –Application No 2017103794

NEED AND IMPORTANCE OF CAPITAL STRUCTURE:

The value of the firm depends upon its expected earnings stream and the rate used to discount this stream. The rate used to discount earnings stream it's the firm's required rate of return or the cost of capital. Thus, the capital structure decision can affect the value of the firm either by changing the expected earnings of the firm, but it can affect the reside earnings of the shareholders. The effect of leverage on the cost of capital is not very clear. Conflicting opinions have been expressed on this issue. In fact, this issue is one of the most continuous areas in the theory of finance, and perhaps more theoretical and empirical work has been done on this subject than any other.

If leverage affects the cost of capital and the value of the firm, an optimum capital structure would be obtained at that combination of debt and equity that maximizes the total value of the firm or minimizes the weighted average cost of capital. The question of the existence of optimum use of leverage has been put very succinctly by Ezra Solomon in the following words.

Given that a firm has certain structure of assets, which offers net operating earnings of given size and quality, and given a certain structure of rates in the capital markets, is there some specific degree of financial leverage at which the market value of the firm's securities will be higher than at other degrees of leverage?

www.ijrream.in Impact Factor: 2.9463
INTERNATIONAL JOURNAL OF RESEARCH REVIEW IN ENGINEERING AND MANAGEMENT (IJRREM)
Tamilnadu-636121, India
Indexed by
Scribd impact Factor: 4.7317, Academia Impact Factor: 1.1610
ISSN NO (online) : Application No : 17320 RNI –Application No 2017103794

The existence of an optimum capital structure is not accepted by all. These exist two extreme views and middle position. David Durand identified the two extreme views the net income and net operating approaches.

II-Objectives Of The Study:

The project is an attempt to seek an insight into the aspects that are involved in the capital structuring and financial decisions of the company. This project endeavors to achieve the following objectives.

1. To Study the capital structure of **A.W.Industries [P] Ltd** through EBIT-EPS analysis
2. Study effectiveness of financing decision on EPS and EBIT of the firm.
3. Examining leverage analysis of **A.W.Industries [P] Ltd**.
4. To study the over all performance of the company.
5. Study debt/equity ratio of **A.W.Industries [P] Ltd**

III-Scope Of The Study:

- A study of the capital structure involves an examination of long term as well as short term sources that a company taps in order to meet its requirements of finance.
- The scope of the study is confined to the sources that **A.W.Industries [P] Ltd** tapped over the years under study

www.ijrream.in Impact Factor: 2.9463
INTERNATIONAL JOURNAL OF RESEARCH REVIEW IN ENGINEERING AND MANAGEMENT (IJRREM)
Tamilnadu-636121, India
Indexed by
Scribd impact Factor: 4.7317, Academia Impact Factor: 1.1610
ISSN NO (online) : Application No : 17320 RNI –Application No 2017103794

- This study reveals the financial position of the company. This ratio analysis will help to revalue the assets.
- Provides data for inter firm-comparison. The study can enable to plan for its future and will act as a basis for further and will act a basis for further research work all financial performance to be made in future.

IV-LIMITATION OF THE STUDY:

- EPS is one of the mostly widely used measures of the company's performance in practice.
- As a result of this, in choosing between debt and equity in practice, sometimes too much attention is paid on EPS, which however, has serious limitations as a financing-decision criterion.
- The major short coming of the EPS as a financing-decision criterion is that it does not consider risk; it ignores variability about the expected value of EPS.
- The belief that investors would be just concerned with the expected EPS is not well founded.
- Investors in valuing the shares of the company consider both expected value and variability.

V-FINDINGS

1.There has been a small reduction in Gross Sales and with the performance of prefab Division the Gross Profit gap has narrowed and contributing to the EBIT. The Gross

www.ijrream.in Impact Factor: 2.9463
INTERNATIONAL JOURNAL OF RESEARCH REVIEW IN ENGINEERING AND MANAGEMENT (IJRREM)
Tamilnadu-636121, India
Indexed by
Scribd impact Factor: 4.7317, Academia Impact Factor: 1.1610
ISSN NO (online) : Application No : 17320 RNI –Application No 2017103794

Profit has increased considerably from 20.99 Cr in Last year to 41.80 Cr in year. The interest payment has increased by 1 Cr in the Current year and the Profit before Tax at 20.99 when compared to 41.80 cr in Last year.

2. Perform Division realization has increased by 8% even the Turnover has come to 41.80 Cr from 4.09 Cr in last year.

3. The profit After Tax has came 13.92 Cr to 7.82Cr in Current year because of slope in Steel Industry.

4. The PAT is in an increasing trend from 2010-2014 because of increase in sale prices and also decreases in the cost of manufacturing. In 2010 and 2014 even the cost of manufacturing has increased by 5% because of higher sales volume PAT has increased considerably, which leads to higher EPS, which is at 3.80 in 2010.

5. The EBIT level in 2010 is at 4.09 Cr and is increasing every year till 2010. Because of slump in the Steel Industry less realization. The EBIT levels in 2010 again started growing and reached to 8.29 Cr and in 2010 were at 8.29 Cr and in 2014 were at 2.24, because of the sale price increase per bag and increase in demand. The infrastructure program taken up by the A.P. Govt. in the field s of rural housing irrigation projects created demand and whole Cement Industries are making profits.

6. The EPS of the company also increased considerably which investors in coming period. The company has taken up a plant expansion program during the year to increase the production activity and to meet the increase in the demand

www.ijrream.in Impact Factor: 2.9463
INTERNATIONAL JOURNAL OF RESEARCH REVIEW IN ENGINEERING AND MANAGEMENT (IJRREM)
Tamilnadu-636121, India
Indexed by
Scribd impact Factor: 4.7317, Academia Impact Factor: 1.1610
ISSN NO (online) : Application No : 17320 RNI –Application No 2017103794

7. Because of decrease in Non-Operating expenses to the time of 1.82 Cr the Net profit has increased. It stood at in current year increase because of redemption of debenture and cost reduction. A dividend of Rs.0.74 Cr as declared during the year at 0.85% on equity.

VI- CONCLUSIONS

1) Sales in 2010-2014 is at 27.74 and in 2010-2014 122.43 crs those in a decreasing trend to the extent of 20% every year. On the other hand manufacturing expenses are at 2.11 from 2010-2014. There has been significant increase in cost of production during 2010-2014 because of increase in Royalty.
2) The interest charges were 4.21 in 2014 and 3.07in 2010 and 5.56 respectively shows that the company redeemed fixed interest bearing funds from time to time out of profit from 2010-2014.Debantures were partly redeemed with the help of debenture redemption reserve and other references.
3) The PAT (Profit After Tax) in 2010-2014 is at 3.78. The PAT has increased in prices in whole Steel Industry during the above period. The profit has increased almost 15% during the period 2010-2014.
4) Debentures were redeemed by transfers to D.R.R. in 2010-2014.
5) A steady transfer for dividend during 2010-2014 from P&L appropriation but in 2014 there is no adequate dividend equity Shareholders.

www.ijrream.in Impact Factor: 2.9463
INTERNATIONAL JOURNAL OF RESEARCH REVIEW IN ENGINEERING AND MANAGEMENT (IJRREM)
Tamilnadu-636121, India
Indexed by
Scribd impact Factor: 4.7317, Academia Impact Factor: 1.1610
ISSN NO (online) : Application No : 17320 RNI –Application No 2017103794

6) The share capital of the company remained in charge during the three-year period because of no public issues made by the company.
7) The secured loans have decreased consistently from 2010-2014 and slight increase in 2014.

VII- RECOMMENDATIONS ON STEEL INDUSTRY

For the development of the Steel Industry 'Working Group on Steel Industry' was constituted by the planning commission for the formulation of Five Year Plan. The working Group has projected a growth rate of 10% for the Steel Industry during the plan period and has projected creation of additional capacity of 40-62 million tones mainly through expansion of existing plants. The working Group has identified following thrust areas for improving demand for cement; Further push to housing development programmers; Promotion of concrete Highways and roads; andUse of ready-mix concrete in large infrastructure project. Further, in order to improve global competitiveness of the Indian Steel Industry, the Department of Industrial policy & promotion commissioned a study on the global competitiveness of the Indian industry through an organization of international repute, viz.. The report submitted by the organization has made several recommendations for making the Indian Steel Industry more competitive in the international market. The recommendations are under consideration.

VIII- SUGGESTIONS:

1. The company has to maintain the optimal capital structure and leverage so that in coming years it can contribute to the wealth of the shareholders.

2. The mining loyalty contracts should be revised so that it will decrease the direct in the production

3. The company has to exercise control over its outside purchases and overheads which have effect on the profitability of the company.

4. As the interest rates in pubic Financial institutions are in a decreasing trend after globalization the company going on searching for loan funds at a less rate of interest as in the case of CANARA Bank.

5. Efficiency and competency in managing the affairs of the company should be maintained.

XI- References

1) Financial ManagementMr.Manzoor & Sivakumar

2) Financial ManagementMr. Syed Masood

3) Financial ManagementPrasanna Chandra

4) Website: awitubes.com