

# CAPITAL STRUCTURE ANALYSIS OF A LARGE ENTERPRISE - A CASE STUDY OF TULASI SEEDS Pvt. Ltd.

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**Abstract :** Finance decision is one of the important decisions of financial management in any Enterprise. Capital structure refers to the combination of debt and equity. The financial manager has to strike a balance between various sources of funds so as to maximise return of an Enterprise without affecting risk composition in the business. An optimal capital structure is very much essential to maximise the owner's wealth of any Enterprise. In this paper, an attempt is made to analyse the capital structure in Tulasi Seeds Pvt. Ltd. Tulasi Seeds Pvt. Ltd. is a flagship company in Tulasi group of companies. Tulasi Seeds Pvt. Ltd. is producing seeds. This was established in the year 1992 near Guntur in the state of Andhra Pradesh. Since then, the company has been focusing on research in cotton hybrid seeds and today TSPL stands among the top four cotton seed companies in India. This Company has an annual turnover of Rs. 16600.66 lakhs. In this paper composition of capital structure in the enterprise for a period of ten years is analysed. Leverage analysis was also done. Debt- Equity ratio, Proprietary Ratio, Solvency Ratio, Fixed Assets to Net worth Ratio, Fixed Assets Ratio, Current Assets to Proprietary Ratio and Interest Coverage Ratio are calculated for the study period. Chi-square test is used for testing Hypotheses.

**Index Terms - Degree of Combined leverage, Degree of Financial Leverage, Fixed Assets ratio, Interest coverage ratio, Solvency ratio**

## I. Introduction

Finance decision is one of the important decisions of financial management in any Enterprise. It deals with capital structure or finance mix of an Enterprise. Capital structure refers to the combination of debt and equity. The financial manager has to strike a balance between various sources of funds so as to maximise return of an Enterprise without affecting risk composition in the business. An optimal capital structure is very much essential to maximise the owner's wealth of any Enterprise. In this paper, an attempt is made to analyse the capital structure in Tulasi Seeds Pvt. Ltd. Tulasi Seeds Pvt. Ltd. is a flagship company in Tulasi group of companies. Tulasi Seeds Pvt. Ltd., is producing seeds. This was established in the year 1992 near Guntur in the state of Andhra Pradesh. Since then, the company has been focusing on research in cotton hybrid seeds and today TSPL stands among the top four cotton seed companies in India. This Company has an annual turnover of Rs. 16600.66 lakhs. The total assets of the company are Rs. 33040.7 lakhs and total liabilities are Rs. 33040.7 lakhs as per 2015-16 Accounts.

## II. Review of Literature

J. H. Chua et al., (1993)<sup>1</sup> made a study on the capital structure of forty three private companies in Canada from 1993-1998. Shyam-Sunder, L. et al., (1999)<sup>2</sup> studied on the pecking order Models for corporate financing in one hundred fifty seven industrial units in US existed between 1971 and 1989. Kaur, R. et al., (2009)<sup>3</sup> investigated on the determinants of capital structure in eight best doing Textile units in India from 2003-04 to 2007-08. Bhayani, S. J (2009)<sup>4</sup> had conducted study on impact of Financial Leverage on cost of capital and valuation of Indian cement Industry. Dr. A.Vijayakumar (2011)<sup>5</sup> examined the trade-off and pecking order hypotheses in twenty automobile firms in India and found that more profitable companies had less debt. S. Ramaratnam et al., (2013)<sup>6</sup> examined the determinants of capital structure in Pharmaceutical companies in India. Thomas, A. E (2013)<sup>7</sup> examined the capital structure of twenty one units in Indian cement industry from 2003-04 to 2007-08. Srivastava, N., (2014)<sup>8</sup> had examined the determinants of leverage in ten cement companies in India over a period of 2008-2012. Lyubomira Koeva-Dimitrova (2016)<sup>9</sup> had analyzed the capital structure of the medical diagnostic-consultative centres in Varna city for the purpose of assessing their long-term solvency and existence of financial risk. Radojko Lukić et al., (2016)<sup>10</sup> investigated the determinants of capital structure in Serbia's commercial sector. Venkateswararao.Podile (2017)<sup>11</sup> had examined the recent MSME policy of Andhra Pradesh. Venkateswararao.Podile et al., (2017)<sup>12</sup> examined working capital management in PL Plast Pvt Ltd. Venkateswararao.Podile et al., (2017)<sup>13</sup> had examined various Government schemes supporting MSMEs in India. Chandrika Prasad Das et al., (2018)<sup>14</sup> had conducted a study in India to find out the determinants of capital structure and their impact on financial performance by using secondary data taken from fifty top manufacturing companies and by using regression model.

Venkateswararao.Podile et al., (2018)<sup>15</sup> examined working capital management in Sri Rama Chandra Paper Boards Ltd. Venkateswararao.Podile (2018)<sup>16</sup> examined working capital management in Tulasi seeds Pvt.Ltd. Venkateswararao.Podile et al., (2018)<sup>17</sup> studied working capital management in Sri Nagavalli solvent oils Pvt. Ltd. Venkateswararao.Podile et al., (2018)<sup>18</sup> analysed working capital management in Naga Hanuman Solvent Oils Private Limited. Venkateswararao.Podile (2018)<sup>19</sup> examined working capital management in Cuddapah Spinning Mills Ltd. Venkateswararao.Podile et al., (2018)<sup>20</sup> studied working capital management in Kristna Engineering Works. Venkateswararao.Podile et al., (2018)<sup>21</sup> examined working capital management in Radhika Vegetables Oils Pvt. Ltd. Venkateswararao.Podile et al., (2018)<sup>22</sup> examined working capital management in Power Plant Engineering Works in Andhra Pradesh. Venkateswararao.Podile et al., (2018)<sup>23</sup> examined working capital management in Nagas Elastomer Works. Venkateswararao.Podile et al., (2018)<sup>24</sup> had studied working capital management in M.G.Metallic Springs Pvt. Ltd. Venkateswararao.Podile et al., (2018)<sup>25</sup> had studied working capital management in Sri Srinivasa Spun Pipes Company. Venkateswararao.Podile et al., (2018)<sup>26</sup> had studied working capital management in Raghunath Dye Chem Pvt. Ltd. Venkateswararao.Podile et al., (2018)<sup>27</sup> had examined working capital management in Maitreya Electricals Pvt. Ltd. Venkateswararao.Podile et al., (2018)<sup>28</sup> had examined working capital management in Laxmi Vinay Poly Print Packs Pvt. Ltd. Venkateswararao.Podile et al., (2018)<sup>29</sup> had done capital structure analysis of M.G.Metallic Springs Pvt. Ltd. Venkateswararao.Podile et al., (2018)<sup>30</sup> had done capital structure analysis of Naga Hanuman Solvent Oils Private Limited. Venkateswararao.Podile et al., (2018)<sup>31</sup> had done capital structure analysis of Raghunath Dye Chem Pvt. Ltd. It was found that most of the studies dealt with capital structure in large companies. Some of the studies dealt with MSME policies. Some other studies though dealt with MSMEs, they were confined to working capital management. Few studies dealt with capital structure analysis in MSMEs. There was no study on capital structure analysis of a large enterprise which is producing seeds. Hence, this study is taken up.

### III. Objectives

The general objective of the study is to analyze the capital structure of Tulasi Seeds Pvt. Ltd. The specific objectives include the following.

1. To examine composition of capital structure in Tulasi Seeds Pvt. Ltd. during the period of study.
2. To analyze the status of Degree of Operating Leverage, Degree of Financial Leverage and Degree of Combined Leverage in Tulasi Seeds Pvt. Ltd. during the period of study.
3. To investigate long term solvency position Tulasi Seeds Pvt. Ltd. during the period of study.
4. To examine the coverage of financial expenses in the large enterprise during the period of study.
5. To offer suggestions for improvement of capital structure decisions, if required.

### IV. Hypotheses

H<sub>01</sub>: Degree of Operating Leverage in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>02</sub>: Degree of Financial Leverage in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>03</sub>: Degree of Combined Leverage in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>04</sub>: Debt - Equity Ratio in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>05</sub>: Proprietary Ratio in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>06</sub>: Solvency Ratio in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>07</sub>: Fixed Assets to Net worth Ratio in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>08</sub>: Fixed Assets Ratio in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>09</sub>: Current Assets to Proprietary funds Ratio in Tulasi Seeds Pvt. Ltd. is uniform during the period of study.

H<sub>10</sub>: Interest Coverage Ratio in Tulasi Seeds Pvt. Ltd. is uniform during the period of study

### V. Methodology

The present study is mainly based on secondary data. The data is taken from the financial statements including balance sheet, trading account and profit and loss account of Tulasi Seeds Pvt. Ltd. The period of study is ten years covering the financial years from 2006-07 to 2015-16. The data gathered is analyzed through the technique of percentages and certain appropriate ratios relating to capital structure of the enterprise. Degree of Operating Leverage, Degree of Financial Leverage and Degree of Combined Leverage are calculated during study period for leverage analysis. The ratios covered include Debt – Equity Ratio, Proprietary Ratio, Solvency Ratio, Fixed Assets to Net worth Ratio, Fixed Assets Ratio, Current Assets to Proprietary Ratio and Interest Coverage Ratio. Chi-square test is used for testing the hypotheses formed.

### VI. Composition of capital structure

The data in table-1 represent the fact that Share capital as a percentage of total equity capital has varied between 22.1 during 2008 and 92.4 during 2011. It is also observed that reserves and surplus as a percentage of total equity capital had varied between 7.6 during 2011 and 77.9 during 2008. Total equity capital as a percentage of total capital has varied between 19.0 during 2012 and 36.7 during 2008. It is also observed that long term debt as a percentage of total debt had varied between 13.8 during 2014 and

99.6 during 2008. On the other hand, short term debt as a percentage of total debt has varied between 0.4 during 2008 and 86.2 during 2014. Total debt capital as a percentage of total capital has varied between 63.3 during 2008 and 81.0 during 2012.

**Table-1: Structure and Composition of Capital structure in Tulasi Seeds Pvt. Ltd. during 2006-2007 to 2015-2016**

(Figures in Lakhs)

Particulars	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Equity capital</b>										
Share capital	100	169	1035	1035	2035	2898	3800	4800	4800	4800
% of Total Equity capital	40.9	22.1	67.3	43.3	92.4	60.0	49.7	56.1	52.9	41.6
Reserves & Surplus	144.3	595.2	502.1	1353.7	167.1	1935.7	3838.5	3760.1	4275.5	6752.1
% of Total Equity capital	59.1	77.9	32.7	56.7	7.6	40.0	50.3	43.9	47.1	58.4
<b>Total Equity Capital</b>	244.3	764.2	1537.1	2388.7	2202.1	4833.7	7638.5	8560.1	9075.5	11552.1
% of Total Capital	19.8	36.7	33.4	33.1	36.5	19.0	28.6	24.6	29.9	35.0
<b>Debt Capital</b>										
Long Term Debt	981	1314.3	2160.6	3179.5	2924.9	8464	3463.4	3626.7	5856.9	4676.3
% of Total Debt capital	99.3	99.6	70.4	66.0	76.3	41.0	18.2	13.8	27.6	21.8
Short Term Debt	7.3	5.7	910.2	1641.4	907.9	12157.2	15579.4	22672.5	15382.5	16812.3
% Total Debt capital	0.7	0.4	29.6	34.0	23.7	59.0	81.8	86.2	72.4	78.2
<b>Total Debt Capital</b>	988.3	1320	3070.8	4820.9	3832.8	20621.2	19042.8	26299.2	21239.4	21488.6
% of Total Capital	80.2	63.3	66.6	66.9	63.5	81.0	71.4	75.4	70.1	65.0
<b>Total Capital</b>	1232.6	2084.2	4607.9	7209.6	6034.9	25454.9	26681.3	34859.3	30314.9	33040.7

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016.

## VII. Leverage Analysis

Leverage analysis is useful for understanding the ability of the enterprise to magnify the effect of changes in sales on operating profit, the effect of changes in operating profit on Net Income and the effect of changes in sales on Net Income

### Degree of Operating Leverage

The Degree of Operating Leverage has varied between -11.09 and 9.88. Operating leverage is favorable during 2007, 2008, 2010, 2011, 2012 and 2015 as DOL is greater than one. Operating leverage is un-favorable during other four years as DOL is less than one. It is found in the significance test that Degree of Operating Leverage is not uniform during the period of study.

**Table-2: Degree of Operating Leverage**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Percentage change in EBIT	235.1	239.2	37.2	36.7	16.0	65.2	2.9	-59.8	-18.1	232.8
Percentage Change in Sales	68.9	196.2	68.4	20.7	14.3	6.6	9.4	10.2	-16.6	-21.0
DOL	3.41	1.22	0.54	1.77	1.12	9.88	0.31	-5.86	1.09	-11.09

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016

Calculated value of  $\chi^2$  for Degree of Operating Leverage = 1144.5. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is greater than Critical Value i.e.,  $1144.5 > 16.919$ , Hence,  $H_{01}$  is Rejected.

### Degree of Financial Leverage

The Degree of Financial Leverage has varied between -1.77 and 157.17. Financial leverage is favourable during 2007, 2008, 2010, 2011, 2013, 2014 and 2016 as DFL is greater than one. Financial leverage is un-favourable during other three years as DFL is less than one. It is found in the significance test that Degree of Financial Leverage is not uniform during the period of study

**Table-3: Degree of Financial Leverage**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Percentage change in Net income	36950.0	508.5	11.1	70.0	59.0	30.7	7.6	-79.5	32.0	380.5
Percentage change in EBIT	235.1	239.2	37.2	36.7	16.0	65.2	2.9	-59.8	-18.1	232.8
DFL	157.17	2.13	0.30	1.91	3.69	0.47	2.62	1.33	-1.77	1.63

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016

Calculated value of  $\chi^2$  for Degree of Financial Leverage = 1290.2. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is greater than Critical Value i.e.,  $1290.2 > 16.919$ , Hence,  $H_{02}$  is Rejected.

### Degree of Combined Leverage

The Degree of Combined Leverage has varied between -18.12 and 536.28. Combined leverage is favorable during 2007, 2008, 2010, 2011 and 2012 as DCL is greater than one. Combined leverage is un-favorable during other five years as DCL is less than one. It is found in the significance test that Degree of Combined Leverage is not uniform during the period of study

**Table-4: Degree of Combined Leverage**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Percentage change in Net income	36950.0	508.5	11.1	70.0	59.0	30.7	7.6	-79.5	32.0	380.5
Percentage Change in Sales	68.9	196.2	68.4	20.7	14.3	6.6	9.4	10.2	-16.6	-21.0
DCL	536.28	2.59	0.16	3.38	4.13	4.65	0.81	-7.79	-1.93	-18.12

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016.

Calculated value of  $\chi^2$  for Degree of Combined Leverage = 4971.2. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is greater than Critical Value i.e.,  $4971.2 > 16.919$ , Hence,  $H_03$  is Rejected

### VIII. Capital structure Ratios

Capital structure ratios are useful for understanding long term solvency of the Enterprise. Long term solvency means ability of the enterprise to meet long term obligations.

#### Debt-Equity Ratio

The Debt-Equity ratio of the Enterprise varied between 1.7 during 2008 and 2011 and 4.3 during 2012. It is found in the significance test that Debt-Equity ratio is uniform during the period of study. Debt- Equity ratio is relatively high during 2007, 2012 and 2014. It was maintained at reasonable level during all other years of study indicating good long term solvency.

**Table-5: Debt-Equity Ratio**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Outside funds	988.3	1320	3070.8	4820.9	3832.8	20621.2	19042.8	26299.2	21239.4	21488.6
Share Holders funds	244.3	764.2	1537.1	2388.7	2202.1	4833.7	7638.5	8560.1	9075.5	11552.1
Debt-Equity Ratio	4.0	1.7	2.0	2.0	1.7	4.3	2.5	3.1	2.3	1.9

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016.

Calculated value of  $\chi^2$  for Debt-Equity Ratio = 3.1. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e.,  $3.1 < 16.919$ , Hence,  $H_{04}$  is accepted.

#### Proprietary Ratio

The Proprietary ratio of the Enterprise varied between 0.19 during 2012 and 0.37 during 2008. It is found in the significance test that Proprietary ratio is uniform during the period of study. Proprietary ratio is maintained in reasonable range during all the years of the study.

**Table-6: Proprietary Ratio**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Share Holders funds	244.3	764.2	1537.1	2388.7	2202.1	4833.7	7638.5	8560.1	9075.5	11552.1
Total Assets	1232.6	2084.2	4607.9	7209.6	6034.9	25454.9	26681.3	34859.3	30314.9	33040.7
Proprietary Ratio	0.20	0.37	0.33	0.33	0.36	0.19	0.29	0.25	0.30	0.35

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016.

Calculated value of  $\chi^2$  for Proprietary ratio = 0.13. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e.,  $0.13 < 16.919$ , Hence,  $H_{05}$  is accepted.

#### Solvency Ratio

The Solvency ratio of the Enterprise varied between 0.63 during 2008 and 0.81 during 2012. It is found in the significance test that Solvency ratio is uniform during the period of study. Solvency ratio is relatively high during 2007, 2012, 2013, 2014 and 2015. High ratio is not satisfactory for outsiders.

**Table-7: Solvency Ratio**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Liabilities to outsiders	988.3	1320	3070.8	4820.9	3832.8	20621.2	19042.8	26299.2	21239.4	21488.6
Total Assets	1232.6	2084.2	4607.9	7209.6	6034.9	25454.9	26681.3	34859.3	30314.9	33040.7
Solvency Ratio	0.80	0.63	0.67	0.67	0.64	0.81	0.71	0.75	0.70	0.65

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016

Calculated value of  $\chi^2$  for Solvency ratio = 0.05. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e.,  $0.05 < 16.919$ , Hence,  $H_{06}$  is accepted.

### Fixed Assets to Net worth Ratio

The Fixed Assets to Net worth ratio of the Enterprise varied between 0.11 during 2016 and 2.37 during 2007. It is found in the significance test that Fixed Assets to Net worth ratio is uniform during the period of study. Fixed Assets to Net worth ratio is greater than one during first two years of the study. It implies that owner funds are not sufficient to finance fixed assets. During the last eight years of the study, it is less than one, indicating that owner funds are more than fixed assets in the enterprise which is good.

**Table-8: Fixed Assets to Net worth Ratio**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fixed Assets	578	1048.4	1282.9	1339.5	1479.2	1630.1	1947.5	1789.4	1629.6	1299.6
Share Holders funds	244.3	764.2	1537.1	2388.7	2202.1	4833.7	7638.5	8560.1	9075.5	11552.1
Ratio	2.37	1.37	0.83	0.56	0.67	0.34	0.25	0.21	0.18	0.11

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016.

Calculated value of  $\chi^2$  for Fixed Assets to Net worth ratio = 6.5. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919 Calculated value is less than Critical Value i.e.,  $6.5 < 16.919$ , Hence,  $H_{07}$  is accepted.

### Fixed Assets Ratio

The Fixed Assets ratio of the Enterprise varied between 0.08 during 2016 and 0.50 during 2008. It is found in the significance test that Fixed Assets ratio is uniform during the period of study. Fixed Assets ratio is always less than one and also less than 0.20 during last five years of the study indicating that majority of long term funds are also available for financing working capital requirements. This is good for the enterprise.

**Table-9: Fixed Assets Ratio**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fixed Assets	578	1048.4	1282.9	1339.5	1479.2	1630.1	1947.5	1789.4	1629.6	1299.6
Total Long Term funds	1225.3	2078.5	3697.7	5568.2	5127	13297.7	11101.9	12186.8	14932.4	16228.4
Fixed Assets Ratio	0.47	0.50	0.35	0.24	0.29	0.12	0.18	0.15	0.11	0.08

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016.

Calculated value of  $\chi^2$  for Fixed Assets ratio = 0.8. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919 Calculated value is less than Critical Value i.e.,  $0.8 < 16.919$ , Hence,  $H_{08}$  is accepted.

### Current Assets to Proprietary Funds Ratio

The Current Assets to Proprietary Funds ratio of the Enterprise varied between 2.3 during 2016 and 18.4 during 2007. It is found in the significance test that Current Assets to Proprietary Funds ratio is uniform during the period of study. Current assets to proprietary ratio has shown a declining trend year by year except during 2011 and 2014 and reached the lowest during the last year of the study.

**Table-10: Current Assets to Proprietary Funds Ratio**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Current Assets	4490.5	7420.2	13338.7	15898.9	17108.2	16881.2	21483.1	30695.3	24718.2	26810.1
Share Holders funds	244.3	764.2	1537.1	2388.7	2202.1	4833.7	7638.5	8560.1	9075.5	11552.1
Ratio	18.4	9.7	8.7	6.7	7.8	3.5	2.8	3.6	2.7	2.3

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016.

Calculated value of  $\chi^2$  for Current Assets to proprietary funds ratio = 33.5. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919 Calculated value is less than Critical Value i.e.,  $33.5 < 16.919$ , Hence,  $H_{09}$  is accepted.

### Interest Coverage Ratio

The Interest Coverage ratio of the Enterprise varied between 1.7 during 2014 and 6.2 during 2008. It is found in the significance test that Interest Coverage ratio is uniform during the period of study. Higher interest coverage ratio is good for long term creditors. It is relatively higher during all the years of the study indicating high margin of safety to lenders.

**Table-11: Interest Coverage Ratio**

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EBIT	266.1	902.6	1238.2	1692.8	1963.6	3244.1	3336.7	1342.5	1099.4	3658.5
Interest	115.8	145.7	325.6	345.4	462.5	582.1	753.6	797.5	520.7	1192.1
Interest Coverage Ratio	2.3	6.2	3.8	4.9	4.2	5.6	4.4	1.7	2.1	3.1

Source: Annual Reports of Tulasi Seeds Pvt. Ltd. from 2006-07 to 2015-2016.

Calculated value of  $\chi^2$  for Interest coverage ratio = 5.4. The Critical value of  $\chi^2$  at 9 degrees of freedom at 5% level of Significance is 16.919 Calculated value is less than Critical Value i.e.,  $5.4 < 16.919$ , Hence,  $H_{10}$  is accepted.

## IX. Conclusion

Operating leverage is favorable for six years, financial leverage is favorable for seven years and combined leverage is favorable for five years during the period of study. Degree of Operating Leverage, Degree of Financial Leverage and Degree of Combined Leverage are not uniform during the period of the study. All capital structure ratios are uniform during the period of study. Debt-Equity ratio is relatively high during 2007, 2012 and 2014. It was maintained at reasonable level during all other years of study indicating good long term solvency. Solvency ratio is relatively high during 2007, 2012, 2013, 2014 and 2015. During the last eight years of the study, fixed assets to net worth ratio is less than one, indicating that owner funds are more than fixed assets in the enterprise which is good. Fixed Assets ratio is always less than one and also less than 0.20 during last five years of the study indicating that majority of long term funds are also available for financing working capital requirements. Interest coverage ratio is relatively higher during all the years of the study indicating high margin of safety to lenders. To conclude, capital structure in the enterprise is good.

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