

CAPITAL STRUCTURE ANALYSIS OF A MICRO ENTERPRISE - A CASE STUDY OF LAXMI VINAY POLY PRINT PACKS PRIVATE LIMITED

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Abstract: 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 Laxmi Vinay Poly Print Packs Private Limited. Laxmi Vinay Poly Print Packs Private Limited is a Micro Enterprise located in Cuddapah district of Andhra Pradesh state in India. It is involved in Manufacturing of various bags and in printing. This Enterprise was started in the year 1983. This Enterprise has an annual turnover of Rs.123.90 lakhs as per annual accounts of 2015-16. The total Assets of the company are Rs.131.8 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 - Capital Structure, Degree of Financial Leverage, Degree of Operating Leverage, Fixed Assets ratio, Interest Coverage ratio, Solvency ratio

I. Introduction

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 Laxmi Vinay Poly Print Packs Private Limited. Laxmi Vinay Poly Print Packs Private Limited is a Micro Enterprise located in Cuddapah district of Andhra Pradesh state in India. It is involved in Manufacturing of various bags and in printing. Product range of the Enterprise include flex printing, Rotogravure printing, Polythene bags, Poly propylene bags, paper laminated HDPE bags, PP woven bags and Poly propylene woven bags. This Enterprise was started in the year 1983. It is classified as Non-govt Company and is registered at Registrar of Companies, Hyderabad. Its authorized share capital is Rs. 2,500,000 and its paid up capital is Rs. 2,500,000. This Enterprise has an annual turnover of Rs.123.90 lakhs as per annual accounts of 2015-16. The total Assets of the company are Rs.131.8 lakhs. The company engages manpower of twelve.

II. Review of Literature

J. H. Chua et al., (1993)¹ made a study on the capital structure of forty three private companies in Canada from 1993-1998. Shyam-Sunder, L. et al., (1999)² 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)³ 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)⁴ had conducted study on impact of Financial Leverage on cost of capital and valuation of Indian cement Industry. Dr. A.Vijayakumar (2011)⁵ 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)⁶ examined the determinants of capital structure in Pharmaceutical companies in India. Thomas, A. E (2013)⁷ examined the capital structure of twenty one units in Indian cement industry from 2003-04 to 2007-08. Srivastava, N., (2014)⁸ had examined the determinants of leverage in ten cement companies in India over a period of 2008-2012. Lyubomira Koeva-Dimitrova (2016)⁹ 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)¹⁰ investigated the determinants of capital structure in Serbia's commercial sector. Venkateswararao.Podile (2017)¹¹ had examined the recent MSME policy of Andhra Pradesh. Venkateswararao.Podile et al., (2017)¹² examined working capital management in PL Plast Pvt Ltd. Venkateswararao.Podile et al., (2017)¹³ had examined various Government schemes supporting MSMEs in India. Chandrika Prasad Das et al., (2018)¹⁴ 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)¹⁵ examined working capital management in Sri Rama Chandra Paper Boards Ltd. Venkateswararao.Podile (2018)¹⁶ examined working capital management in Tulasi seeds Pvt.Ltd. Venkateswararao.Podile et al.,

(2018)¹⁷ studied working capital management in Sri Nagavalli solvent oils Pvt. Ltd. Venkateswararao.Podile et al., (2018)¹⁸ analysed working capital management in Naga Hanuman Solvent Oils Private Limited. Venkateswararao.Podile (2018)¹⁹ examined working capital management in Cuddapah Spinning Mills Ltd. Venkateswararao.Podile et al., (2018)²⁰ studied working capital management in Kristna Engineering Works. Venkateswararao.Podile et al., (2018)²¹ examined working capital management in Radhika Vegetables Oils Pvt. Ltd. Venkateswararao.Podile et al., (2018)²² examined working capital management in Power Plant Engineering Works in Andhra Pradesh. Venkateswararao.Podile et al., (2018)²³ examined working capital management in Nagas Elastomer Works. Venkateswararao.Podile et al., (2018)²⁴ had studied working capital management in M.G.Metallic Springs Pvt. Ltd. Venkateswararao.Podile et al., (2018)²⁵ had studied working capital management in Sri Srinivasa Spun Pipes Company. Venkateswararao.Podile et al., (2018)²⁶ had studied working capital management in Raghunath Dye Chem Pvt. Ltd. Venkateswararao.Podile et al., (2018)²⁷ had examined working capital management in Maitreya Electricals Pvt. Ltd. Venkateswararao.Podile et al., (2018)²⁸ had examined working capital management in Laxmi Vinay Poly Print Packs Pvt. Ltd. Venkateswararao.Podile et al., (2018)²⁹ had done capital structure analysis of M.G.Metallic Springs Pvt. Ltd. Venkateswararao.Podile et al., (2018)³⁰ had done capital structure analysis of Naga Hanuman Solvent Oils Private Limited. Venkateswararao.Podile et al., (2018)³¹ had done capital structure analysis of Raghunath Dye Chem Pvt. Ltd. Venkateswararao.Podile et al., (2018)³² had done capital structure analysis of Nagas Elastomer Works. Venkateswararao.Podile et al., (2018)³³ had done capital structure analysis of Tulasi Seeds Pvt. Ltd. Venkateswararao.Podile et al., (2018)³⁴ had done capital structure analysis of Bharat Cashew Manufacturing Company. Venkateswararao.Podile et al., (2018)³⁵ had done capital structure analysis of Sri Rama Chandra Paper Boards Limited. 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 Micro enterprise which is involved in Manufacturing of various bags and in printing. Hence, this study is taken up.

III. Objectives

The general objective of the study is to analyze the capital structure of Laxmi Vinay Poly Print Packs Private Limited. The specific objectives include the following.

1. To examine composition of capital structure in Laxmi Vinay Poly Print Packs Private Limited 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 Laxmi Vinay Poly Print Packs Private Limited during the period of study.
3. To investigate long term solvency position Laxmi Vinay Poly Print Packs Private Limited during the period of study.
4. To examine the coverage of financial expenses in the Micro enterprise during the period of study.
5. To offer suggestions for improvement of capital structure decisions, if required.

IV. Hypotheses

- H₀₁: Degree of Operating Leverage in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₀₂: Degree of Financial Leverage in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₀₃: Degree of Combined Leverage in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₀₄: Debt - Equity Ratio in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₀₅: Proprietary Ratio in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₀₆: Solvency Ratio in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₀₇: Fixed Assets to Net worth Ratio in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₀₈: Fixed Assets Ratio in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₀₉: Current Assets to Proprietary funds Ratio in Laxmi Vinay Poly Print Packs Private Limited is uniform during the period of study.
 H₁₀: Interest Coverage Ratio in Laxmi Vinay Poly Print Packs Private Limited 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 Laxmi Vinay Poly Print Packs Private Limited. 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 75.0 during 2011 and 101.1 during 2015. The share capital as a percentage of total equity capital is 101.1 during 2015 due to the fact that reserves and surpluses are negative during the year. It is also observed that reserves and surplus as a percentage of total equity capital had

varied between -1.1 during 2015 and 25.0 during 2011. Total equity capital as a percentage of total capital has varied between 7.3 during 2016 and 56.6 during 2007. It is also observed that long term debt as a percentage of total debt had varied between 10.9 during 2009 and 98.9 during 2008. On the other hand, short term debt as a percentage of total debt has varied between 1.1 during 2008 and 89.1 during 2009. Total debt capital as a percentage of total capital has varied between 43.4 during 2007 and 92.7 during 2016.

Table-1: Structure and Composition of Capital structure in Laxmi Vinay Poly Print Packs Private Limited during 2006-2007 to 2015-2016

(Figures in Lakhs)

Particulars	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Equity capital										
Share Capital	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
% of Total Equity capital	77.6	77.6	77.6	81.8	75.0	81.8	81.8	81.8	101.1	93.8
Reserves & Surplus	2.6	2.6	2.6	2.0	3.0	2.0	2.0	2.0	-0.1	0.6
% of Total Equity capital	22.4	22.4	22.4	18.2	25.0	18.2	18.2	18.2	-1.1	6.3
Total Equity Capital	11.6	11.6	11.6	11.0	12.0	11.0	11.0	11.0	8.9	9.6
% of Total Capital	56.6	56.3	28.4	27.4	26.5	22.1	19.6	17.6	11.4	7.3
Debt Capital										
Long Term Debt	3.1	8.9	3.2	6.1	12.3	11.6	19.7	19.2	17.1	94.8
% of Total Debt capital	34.8	98.9	10.9	21.0	37.0	30.0	43.8	37.2	24.7	77.6
Short Term Debt	5.8	0.1	26.1	23.0	20.9	27.1	25.3	32.4	52.0	27.4
% Total Debt capital	65.2	1.1	89.1	79.0	63.0	70.0	56.2	62.8	75.3	22.4
Total Debt Capital	8.9	9.0	29.3	29.1	33.2	38.7	45.0	51.6	69.1	122.2
% of Total Capital	43.4	43.7	71.6	72.6	73.5	77.9	80.4	82.4	88.6	92.7
Total Capital	20.5	20.6	40.9	40.1	45.2	49.7	56.0	62.6	78.0	131.8

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited 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 -2.23 and 11.36 during the period of study. Operating leverage is favorable during 2011 and 2012 as DOL is greater than one. Operating leverage is un-favorable during other eight 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	28.6	11.1	20.0	-16.7	100.0	40.0	-14.3	12.5	1.1	2.6
Percentage Change in Sales	315.3	18.7	-12.8	45.6	8.8	13.9	20.3	-5.6	17.1	22.6
DOL	0.09	0.59	-1.56	-0.37	11.36	2.88	-0.70	-2.23	0.06	0.12

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Degree of Operating Leverage = 132.1. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is greater than Critical Value i.e., $132.1 > 16.919$, Hence, H_{01} is Rejected.

Degree of Financial Leverage

The Degree of Financial Leverage has varied between -75.7 and 76.9 during the period of study. Financial leverage is favorable during 2007, 2008 and 2016 as DFL is greater than one. Financial leverage is neither favorable or nor unfavorable during 2012. Financial leverage is un-favorable during other six 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	300.0	50.0	-33.3	0.0	25.0	40.0	14.3	-25.0	-83.3	200.0
Percentage change in EBIT	28.6	11.1	20.0	-16.7	100.0	40.0	-14.3	12.5	1.1	2.6
DFL	10.5	4.5	-1.7	0.0	0.3	1.0	-1.0	-2.0	-75.7	76.9

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Degree of Financial Leverage = 9193.1. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is greater than Critical Value i.e., $9193.1 > 16.919$, Hence, H_{02} is Rejected.

Degree of Combined Leverage

The Degree of Combined Leverage has varied between -4.9 and 8.8 during the period of study. Combined leverage is favorable during 2008, 2009, 2011, 2012, 2014 and 2016 as DCL is greater than one. Financial leverage is neither favorable or nor unfavorable during 2007. Combined leverage is un-favorable during other three 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	300.0	50.0	-33.3	0.0	25.0	40.0	14.3	-25.0	-83.3	200.0
Percentage Change in Sales	315.3	18.7	-12.8	45.6	8.8	13.9	20.3	-5.6	17.1	22.6
DCL	1.0	2.7	2.6	0.0	2.8	2.9	0.7	4.5	-4.9	8.8

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Degree of Combined Leverage = 51.6. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is greater than Critical Value i.e., $51.6 > 16.919$, 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 0.77 during 2007 and 12.73 during 2016. It is found in the significance test that Debt-Equity ratio is not uniform during the period of study. Debt- Equity ratio is high during last eight years of the study and it is very high during last five years of the study indicating very low margin of safety to lenders.

Table-5: Debt-Equity Ratio

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Outside funds	8.9	9.0	29.3	29.1	33.2	38.7	45.0	51.6	69.1	122.2
Share Holders funds	11.6	11.6	11.6	11.0	12.0	11.0	11.0	11.0	8.9	9.6
Debt-Equity Ratio	0.77	0.78	2.53	2.65	2.77	3.52	4.09	4.69	7.76	12.73

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Debt-Equity Ratio = 27.6. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e., $27 > 16.919$, Hence, H_{04} is rejected.

Proprietary Ratio

The Proprietary ratio of the Enterprise varied between 0.07 during 2016 and 0.57 during 2007. It is found in the significance test that Proprietary ratio is uniform during the period of study. Proprietary ratio is less than 0.5 during last eight years of the study and is very low during last three years indicating bad long term solvency position.

Table-6: Proprietary Ratio

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Share Holders funds	11.6	11.6	11.6	11.0	12.0	11.0	11.0	11.0	8.9	9.6
Total Assets	20.5	20.6	40.9	40.1	45.2	49.7	56.0	62.6	78.0	131.8
Proprietary Ratio	0.57	0.56	0.28	0.27	0.27	0.22	0.20	0.18	0.11	0.07

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Proprietary ratio = 0.9. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e., $0.9 < 16.919$, Hence, H_{05} is accepted.

Solvency Ratio

The Solvency ratio of the Enterprise varied between 0.43 during 2007 and 0.93 during 2016. It is found in the significance test that Solvency ratio is uniform during the period of study. Solvency ratio is high during last eight years of the study indicating low long term solvency.

Table-7: Solvency Ratio

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Liabilities to outsiders	8.9	9.0	29.3	29.1	33.2	38.7	45.0	51.6	69.1	122.2
Total Assets	20.5	20.6	40.9	40.1	45.2	49.7	56.0	62.6	78.0	131.8
Solvency Ratio	0.43	0.44	0.72	0.73	0.73	0.78	0.80	0.82	0.89	0.93

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Solvency ratio = 0.4. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e., $0.4 < 16.919$, Hence, H_{06} is accepted.

Fixed Assets to Net worth Ratio

The Fixed Assets to Net worth ratio of the Enterprise varied between 0.06 during 2010 and 4.17 during 2016. It is found in the significance test that Fixed Assets to Net worth ratio is not uniform during the period of study. Fixed Assets to Net worth ratio is greater than one during 2013 and 2016. During the other eight years of the study, it is less than one, indicating that owner funds are more than fixed assets in the enterprise. Owner funds are also available to finance working capital too during these eight years which is good phenomenon. But during 2016, owner funds are very less than fixed assets, which is not good for the enterprise.

Table-8: Fixed Assets to Net worth Ratio

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fixed Assets	1.0	0.9	0.8	0.7	2.0	2.9	11.6	10.5	8.6	40.0
Share Holders funds	11.6	11.6	11.6	11.0	12.0	11.0	11.0	11.0	8.9	9.6
Ratio	0.09	0.08	0.07	0.06	0.17	0.26	1.05	0.95	0.97	4.17

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Fixed Assets to Net worth ratio = 18.1. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e., $18.1 > 16.919$, Hence, H_{07} is rejected.

Fixed Assets Ratio

The Fixed Assets ratio of the Enterprise varied between 0.04 during 2008 and 2010 and 0.38 during 2013 and 2016. 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 0.5 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	1.0	0.9	0.8	0.7	2.0	2.9	11.6	10.5	8.6	40.0
Total Long Term funds	14.7	20.5	14.8	17.1	24.3	22.6	30.7	30.2	26	104.4
Fixed Assets Ratio	0.07	0.04	0.05	0.04	0.08	0.13	0.38	0.35	0.33	0.38

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Fixed Assets ratio = 1.1. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e., $1.1 < 16.919$, Hence, H_{08} is accepted.

Current Assets to Proprietary Funds Ratio

The Current Assets to Proprietary Funds ratio of the Enterprise varied between 1.2 during 2007 and 9.5 during 2016. 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 an increasing trend year by year except during 2013 and reached the highest 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	14.1	21.7	44.4	44.2	48.6	44.7	43.0	51.5	68.5	91.5
Share Holders funds	11.6	11.6	11.6	11.0	12.0	11.0	11.0	11.0	8.9	9.6
Ratio	1.2	1.9	3.8	4.0	4.1	4.1	3.9	4.7	7.7	9.5

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Current Assets to proprietary funds ratio = 12.1. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919. Calculated value is less than Critical Value i.e., $12.1 < 16.919$, Hence, H_{09} is accepted.

Interest Coverage Ratio

The Interest Coverage ratio of the Enterprise varied between 1.1 during 2015 and 2.5 during 2008. It is found in the significance test that Interest Coverage ratio is uniform during the period of study. Interest coverage ratio is always around one except during 2008 indicating operating profits just covered finance expenses.

Table-11: Interest Coverage Ratio

(Figures in Lakhs)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EBIT	0.9	1.0	1.2	1.0	2.0	2.8	2.4	2.7	2.73	2.8
Interest	0.5	0.4	0.8	0.6	1.3	1.9	1.6	2.1	2.6	2.4
Interest Coverage Ratio	1.8	2.5	1.5	1.7	1.5	1.5	1.5	1.3	1.1	1.2

Source: Annual Reports of Laxmi Vinay Poly Print Packs Private Limited from 2006-07 to 2015-2016.

Calculated value of χ^2 for Interest coverage ratio = 0.9. The Critical value of χ^2 at 9 degrees of freedom at 5% level of Significance is 16.919 Calculated value is less than Critical Value i.e., $0.9 < 16.919$, Hence, H_{10} is accepted.

IX. Conclusion

Operating leverage is favorable for two years, financial leverage is favorable for three years and combined leverage is favorable for six 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 except Debt- Equity Ratio and Fixed Assets to Net-Worth ratio are uniform during the period of study. High Debt-Equity ratio, low proprietary ratio and high solvency ratio during last eight years of the study indicated low margin of safety for lenders. 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 and these funds are also available to finance working capital, which is good phenomenon. But during last year reverse is the case. Fixed Assets ratio is always at low level indicating that majority of long term funds are also available for financing working capital requirements. Interest coverage ratio is always around one except during one year indicating operating profits just covered finance expenses. To conclude, there is further scope for better management of capital structure in the enterprise.

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