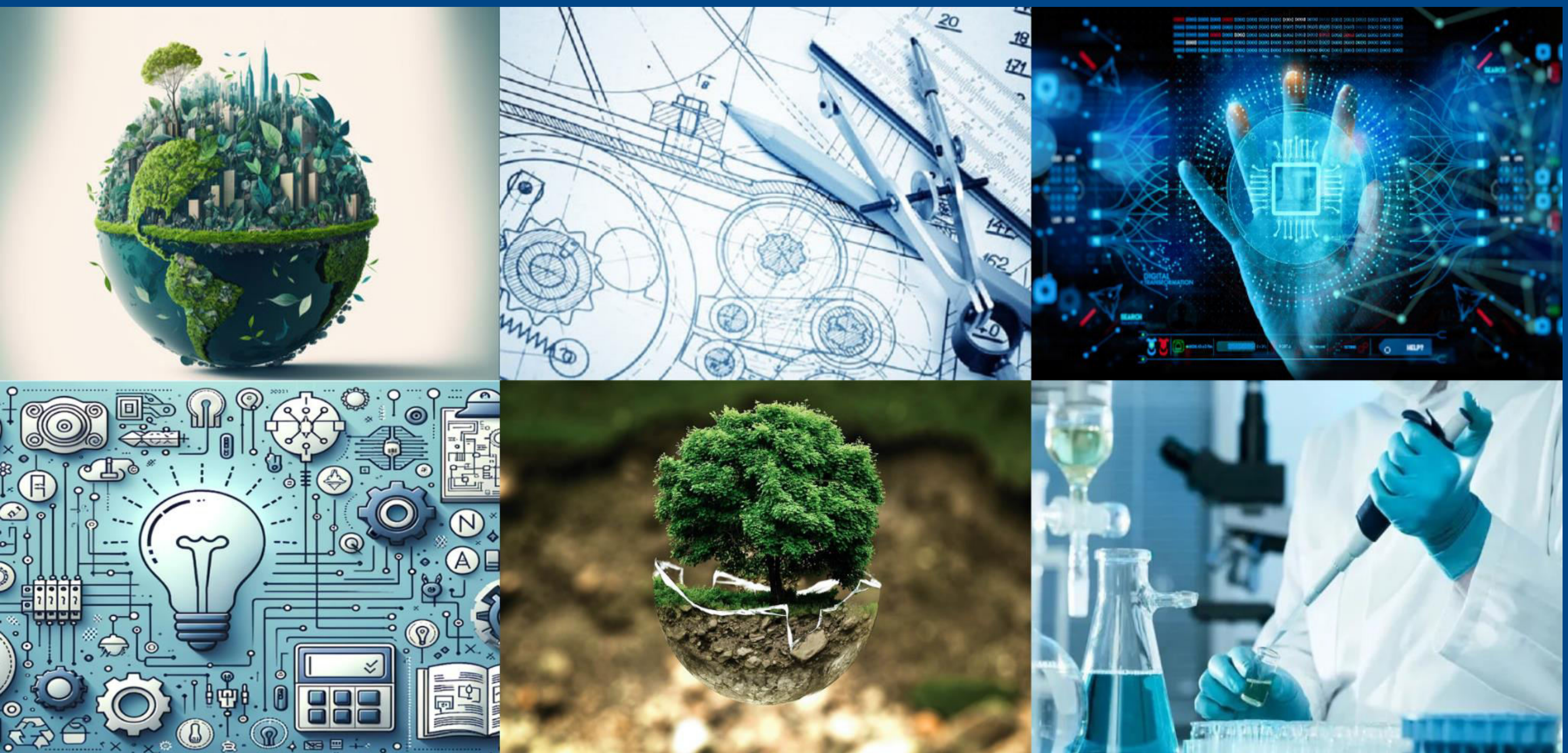
ISSN: 2582-7219

International Journal of Multidisciplinary Research in Science, Engineering and Technology

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.206

Volume 8, Issue 4, April 2025

www.ijmrset.com ijmrset@gmail.com +91 6381 907 438 +91 63819 07438

© 2025 IJMRSET | Volume 8, Issue 4, April 2025 |DOI:10.15680/IJMRSET.2025.0804504

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

A Study on Capital Structure Analysis towards Sakshi Automation Solutions Private Limited, Chennai

Srilakshmi R, Shabana Rahman

II MBA, Karpagam College of Engineering, Coimbatore, India

Assistant Professor, School of Management Studies, Karpagam College of Engineering, Coimbatore, India

ABSTRACT: Capital structure is the particular combination of debt and equity used by a company to finance its overall operations and growth. Equity capital arises from ownership shares in a company and claims to its future cash flows and profits. Debt comes in the form of bond issues or loans, while equity may come in the form of common stock, preferred stock, or retained earnings. Short-term debt is also considered to be part of the capital structure. The objective of the study is to analyse the capital structure of Sakshi Automation Solutions Private Limited, Chennai. The 5 years financial statement of the company is taken as sample to analyse its performance. Analytical research method has been adopted in the study. Secondary data has been used to reach the findings of the study. Ratio analysis, common size balance sheet and comparative balance sheet has been used in the study. From the above study it can be suggested that the company need to necessarily concentrate on the debt-equity ratio to maximize its earnings per share. The study has concluded that the optimum capital structure of the company could be ascertained by using various ratios. The overall results of the study have shown that the equity and reserves of the firm should be sufficient to meet out the fixed bearing expenses and it has to lower the degree of financial leverage in order to overcome the financial risk in future. Thus, the long term capital of the Sakshi Automation Solutions Private Limited, Chennai shows a satisfactory position.

KEYWORDS: Financial Stability, Profitability, Capital Structure Analysis and Overall Business Performance

I. INTRODUCTION

Capital structure is the particular combination of debt and equity used by a company to finance its overall operations and growth. Equity capital arises from ownership shares in a company and claims to its future cash flows and profits. Debt comes in the form of bond issues or loans, while equity may come in the form of common stock, preferred stock, or retained earnings. Short-term debt is also considered to be part of the capital structure.

According to Gerstaendberg, “capital structure refers the make upon firm’s capitalism” in other words Capital structure refers to the composition of long term funds such as denture, long borrowings, preference share, equity share in the capitalization of a company. The essence of capital structure decision is to determine the relative proposition of equity and debt. Equity here in broader sense means owner’s funds which can be raised by issue of equity shares and preference share and by retained earnings. Debts can be raised by issuing debenture or bonds by taking long term borrowings. The capital structure decisions a significant financial decision because it affects the shareholder’s return and risk and consequently the market value of share.

II. STATEMENT OF THE PROBLEM

The success of a company is in the hands of how effectively the company has raised its long term capital and utilizes in the business. The use of long term capital as part of the capital of a business could either help or worsen the circumstances of a firm depending on how well the capital was utilized.

The study analysis how the long term capital is raised and effectively utilized in the company.To evaluate its efficiency of capital market analysis, there is several ratio to measure. Hence the study anaysis the various mix in the capital structure and also it uses ratio and tools to measure its efficiency of long term capital utilization.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Objectives of The Study

- To study the various long term sources of funds raised and utilized in the capital
- To analyse the debt equity, proprietary and pay out position in the concern
- To study the return on investments, shareholders' funds and equity in the company
- To measure the capital gearing position and capital structure analysis
- To assess the retained earning level and proportion of fixed assets to net worth in the company

III. REVIEW OF LITERATURE

Dao, B.T.T. and Ta, T.D.N. (2020) The paper aims at providing insights on the relationship between capital structure and performance of the firm by employing meta-analytical approach to obtain a synthesized result out of controversial studies as well as the sources for such inconsistency. Using secondary data, the analysis is divided into two main parts with concerns to the overall strength of the relationship, the effect size and the potential paper-specific characteristics influencing the magnitude of impacts between leverage and firm performance (moderators of the relationship). Overall, a total number of 32 journals, reviews and school presses were selected besides online libraries and publishing platforms. There were 50 papers with 340 studies chosen from 2004 to 2019, of which data range from 1998 to 2017. Using Hedges *et al.* (1985,1988), descriptive and quantitative analysis have been conducted to confirm that corporate performance is negatively related to capital decisions, which inclines toward trade-off model with agency costs and pecking order theory.

Novie Wulan Sari and Mokhamad Anwar (2022). This study examined the comparative analysis of capital structure and profitability during the COVID-19 pandemic. In knowing the extent of the benefits obtained by a company, it can be seen from the financial performance, especially in the capital structure as measured by the Debt-to-Equity Ratio and Debt-to-Asset Ratio. The capital structure will affect the profitability measured by the Return on Equity because the maximum use of debt will reduce interest payments since the company is required to pay higher interest. In the profitability calculation, the level of profit obtained from the company during the COVID-19 pandemic can be found. The purpose of this study was to find out the comparison and the influence between capital structure and profitability. This study used a telecommunication company listed on the Indonesian Stock Exchange over the period of 2017–2021. The results of this study showed that capital structure was measured by the Debt-to-Equity Ratio the and Debt-to-Asset Ratio revealed a negative effect on profitability measured by Return on Equity

Munkhdalai, E. , Jamsranjav, E. , Luvsandash, O. and Garamdorj, G. (2023) Optimizing a company's asset and capital structure has a positive effect on reducing capital costs and increasing the use of assets. In this paper, we consider the optimization problem of a company's asset and capital structure. The proposed model is formulated as a fractional programming problem. The problem was solved numerically on "Mat-lab" using data from Mongolian mining companies. Numerical results explain that the current assets (28.46% of total assets) of mining companies are lower than non-current assets, this situation is considered as the mining sector's diversity. The objective function results also show the potential maximum value of receivables value from liquid assets should be 6.16%, inventory maximum value to be 15.49%, minimum value of monetary assets to be 6.81%. Mongolian mining companies operate with a deficiency of monetary assets, private mining sector company's receivables value and inventory value are more than optimal value, in outcome they will need to focus on these kinds of assets.

IV. RESEARCH METHODOLOGY

The study has covered the capital structure analysis towards Sakshi Automation Solutions Private Limited, Chennai. The balance sheet and profit and loss statements of Sakshi Automation Solutions Private Limited, Chennai from the last five years, from 2019–2020 to 2023–2024, were used in this study.

Convenience sampling can be utilized in exploratory research or when access to certain financial data is restricted, even if it is not the best option for simplification. Analytical research method has been adopted in the study. Secondary data has been used to reach the findings of the study. Ratio analysis, common size balance sheet and comparative balance sheet has been used in the study.

© 2025 IJMRSET | Volume 8, Issue 4, April 2025 |DOI:10.15680/IJMRSET.2025.0804504

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

V. DATA ANALYSIS AND INTERPRETATION

DEBT RATIO

Year	Total debt	Total debt + Net worth	Ratio
2020	52.75	117.23	0.45
2021	64.76	107.08	0.60
2022	69.64	109.75	0.63
2023	81.98	124.58	0.66
2024	95.30	132.23	0.72

Source : Annual report

Interpretation

From the above table conveys that debt ratio was 0.45 in the year of 2020. It has increased to 0.60 and 0.63 in the year of 2021 and 2022 respectively. It has increased to 0.66 in the year of 2023. It has further increased to 0.72 in the year of 2024.

EQUITY RATIO

Year	Capital employed	Networth	Ratio
2020	117.23	38.24	3.07
2021	107.08	45.05	2.38
2022	109.75	68.36	1.61
2023	124.58	89.04	1.40
2024	132.23	89.05	1.48

Source : Annual report

Interpretation

From the above table conveys that equity ratio was 3.07 in the year of 2020. It has decreased to 2.38 and 1.61 in the year of 2021 and 2022 respectively. It has decreased to 1.40 in the year of 2023. It has increased to 1.48 in the year of 2024.

PROPRIETARY RATIO

Year	Shareholders' fund	Total tangible assets	Ratio
2020	38.24	126.03	0.30
2021	45.05	117.34	0.38
2022	68.36	128.10	0.53
2023	89.04	139.16	0.64
2024	89.05	143.91	0.62

Source : Annual report

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

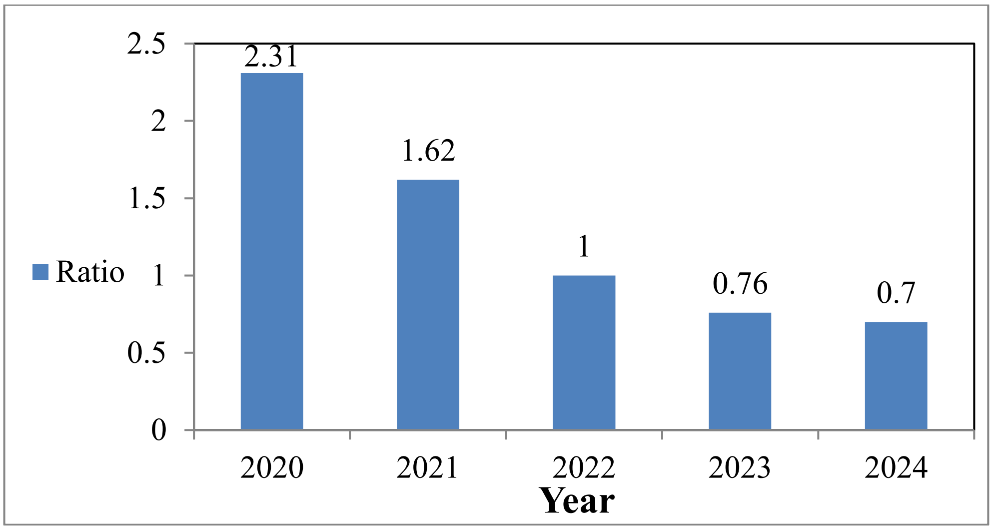
International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Interpretation

From the above table conveys that Return on shareholders funds ratio was 0.30 in the year of 2020. It has increased to 0.38 and 0.53 in the year of 2021 and 2022 respectively. It has further increased to 0.64 in the year of 2023. It has decreased to 0.62 in the year of 2024.

FIXED ASSETS TO NETWORTH RATIO



Interpretation

From the above table conveys that a fixed asset to net worth ratio was 2.31 in the year of 2020. It has decreased to1.62 and 1.00 in the year of 2021 and 2022 respectively. It has increased to 0.76 in the year of 2023. It has decreased to 0.70 in the year of 2024.

VI. SUGGESTIONS`

```

- The company has to concentrate to provide the maximum earnings per share among all the years. So it can be recommended that in order to maximize the earnings there are factors other than debt-equity ratio which should be considered.
- It is theoretically mentioned that the debt-equity ratio of 2:1 is the ideal one. In the above study it was observed that the company had a ratio of 2:1 in all the years normally. It should not be left it to reduce below that.
- The net profit ratio has ups and down in the five years. The company should take all the efforts to increase the net profit ratio.
- In future the company requires more capital. It should utilize equity capital for long term obligations and should decrease the debt capital for the short term obligations.
- The payout ratio shows ups and downs. The company should increase its net profit further to improve the payout ratio.
- The capital structure of the company has effectively mixed in the appropriate ratio. If the company utilise its raised capital in ideal, it can provide maximum return to its shareholders and maintain its value of the firm in upcoming years.

## VII. CONCLUSION

Every concern has the aim to frame the optimum capital structure to its business as maximising the value of the firm and minimising the cost of capital. The study is aimed to analyse the long term funds of the company Sakshi Automation Solutions Private Limited, Chennai for the period of 2019-20 to 2023-24. The study has given the knowledge about the application of financial tools, its importance and its usefulness in determining the long term capital of the company. The study has concluded that the optimum capital structure of the company could be ascertained by using various ratios. The overall results of the study have shown that the equity and reserves of the firm
```

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

should be sufficient to meet out the fixed bearing expenses and it has to lower the degree of financial leverage in order to overcome the financial risk in future. Thus, the long term capital of the Sakshi Automation Solutions Private Limited, Chennai shows a satisfactory position.

REFERENCES

1. Dao, B.T.T. and Ta, T.D.N. (2020), "A meta-analysis: capital structure and firm performance", *Journal of Economics and Development*, Vol. 22 No. 1, pp. 111-129.
2. Novie Wulan Sari and Mokhamad Anwar (2022). Comparative Analysis of Capital Structure and Profitability During the COVID-19 Pandemic on Telecommunication Companies in the Indonesian Stock Exchange. GCBME 2022, AEBMR 255, pp. 243–252.
3. Munkhdalai, E. , Jamsranjav, E. , Luvsandash, O. and Garamdorj, G. (2023) Optimization Approach to Asset and Capital Structure of Companies. *iBusiness*, 15, 321-330.
4. Taub (2015), “Factors influencing a firm’s choice of a debt equity ratio”, The American Economic Review, Vol. 48, No. 3, pp. 261-297
5. Bhat (2015), “Determinants of capital structure”, Columbia Univ. Press , New York, ISBN: 0231026048
6. Venkatesan (2016): “Capital structure and financial leverage”, Journal of Finance, pp: 911-922
7. Shanmugasundaram (2016), “A study on intra-industry variations in the capital structure”, Journal of Finance, 2016, Vol 44, Issue 1, pp. 19-40
8. Rani (2016), “Variables affecting capital structure”, Bell Journal of Economics ,Vol.8, 2016, pp.23-40

INNO SPACE

SJIF Scientific Journal Impact Factor

INTERNATIONAL STANDARD SERIAL NUMBER INDIA

निस्केयर
NISCAIR

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH IN SCIENCE, ENGINEERING AND TECHNOLOGY

| Mobile No: +91-6381907438 | Whatsapp: +91-6381907438 | ijmrset@gmail.com |

www.ijmrset.com