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CAPITAL STRUCTURE DECISIONS AND THEIR FINANCIAL IMPLICATIONS IN KALPATARU GLOBAL ALLOYS PVT. LTD.

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ABSTRACT

This project explores the capital structure of Kalpataru Global Alloys Pvt. Ltd., located in Kadivadu, with the objective of understanding its financial composition and strategic financing decisions. Capital structure refers to the mix of debt and equity that a company utilizes to finance its operations and growth. The study investigates the company's reliance on various sources of capital, evaluates the cost of capital, and assesses the impact of its capital structure on overall financial performance. Through a combination of financial statement analysis, ratio analysis, and interviews with finance personnel, the study highlights the trends in debt-equity ratio, interest coverage, and return on equity over recent years. Special attention is given to how the company has managed its capital amid industry challenges and economic fluctuations. The project also compares Kalpataru Global Alloys' structure with industry benchmarks to determine its efficiency and risk exposure.

KEYWORDS: Capital Structure, Debt-Equity Ratio, Financial Performance, Cost of Capital.

INTRODUCTION

Kalpataru Global Alloys Pvt. Ltd., located in Kadivedu Village, Chillakur Mandal, in the SPSR Nellore district of Andhra Pradesh, is a private manufacturing company established in 2013. It operates in the metal and alloy industry, focusing on the production and export of specialty alloys such as ferro chrome, silico manganese, ferro silicon, Inconel sheets and plates, Monel round bars, and various alloy plates. The company has a production capacity of_around 300 metric tons per month for ferro silicon alloys, typically used in steelmaking and other industrial processes.

Kalpataru Global Alloys plays a significant role in the local economy by generating employment and promoting industrial growth in the region. The firm is known for adopting efficient inventory and supply chain practices, and it has attracted academic attention, including studies on its operational strategies. The company is managed under the leadership of Mr. Lalit Jain, who has guided its development and ensured regulatory compliance and consistent performance in the competitive alloy manufacturing market. Kalpataru Global Alloys Private Limited, located in Kadivedu Village, Chillakur Mandal of SPSR Nellore district, Andhra Pradesh, holds notable significance in the regional industrial landscape. Established in 2013, the company specializes in the manufacturing and export of various metal alloys, including ferro chrome, silico manganese, Inconel sheets and plates, Monel round bars, and alloy plates. With a production capacity of 300 metric tons per month for Ferro Silicon (grade 70 to 75), Kalpataru contributes meaningfully to the metallurgical supply chain. Its operations not only support local employment but also promote the growth of ancillary industries. The company has also been recognized for its efficient inventory management practices, as noted in a study by Narayana Engineering College, Gudur. Under the

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leadership of Mr. Lalit Jain, Kalpataru continues to operate actively while maintaining regulatory compliance and a strong industrial presence in the region.

Kalpataru Global Alloys Pvt. Ltd. holds considerable significance in society, particularly in its local region, due to its multifaceted contributions. As a manufacturer of critical metal alloys like ferro chrome, silico manganese, and Inconel products, it supports core sectors such as steel, construction, infrastructure, and engineering. These materials are essential for national development and industrial progress. On a societal level, the industry provides direct and indirect employment opportunities, uplifting the livelihood of people in and around Kadivedu village and the Chillakur Mandal area. By generating consistent income for workers and local vendors, it contributes to rural economic development and reduces migration to urban areas.

Moreover, the company's presence stimulates growth of supportive industries, such as transportation, logistics, and maintenance services. Its focus on efficient inventory and sustainable operations also sets an example for responsible industrial practices. In essence, Kalpataru Global Alloys not only strengthens India's industrial backbone but also enhances social well-being through economic empowerment and regional development. Capital structure refers to the mix of different source of funds, including equity and debt, used by a company to finance its operations and investments .it represents the way that a company finance its assets and is essential in determining its financial risk and profile. At the time of preparing financial plan, not only the capitalization is determined but the nature and type of the capital structure decision, it is determined from which sources and how much finance should raise. Thus, under capital structure we determine the proportion in which capital should be raised from different securities.

LITERATURE REVIEW

Vuong, Q.D. (2017)This study investigates the influence of capital structure on the performance of industrial commodity and service firms in Vietnam. Using regression analysis, the paper finds a negative relationship between high debt levels and firm performance. It highlights that excessive leverage reduces profitability due to increased financial risk. The study suggests that firms should adopt a balanced mix of debt and equity. Differences in capital structure impact across sectors are also discussed. The paper contributes to understanding how local financial environments affect capital decisions.

Vuong, B.N., Vu, T.Q., & Mitra, P. (2017) This research examines the effect of capital structure on financial performance in emerging markets. The study finds a significant inverse relationship between debt ratios and return on assets (ROA). It emphasizes that high leverage can lead to financial distress in volatile economies. The authors recommend cautious debt usage in corporate financing. The study also explores the moderating effect of firm size and industry type. Findings reinforce the need for strategic capital structure planning.

Vijayakumaran, R. (2017) The paper analyzes capital structure decisions and their impact on corporate performance in Chinese industrial firms. Using panel data, it observes that moderate levels of debt improve performance, supporting the trade-off theory. Higher debt levels, however, negatively affect profitability and market value. The study suggests a non-linear relationship between leverage and firm value. It highlights differences in firm behavior due to regulatory and

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economic settings in China. Results recommend tailoring capital structures to firm-specific financial conditions.

Tran, Nguyen, & Pham (2017) This study explores the impact of capital structure on joint stock companies in Thua Thien Hue, Vietnam. Survey data and regression techniques are used to evaluate financial outcomes. Findings show that firms with optimized debt-equity ratios achieve better performance. High financial leverage is linked to increased risk and reduced earnings. The study emphasizes proper capital mix as essential for sustainable growth. It provides practical insights for small and medium enterprises (SMEs) in regional economies.

Phan, T.H. (2016) Phan investigates how capital structure choices influence firm performance in Vietnam. The study confirms a negative correlation between leverage and profitability metrics like ROA and ROE. It attributes this trend to over-reliance on debt financing in underdeveloped capital markets. The research recommends improving financial planning and risk management. It supports capital structure theories in the context of emerging economies. The paper calls for reforms in debt markets to support optimal financing strategies.

Nguyen, T.M. & Dang, T.L. (2017) This paper explores how ownership structure affects the performance of Vietnamese listed firms. Though not solely focused on capital structure, it reveals that ownership patterns influence financial decisions. State ownership was found to reduce efficiency, while private ownership increased performance. Capital structure acts as a mediator between ownership and profitability. The paper highlights governance and control issues in public firms. It suggests aligning ownership with capital decisions for improved financial outcomes.

Olajide, Funmi & Olayemi (2017) This empirical study investigates the capital structure-performance link in selected African countries. The findings suggest a weak but positive relationship between moderate debt levels and profitability. High leverage is associated with poor performance, especially in unstable economies. The study supports the pecking order theory for developing markets. It also discusses institutional and regulatory barriers in African financial systems. Recommendations include promoting equity markets and financial literacy.

Modigliani and Miller's contributions to corporate finance have been foundational, shaping decades of theoretical and practical advancements. Their seminal 1958 work introduced the irrelevance theorem, which asserts that, in a world of perfect markets—without taxes, transaction costs, or bankruptcy risk—the capital structure of a firm does not influence its overall value. According to this theory, firm value is determined solely by the profitability and risk of its real assets, regardless of whether the firm is financed through equity or debt. Though this assumption is highly idealized, it provided a critical benchmark and provoked extensive academic discussion, forming the cornerstone of modern financial economics.

In 1963, Modigliani and Miller refined their earlier proposition by incorporating corporate taxes into the model. This follow-up study emphasized that interest on debt is tax-deductible, thereby creating a tax shield that increases the attractiveness of debt financing. By recognizing that debt can enhance firm value through tax benefits, the revised model marked the beginning of what would later evolve into the trade-off theory of capital structure. However, this revision still assumed perfect markets and ignored potential bankruptcy costs. Despite these limitations, the 1963 correction continues to significantly influence corporate finance decision-making, as it underscores the practical importance of tax considerations in capital structure planning.

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Myers, S. (1984) In this influential , Myers presents the "capital structure puzzle," questioning why firms don't follow theoretical predictions. He introduces the pecking order theory, stating firms prefer internal funds, then debt, and finally equity. This behaviour is attributed to information asymmetry and market signalling. The paper challenges the assumptions of earlier theories like MM and trade-off. It provides a behavioural perspective on financing decisions. The theory is widely applicable in real-world capital structure decisions.

Myers, S.C. (1977) This paper examines the determinants of corporate borrowing and introduces the debt overhang problem. It suggests that firms may forgo valuable investment opportunities due to existing debt burdens. This misalignment creates inefficiencies in capital markets and firm behaviour. The study emphasizes the role of agency costs in financing decisions. It extends the understanding of how debt can constrain future firm performance. The findings contribute to agency theory and capital structure analysis.

While extensive research exists on capital structure determinants and their impact on firm performance, most studies focus on large, publicly listed companies or specific sectors like banking, automobiles, and IT. There is limited research available on mid-sized, privately held manufacturing companies particularly in the ferro alloys and metallurgy sector.

Moreover, regional and sectoral differences are often overlooked. Kalpataru Global Alloys Pvt. Ltd., being a Gujarat-based private firm in a capital-intensive industry, may follow a different financing pattern compared to large corporations or service-based companies.

RESEARCH METHODOLOGY

The capital structure of a company plays a crucial role in determining its financial stability and growth potential. In the case of Kalpataru Global Alloys Pvt. Ltd., a mid-sized player in the manufacturing sector, understanding its financing decisions becomes essential due to the capital-intensive nature of its operations. With changing interest rates and evolving market dynamics, it is important to assess whether the company's current capital structure supports sustainable performance. This study is needed to evaluate the company's debt-equity balance, identify areas of financial risk, and recommend strategies to enhance long-term value.

This study focuses on analysing the capital structure of Kalpataru Global Alloys Pvt. Ltd. over a period of recent financial years. It examines key components such as the proportion of debt and equity, the cost of capital, and how these factors impact the company's financial performance. The analysis is based on secondary data including financial statements and industry reports. The scope is limited to understanding internal financing strategies within the context of the manufacturing sector and does not include primary data collection or analysis of market-wide capital structure trends.

Objectives

- To increase the value of the company
- To reduce the overall cost of capital
- To balance the trade-offs between risk and return
- To increase returns for shareholders
- To ensure access to capital when needed

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The Primary data has been collected from Personal Interaction with Finance manager and other staff members. The major source of data for this project was collected through annual reports, profit and loss account of 5-year period from 2019-2024 & some more information collected from internet and text sources. Financial Statements of the last five years are considered for the study.

DATA ANALYSIS & INTERPRETATION

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis. It includes,

- EPS (Earning Per Share)
- Net Profit Ratio
- Capital Adequacy Ratio
- Return On Equity

EPS (Earning Per Share)

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. It is common for a company to report EPS that is adjusted for extraordinary items and potential share dilution. The higher a company's EPS, the more profitable it is considered.

$$\boldsymbol{EPS} = \frac{\text{Net Profit}}{\text{No. of equity share}}$$

Table 1 Earnings Per Share

Years	Earning Per Share(%)
2020	2.77
2021	4.83
2022	4.62
2023	6.28
2024	7.76

Source: Secondary Data

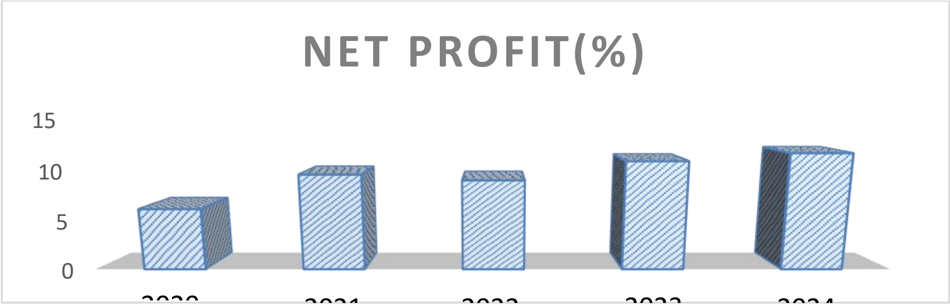

Figure 1 Earnings Per Share

From the above table and figure, in the sense of earnings per share of the Federal bank, it shows a gradual growth in the 2 consecutive years then it show a slight decline in the year 2020. After it is increased. That seems there is no risk for investors.

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Net Profit Ratio

The net profit of a company, organization or any individual or entity that does business, is its profit after operating expenses and all other charges including depreciation, interest, and taxes have been deducted from total revenue.

Table 2 Net Profit Ratio

Years	Net Profit(%)
2020	6.14
2021	9.57
2022	9.01
2023	10.89
2024	11.67

Source: Secondary Data

table 2 shows the net profit ratio of federal bank. In 2024 the net profit ratio is 11.67% and this the highest rate.

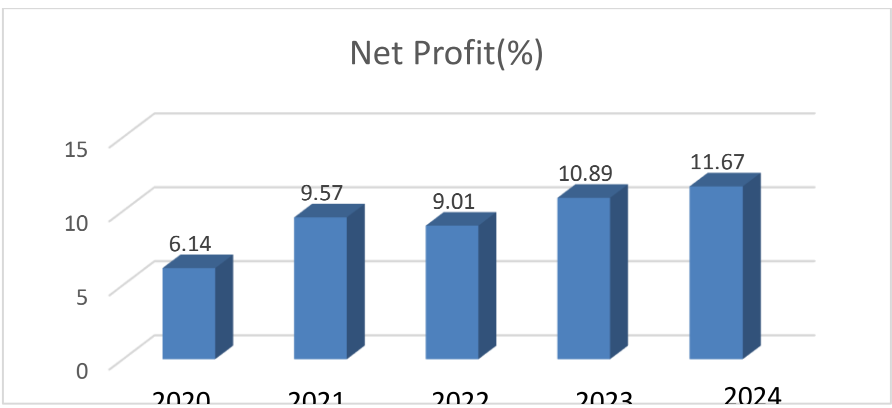

Figure 2 Net Profit Ratio

Above figure shows the net profit ratio of federal bank. In 2024 the net profit ratio is 11.67% and this the highest rate.

ANALYSIS OF FINDINGS

The EPS of the company is one of the determinants during the selection of share, how earn from that share? This answer will answer by the EPS information. According to the analysis of EPS the lowest value and highest value in 2018 and 2020. The net profit of the company which is the number represents how much money a company has after all expenses are paid. From this analysis the years 2016 and 2020 have the lowest and highest values of net profit. The minimum capital adequacy ratio that bank must maintain is 8%. In the case of federal bank the capital adequacy

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ratio is more than the minimum level so there is less risky. The normal ROE in the utility sector could be 10% or less. In 2020 the ROE ratio of the bank is 10.63% others are less than 10%. Cost to income ratio is important for determining the profitability of a bank. The federal bank is running more profitably.

RECOMMENDATIONS

Federal Bank should continue monitoring its debt-equity ratio to optimize leverage. The bank should explore innovative funding options to maintain capital adequacy. Continuous adherence to regulatory guidelines will ensure long-term financial health.

CONCLUSION

The study of Kalpataru Global Alloys Pvt. Ltd., Kadivadu shows that the company maintains a balanced capital structure with a moderate mix of debt and equity. This approach supports financial stability while allowing room for growth. The analysis indicates that the company's capital structure aligns well with industry standards, ensuring effective cost management and risk control. Going forward, regular evaluation of capital structure strategies will help the company optimize performance and adapt to changing financial conditions.

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