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CAPITAL STRUCTURE ANALYSIS- HYUNDAI POLYTECH INDIA LTD.,

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ABSTRACT:
Hyundai Polytech India Pvt Ltd., was established in the year 1975. Balaji.P is the CEO of the company. Around 500 to 1000 peoples are working in the organization. Annual turnover is increased from 50 to 100 crores. Reason behind the high turnover is focus more on high value added products, Global operations and core competencies. In this article we analyses about the capital structure of the concern. Capital structure of a firm indicates the mixture of various source of funds like equity, Debenture and Preference shares and it forms capitalization of a firm. Various factors which disturb the capital structure like cost of equity, firms value, holding power, Performance etc. This study was conducted on Hyundai Polytech India Pvt Ltd Capital Structure for the Financial year from 2019 to 2023. The main focus of the study is to thorough analysis of the capital structure of Hyundai Polytech India Pvt Ltd and to assess the relationship between capital structured and profitability of the company. Identifying Loopholes in the functioning and to come up with various solutions for drawback in managing the capital structure of the Company was the motive. Various approaches from capital structure that is Net Income Approach, Net Operating Income, Modigliani and Miller, Debt Ratio, Equity Ratio have been analyzed and interpreted the results. Also Based on the analysis various findings and suggestions also been included in this study.

KEYWORDS: Capital Structure, Finance, Automobile Industry, Debt, Equity, Ratios.

INTRODUCTION:

Capital structure is the mixture of debenture, equity shares and preference shares to form their capitalization for their future growth and operation of the business. Equity shareholders are always treated as owners of the company and they can enjoy the entire profits after make settlement to debentures and preference shareholders. Debt includes bonds, loans and equity includes stocks as well as retained earnings. Short-term debt is also considered to be part of the capital structure. Usually analysts prefer to choose 60: 40 as debt equity mix. This ratio is always taken as optimum capital structure. Usually, a company is having high debt content in its capital structure is more aggressive and leads to greater risk to investors. This risk is high, return also high. Many factors disturb the capital structure, including the volatility, nature of investors, tax slab rates, etc. In this study we used major theories of capital structure namely NI theory, NOI theory, traditional theory, and MM theory (unacademy, n.d.) for interpret the results.

REVIEW OF LITERATURE:

Mohd Shahid Ali et al., conducted study on Theories of Capital Structure: Analysis of Capital Structure Determinants. They examined different dependent variables and independent variables.
Tariq Naeem Awan et., (2011) This paper attempts to **determine the capital structure of listed firms in the sugar and allied industry of Pakistan**.

OBJECTIVES OF THE STUDY:

- To know about the Capital structure of the Hyundai Polytech India Pvt ltd and to understand its composition, financial implications, and strategic significance.
- Identifying and analyzing the capital structure of Hyundai Polytech India Pvt Ltd

- To assess the link between capital formation and company profitability
- Identifying loopholes in the functioning and to come up with various solutions for drawback in managing the capital structure of the Company.

RESEARCH METHODOLOGY:

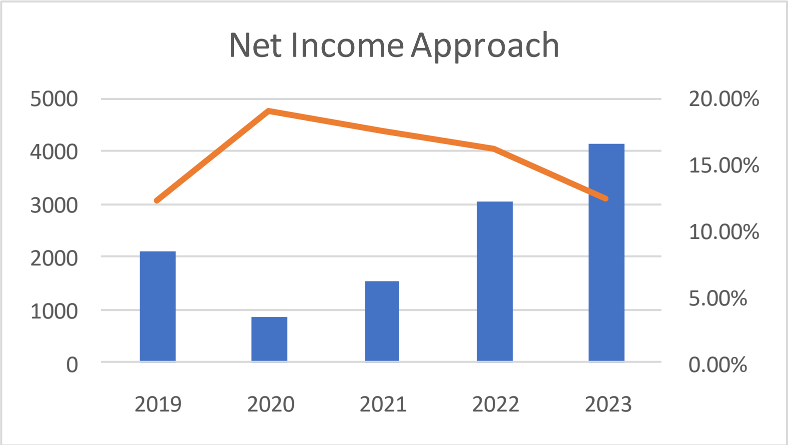
The study has adopted a **Quantitative Research** design to analyse Hyundai Polytech India Pvt Ltd.'s capital structure using numerical data and financial metrics. The data are sourced from the Company Annual Report, Financial statement. For the purpose of analysis few data are sourced from the industry reports, research papers.

DATA COLLECTION:

Financial statements, annual reports, and disclosures from the company have been collected to obtain information on its capital structure, financial performance, and relevant financial indicators

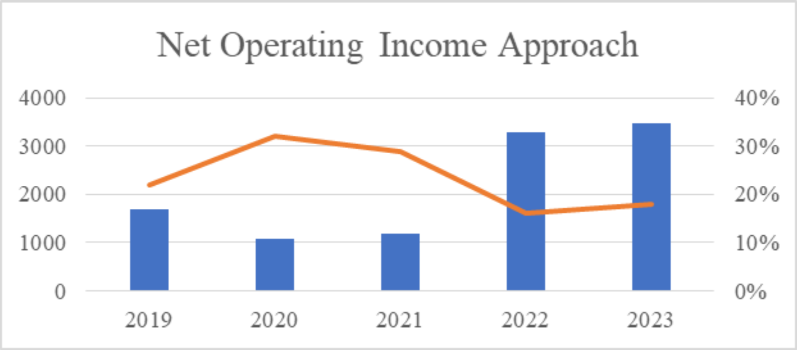
ANALYSIS AND INTERPRETATION:

NET INCOME APOROACH FROM THE YEAR 2019 TO 2023



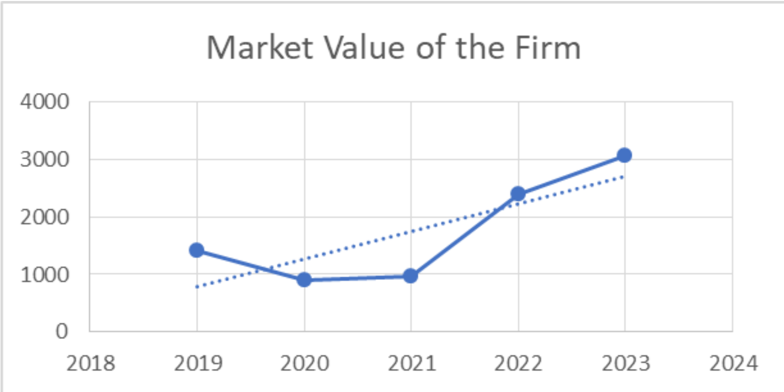
- In 2019, the value of the firm was 2108.36 crores and faced rapid downfall in 2020 to 856.4 crores due to COVID-19.
- So, from 2021 after the downfall in 2020, firms value was gradually increasing.
- Capital cost (K0) was 12.30% and reached the peak of 19.02 % in 2020 due to the market downfall and then from 2021 the cost of the capital is gradually decreasing and expected to become lower in the future years.
- From the Net Income approach, it is analysed that the company is in increasing its value phase.

NET OPERATING INCOME APPROACH FROM THE YEAR 2019 TO 2023



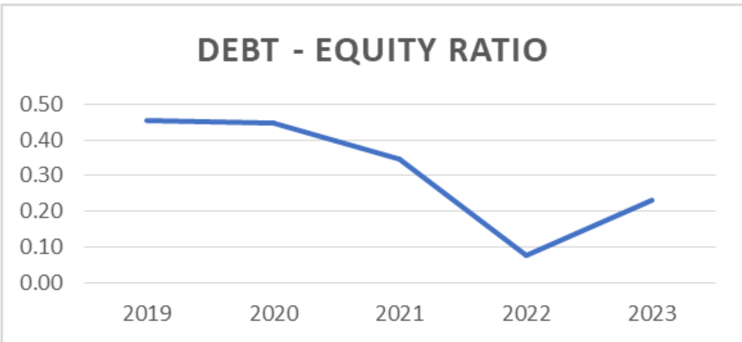
- In the year 2019, the value of the firm was 1679.07 crores and then decreased to 1086.47 crores in 2020. So as the value decreased, the cost of equity increased to 32% which is the highest in the calculated 5 years.
- Then from the year 2021 the value of the firm was increased gradually and in 2023 the firms value was 3465.07 crores; the equity cost was 18%
- So, from the above analysis, it is interpreted that if the company maintains the value of the firm, the cost of equity will reduce even more and that amount can be used in working capital and firm's profitability can be increased.

MODIGLIANI MILLER APPROACH FROM THE YEAR 2019 TO 2023



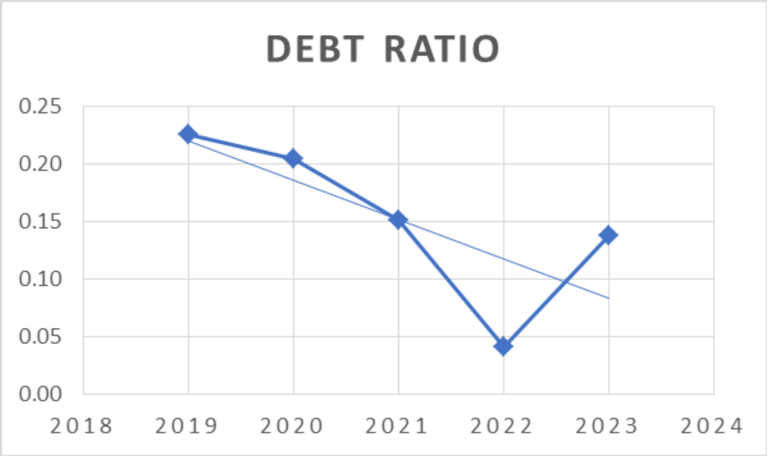
- From the MM approach Analysis, the value of the firm in 2019 was 1421.76 crores and decreased in the year 2020 to 889.67 crores.
- From the year 2021, it is clear that the firm's value is been increasing and the trend line is in upward direction. So, if the firm maintains its profitability, the company can maintain its value and also can meets its financial obligations without affecting the financial health.

DEBT EQUITY RATIO FROM THE YEAR 2019 TO 2023



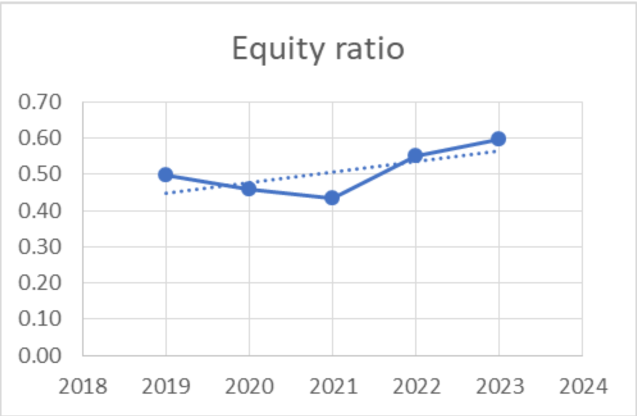
Here, from the above chart, it is found that the debt to equity for the past 5 years was below 1. Which indicates that the company is financing its operations more through its equity and also the company is more flexible and is vulnerable in economic downturns or changes in interest rates.

DEBT RATIO FROM THE YEAR 2019 TO 2023



- As all the debt ratio is been less than 1 for the past 5 years from the above analysis, it is found that the that the company depend more on equity fund rather than debt. This shows very less financial risk because the firm has less debt to repay relative to its assets.

EQUITY RATIO FROM THE YEAR 2019 TO 2023



- It is clear that the equity ratio for the past 5 years is below 1.
- From 2021 as the equity ratio is been increasing stably indicates that the firm is increasing its equity fund or reducing its reliance on debenture, which could strengthen its financial position.

<u>FINDINGS:</u>

- In NI approach of Capital structure analysis, the cost of capital (Ko) from the year 2019 to 2023 is 12.30%, 19.02%, 17.50%, 16.14%, 12.50%. In 2021, the value of the firm was 856.4 crores and in 2022, it was increased to 3062.08 crores and in 2023, the value of the firm was further increased to 4131.09 crores. So, from 2021 after the downfall in 2020, the value of the firm was gradually increasing. The cost of capital was 12.30% and reached the peak of 19.02 % in 2020 due to the market downfall and then from 2021 the cost of the capital is gradually decreasing and expected to become lower in the future years.
- In NOI Approach of Capital structure analysis, In the year 2019, the value of the firm was 1679.07 and then decreased to 1086.47 in 2020. So as the value decreased, the cost of equity increased

to 32% which is the highest in the calculated 5 years. Then from the year 2021 the value of the firm was increased gradually and in 2023 the value of the firm was 3465.07, the cost of equity was 18%. So, from the analysis, it is interpreted that if the company maintains the value of the firm, the equity will reduce even more and that amount can be used in working capital and firm's profitability can be increased.

- From MM approach Analysis, the value of the firm in 2019 was 1421.76 crores and decreased in the year 2020 to 889.67 crores. From the year 2021, it is clear that the firm's value is been increasing and the trend line is in upward direction. So, if the firm maintains its profitability, the company can maintain its value and also can meets its financial obligations without affecting the financial health.

CONCLUSION

The study was conducted on Hyundai Polytech India Pvt Ltd Capital Structure for the Financial year from 2019 to 2023. The study evaluates the capital structure of Hyundai Polytech India Pvt Ltd and to assess the gap between capital structure and company's profitability. Identifying Loopholes in the functioning and to come up with various solutions for drawback in managing the capital structure of the Company was the motive. Various approaches from capital structure that is NI, NOI approach, MM Approach, Debt Ratio, Equity Ratio have been analyzed and interpreted the results. Also Based on the analysis various findings and suggestions also been included in this study.

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Any omission in this brief acknowledgement does not mean lack of gratitude.

Conflict of Interest

Capital structure Analysis- Hyundai Polytech India Ltd., The authors whose names are listed immediately below certify that they have NO affiliations with or involvement in any organization or entity with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, employment, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal or professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

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Author Contribution

Dr.S.Lakshmi conceived the study. Dr.S.Lakshmi and Dr.J.Kumar developed the theoretical framework and performed the experiments. Dr.A.L.Chidambaram aided in the analysis. Dr.J.Kumar and Dr.A.L.Chidambaram the entire work. All authors discussed the results and contributed to the final manuscript.

Dr.S.Lakshmi and Dr.J.Kumar designed the model and the computational framework and analysed the

data. All of them carried out the experiments. Dr.P.Mohanraj, Susan and Harish.M contributed to the interpretation of the results. First two author. took the lead in writing the manuscript. All authors provided critical feedback and helped shape the research, analysis and manuscript.
All the five contributed to the design and implementation of the research, to the analysis of the results and to the writing of the manuscript.

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