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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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A STUDY ON EFFECTIVENESS OF CAPITAL STRUCTURE AMONG SELECTED PRIVATE TEXTILE COMPANIES IN INDIA

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ABSTRACT

The present study has been done in order to identify the major factors influencing the capital structure of selected textile companies. The researcher has selected 30 private textile companies in India for the purpose of this study. The major reasons for selecting a study on the effectiveness of capital structure is due to the recent problems faced by textile companies in India with regard to the raising of long- term funds. Majority of the textile companies in India have not been able to maximize their levels of EPS and they have not been able to achieve high levels of EBIT due to the high levels of cost of production incurred by these companies. Therefore, due to these factors the companies have not been able to maintain consistent and high level of profits over a long time period. So, the short- term liquidity and the ability of these companies to meet their short- term debt obligations are also not effectively managed by selected companies. So, the researcher, in this study, has made an attempt to precisely identify those factors which contribute towards the effectiveness of capital structure of the selected companies. Appropriate suggestions have also been provided by the researcher for selected companies and it has been found whether the high debt firms or the less debt firms have been able to contribute towards the effectiveness of the capital structure among the selected large, medium and small sized companies.

KEYWORDS
EPS- Earnings Per Share, EBIT- Earnings Before Interest and Tax, Financial Leverage, EBIT-EPS approach and Debt Equity Ratio.

INTRODUCTION

This chapter deals with the analysis and interpretation of the data collected by the researcher. Statistical as well as financial tools and other methods have been used for the purpose of identifying whether companies with high debt or low debt have been able to perform better than the other companies and also the correlation between the debt equity ratio and other influencing factors have also been used as a basis for evaluating the effectiveness of the capital structure of the companies. For the purpose of analysis, the selected 30 companies have been classified into large- sized, medium- sized and small- sized companies.

The researcher has used has used tools such as the ratio analysis, EBIT/EPS analysis and also the Cross Table Bi- Variate Correlation Analysis for the purpose of assessing the influence of various factors of capital structure such as the profitability, liquidity, efficiency, interest coverage, Debtor effectiveness, and the effectiveness of turnover of these companies.

The purpose of using these tools is to find out whether increasing levels of the debt, financial leverage, maximization of EPS have a significant influence on the effectiveness of capital structure of the selected companies.

The researcher has classified the selected companies into large- sized, medium- sized and small- sized companies on the basis of the total paid- up capital of these companies. From the analysis, it has been revealed that not all companies with high paid- up capital and low debt levels are able to achieve operational efficiency, liquidity or EPS. Therefore, various other factors such as the tax levels of the company, the market factors also play an important role in determining the effectiveness of the capital structure.

STATEMENT OF THE PROBLEM

According to the theory of capital structure established by Modigliani and Miller, it has been proved that the capital structure of a firm assumes perfect market conditions and also it has been proved that the debt leverage of a firm can maximize the firm's value by reducing the overall cost of capital. It also assumes that corporate tax structure included in the process of debt leveraging has an impact on the overall value of the firm.

According to another model established by Shyam Sunder and Myer's, it has been proved that their trade- off theory is a dynamic model with a target optimum achieved by cross- sectoral variations in debt ratios through asset risk, profitability, tax status and asset type. In this study, the researchers have attempted to find out the effectiveness of the overall capital structure of selected companies in the textile industry.

For the purpose of determining the effectiveness, various factors affecting the companies such as the liquidity position, the profitability position and the efficiency level of the company have been analyzed and the impact of EPS on leveraging of earnings of the companies and also on the capital structure has been assessed in this study. Further, the influence of financial leverage and factors of profitability, liquidity as well as EPS on each other and it's impact on the capital structure of the selected companies has also been analyzed in this study.

SCOPE OF THE STUDY

The study covers selected companies in the textile industry in India. The effectiveness of capital structure of these companies have been analyzed by classifying these selected 30 companies into three different categories namely, large sized companies, medium sized companies and small sized companies on the basis of their average total paid-up equity share capital.

For the purpose of determining the effectiveness of their capital structure, specific factors such as profitability, liquidity and efficiency of the companies have been considered and selected ratios have been used to find out the relationship between these factors and the debt equity ratio of the company. Also, the Earnings Per Share (EPS) provided by the companies to their equity shareholders has also been considered to find out whether the companies have been able to maximize their earnings when they have maintained low debt or high debt in their total capital structure.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

The primary objective of the study is to assess the effectiveness of the capital structure of selected private companies in the textile industry during the period 2000-01 to 2009-10.

SECONDARY OBJECTIVES

The following are the secondary objectives of the study:

a) To determine the level of profitability of the selected companies and it's impact on the sales level of the companies and also their total assets.
b) To determine the liquidity position of the selected companies and it's impact on the debt equity position of the companies.
c) To determine the efficiency of the selected companies through factors such as the inventory, ,working capital, and fixed assets and it's impact on the turnover of the companies.
d) To know whether the selected companies are able to maximize their EPS with increasing or decreasing levels of debt.
e) To know whether the selected companies have been able to provide a high financial leverage for their shareholders.

f) To find out as to whether there is any significant correlation between the influencing factors of the debt equity ratio.

PERIOD OF THE STUDY

Data collected for the study has been taken for a period of 10 years from 2000-01 to 2009-10.

RESEARCH METHODOLOGY

SAMPLING DESIGN

The type of sampling design used for this study is complex random sampling design. The total population of the private textile companies in India has been divided into three different strata, that is, into 10 large- sized companies, 10 medium- sized companies and 10 small- sized companies.

Therefore, stratified random sampling method has been used in this study to categorize the selected 30 companies and arrive at the findings of the study. The companies have been classified on the basis of the average total paid-up equity capital raised by the companies.

Companies with total average paid- up equity capital of more than Rs. 1,800 crores during 2000-01 to 2009-10 have been classified as large- sized companies, companies with total average paid- up equity capital of more than 25 crores and up to Rs.1800 crores during 2000-01 to 2009-10 have been classified as medium- sized companies and companies whose total average paid-up equity capital is less than 25 crores during 2000-01 to 2009-10 have been classified as small- sized companies.

POPULATION AND SAMPLE SIZE

For the purpose of this study, the researcher has considered a total population of 1834 Private Textile companies in India as indicated by Capitaline database on September 2009.

The number of companies in the textile industry which have been considered for this study are 30 companies which have been classified into large- sized, medium- sized and small-sized companies.

TOOLS AND TECHNIQUES USED

The following tools have been used by the researcher in this study:

a) Ratio Analysis and EPS Analysis

b) EBIT- EPS Analysis

c) Bi-variate Cross Table Correlation Analysis

HYPOTHESES FRAMED

The following hypotheses have been framed for arriving at findings in this study:

a) Profitability, Liquidity, Efficiency, Interest coverage, Turnover ratios and EPS would be favourable for the selected companies and companies with low debt levels would be able to maximize the EPS for their equity shareholders among the selected large sized, medium sized and small sized companies.

b) Companies with a high EPS would be able to achieve high levels of EBIT therefore providing high financial leverage for their equity shareholders.

c) The factors of Profitability, Liquidity, Debtors Collection Period, Creditors Payment Period, EPS and EBIT would have correlation of 0.5 or more with each other among the selected large, medium and small sized companies.

ANALYSIS

TABLE NO 1: RELATIONSHIP BETWEEN PROFITABILITY, LIQUIDITY, EFFICIENCY, COVERAGE RATIOS, EPS AND DEBT EQUITY RATIO OF SELECTED LARGE SIZED COMPANIES DURING 2000-01 TO 2009-10

	Aditya Birla Nuvo Ltd	Amol Dicalite Ltd	AroraFibres Ltd	Ashnoor Textile Mills Ltd	Banswara Fabrics Ltd	Chandni Textiles Engineering Industries Ltd	Cheslind Textiles Ltd	Dhanlaxmi Fabrics Ltd	Evinix Industries Ltd	Gem Spinners India Ltd
Debt Equity Ratio	0.75	1.66	0.35	0.98	0.99	0.51	2.65	1.32	0.85	2.18
PROFITABILITY RATIOS										
Gross Profit Ratio	11.38	21.07	-5.93	3.48	14.37	0.23	6.09	14.32	9.63	-0.36
Net Profit Ratio	5.69	7.61	-11.41	-3.76	6.54	-2.21	-1.06	4.8	6.7	-5.31
Operating Profit Ratio	16.27	26.84	-3.96	8.23	14.27	3.69	12.59	16.01	13.34	9.26
Return on total Assets	3.80	6.62	-10.35	-5.97	7.69	-2.75	-1.02	8.41	9.46	-5.36
LIQUIDITY RATIOS										
Current Ratio	2.82	3.13	4.89	2.4	0.89	2.73	2.74	2.22	4.89	1.64
Quick Ratio	1.76	2.13	2.63	1.29	0.67	1.82	1.13	1.65	2.82	1.03
COVERAGE RATIOS										
Fixed Interest Cover	2.53	10.61	6.25	-1.55	44	-14	0.06	3.38	1.3	-1.39
EFFICIENCY RATIOS										
Working Capital Turnover Ratio	2.64	0.63	3.03	4.48	-33.84	3.73	3.42	4.04	2.44	4.53
Inventory Turnover Ratio	5.61	1.33	5.23	5.63	0.56	2.58	18.34	8.27	3.12	4.46
Debtors Turnover Ratio	6.09	1.25	9.61	9.4	0.93	4.31	30.64	5.78	2.97	4.33
Debtors Collection Period	1.97 months	9.54 months	1.25 months	1.28 months	12.8 months	2.79 months	0.39 months	2.08 months	2.82 months	2.8 months
Creditors Turnover Ratio	2.87	2.48	11.28	2.01	4.17	4.01	3.71	2.06	6.59	1.04
Creditors Payment Period	4.36 Months	4.81 months	1.06 months	2.18 months	0.35 months	2.99 months	1.92 months	5.82 months	1.55 months	11.53 months
Fixed Assets turnover ratio	2.62	0.22	1.71	2.52	0.25	1.15	8.35	1.74	4.2	2.05
EPS	19.43	14	-1.65	1.2	5.71	0.27	1.29	2.75	11.74	0.08

INFERENCES

From the above analysis of the selected 10 large- sized companies for a period of 10 years from 2000-01 to 2009-10, it was found that companies such as AmolDicalite Ltd, AroraFibres Ltd, Evinix Industries Ltd, Cheslind Textiles, Banswara Fabrics Ltd, Gem Spinners India Ltd and Aditya Birla Nuvo Ltd have performed well in terms of profitability, liquidity, efficiency, fixed interest coverage, efficiency, EPS and EBIT. Among these companies, AmolDicalite Ltd, has a debt equity ratio of more than 1, that is 1.66 and an EPS of 14, which is not maximized by the company.

But the debt equity ratio of AroraFibres Ltd has a debt equity ratio of 0.35, a Debtors Collection Period of 1.25 months, and the EPS of the company has not been maximized even though the debt equity ratio is below the ideal ratio of 1 and the Debtors Collection Period was 1.25 months which was higher than other selected companies. But Aditya Birla Nuvo Ltd, has a debt equity ratio of 0.75 which is less than 1, the Debtors Collection Period was minimum with 1.97 months and the EPS was maximized by the company during this period with 19.43.

Therefore, Adiyta Birla Nuvo Ltd provides the highest EPS to it's equity shareholders due to the favourable debt equity position and also favourable Debtors Collection Period which shows that the company has been able to effectively make use of it's existing capital structure.

TABLE NO 2: RELATIONSHIP BETWEEN PROFITABILITY, LIQUIDITY, EFFICIENCY COVERAGE RATIOS, EPS AND DEBT EQUITY RATIO OF SELECTED MEDIUM-SIZED COMPANIES DURING 2000-01 TO 2009-10

	Goldwon Textiles Ltd	Indian Acrylics Ltd	J J Exporters Ltd	Lakshmi Mills Company Ltd	Ludlow Jute & Specialities Ltd	Mohit Industries Ltd	Oswal Knit India Ltd	Padam Cotton Yarns Ltd	Pasari Spinning Mills Ltd	RaiSaheb Rekhchand MohotaSpg.&Wvg. Mills Ltd
Debt Equity Ratio	3.88	1.36	0.72	0.68	0.27	1.07	1.32	0.5	**0.58**	1.67
PROFITABILITY RATIOS										
Gross Profit Ratio	-22.9	2.6	11.52	4.12	2.89	4.14	1.43	4.14	6.95	3.81
Net Profit Ratio	-27	-2.14	5.55	1.07	0.9	1.47	0.37	1.38	0.99	-0.15
Operating Profit Ratio	-23	9.58	14.43	9.44	4	5.75	8.43	10.03	9.09	6.81
Return on total Assets	-5.77	-2.23	5.34	1.14	3.17	3.71	1.2	12.46	0.73	-0.2
LIQUIDITY RATIOS										
Current Ratio	0.22	1.3	4.45	2.27	1.23	5.09	1.16	5.69	2.28	4.1
Quick Ratio	0.09	0.68	2.28	1.01	0.4	3.92	0.56	5.26	1.53	2.04
COVERAGE RATIOS										
Fixed interest cover	-2.44	-1.3	1.35	7.93	-1.01	1.38	-2.81	0.41	-0.04	-1.04
EFFICIENCY RATIOS										
Working Capital Turnover Ratio	-0.71	10.09	1.81	0.4	18.7	5.06	8.86	17.17	5.5	2.8
Inventory Turnover Ratio	4.38	4.86	1.01	2.36	1.96	0.99	2.34	2.54	0.43	4.21
Debtors Turnover Ratio	14.29	9.04	1.88	4.39	3.65	1.85	2.86	3.1	0.76	6.15
Debtors Collection Period	0.85 MONTHS	1.31 MONTHS	6.38 MONTHS	2.73 MONTHS	0.3 MONTHS	6.5 months	4.2 months	3.87 months	0.002 months	0.53 months
Creditors Turnover Ratio	0.61	1.29	1.28	0.31	1.28	0.27	0.48	0.03	0.51	3.22
Creditors Payment Period	1.11 MONTHS	9.49 MONTHS	9.38 MONTHS	9.4 MONTHS	9.38 MONTHS	9.4 months	24.7 months	24.89 months	24.5m	3.73 months
Fixed Assets turnover ratio	0.08	1.88	0.39	0.91	0.76	0.38	7.85	8.52	1.44	2.78
EPS	0.02	0.6	5.35	35.06	1.34	0.99	1.378	0.99	1.11	2.07

INFERENCES

From the above analysis, it is found that, JJ Exporters Ltd, Padam Cotton Yarns Ltd, Lakshmi Mills Company Ltd, Pasaari Spinning Mills Ltd have contributed the maximum towards profitability, liquidity, EPS and Debtors Collection Period of the selected medium- sized companies during 2000-01to 2009-10.

But the Debtors Collection Period of JJ Exporters Ltd is high with 6.38 months and the company has not been able to maximize it's EPS for the equity shareholders which has only a minimum value of 5.36 Rs. The debt equity ratio of the company is 0.72 which is below the required ratio of 1.

Lakshmi Mills Company Ltd, has a debt equity ratio of 0.68, which is less than the ideal ratio of 1with a maximum EPS of Rs. 35.06 and a debt collection period of 2.73 months which was not the minimum duration taken for collecting the dues from the Debtors of the company .Other companies such as Padam Cotton Yarns Ltd, JJ Exporters Ltd and Pasaari Spinning Mills Ltd have a debt equity ratio of less than 1 and still have not maximized the EPS for their equity shareholders. Pasaari Spinning Mills Ltd have achieved the lowest duration of Debt Collection of 0.02 months but still have not been able to maximize their EPS. But, the Debtors Collection Period of Padam Cotton Yarns Ltd is higher, which has also been one of the major reasons for the company not maximizing their EPS.

TABLE NO- 3: RELATIONSHIP BETWEEN PROFITABILITY, LIQUIDITY, EFFICIENCY RATIOS AND THE DEBT EQUITY RATIO OF SELECTED SMALL- SIZED COMPANIES DURING 2000-01 TO 2009-10

	Riba Textiles Ltd	Ritesh Exports Ltd	Surat Textile Mills Ltd	Seasons Furnishings Ltd	Shri Dinesh Mills Ltd	SM Energy Teknik& Electronics Ltd	Spenta International Ltd	Vijay Textiles Ltd	Vogue Textiles Ltd	Zenith Exports Ltd
Debt Equity Ratio	1.77	0.31	0.89	1.02	0.32	0.38	1.05	2.58	1.62	0.77
PROFITABILITY RATIOS										
Gross Profit Ratio	9.65	-10.58	1.69	4.18	18.86	-14.64	20.32	9.26	8.59	5.79
Net Profit Ratio	4.74	-16.41	-1.22	0.98	8.41	-17.72	9.63	4.52	1.06	1.76
Operating Profit Ratio	14.43	-9.94	2.62	7.3	21.5	-6.94	24.03	19.85	16.72	8.75
Return on total Assets	4.58	-6.54	-1.37	2.21	7.2	-7.43	15.24	3.05	0.58	3.07
LIQUIDITY RATIOS										
Current Ratio	9.42	5.75	2.03	2.3	2.12	0.65	2.22	8.29	3.88	4.1
Quick Ratio	4.06	5.31	0.74	1.2	1.16	0.32	1.73	3.58	1.92	0.18
Fixed intereat cover	0.11	-29	-1.35	-0.44	3.77	-3.27	2.28	-0.26	-0.77	0.7
EFFICIENCY RATIOS										
Working Capital Turnover Ratio	2.12	0.05	4.11	3.04	2.21	-2.25	3.04	1.22	1.38	2.02
Inventory Turnover Ratio	1.03	0.01	6.17	3.56	2.57	2.45	3.36	2.03	0.23	3.6
Debtors Turnover Ratio	1.5	8.34	32.37	5.36	9.3	4.64	6.36	2.62	0.3	8.04
Debtors Collection Period	7.98 month	NIL	0.42 months	2.24months	0.77 months	2.59 months	1.88months	4.57 month	39.8 month	1.49 month
Creditors Turnover Ratio	3.22	3.2	14.43	1.86	0.41	0.47	2.56	0.06	12	4.48
Creditors Payment Period	1.79 month	4.17 month	0.83 months	6.47months	55.83months	25.75months	4.68 months	1.8 month	0.47 month	2.68 month
Fixed Assets turnover ratio	0.67	0.01	2.54	3.91	1.81	2.77	1.66	2.36	0.27	3.06
EPS	0.02	2.57	0.067	0.411	69.31	0.234	3.285	1.094	0.399	6.281

INFERENCES

From the above analysis made for the selected small- sized companies during 2000-01 to 2009-10, it has been found that Spenta International Ltd , Shri Dinesh Mills Ltd, Ritesh Textiles Ltd, Riba Textiles Ltd have contributed maximum towards the profitability and liquidity of the selected small sized companies.

The Debt Equity Ratio of Shri Dinesh Mills Ltd and Ritesh Textiles Ltd have are less than the ideal ratio of 1 with 0.77 and 0.31 but they have not been able to contribute towards their profitability and liquidity.

So, Riba Textiles Ltd and Spenta International Ltd have not been able to achieve effectiveness of their capital structure due to their debt equity ratio being more than 1.

TABLE NO-4: EBIT - EPS/ OF SELECTED LARGE SIZED COMPANIES DURING 2000-01 TO 2009-10

	Aditya Birla Nuvo Ltd	AmolDicalite Ltd	AroraFibres Ltd	Ashnoor Textile Mills Ltd	Banswara Fabrics Ltd	Chandni Textiles Engineering Industries Ltd	Cheslind Textiles Ltd	Dhanlaxmi Fabrics Ltd	Evinix Industries Ltd	Gem Spinners India Ltd
EPS	19.43	14.0	-1.65	1.2	5.71	0.27	1.29	2.75	11.74	0.08
EBIT	331.59	15.6	4.81	-2.8	0.44	-7.52	0.44	2.03	2.82	-9.53

INFERENCES

From the above analysis done, it is found that in terms of EBIT/EPS analysis, AmolDicalite has performed better than other selected large- sized companies. But only Aditya Birla Nuvo Ltd has been able to maximize the EPS for it's equity shareholders and also achieve a higher financial leverage for it's equity shareholders. This shows that, among the selected large- sized textile companies, companies with a debt equity ratio of less than 1 and high profitability have beenable to effectively contribute towards the EPS and also the capital structure ofthesecompanies.

TABLE NO- 5: EBIT /EPS OF SELECTED MEDIUM SIZED COMPANIES DURING 2000-01 TO 2009-10

	Goldwon Textiles Ltd	Indian Acrylics Ltd	J J Exporters Ltd	Lakshmi Mills Company Ltd	Ludlow Jute &Specialities Ltd	Mohit Industries Ltd	Oswal Knit India Ltd	Padam Cotton Yarns Ltd	Pasari Spinning Mills Ltd	RaiSahebRekhchandMohotaSpg.&Wvg. Mills Ltd
EPS	0.02	0.6	5.35	35.06	1.34	0.99	1.378	0.99	1.11	2.07
EBIT	-3.24	-27	2.51	-7.4	0.32	0.40	-3.94	0.41	-0.18	-3.91

INFERENCES

From the above analysis made, it is inferred that Goldwon Textiles Ltd has not been able to maximize it's EPS and Indian Acrylics Ltd has not been able to maximize financial leverage for it's equity shareholders among the selected companies and Lakshmi Mills Company Ltd has achieved the maximum EPS but it has not been able to achieve maximum financial leverage for it's equity shareholders.

TABLE NO- 6: EBIT /EPS OF SELECTED SMALL SIZED COMPANIES DURING 2000-01 TO 2009-10

	Riba Textiles Ltd	Ritesh Exports Ltd	Surat Textile Mills Ltd	Seasons Furnishings Ltd	Shri Dinesh Mills Ltd	SM Energy Teknik& Electronics Ltd	Spenta International Ltd	Vijay Textiles Ltd	Vogue Textiles Ltd	Zenith Exports Ltd
EPS	0.02	2.57	0.07	0.41	69.31	0.23	3.29	1.09	0.40	6.28
EBIT	0.16	-0.29	-1.99	-0.33	6.14	-1.96	0.91	-2.10	-0.56	3.79

INFERENCES

From the above analysis, it is inferred that among the selected small- sized companies, companies with a debt equity ratio of less than 1 have been able to provide a high financial leverage to it's equity shareholders with increasing EPS, thereby contributing effectively towards the maximization of capital structure of the company.

TABLE NO. 7: CROSS-TABLE BI- VARIATE CORRELATION BETWEEN THE INFLUENCING FACTORS OF DEBT EQUITY RATIO OF SELECTED LARGE- SIZED COMPANIES DURING 2000-01 TO 2009-10

	Debt Equity Ratio	*Current Ratio*	*Quick Ratio*	*Gross Profit Ratio*	*Net Profit Ratio*	*Operating Profit Ratio*	*Return on total Assets*	*Working Capital Turnover Ratio*	*Inventory Turnover Ratio*	*Debtors Turnover Ratio*	*Debtors Collection Period*	*Creditors Turnover Ratio*	*Creditors Payment Period*	*Fixed Assets turnover ratio*	*EPS*	*EBIT*
Debt Equity Ratio	1.0															
Current Ratio	-0.4	1.0														
Quick Ratio	-0.5	0.9	1.0													
Gross Profit Ratio	0.2	-0.3	-0.1	1.0												
Net Profit Ratio	0.1	-0.2	0.0	0.9	1.0											
Operating Profit Ratio	0.4	-0.3	-0.1	0.9	0.9	1.0										
Return on total Assets	0.1	-0.1	0.0	0.9	1.0	0.8	1.0									
Working Capital Turnover Ratio	0.1	0.5	0.5	-0.4	-0.4	-0.2	-0.4	1.0								
Inventory Turnover Ratio	0.6	0.0	-0.2	-0.2	-0.2	-0.1	-0.2	0.4	1.0							
Debtors Turnover Ratio	0.5	0.1	-0.2	-0.3	-0.3	-0.2	-0.3	0.3	1.0	1.0						
Debtors Collection Period	0.03	-0.4	-0.3	0.6	0.5	0.5	0.5	-0.8	-0.6	-0.5	1.0					
Creditors Turnover Ratio	-0.5	0.7	0.6	-0.4	-0.4	-0.6	-0.3	0.0	-0.1	0.1	-0.1	1.0				
Creditors Payment Period	0.5	-0.3	-0.2	0.0	-0.1	0.2	-0.1	0.4	0.0	-0.2	-0.1	-0.6	1.0			
Fixed Assets turnover ratio	0.5	0.2	0.0	-0.2	-0.1	-0.1	-0.1	0.3	0.9	0.9	-0.6	0.0	-0.2	1.0		
EPS	-0.1	0.1	0.3	0.7	0.8	0.7	0.7	-0.1	-0.3	-0.3	0.3	-0.2	0.0	-0.1	1.0	
EBIT	-0.2	0.0	0.1	0.2	0.3	0.2	0.2	0.1	0.0	-0.1	-0.1	-0.1	0.1	0.0	0.7	1.0

INFERENCES

From the above table, it is inferred that there is a significant positive correlation between the profitability ratios and the quick ratios of the large- sized companies. But there is a negative correlation between profitability and the turnover ratios of these large sized companies during 2000-01 to 2009-10.

Therefore, it is inferred that there is a significant positive correlation among the various factors of profitability and liquidity of the large sized companies during 2000-01 to 2009-10.

TABLE NO- 8: CROSS- TABLE BI- VARIATE CORRELATION BETWEEN INFLUENCING FACTORS OF DEBT EQUITY RATIO OF SELECTED MEDIUM- SIZED COMPANIES DURING 2000-01 TO 2009-10

	Debt Equity Ratio	*Current Ratio*	*Quick Ratio*	*Gross Profit Ratio*	*Net Profit Ratio*	*Operating Profit Ratio*	*Return on total Assets*	*Working Capital Turnover Ratio*	*Inventory Turnover Ratio*	*Debtors Turnover Ratio*	*Debtors Collection Period*	*Creditors Turnover Ratio*	*Creditors Payment Period*	*Fixed Assets turnover ratio*	*EPS*	*EBIT*
Debt Equity Ratio	1.0															
Current Ratio	-0.5	1.0														
Quick Ratio	-0.5	0.9	1.0													
Gross Profit Ratio	-0.8	0.6	0.4	1.0												
Net Profit Ratio	-0.9	0.6	0.4	1.0	1.0											
Operating Profit Ratio	-0.8	0.4	0.3	1.0	1.0	1.0										
Return on total Assets	-0.7	0.8	0.8	0.6	0.6	0.5	1.0									
Working Capital Turnover Ratio	-0.5	0.1	0.2	0.2	0.3	0.2	0.6	1.0								
Inventory Turnover Ratio	0.5	-0.3	-0.3	-0.3	-0.4	-0.2	-0.5	-0.2	1.0							
Debtors Turnover Ratio	0.8	-0.6	-0.5	-0.8	-0.9	-0.8	-0.8	-0.3	0.7	1.0						
Debtors Collection Period	-0.3	0.6	0.5	0.3	0.4	0.3	0.5	-0.1	-0.8	-0.6	1.0					
Creditors Turnover Ratio	0.1	0.3	0.0	0.2	0.2	0.2	-0.2	-0.2	0.3	0.0	-0.2	1.0				
Creditors Payment Period	-0.6	0.2	0.3	0.4	0.4	0.4	0.5	0.4	-0.1	-0.4	0.1	-0.6	1.0			
Fixed Assets turnover ratio	-0.3	0.0	0.2	0.3	0.2	0.2	0.2	0.1	0.3	-0.1	-0.3	-0.4	0.8	1.0		
EPS	-0.2	0.0	-0.1	0.2	0.2	0.2	0.0	-0.3	-0.2	-0.2	0.1	0.1	-0.1	-0.2	1.0	
EBIT	-0.1	0.4	0.4	0.1	0.1	-0.1	0.5	0.0	-0.4	-0.4	0.3	-0.1	0.2	0.2	-0.1	1.0

INFERENCES

From the above table, it is inferred that there is a positive correlation between the liquidity ratios of the selected medium sized companies during 2000-01 to 2009-10. But there is a negative correlation between the factors of profitability and turnover ratios.

TABLE NO-9: CROSS- TABLE BI- VARIATE CORRELATION ANALYSIS BETWEEN INFLUENCING FACTORS OF DEBT EQUITY RATIO OF SELECTED SMALL- SIZED COMPANIES DURING 2000-01 TO 2009-10

	Debt Equity Ratio	*Current Ratio*	*Quick Ratio*	*Gross Profit Ratio*	*Net Profit Ratio*	*Operating Profit Ratio*	*Return on total Assets*	*Working Capital Turnover Ratio*	*Inventory Turnover Ratio*	*Debtors Turnover Ratio*	*Debtors Collection Period*	*Creditors Turnover Ratio*	*Creditors Payment Period*	*Fixed Assets turnover ratio*	*EPS*	*EBIT*
Debt Equity Ratio	1.0															
Current Ratio	0.7	1.0														
Quick Ratio	0.3	0.8	1.0													
Gross Profit Ratio	0.4	0.1	-0.1	1.0												
Net Profit Ratio	0.5	0.2	-0.1	1.0	1.0											
Operating Profit Ratio	0.5	0.2	-0.1	1.0	0.9	1.0										
Return on total Assets	0.3	0.0	-0.1	0.9	0.9	0.9	1.0									
Working Capital Turnover Ratio	0.2	0.0	-0.2	0.7	0.7	0.5	0.6	1.0								
Inventory Turnover Ratio	-0.2	-0.5	-0.7	0.1	0.2	0.0	0.2	0.6	1.0							
Debtors Turnover Ratio	-0.3	-0.4	-0.3	-0.1	-0.1	-0.3	-0.1	0.5	0.8	1.0						
Debtors Collection Period	0.4	0.2	0.2	0.1	0.0	0.2	-0.1	-0.1	-0.7	-0.4	1.0					
Creditors Turnover Ratio	0.1	-0.2	-0.2	0.0	0.0	-0.1	-0.2	0.4	0.3	0.6	0.5	1.0				
Creditors Payment Period	-0.5	-0.4	-0.3	0.1	0.0	0.1	0.1	-0.2	0.0	0.0	-0.3	-0.4	1.0			
Fixed Assets turnover ratio	-0.1	-0.4	-0.7	0.0	0.1	0.0	0.0	0.2	0.7	0.2	-0.7	-0.2	0.1	1.0		
EPS	-0.4	-0.2	-0.2	0.4	0.3	0.4	0.3	0.1	0.0	0.0	-0.2	-0.3	0.9	0.0	1.0	
EBIT	-0.4	-0.2	-0.2	0.5	0.4	0.4	0.5	0.2	0.0	-0.1	-0.2	-0.3	0.6	0.0	0.8	1.0

INFERENCES

From the above table, it is inferred that there is a positive correlation between the EPS and the Creditors Turnover Ratio of the selected small sized companies, which shows that these companies have been able to maximize EPS and also provide maximum financial leverage for it's equity shareholders.

SUMMARY OF ANALYSIS AND INTERPRETATION

i) The selected large- sized companies have performed well in terms of liquidity, but have not performed well in terms of profitability and also efficiency. But these companies have maximized EPS for their shareholders and also there is a positive correlation between factors of profitability and liquidity and the company has achieved maximum financial leverage for it's equity shareholders.

ii) The selected medium- sized companies have performed well in terms of profitability, liquidity, efficiency, interest coverage. These companies have maximized the EPS but they have not provided maximum financial leverage for it's equity shareholders. The factors of profitability show a negative correlation for these companies.

The selected small- sized companies have not performed well in terms of profitability and liquidity and there is a negative correlation between factors of profitability, liquidity and efficiency ratios of these companies.

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

In this chapter, major findings of the large- sized, medium- sized and small- sized companies with regard to the effectiveness of the capital structure of these companies and also the way in which the factors relating to the capital structure have made an influenced has also been analyzed in this chapter.

Specific findings relating to companies with an ideal debt equity ratio maximizing their EPS and also maximizing the financial leverage have been analyzed in this chapter.

SUMMARY OF FINDINGS

Based on the hypotheses framed for the study, the researcher has provided a brief summary of various findings of the selected large, medium and small sized companies and their relevance to the study as given below.

LARGE- SIZED COMPANIES

i) From the above findings, it is seen that large- sized companies have not been able to effectively utilize their existing capital structure due to lack of efficiency and also a negative correlation between the debt equity ratio and the liquidity ratios of these companies, between the debt equity ratio and EPS, EBIT of the large- sized companies.

MEDIUM- SIZED COMPANIES

i) From the above findings, it is seen that the medium- sized companies have been able to effectively utilize their existing capital structure due to their ability to maximize the EPS and also the financial leverage. Also, there is a negative correlation between the debt equity ratio and the profitability, liquidity ratios, EPS and EBIT of these companies.

SMALL- SIZED COMPANIES

i) From the above findings, it is seen that the small- sized companies have been able to effectively utilize their existing capital structure due to favourable profitability and liquidity, the ability of these companies to achieve a high financial leverage and also due to the positive correlation between the debt equity ratios and the profitability, liquidity ratios of these companies.

SUGGESTIONS

LARGE- SIZED COMPANIES

I) For Improving Profitability, Liquidity and Efficiency

The researcher has made an attempt to provide effective suggestions with regard to specific factors influencing the effectiveness of capital structure of the selected large- sized companies which would be useful for them in the future. From the above findings, it is seen that among the large- sized companies, only selected companies have not been able to effectively maintain their capital structure due to high debt levels and also the profitability, liquidity and efficiency of these companies needs improvement and therefore, the researcher has provided the following required suggestions for these companies

i) Among the selected large sized companies, companies like Banswara Fabrics Ltd shall improve upon their various areas of performance of capital structure such as profitability and liquidity which shall lead to an effective management of their capital structure in the future.

ii) The company has raised secured loans of Rs. 1.45 crores during the year 2000-01. Therefore, the company shall take steps to ensure that it ensures Creditor's protection for it's borrowed funds in the future.

iii) AmolDicaliteLtd's average term loans raised from institutions was Rs. 13.4 crores during 2005-06 to 2009-10. But the company has not raised term loans during 2000-01 to 2009-10. Therefore, the company shall take steps to ensure that it does not face the pressure of debt repayment from it's Creditors.

iv) Cheslind Industries Ltd's average loans raised from banks was Rs. 0.5 crores during 2000-01 to 2005-06. But the company has raised loans from banks for Rs. 52 crores from 2006-07 to 2009-10. Therefore, the company shall take necessary steps to ensure that it does not face the risk of non- payment of debt to banks in the future.

v) Banswara Fabrics Ltd shall improve upon it's overall profitability in the future which would enable them to pay equity dividends to their shareholders.

MEDIUM- SIZED COMPANIES

I) For improving profitability, efficiency, interest coverage, Debtors effectiveness

The researcher has made an attempt to provide effective suggestions with regard to specific factors of effectiveness of capital structure of the selected medium- sized companies which would be useful for them in the future. From the above findings, it is seen that among the medium- sized companies, most of the companies have not been able to maintain effective debt levels and also for these companies the profitability, efficiency, interest coverage, and the Debtor effectiveness needs improvement and therefore, the researcher has provided the following required suggestions for these companies:

1. Goldwon Textiles Ltd has achieved negative operating profits during 2000-01 to 2009-10. Therefore, the company shall improve upon it's level of operating profits in the future.
2. Oswal Knit India Ltd and Pasaari Spinning Mills Ltd have not performed well in terms of efficiency during 2000-01 to 2009-10.
3. The company has achieved fluctuating sales levels during this period. Therefore, the company shall take necessary steps to maintain consistent level of sales in the future.
4. Among the selected medium sized companies, Goldwon Textiles has not contributed towards the effectiveness of the interest coverage of the firm. The company has not earned income from dividends or retained earnings during 2005-06 to 2009-10.Therefore, the company shall take necessary steps to improve upon it's level of dividend income and retained earnings for meeting out it's expenses towards interest payment.
5. The average debt equity ratio of JJ Exporters Ltd during 2000-01 to 2009-10 is more than the ideal ratio of 1 and the Debtors Collection Period of the company is not effective because of the increasing term loans of the company during 2007-08 to 2009-10.The average money raised from long- term Debtors during 2000-01 to 2009-10 was Rs. 11.6 crores and the average money raised from short- term Debtors during 2000-01 to 2009-10 was Rs. 0.27 crores. Therefore, the company shall take steps to reduce the time taken to recover the money from short- term Debtors.

SMALL- SIZED COMPANIES

I) For Improving Profitability, Liquidity, Efficiency and Maximization of Financial Leverage

The researcher has made an attempt to provide effective suggestions with regard to specific factors of effectiveness of capital structure of the selected medium- sized companies which would be useful for them in the future. From the above findings, it is seen that among the small- sized companies, selected companies have not been able to maintain effective debt levels and also for these companies the profitability, liquidity and the Financial Leverage needs improvement and therefore, the researcher has provided the following required suggestions for these companies:

1. The Profit Before Tax (PBT) of SM Energy Ltd is negative for a period of 10 years from 2000-01 to 2009-10, which has negatively influenced the overall profitability of the company. Therefore, the company shall take necessary steps to achieve a higher PBT in the future.
2. The Current Ratio of Vijay Textiles Ltd shall be improved. The company's long- term debtors has been increasing from the year 2006-07 till 2009-10 because of which the company has not been able to raise short- term funds effectively. Therefore, the company shall take necessary steps to raise short-term funds in the future.
3. Zenith Exports Ltd has paid an average advance tax of Rs. 0.6 crores during 2000-01 to 2009-10 due to which the liquidity position of the company during this period has been adversely affected. Therefore, the company shall take necessary steps to ensure that the tax dues are paid by the company when it is due.
4. The sales volume of Ritesh Exports Ltd is not high during the period of 2004-05 to 2009-10. Due to the low sales volume, the working capital turnover ratio of the company is not effective. Therefore, the company shall take necessary steps to improve upon it's sales performance in the future.
5. Riba Textiles Ltd has been able to earn dividend income and interest income on debt and equity to an extent of Rs. 0.003 crores. But, the company has paid an average debenture interest of Rs. 1.5 crores due to which the company has not been able to provide high financial leverage to it's shareholders. Therefore, the company shall take steps to increase it's dividend and interest income in the future.

CONCLUSION

From this study conducted on selected 30 private textile companies in India, it is seen that large sized companies with a debt equity ratio of less than 1are able to maximize the EPS and also have achieved financial leverage for their equity shareholders and in the in the case of small sized companies, companies with a debt equity ratio of less than 1 have achieved EPS and have also maximized financial leverage.

Therefore, the debt equity levels of large sized companies with a debt equity ratio of more than 1 and an average paid- up capital structure of more than Rs 1800 crores for a period of 10 years and small sized companies with a debt equity ratio of more than 1 and an average paid up capital of less than Rs. 25 crores are not significantly influenced by factors of EPS and EBIT.

The medium- sized companies have been able to maximize the EPS but have not been able to maximize the financial leverage for it's equity shareholders. But in the case of large- sized and small –sized companies, EPS as well as financial leverage has been maximized for equity shareholders.

Factors of EPS and turnover ratios have a significant correlation between each other in the case of small- sized companies. But in the case of large- sized companies, the correlation between the factors of profitability and liquidity indicate a significantly positive correlation.

But in the case of medium sized companies, the profitability, liquidity of the selected companies have contributed well, but these companies have not been able to achieve a high financial leverage for their equity shareholders..

Therefore, among the large sized, medium- sized and small sized companies, medium sized companies have not effectively utilized their existing capital structure and it is seen that these companies will have to take steps in the future for effective utilization of their capital structure.

FUTURE EXTENSION OF THE STUDY

This study Titled "A study on the effectiveness of capital structure among the selected textile companies" has analyzed the effectiveness of selected 30 companies on the basis of factors influencing the capital structure has not analyzed factors such as the control maintained by the companies by either not going for fresh issue of equity shares or not going for dilution of stake of the company through mergers, acquisitions, etc.

Also, the ability of the selected companies to be flexible by ensuring regular payment of their debt funds,etc have not been analyzed by the researcher in this study. Therefore, the findings and suggestions of this study can be further used for determining such factors in the future.

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