IMPACT OF CAPITAL STRUCTURE ON PROFITABILITY OF LISTED COMPANIES (EVIDENCE FROM INDIA)

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Abstract:

In this paper an attempt has been made so as to ascertain the impact of capital structure on the profitability of a firm. This study is focused on automobile industry and ten companies are taken as sample. The reference period of the study is five years and is completely based on secondary data which has been collected through various sources. In order to achieve the objectives of the study, the researchers have employed the analysis of various ratios. The findings of the study have put forth that capital structure do have statistically significant impact on the profitability of firms.

Key words: Capital structure, Profitability, Debt-Equity Ratio. Net Profit Ratio & correlation Analysis.

JEL classification: N20

INTRODUCTION

The present era is the era of intense competition and survival of the fittest is the slogan of the corporate world. In such a scenario decision making has emerged as one of the toughest tasks as it decides the fate of every firm. Therefore, managers have to take into consideration the cause effect relationship while making a particular decision. The managers of present corporate world have to follow systems approach in their decision making because a decision taken in isolation can bring a firm to the verge of a disaster.

Of all the aspects of capital investment decision, capital structure decision is the vital one, since the profitability of an enterprise is directly affected by such decision. Hence, proper care and attention need to be given while making the capital structure decision. There could be hundreds of options but to decide which option is best in firm's interest in a particular scenario needs to have deep insight in the field of finance as use of more proportion of Debt in capital structure can be effective as it is less costly than equity but it also has some limitations because after a certain limit it affects company's leverage. Therefore, a balance needs to be maintained.

REVIEW OF LITERATURE

In order to find the impact of capital structure on the profitability of a firm, a lot of research has been undertaken so for by various researchers all over the world. The review of some of the major studies has been undertaken so as to develop a clear understanding about the relationship between capital structure and profitability. The review of such major studies is as follows:

Chiang et al., (2002) undertake a study and the findings of the study put forth that profitability and capital structure are interrelated; the study sample includes 35 companies listed in Hong Kong Stock Exchange. Abor (2005) investigates the relationship between capital structure and profitability of listed firms on the Ghana Stock Exchange and find a significantly positive relation between the ratio of short-term debt to total assets and ROE and negative relationship between the ratio of long-term debt to total assets and ROE.

Gill, et al., (2011) seeks to extend Abor's (2005) findings regarding the effect of capital structure on profitability by examining the effect of capital structure on profitability of the American service and manufacturing firms. The Empirical results of the study show a positive relationship between short-term debt to total assets and profitability and between total debt to total assets and profitability in the service industry. The findings of this paper also show a positive relationship between short-term debt to total assets and profitability, long-term debt to total assets and profitability, and between total debt to total assets and profitability in the manufacturing industry.

The other major studies undertaken by Mesquita and Lara (2003) , Philips and sipahioglu (2004) , Haldlock and james (2002), Arbabiyan and Safari (2009) , Chakraborty (2010) , Huang and Song (2006) , Pandey (2004) came up with the findings which were conflicying in nature as some studies confirm positive relationship between capital structure and profitability while other studies confirm positive relationship between the variables. It is against this background that the present study has been undertaken so as to facilitate the existing literature.

OBJECTIVES

The main objective of study is to find out the impact of capital structure on the profitability of the selected companies. Some other specific objectives are:

- To identify the profitability of listed automobile companies over the period of study.
- To identify and analyze the relationship between profitability and capital structure.

HYPOTHESIS

H0: There is no significant relationship between the capital structure and profitability of select firms.

H1: There is significant relationship between the capital structure and profitability of select firms.

DATA BASE AND RESEARCH METHODOLOGY

The data-base of the study is completely based on secondary data which has been collected from various web sites and annual financial reports of the sample firms. The reference period of the study is of five years which is from the financial year 2007-08 to 2011-12.In this study ten (10) firms of automobile industry has been taken as sample. All the sample firms are listed in various stock exchanges in India and are selected by the researchers on the basis of random sampling technique. The companies include (1) Amtek auto (2) Apollo tyres (3) Ashok Leyland (4) Bajaj auto (5) Bharat Forge (6) Bosch (7) Escorts (8) Exide industries (9) Hero Moto Corp (10) Mahindra and Mahindra.

In order to achieve the set objectives of the study, the researchers have employed Ratio Analysis. These ratios are employed so as to confirm the relationship between capital structure and profitability.

RESULTS AND DISCUSSION

For the purpose of meeting the objectives of study the Profitability Ratios are condensed with the help of "mean" technique. Thus the "mean" of profitability is taken as independent variable; capital structure ratio (viz., Debt to assets ratio, Debt to Equity ratio and Interest coverage ratio) are taken as dependent variables. Correlation analysis is performed between Profitability and Capital structure variables to get the results.

Table 1.1:- Debt to Equity ratio (Figures in times)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	St. Dev
Amtek auto	1.24	0.75	1.00	1.32	0.77	1.016	0.261
Apollo Tyres	0.38	0.51	0.66	1.01	1.05	0.722	0.298
Ashok Leyland	0.42	0.93	0.98	1.00	0.83	0.832	0.239
Bajaj auto	0.84	0.84	0.46	0.07	0.02	0.446	0.397
Bharat forge	0.87	1.22	1.21	0.74	0.79	0.966	0.232
Bosch	0.10	0.09	0.08	0.07	0.06	0.08	0.015
Escorts	0.69	0.59	0.19	0.18	0.21	0.372	0.247
Exide industries	0.48	0.55	0.04	0	0	0.1475	0.268
Hero Moto Corp	0.04	0.02	0.02	0.50	0.23	0.162	0.208
Mahindra and Mahindra	0.60	0.77	0.37	0.23	0.26	0.446	0.232

Source: - compiled from annual report of companies.

The above table 1:1depicts that most of the companies usually employ debt relatively low than their equity. Among these companies the ratio of Amtek Auto as compared to other companies is relatively higher with a mean of 1.016 which indicates that this company is aggressive in financing its growth with debt. In case of Bosch this ratio is very low with a mean of 0.08 indicating that the company wants to retain much control over the company .In addition, this company has minimum standard deviation as compared to other companies during the period of study. Considering the above results Bajaj Auto is having maximum standard deviation of 0.397 which is relatively higher as compared to the standard deviation of other companies.

Table 1.2:- Debt to assets ratio (Figures in times)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	St. Dev
Amtek auto	0.97	0.70	0.62	0.35	0.44	0.616	0.241
Apollo tyres	2.38	2.24	2.10	1.67	2.08	2.094	0.266
Ashok Leyland	2.77	1.26	1.25	1.73	1.98	1.798	0.626
Bajaj auto	2.95	2.60	3.50	4.85	5.75	3.93	1.329
Bharat forge	1.08	0.77	0.67	1.00	1.15	0.934	0.205
Bosch	1.84	1.70	1.68	2.22	2.35	1.958	0.308
Escorts	1.47	1.44	1.07	1.33	1.53	1.368	0.181
Exide industries	2.88	3.00	3.16	3.25	2.90	3.038	0.162
Hero Moto Corp	5.89	5.34	6.29	3.70	4.05	5.054	1.134
Mahindra and Mahindra	3.22	2.84	3.85	4.08	4.32	3.662	0.615

Source: - compiled from annual report of companies.

The table 1.2 depicts that almost all the companies' use debt in financing their assets. Most of the companies use more debt in proportion to their equity. As depicted by table, we can clearly see that Amtek Auto is using less debt in proportion to equity in financing their assets. This company is using debt with the mean of 0.616 indicating that the company finances its most of assets by equity. On the other hand the Hero Moto Corp is using high debt than equity with an average of 5.054 in financing their assets which also indicates that the company is highly leveraged one. Considering the 'Escorts' and 'Exide Industries', their standard deviation is 0.181 and 0.162 respectively which implies that these companies have been using debt in relatively same proportion over the last five years in relation to their respective equities and also taken in consideration Bajaj Auto and Hero Moto Corp with an high standard deviation 1.329 and 1.134 respectively which indicates that these companies are using debt in different proportions in different years in relation to their equity.

Table 1.3:- Interest coverage ratio (Figures in times)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	St. Dev
Amtek auto	11.32	12.42	9.52	4.47	1.40	7.826	4.710
Apollo tyres	7.51	3.67	8.80	2.92	2.23	5.026	2.937
Ashok Leyland	8.33	2.27	5.83	5.23	3.68	5.068	2.291
Bajaj auto	224.91	53.71	421.06	2093.39	177.33	594.08	848.5
Bharat forge	5.97	4.95	3.45	5.14	6.74	5.25	1.232
Bosch	178.75	73.58	469.58	264.27	329.80	856.996	1372.7
Escorts	1.30	1.19	3.34	5.52	2.63	2.796	1.772
Exide industries	10.72	14.11	17.11	149.89	125.60	63.486	68.36
Hero Moto Corp	648.15	664.36	126.26	146.73	123.65	569.05	467.1
Mahindra and Mahindra	14.64	9.69	18.90	48.36	23.02	22.922	15.05

Source: - compiled from annual report of companies.

The table 1.3 depicts that Bosch, Bajaj auto and Hero Moto Corp are having maximum interest coverage ratio as compared to other companies with a mean of 856.996, 594.08 and 569.05 respectively which indicates that these companies are having less burden of debt expenses. In addition to this these firms are highly debt attractive companies. On the other hand the companies like Escorts, Apollo tyres and Ashok Leyland are having minimum interest coverage ratio with a mean of 2.796, 5.026 and 5.068 respectively indicating that these companies are much burdened with financial charges as compared to other companies under study. Furthermore, it also means that these companies are not very much attractive enough in terms of debt financing. Taking into consideration the standard deviation of the companies under study, it is clear that the Bosch is having maximum standard deviation of 1372.7 implying that the company is paying interest at a huge fluctuating rate and Bharat forge company is having lower standard deviation of 1.232 as compared to other companies indicating that the company is constantly paying its interest dues in an average fashion.

Table 1.4:- Gross profit ratio (Figures in percent)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	St. Dev
Amtek auto	29.49	30.10	20.54	13.27	17.11	22.102	7.481
Apollo tyres	10.85	6.31	13.76	7.90	6.48	9.06	3.196
Ashok Leyland	7.86	4.77	7.49	8.32	6.78	7.044	1.390
Bajaj auto	10.48	11.08	20.03	19.80	15.11	15.3	4.574
Bharat forge	17.49	14.40	14.69	17.88	19.05	16.702	2.053
Bosch	11.82	9.68	7.23	12.30	14.19	11.044	2.668
Escorts	3.30	3.17	7.42	6.94	3.66	4.898	2.097
Exide industries	12.86	12.82	19.29	15.74	11.69	14.48	3.077
Hero Moto Corp	11.67	12.75	16.11	11.33	10.81	12.534	2.121
Mahindra and Mahindra	8.12	7.59	14.29	12.89	10.03	10.584	2.932

Source: - compiled from annual report of companies.

From the table 1.4, it is clear that Amtek auto, Bharat Forge and Bajaj Auto are having the highest gross profit ratio with the mean of 22.102, 16.702 and 15.3 respectively as compared to other companies which implies that these companies are very efficient in producing their products and have sufficient resources to pay for cost necessary to run and grow their business. On the other hand taking into consideration the companies like Escorts and Ashok Leyland, they are having low gross profit ratio comparing to other companies under study with the mean of 4.898 and 7.04 respectively indicating that these companies are not very much efficient in producing their products. Taking into consideration the standard deviation of the companies under study we clearly identify that Amtek Auto, Bajaj Auto, Apollo Tyres and Exide Industries are with maximum standard deviations of 7.481, 4.574, 3.196 and 3.077 respectively, implies that they are not experiencing these companies gross profits in a constant average fashion while as company like Ashok Leyland is having minimum standard deviation of 1.390 as compared to other companies under study which indicates that Ashok Leyland is experiencing average gross profit.

Table 1.5:- Net profit ratio (Figures in percent)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	St. Dev
Amtek auto	18.45	20.39	19.41	12.76	4.17	15.036	6.758
Apollo tyres	5.89	2.63	8.19	3.61	2.21	4.506	2.504
Ashok Leyland	5.83	3.04	5.66	5.51	4.24	4.856	1.193
Bajaj auto	8.32	7.40	14.23	19.80	15.11	12.972	5.134
Bharat forge	12.11	4.92	6.75	10.39	9.68	8.77	2.894
Bosch	13.66	13.11	11.72	12.40	13.50	12.878	0.809
Escorts	0.70	0.58	4.10	4.90	3.65	2.786	2.009
Exide industries	7.92	7.55	12.70	12.86	8.89	9.984	2.599
Hero Moto Corp	9.27	10.30	14.00	9.89	10.04	10.7	1.883
Mahindra and Mahindra	9.45	6.25	11.08	11.14	8.92	9.368	2.000

Source: - compiled from annual report of companies.

From the table 1.5, it is clear that Amtek Auto, Bajaj Auto and Bosch having maximum net profit ratio with the mean of 15.036, 12.972 and 12.878 respectively as compared to other companies taken under study which indicates that these companies are in better position to cope up market challenges like price, competition, low demand etc., and also implies that these companies enjoy high profitability. Taking into consideration other companies, Escorts is having minimum net profit ratio with the mean of 2.786 comparing with the other companies under study indicating that this company is not in a better position to stand as compared to other companies with prevailing economic conditions because of its low profitability.

Taking into account the standard deviation of the companies under study it is clearly depicted from the table that Amtek and Bajaj Auto enjoy highest standard deviation of 6.758 and 5.134 respectively indicating that these companies are earning their net profits at a fluctuating pace, while as taking a look on companies like Bosch and Ashok Leyland, these are the companies with lowest standard deviation of 0.809 and 1.193 as against other companies under study, indicating that these companies are enjoying net profit in a quite average manner.

Table 1.6:- Operating profit ratio (Figures in percent)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	St. Dev
Amtek auto	31.51	29.96	27.77	24.92	27.44	28.32	2.525
Apollo tyres	13.22	8.71	16.19	10.59	8.75	11.492	3.206
Ashok Leyland	10.09	7.66	10.23	10.67	9.43	9.616	1.180
Bajaj auto	12.29	12.57	21.19	19.78	19.14	16.944	4.232
Bharat forge	23.82	21.66	23.55	24.43	24.88	23.668	1.236
Bosch	17.73	16.19	13.52	16.09	17.39	16.184	1.654
Escorts	5.79	5.30	9.16	8.34	4.83	6.684	1.938
Exide industries	14.89	14.63	21.21	17.38	13.66	16.354	3.041
Hero Moto Corp	13.22	14.22	14.32	13.40	15.46	14.124	0.890
Mahindra and Mahindra	10.23	9.81	16.29	14.65	11.84	12.564	2.819

Source: - compiled from annual report of companies.

From the table,1.6 it is clear that Amtek auto and Bharat forge are having maximum operating profit ratio with the mean of 28.32 and 23.668 as compared to other companies under study, indicating that these companies are bringing much efficiency in their operations. Whereas, companies like Escorts and Ashok Leyland are having lowest operating ratio as compared to other companies under study implying that these companies are lacking efficiency in their operations.

Considering the standard deviation of the companies under study, as shown in the table in the table, companies like Bajaj auto, Apollo tyres and Exide industries are having maximum standard deviation of 4.232, 3.206 and 3.041 respectively explaining that these companies are earning their operating profits at highly fluctuating pace. On the other hand Hero Moto Corp is with the lowest standard deviation of 0.890 when compared to other companies, implying that the company is earning its operating profits in an average fashion.

Table 1.7:- Return on capital employed (Figures in percent)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	St . Dev
Amtek auto	7.75	10.38	6.32	4.67	6.21	7.066	2.149
Apollo tyres	24.60	13.02	24.99	11.65	12.81	17.414	6.759
Ashok Leyland	23.12	8.78	12.89	18.60	17.76	16.23	5.524
Bajaj auto	39.71	82.80	59.01	67.57	64.24	62.666	15.59
Bharat forge	16.19	10.17	8.76	16.31	19.74	14.234	4.607
Bosch	23.88	19.12	15.18	23.76	27.97	21.982	4.926
Escorts	8.57	6.30	10.29	11.74	7.69	8.918	2.140
Exide industries	30.55	31.67	36.16	33.20	21.95	30.706	5.328
Hero Moto Corp	41.57	43.33	75.07	52.13	49.83	52.386	13.41
Mahindra and Mahindra	18.52	13.99	27.70	26.96	23.58	22.15	5.825

Source: - compiled from annual report of companies

From the table 1.7 it is clear that Bajaj auto, Hero Moto Corp and Exide industries are having the highest return on their capital employed with the mean of 62.66, 52.386 and 30.706 respectively indicating that these companies are employing their invested capital more efficiently and economically. These companies are obtaining a satisfactory return on their capital over the period of study. On the contrary, the companies like Amtek auto and Escorts are obtaining less return on their invested capital over the period of study with the mean of 7.06 and 8.91 indicating that these companies are very weak as compared to other companies when it comes to earning of profit on the capital employed. The mean of other companies namely Bharat forge, Ashok Leyland, Apollo tyres, Bosch and Mahindra & Mahindra range between 14.23 and 22.15 indicating that these companies are average in employing their capital and are earning a reasonable return on their capital. Taking into account the standard deviation of the companies under study, the companies with highest standard deviation are Bajaj auto and Hero Moto Corp implying that these companies have earned at a good pace on their capital invested over the period of study.

Table 1.8:- Return on investment (Figures in percent)

Company	2007-08	2008-09	2009-10	2010-11	2011-12	Mean	St. Dev
Amtek auto	12.35	13.96	11.22	5.91	1.91	9.07	5.013
Apollo tyres	17.89	7.99	24.07	10.47	8.86	13.856	6.917
Ashok Leyland	22.30	9.05	18.27	23.80	19.57	18.598	5.765
Bajaj auto	47.61	38.92	58.14	68.08	49.72	52.494	11.07
Bharat forge	18.52	6.94	8.31	15.56	16.89	13.244	5.257
Bosch	23.76	20.47	17.44	20.95	23.74	21.272	2.632
Escorts	-1.00	1.63	6.57	8.22	6.89	4.462	3.946
Exide industries	25.29	23.35	24.53	24.54	15.21	22.584	4.180
Hero Moto Corp	32.41	33.72	64.41	65.21	55.43	50.236	16.14
Mahindra and Mahindra	25.51	16.03	26.74	25.92	23.80	23.60	4.365

Source:- compiled from annual report of companies.

The table 1.8 reveals that Bajaj auto and Hero Moto Corp are having maximum return on their investment with the mean of 52.494 and 50.236 respectively explaining that these companies are very efficient in employing their owner's funds and are providing due honor to the funds of shareholders'. Moreover these companies have earned much return on their investment as compared to other companies under study. On the contrary, the companies namely Escorts and Amtek auto are having least return on their investment with the mean of 4.462 and 9.07 respectively indicating that these companies are not very much efficient in earning that much of return on their investment as compared to other companies under study. The average returns of other companies namely Bharat forge, Apollo tyres, Ashok Leyland, Bosch, Exide industries and Mahindra & Mahindra are 13.244, 13.856, 18.598, 21.272, 22.584 and 23.60 indicating that these companies have earned a reasonable return on their investment over the period of study. Taking the standard deviation of the companies under study into account, the companies namely Hero Moto Corp and Bajaj auto are having maximum standard deviation of 16.14 and 11.07 respectively. The companies namely Bosch and Escorts are having minimum standard of 2.632 and 3.946 respectively as compared to other companies under study indicating that these companies have earned the returns on their investment in a constant average fashion over the period of study.

Table no 2: Correlation matrix for capital structure and profitability

		Profitability	Debt to Equity	Debt to Asset	Interest Coverage
Profitability	Pearson Correlation	1	-.345*	.661**	.421**
	Sig. (2-tailed)		.014	.000	.002
	N	50	50	50	50
Debt to Equity	Pearson Correlation		1	-.632**	-.394**
	Sig. (2-tailed)			.000	.005
	N		50	50	50
Debt to Asset	Pearson Correlation			1	.356*
	Sig. (2-tailed)				.011
	N			50	50
Interest Coverage	Pearson Correlation				1
	Sig. (2-tailed)				
	N				50

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The table- 2 depicts that debt to equity ratio is negatively correlated with profitability of the selected firms. On the other hand debt to assets ratio and interest coverage ratio are significantly associated with the profitability of the companies under study.

CONCLUSION

Debt to Equity ratio is negatively correlated to profitability ratios which imply that if the debt content is increased aggressively it will adversely impact the profitability. Moreover the companies are exposing themselves to more risk and they can lose control if they do it.

Debt to Assets ratio and Interest coverage ratio are positively and significantly correlated with the profitability ratio implying that these ratios are having positive impact on profitability ratios and thus significantly contributing to the profitability of the companies under study.

Analyzing the correlation between capital structure ratios; Debt to Assets and Interest Coverage ratios are negatively correlated with Debt to Equity ratio. But Debt to Assets ratio is significantly and positively associated with Interest Coverage ratio.

The overall company wise conclusions of companies under study are given as under:

1. Considering Amtek Auto: its debt to equity ratio is very high as compared to other companies, and also the company is serving its debt in an efficient manner. This company is also among the most profitable companies under study which indicates its effectiveness in employing its equity and debt capital. Thus it can be concluded for this company that it has a good mix of capital which is contributing to its profitability in an efficient manner.
2. Taking Apollo Tyres into account: as is shown on table 1.1, that this company has increased its debt capital since last two years but its profitability has not increased in the manner in which the debt portion of the capital has been increased indicating that this company is not so effective in employing its capital and also points out that there is not a perfect mix of capital which should have otherwise contributed to profitability as expected.

3. Analyzing the results of Ashok Leyland: as it is observed that this company has been employing debt when compared to its equity in a constant manner over the period of study. But at the same time this company is very poor as far as service to debt is concerned. On the other hand, considering its overall employment of funds, this company is obtaining good returns on its capital particularly that of shareholder's funds as compared to debt implying that the capital structure component of debt is not employed effectively and that is the reason why this company is having less profitability as against most of the companies under study except one or two.

4. Considering Bajaj Auto: this company is one among the highly leveraged companies under study. But at the same time this company is having an exceptional record of serving its debt. Moreover the return on shareholder's funds is also attractive. The overall capital is employed in such a way that it leaves positive impact on profitability. The capital structure of the company is such that it is proving profitable on all parameters.

5. Taking Bharat Forge in to account: this company has been employing less debt as compared to equity since the last two years which has greatly contributed to the profitability of the company in previous two years. Taking an overall look to the results of the company, it can be observed that this company is not serving its debt as efficiently as other companies except one or two under study. But the overall profitability of the company is very good particularly during the periods in which the debt content is reduced, thus implying that the company is very efficiently employing the shareholder's funds as compared to debt. So if the company wants to get decent return on its overall capital, it should employ its debt and equity in an optimum ratio.

6. Analyzing the results of Bosch: it is observed that this company is employing very less debt compared to its equity but at the same time the company has been exceptional in serving its debt as well as earning the returns on shareholder's investment. The company in general has a very good mix of capital contributing to the overall profitability of the company.

7. Taking the analytical view of Escorts: it is observed that the company is having less debt employed into business as compared to its equity indicating that the company is more dependent on equity capital for carrying out its operations. But the company is not very efficient in serving its debt which is having a ripple effect on its overall profitability which is very less as compared to other companies understudy. This reason for being less profitable can also be attributed to its overall poor employment of capital.

8. Considering Exide industries: the company is employing very less debt as against major profitable companies under study. Also the company has not raised any debt since last two years. Moreover the company has been very efficient in serving its debt. The company has been very consistent so far as the profitability is concerned. In addition to this, the company has been very good as far as its overall employment of capital is concerned and that is the reason why this company is getting a decent return on its shareholder's investment. Thus it can be concluded that the company, although employing less debt funds has been very effective and sound so far as its overall employment of capital is concerned.

9. Taking Hero Moto Corp into account: as it is observed that this company is one among the less leveraged companies but so far as the serviceability of debt is concerned, it is one of the major debt serving company among the companies under study. Moreover the company has been very effective as far as its overall employability of capital is concerned and that is why this company has been very good at getting return on shareholder's investment and also serving its debt.

10. Analyzing the results of Mahindra and Mahindra: the company's capital structure is mostly composed of equity capital as compared to debt which is less in proportion. Also the company is very good in employing its overall capital and that is one of the main reasons for this company to be very efficient in serving its debt as well as equity, which also implies

that the company is accruing good profits and thus ensuring that its overall profitability is up to the mark.

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