**Recommendations on debt to value and finance raising for**

**Motherson Sumi Systems Ltd (MOTHERSUMI)**

Existing capital structure of the company:



From the above table, it is evident that the debt to value(D/V) of company is 1.242%.

Market value of equity: - 43437.81 crores

Market value of debt :- 546.23 crores

* **By optimal capital structure approach**

Assumptions: -

1. Maturity of loan is 15 years



From the above table, weighted average cost of capital is least for D/V value 20%.

* **By using APV method**

Assumptions: -

1. Bankruptcy cost is 30%.



From the above table, we see that value of the firm is maximum for D/V 10%.

We saw that optimal capital structure is giving the optimal D/V value as 10% whereas APV method gives D/V value to be 15%. So, we find the value of levered firm for D/V values ranging in between 10% and 20%.

APV method to find maximum value of levered firm for D/V in between 10% and 20%



Therefore, the optimal value of D/E is 15%.

Conclusion: -

The current D/V (1.242%) of the company is lower than the optimal D/V calculated with optimal capital structure approach or APV approach. It implies that company has less debt than the optimal.

Therefore, company should go for debt financing, such that it has D/V value to be 15%. With the current market value of equity, firm should go for debt financing of 7,119.27 crores.

Ideal market value of equity: - 43437.81 crores (unchanged).

Ideal market value of debt : - 7665.50 crores (which is equal to 7119.27+546.23).