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# Capital Structure and Financing Mix in a Growth-Oriented Indian Retail Enterprise: A Case Study

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**Abstract**
This study examines the sources of finance used by ABC Solutions Limited and their role in supporting business operations and growth. Using a descriptive and analytical research design, the study analyses secondary data from annual reports, financial statements and public disclosures over FY2021–22 to FY2025–26. The findings show that ABC relied on a combination of equity capital, institutional funding, debt, trade credit and internally generated funds. Equity remained the dominant source, with shareholders' equity rising from ₹294.81 crore in FY2022 to ₹885.17 crore in FY2026, while the debt-equity ratio remained moderate, declining to 0.35 after the FY2025–26 IPO. Private equity and institutional investors such as KKR, Temasek, Alpha Wave Global, ADIA, ChrysCapital and Fidelity supported its high-growth phase, and the IPO further strengthened its equity base and access to public capital markets. Internal finance gained importance as profitability improved and operating cash flow turned positive, reaching ₹886.70 crore in FY2026. Overall, ABC shifted from greater reliance on external institutional funding toward a more equity-oriented and diversified financing structure with moderate debt and stronger internal cash generation. The study concludes that a balanced mix of equity and debt, improved working-capital efficiency and prudent leverage will remain important for sustaining ABC's expansion and financial flexibility.

Keywords: Sources of Finance; ABC Solutions Limited; Equity Financing; Debt Financing; Internal Sources of Finance; Trade Credit; Working-Capital Financing; Private Equity; Institutional Funding; Initial Public Offering (IPO); Debt-Equity Ratio; Financing Mix; Financing Pattern; Trend Analysis; Ratio Analysis; Financial Leverage; Operating Cash Flow; Capital Structure; Eyewear Industry.

## 1 Introduction

### 1.1 Background of the Study

Finance provides companies with funds for operations, assets, working capital, technology and expansion. ABC Solutions Limited is an eyewear company that runs on technology. It sells glasses, sunglasses, and contact lenses online and in physical stores. Growing means spending on stores, technology, manufacturing, and supply chains.

The FY2024–25 annual report shows consolidated revenue climbing from ₹54,277.03 million to ₹66,525.17 million. The company also flipped from a ₹101.54 million loss to a ₹2,973.40 million profit. That's a big turnaround. This study digs into ABC's equity, borrowings, internal funds, and other financing sources. It also looks at financing trends and compares the company with a few industry peers.

**Company Overview – ABC Solutions Ltd.**

ABC Solutions Limited is an Indian eyewear company that runs on technology. It started out online, then grew into a retailer with both online and physical stores. The company was started in 2008 as XYZ Technologies Private Limited. It began selling online in 2010. In 2013, it opened its first physical store in New Delhi. It offers eyeglasses, sunglasses, contact lenses and accessories through stores and digital platforms, with India as its largest market and operations in Japan, Southeast Asia and the Middle East.

ABC's growth requires continuous investment in retail, inventory, technology, manufacturing and supply chains. Its FY2024–25 consolidated revenue increased from ₹54,277.03 million to ₹66,525.17 million, while profit improved from a loss of ₹101.54 million to ₹2,973.40 million. Adequate finance therefore remains important for supporting working capital and further expansion.

### 1.2 Purpose of the Study

The purpose of this study is to examine the sources of finance used by ABC Solutions Limited and their role in supporting business growth. In FY2024–25, the company reported consolidated revenue of ₹66,525.17 million and a debt-equity ratio of 0.21.

The study identifies major financing sources, analyses changes in the financing structure and examines the factors influencing these changes. It also evaluates their suitability for expansion, working capital and financial position, while comparing ABC with selected

industry peers. This links financial theories with the company's actual financial data and decisions.

### 1.3 Objective of the Study

The main objective of this study is to examine the sources of finance used by ABC Solutions Limited and their role in supporting business operations and growth. The specific objectives are:

- To identify ABC's major sources of finance, including equity, debt, internal funds and other arrangements.
- To analyse the company's financing structure using financial statements and relevant ratios.
- To examine changes in financing sources and their relationship with expansion, investments and working-capital needs.
- To understand financing decisions in terms of risk, leverage, liquidity and sustainable growth.
- To compare theoretical concepts of finance to ABC's actual financial data and decisions.
- To provide recommendations for improving the company's financing strategy based on financial and industry analysis.

### 1.5 Scope and Limitation

The study focuses on ABC Solutions Limited's sources of finance, financing structure and related financial decisions. It uses annual reports and financial statements to analyse debt, equity, finance costs and relevant ratios over multiple years. The study covers equity, debt, internal finance, working-capital sources and other arrangements.

The study relies on publicly available financial information and therefore excludes confidential financing decisions. Some strategic financing factors may not be visible in published statements, and the findings are limited to the selected period and may change with future business conditions.

### 1.6 Literature Review

- Myers (2003) explained that financing decisions are influenced by factors such as taxation, financial risk, information asymmetry and financial distress.
- Harris and Raviv (1991) highlighted that firms choose between debt and equity by considering agency costs, control, bankruptcy risk and information.
- Graham and Leary (2011) found that capital structure varies across firms and industries and is influenced by factors such as debt, assets and growth opportunities.
- Kumar, Colombage and Rao (2017) reviewed capital-structure studies and identified firm-specific factors and leverage as important determinants of financing decisions.
- Jagannathan et al. (2017) emphasized the importance of the cost of equity and debt in determining a firm's overall cost of capital.
- Nguyen et al. (2020) showed that trade credit is an important source of short-term finance and working-capital management.

Overall, the literature shows that firms generally balance debt, equity and internal finance based on cost, risk, control, liquidity and growth requirements. These findings provide a basis for analysing ABC Solutions Limited's financing mix and capital structure.

## 2 Theoretical Framework: Sources of Finance

### 2.1 Meaning and Importance of Sources of Finance

Sources of finance are the methods businesses use to obtain funds for operations, assets, working capital, technology and expansion. They are broadly classified as internal sources, such as retained earnings and operating cash flows, and external sources, such as equity, loans, borrowings and trade credit. They can also be classified as short-term or long-term based on the period of requirement.

The choice of finance affects cost, risk, ownership and growth. Debt impacts immediate ownership dilution but involves interest and repayment obligations, while equity generally avoids mandatory interest payments but dilutes ownership and control. For ABC, financing is important for retail expansion, technology, inventory and supply-chain operations.

### 2.2 Factors Affecting Choice of Finance

Selecting a source of finance depends on its cost, risk, repayment terms, ownership impact and suitability for the company's needs. The major factors are:

#### *2.2.1 Cost of Finance*

Debt involves interest costs, while equity involves issue costs and possible ownership dilution. Companies generally seek funds at an acceptable overall cost.

#### *2.2.2 Financial Position and Cash Flow*

Stable earnings and strong cash flows improve the ability to obtain and repay debt. Businesses with uncertain cash flows may prefer sources with fewer fixed obligations.

#### *2.2.3 Purpose and Time Period*

Short-term sources are suitable for working capital, while long-term finance is better for expansion and major investments. Mismatching the period can create repayment pressure.

#### 2.2.4 *Financial Risk*

Debt creates fixed interest and repayment obligations, increasing financial risk. Equity avoids these fixed obligations, making a suitable debt-equity balance important.

#### 2.2.5 *Control and Ownership*

New equity may dilute existing ownership and voting rights, whereas debt generally does not directly affect ownership.

#### 2.2.6 *Flexibility and Availability*

Companies consider the ease of obtaining funds, amount, timing, repayment flexibility and related restrictions or approval requirements.

#### 2.2.7 *Creditworthiness*

Debt levels and repayment history affect access to additional finance. Reasonable leverage helps maintain future borrowing capacity.

#### 2.2.8 *Business Growth and Future Requirements*

Growing businesses require funds for assets, technology, inventory and expansion. Financing should meet current needs while maintaining flexibility for future requirements.

Overall, financing decisions balance cost, risk, control, flexibility and financial strength with the purpose and duration of funds. These factors help evaluate ABC's financing structure as it expands.

## 3 Research Methodology

### 3.1 Data Sources

The study primarily uses secondary data from reliable public sources. ABC's annual reports, financial statements and investor-relations disclosures and screener website are the main sources for information on borrowings, equity, shareholders' funds, finance costs and relevant ratios.

Annual reports of selected eyewear and retail peers are used for comparison. Academic books, research papers and textbooks provide the theoretical framework, while reputed industry and financial websites provide supplementary information.

Greater emphasis is placed on official company reports for numerical data to ensure that the analysis and conclusions are based on verifiable information.

### 3.2 Analytical Techniques

The financial data is analysed using descriptive, comparative and ratio-based techniques to examine ABC Solutions Limited's financing structure and related financial implications. Trend, year-on-year, common-size and percentage analysis are used to assess changes in equity, borrowings and the contribution of different financing sources.

Ratio analysis includes the debt-equity ratio, current ratio, debt service coverage ratio and return on capital employed to assess risk, liquidity and financing obligations. ABC's standalone debt-equity ratio increased from 0.17 times in FY2023–24 to 0.21 times in FY2024–25. Selected indicators are also compared with industry peers to understand financing patterns and their relationship with business performance.

The analysis mainly uses ABC's published annual reports and financial statements, particularly FY2024–25 data, linking financial theory with the company's actual financing position and decisions.

#### 3.2.1 Cost of Debenture/Debt (Kd)

Formula :-

**Cost of debenture before tax:** Kd = Finance Cost/Total Dept

Cost of Debenture After Tax: Kd = Kd (pre tax)*(1-tax rate)

| Financial Year | Financial Cost(Rs. Cr.) | Total Debt (Rs. Cr.) | Kd (before Tax) | Kd(After Tax) |
|---|---|---|---|---|
| **2022-2023** | 83.28 | 235.84 | 35.32% | 26.43% |
| **2023-2024** | 122.99 | 217.58 | 56.53% | 42.30% |
| **2024-2025** | 145.89 | 257.28 | 56.70% | 42.1% |
| **2025-2025** | 178.45 | 309.66 | 57.62% | 43.11% |

**Table 1 Cost of debenture**

*Post-tax assumes India's concessional corporate tax rate of 25.17%

- **FY 2022**

Kd (pre-tax) = 14.66 ÷ 144.10 = 0.1017 = 10.17%

Kd (post-tax) = 10.17% × (1 − 0.2517) = 7.61%

- **FY 2023**

Kd (pre-tax) = 15.70 ÷ 146.80 = 0.1069 = 10.69%

Kd (post-tax) = 10.69% × (1 − 0.2517) = 8.00%

- **FY 2024**

Kd (pre-tax) = 16.90 ÷ 156.40 = 0.1080 = 10.80%

Kd (post-tax) = 10.80% × (1 − 0.2517) = 8.08%

- **FY 2025**

Kd (pre-tax) = 18.04 ÷ 159.40 = 0.1132 = 11.32%

Kd (post-tax) = 11.32% × (1 − 0.2517) = 8.47%

- **FY 2026**

Kd (pre-tax) = 18.97 ÷ 176.50 = 0.1075 = 10.75%

Kd (post-tax) = 10.75% × (1 − 0.2517) = 8.04%

#### 3.2.2 Cost of Equity (Ke)

| Particulars | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 | Mar-26 |
|---|---|---|---|---|---|---|
| **Equity Capital** | 15 | 15 | 15 | 15 | 154 | 347 |
| **Reserves** | 2,363 | 2,918 | 5,441 | 5,467 | 5,777 | 8,391 |
| **Borrowings** | 30 | 34 | 934 | 2,343 | 2,740 | 3,097 |
| **Other Liabilities** | 393 | 733 | 3,071 | 1,661 | 1,718 | 2,410 |
| **Total Liabilities** | **2,802** | **3,700** | **9,462** | **9,487** | **10,390** | **14,245** |
| **Fixed Assets** | 337 | 649 | 5,067 | 5,501 | 6,231 | 7,740 |
| **CWIP** | 5 | 133 | 134 | 71 | 107 | 112 |
| **Investments** | 841 | 1,048 | 787 | 1,003 | 1,038 | 571 |
| **Other Assets** | 1,618 | 1,869 | 3,474 | 2,912 | 3,014 | 5,822 |
| **Total Assets** | **2,802** | **3,700** | **9,462** | **9,487** | **10,390** | **14,245** |

Formula:

Ke = Rf + β (Rm − Rf)

Where:

Rf = risk-free rate (India 10-year G-Sec yield, currently ≈ 7.1%)

Rm − Rf = equity market risk premium for India, commonly assumed 6–8% (use 7% as a standard midpoint)

β = stock's beta

**Table 2 Cost of Equity**

#### 3.2.3 Cost of Equity (Ke) — CAPM

Formula: Ke = Rf + β(Rm − Rf)

Rf (risk-free rate, India 10-yr G-Sec) ≈ 7.1%

β (reported beta) = 1.54

Market risk premium (Rm − Rf) ≈ 7% (standard India assumption)

Calculation:

Ke = 7.1% + 1.54 × 7% = 7.1% + 10.78% = 17.88%

### 3.3 Period of Analysis

The study covers ABC Solutions Limited's financial information from FY 2021–22 to FY 2024–25, subject to the availability and comparability of published data. This period provides a multi-year view of changes in equity, borrowings, shareholders' funds, finance costs and other financing components.

Particular emphasis is placed on the FY 2024–25 audited annual report, while earlier years support trend analysis and comparison. The study uses annual data to provide a broader view of financial position and financing decisions, considering only reliable and comparable information where disclosures vary across years.

**Table 3 Balance sheet of ABC Solutions Limited**

*Source: www.screener.com*

## 4 ABC's Sources of Finance

### 4.1 Equity Financing

Equity financing is an important long-term source of finance for ABC Solutions Limited, including equity share capital and related instruments. Changes in its equity base reflect how the company has financed its rapid growth and strengthened its capital structure.

**Table 4 Equity share capital of ABC Solutions Limited in the last 5 years**

| Financial Year | Debt-Equity Ratio* | Finance Cost – Consolidated (₹ crore) |
|---|---|---|
| **FY 2021–22** | 0.15 | - |
| **FY 2022–23** | 0.42 | 83.28 |
| **FY 2023–24** | 0.38 | 122.99 |
| **FY 2024–25** | 0.42 | 145.89 |
| **FY 2025–26** | 0.35 | 178.45 |

***Source:*** *ABC Solutions Limited Annual Reports and audited financial results*

### 4.2 Debt Financing

| Financial Year | PAT (Rs. Cr.) | Ke (Rs. Cr.) |
|---|---|---|
| **2022-2023** | N/A | 556.98 |
| **2023-2024** | -1.02 | 575.60 |
| **2024-2025** | 297.34 | 620.62 |
| **2025-2026** | 500.95 | 885.17 |

Debt financing refers to funds raised through borrowings and other obligations that require repayment and may involve interest or finance costs. For ABC Solutions Limited, it mainly includes borrowings and lease liabilities.

**Table 5 Debt equity ratio of ABC Solutions Limited**

| Financial Year | Paid-up Equity Share Capital (₹ million) |
|---|---|
| **FY 2021–22** | 152.86 |
| **FY 2022–23** | 152.86 |
| **FY 2023–24** | 154.18 |
| **FY 2024–25** | 1,543.37 |
| **FY 2025–26** | 3,472.83 |

***Source:*** *ABC annual reports and financial disclosures*

ABC's debt financing remained moderate compared with its equity base. The debt-equity ratio rose from 0.15 in FY2021–22 to 0.42 in FY2024–25, then declined to 0.35 in FY2025–26. The FY2024–25 annual report reported a standalone ratio of 0.21, compared with 0.17 in FY2023–24, indicating a significant role of equity in the capital structure.

Finance costs increased from ₹83.28 crore in FY2022–23 to ₹178.45 crore in FY2025–26, while consolidated profit after tax rose from ₹2,973.40 million to ₹5,009.50 million. The lower leverage and improved profitability indicate greater support from equity and internally generated funds.

### 4.3 Internal Sources of Finance

Internal finance refers to funds generated within a business through retained earnings and operating profits. For ABC Solutions Limited its consolidated performance improved from a loss of ₹1.02 crore in FY2023–24 to a profit of ₹297.34 crore in FY2024–25, strengthening its ability to generate internal funds.

However its retained earnings remained negative due to accumulated losses, improving from ₹-12,868.12 million to ₹-9,912.23 million in FY2024–25. Thus, while internal financing strengthened, ABC continued to use equity and other external sources. The absence of a dividend recommendation for FY2025–26 also indicates retention of funds for growth and capital requirements.

### 4.4 Trade Credit and Working-Capital Financing

Short-term sources of finance help ABC meet working-capital needs such as supplier payments, inventory purchases and daily operating expenses. The main short-term sources considered are trade payables and short-term borrowings.

| Financial Year | Trade Payables (₹ crore) | Short-Term Borrowings (₹ crore) | Total Current Liabilities (₹ crore) |
|---|---|---|---|
| **FY 2021–22** | 178.70 | 19.01 | 366.07 |
| **FY 2022–23** | 577.23 | 96.52 | 1,588.04 |
| **FY 2023–24** | 516.17 | 82.14 | 1,510.04 |
| **FY 2024–25** | 739.96 | 54.33 | 1,868.55 |
| **FY 2025–26** | 952.13 | 17.68 | 2,507.56 |

**Table 6 Trade Credit and Working-Capital of ABC Solutions Limited**

***Source:*** *ABC financial data compiled from annual financial statements and financial databases. FY2021–FY2025 figures are reported by Tofler; FY2022–FY2026 consolidated figures are also reported by ThePip.*

ABC's short-term financing pattern changed significantly. Trade payables increased from ₹126.60 crore in FY2021 to ₹952.13 crore in FY2026, indicating greater use of supplier credit. Short-term borrowings rose from ₹19.01 crore in FY2022 to ₹96.52 crore in FY2023, before declining to ₹17.68 crore by FY2026.

Current liabilities increased from ₹366.07 crore in FY2022 to ₹2,507.56 crore in FY2026, reflecting business expansion. Operating cash flow also improved from negative ₹18.3 crore to positive ₹167 crore, strengthening internal funding.

Overall, ABC showed lower reliance on short-term borrowing and greater use of supplier credit and operating cash flows for working-capital needs.

### 4.5 Private Equity / Institutional Funding

Private equity and institutional investors have been important sources of external equity finance for ABC, especially during its rapid expansion. Major investors include Alpha Wave Global, Temasek, KKR, Abu Dhabi Investment Authority (ADIA), ChrysCapital and Fidelity. The following table presents major institutional funding transactions during 2021–2026.

**Table 7 Investors in ABC Solutions Limited**

| Year | Investor | Amount |
|---|---|---|
| **2021** | KKR | US$95 million |
| **2022** | Temasek & Alpha Wave Global | US$220 million |
| **2022** | Alpha Wave Global, Temasek & other investors | US$220 million |
| **2022** | Chiratae Ventures & other investors | US$40 million |
| **2022** | Ravi Modi Family Trust | US$12.56 million |
| **2023** | Axis/Chiratae and other institutional investors | US$39.59 million |
| **2023** | Abu Dhabi Investment Authority (ADIA) | US$500 million |
| **2023** | ChrysCapital | US$100 million |
| **2024** | Temasek & Fidelity | US$200 million |
| **2024** | ABC founders | ₹160 crore |
| **2025-2026** | Public institutional investors | **₹7,278.02 crore** total issue |

***Sources:*** *Venture Intelligence, Inc42, Reuters, TechCrunch and ABC's annual reports.*

### 4.6 Emerging Sources of Finance

Emerging sources such as venture capital, private equity, strategic investments and IPOs are important for technology-driven companies. ABC Solutions Limited relied mainly on private and equity funding during its growth phase before entering the public market through its IPO in FY2025–26.

The IPO comprised 181,058,478 shares, including 53,495,905 fresh shares and 127,562,573 shares through Offer for Sale (OFS), with a total issue size of ₹7,278.02 crore. Listed on NSE and BSE on 10 November 2025, the fresh issue raised ₹2,139.84 crore for ABC, while ₹5,138.17 crore from OFS went to existing shareholders.

By 31 March 2026, ₹177.06 crore of fresh-issue proceeds had been used for stated objectives, with the balance held in fixed deposits and bank balances. The IPO shifted ABC toward public equity, broadening its investor base and access to capital without fixed interest obligations.

## 5 Multi-Year Analysis of ABC's Financing Pattern

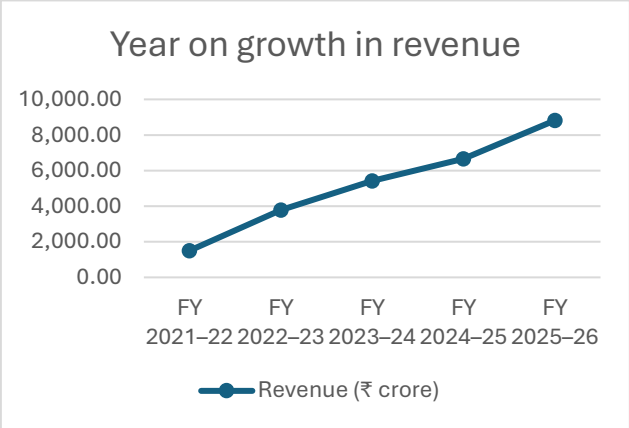
### 5.1 Trend Analysis

Trend analysis examines changes in ABC's major financing and financial indicators from FY2021–22 to FY2025–26. FY2021–22 is used as the base year (100) to compare changes in each indicator over the period.

| Financial Year | Revenue (₹ crore) |
|---|---|
| **FY 2021–22** | 1,502.70 |
| **FY 2022–23** | 3,789.40 |
| **FY 2023–24** | 5,427.70 |
| **FY 2024–25** | 6,652.52 |
| **FY 2025–26** | 8,814.04 |

**Table 8 Revenue of ABC Solutions Limited in the last 5 years**

*Source: ABC annual reports and consolidated financial data.*




**Graph 1 Year on growth in revenue of ABC Solutions Limited**

**Trend Interpretation**

ABC's revenue increased from ₹1,502.70 crore in FY2022 to ₹8,814.04 crore in FY2026, a rise of about 486.7%. Finance cost also increased from ₹23.43 crore to ₹178.45 crore, showing higher financing needs as the business expanded, alongside strong revenue and profit growth.

Operating cash flow improved from negative ₹182.98 crore in FY2022 to ₹94.74 crore in FY2023 and ₹1,669.59 crore in FY2026. Equity share capital remained stable until FY2024, increasing from ₹15.29 crore to ₹15.42 crore, before growing to ₹154.34 crore in FY2025 and ₹347.28 crore in FY2026 due to securities conversion, ESOPs and the IPO.

Overall, ABC Solutions Limited moved from greater dependence on external finance toward stronger equity

and operating cash generation. Despite higher finance costs, revenue and cash-flow growth improved its financing capacity and financial flexibility during FY2022–FY2026.

### 5.2 Financing Mix Analysis

ABC's financing mix mainly comprises equity capital, reserves and surplus, debt, and internally generated funds. This mix changed significantly from FY2021–22 to FY2025–26 as the company expanded and transitioned from private funding to a publicly listed company.

**Table 9 Shareholder equity And Total Debt of ABC Solutions Limited**

| Financial Year | Shareholders' Equity (₹ crore) | Total Debt (₹ crore) | Major Financing Characteristic |
|---|---|---|---|
| **FY 2021–22** | 294.81 | 44.19 | Equity-led growth with external funding |
| **FY 2022–23** | 556.98 | 235.84 | Increased use of debt and institutional capital |
| **FY 2023–24** | 575.60 | 217.58 | Relatively balanced financing |
| **FY 2024–25** | 620.62 | 257.28 | Equity and debt both increased |
| **FY 2025–26** | 885.17 | 309.66 | Stronger equity base following IPO |

***Source:*** *Consolidated financial statements and historical financial data.*

Equity remained an important source of finance, with shareholders' equity rising from ₹294.81 crore in FY2022 to ₹885.17 crore in FY2026, an increase of about 200%. Debt also increased from ₹44.19 crore to ₹309.66 crore, but at a slower rate. The debt–equity ratio declined from 0.42 in FY2025 to 0.35 in FY2026, indicating a stronger equity position after the IPO.

FY2026 financing cash flow shows the importance of equity, with about ₹2,176.1 crore raised through common-stock issuance, while debt repayment was around ₹791.1 crore. This suggests greater reliance on equity, reducing fixed interest and repayment obligations, though it may dilute ownership.

Overall, ABC's financing mix shifted toward higher equity participation with moderate debt exposure. The IPO strengthened its capital base, while existing debt provided additional funds without substantially increasing leverage.

## 6 Discussion

Debt remained at a moderate level during the study period. The debt-equity ratio increased from 0.15 in FY2021–22 to 0.42 in FY2024–25, before falling to 0.35 in FY2025–26. Finance costs also rose from ₹83.28 crore in FY2022–23 to ₹178.45 crore in FY2025–26. At the same time, profitability and operating cash generation improved. The company also became more capable of financing its operations internally, moving from a loss of ₹1.02 crore in FY2023–24 to a profit of ₹297.34 crore in FY2024–25. The rise in trade payables along with lower short-term borrowings further suggests greater reliance on supplier credit and internal funds to meet working capital needs.

Private equity and institutional investors, including KKR, Temasek, Alpha Wave Global, ADIA, ChrysCapital and Fidelity, provided capital during the company's high-growth phase. The FY2025–26 IPO was another major step, with a total issue size of ₹7,278.02 crore, comprising a fresh issue of ₹2,139.84 crore and an Offer for Sale of ₹5,138.17 crore. Only the fresh issue generated funds for the company, while the IPO also increased its equity base and opened access to public capital markets.

Overall, the company gradually moved toward a more equity-oriented financing structure, supported by moderate debt and improving internal cash generation. Revenue grew from ₹1,502.70 crore in FY2021–22 to ₹8,814.04 crore in FY2025–26, while shareholders' equity increased from ₹294.81 crore to ₹885.17 crore. Although the debt-equity ratio of 0.35 indicates relatively lower dependence on debt, the increase in finance costs and current liabilities remains relevant as the company continues to expand.

## 7 Recommendations

ABC should maintain a balanced mix of equity and debt. The FY2026 IPO strengthened its equity base, while debt remained at a moderate level. Equity can be used for long-term expansion and major investments, whereas debt can be taken selectively for projects that are expected to generate steady cash flows. This would help control interest costs and repayment pressure.

The company should continue improving profitability, operating cash flow and working-capital management.

Operating cash flow stood at ₹8,867 million in FY2026, which management stated was sufficient to cover plant and other capital expenditure. Better inventory turnover, receivables management and operating margins could further strengthen internal funding and reduce reliance on borrowing.

Debt should mainly support productive investments such as manufacturing facilities and technology infrastructure, where expected returns can justify the borrowing cost. Since finance costs have increased, new borrowing should be linked to expected project cash flows while keeping leverage and repayment capacity under control.

ABC can also consider strategic investments, institutional funding, sustainability-linked finance and FinTech-based financing after assessing their cost, risk and impact on control. Maintaining sufficient liquidity will also help the company respond to expansion opportunities and unexpected requirements. The net cash balance of ₹38,808 million at FY2026-end provides financial flexibility for acquisitions, international expansion and manufacturing investments without taking on excessive financial commitments.

## 8 Conclusion

The study concludes that ABC Solutions Limited developed a stronger and more equity-focused financing structure during FY2021–22 to FY2025–26. The company used a combination of equity, institutional funding, debt, trade credit and internal funds to support its expansion, working capital, technology and day-to-day operations.

Equity became more important following the FY2025–26 IPO, while debt remained moderate, with the debt-equity ratio falling to 0.35. Improved profitability and operating cash generation also strengthened the company's ability to finance its needs internally and reduced its relative dependence on debt.

Overall, ABC gradually moved from greater reliance on institutional funding toward a more diversified financing structure. The IPO strengthened its equity base, while controlled debt and improved internal cash generation provide support for future growth. Going forward, maintaining a suitable balance between equity, debt and internal funds will be important for managing financial risk while supporting continued expansion.

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