Cost of Capital and Capital Structure of Page Industries Ltd.: A Five-Year Analysis

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ABSTRACT
Our research problem is the cost of capital and capital structure of Page Industries Limited. Annual reports and market data will be used to find context for the cost of capital and capital structure in corporate finance. This case study will cover FY 2021–22 to FY 2025–26. We will use key financial measures, which are revenue, profitability, efficiency, finance costs, return on net worth, and the debt-to-equity ratio. We will use the cost of capital in the context of corporate finance theory as well as the company's financial performance. The formula used to calculate the cost of equity in FY 2025–26 is the Capital Asset Pricing Model (CAPM). In this method, cost of equity = risk-free rate of interest + β (equity risk premium). The risk-free rate of interest = 6.96%, β = 0.67, and the equity risk premium = 7.00%. The cost of equity, calculated in this way, is approximately 11.65%. Since the calculated capital structure was based on the fair value of the assets, the weighted average cost of capital is calculated to be approximately 11.61% using the lease-based proxy cost of debt. This demonstrates that the article proposes there is no significant use of external financing. The capital structure is therefore more traditional. The investigation compares Page Industries with Lux Industries and Dollar Industries. Page Industries is more profitable, and peer companies differ in their leverage and capital structures. Accordingly, companies should maintain financial flexibility, manage leases, and make investments at the right cost of capital. [4, 9, 10, 11, 13, 14, 15, 18, 19, 20, 21, 23]

Keywords: Page Industries; WACC; CAPM; cost of equity; cost of debt; capital structure; Jockey; financial leverage; peer benchmarking.

1. INTRODUCTION

Corporate finance is about investments and funding along with resource allocation decisions. The cost of capital is an important concept since it represents the minimum return needed by the investors. Some of the relevant concepts are the cost of equity, cost of debt, and WACC that are very close to capital budgeting, business risk, and capital structure. [8, 10, 17, 18, 19, 20, 22]

Page Industries Limited will be a useful example to consider when discussing these concepts. The income of the company increased from ₹38,865 million in FY2021–22 to ₹52,468 million in FY2025–26 while PAT increased from ₹5,365 million to ₹7,638 million. The financial structure of Page Industries Limited is primarily equity-based with minimum traditional borrowings and many lease-related liabilities. [9, 10, 18, 21, 23]

In this study, Unit IV is considered, which includes cost of capital such as WACC and capital structure. Financial data and annual reports of five financial years are used in the analysis. The CAPM formula is used to calculate the cost of equity, while interest and liabilities related to leases offer practical cost of debt estimation. Both these elements are used in combination to derive an estimated WACC for FY2025-26. [4, 9, 10, 11, 15, 16, 18, 20]

It also covers the impact of WACC on investment and capital budgeting decision-making process. Comparisons with Lux Industries and Dollar Industries offer insight into profitability and leverage for the peer group of Page Industries. [9, 10, 13, 14, 20, 21]

As a whole, the study encompasses financial statement analysis, CAPM, WACC calculation, sensitivity analysis, and peer comparison to evaluate the financing structure and cost of capital of Page Industries. WACC calculation is an academic exercise as it requires certain assumptions related to market inputs, debt, and lease liabilities. [4, 10, 18]

1.1 Objectives of the Study

For analyzing the financial and capital structure trends for the five-year period of Page Industries Ltd. from FY 2021-22 to FY 2025-26. [10]

For estimating the cost of equity of Page Industries Ltd. for FY 2025-26 using CAPM along with the assumptions considered for the risk-free rate, beta, and equity risk premium. [4, 9, 10, 15, 16]

For estimating an appropriate effective cost-of-debt for calculating the weighted average cost of capital (WACC). [10]

For comparing Page Industries Ltd. with industry competitors like Lux Industries Ltd. and Dollar Industries Ltd. [10, 13, 14]

For understanding the importance of the calculated WACC and the leverage position of the company. [9, 10, 20]

1.2 Research Questions

How has the performance in terms of profitability and leverage of Page Industries been during the past five years? [10, 20, 21]

What will be the cost of equity of Page Industries in CAPM terms for FY2025–26? [4, 10] What would be the WACC of Page Industries considering market value equity and debt? [10]

How does the financing and profitability strategy of Page Industries stack up against its Indian competition? [10, 21]

How does the estimated WACC help Page Industries in making capital-budgeting and financing decisions in future? [10]

2. LITERATURE REVIEW

Cost of capital is considered a key element in both investment and financing activities in corporate finance. The concept of WACC encompasses the cost of equity and debt and is widely used in analyzing potential investments and required returns. [8, 10, 17, 18, 19, 20, 22]

Modigliani-Miller capital structure theory is one of the basics in studying the relationship between financing decisions and firm value, the influence of debt, equity and taxation in particular. [1, 2]

CAPM (Sharpe) provides estimation of the expected return on equity through the risk-free interest rate, beta and market risk premium. Thus, this model can be helpful in estimation of Page Industries' cost of equity. [4]

According to the trade-off theory, companies make a trade-off between the advantages from taxes on debt and financial risks. [3] The pecking-order theory implies that companies give preference to internal funds, debt and external equity in order. [6]

Agency theory demonstrates how the use of debt and dividends influences managers' behavior and capital structure decisions. Moderate financing can provide managers with appropriate discipline, however, significant financing decreases financial flexibility of companies. [7]

Other studies have shown that capital structure is also influenced by profitability, business risk, cash flow stability, and financial need. Firms with consistent earnings and good cash flows have less reliance on external funds, whereas firms with high financial needs would resort to debt. [6, 9, 10, 20, 21] The above theories are applicable to Page Industries since it has a highly profitable nature, significant equity, and minimal debt finance. This is important since the financing structure of the firm is an effective basis of study of profitability, leverage, and cost of capital. [9, 10, 21]

Bench marking Page Industries against Lux Industries and Dollar Industries will further provide insights into the profitability, leverage, and finance structure. [13, 14, 20]

From the above discussion, it can be seen that there is sufficient literature for analysing Page Industries through the WACC and CAPM and theories on capital structure and bench marking. [1, 2, 3, 4, 6, 10, 15, 20, 21]

3. RESEARCH METHODOLOGY

The research methodology adopted here involves descriptive and analytical research. Secondary data is collected because the assignment explicitly asks for the analysis of the annual report of the company along with the financial statements. The annual reports of Page Industries for FY 2021-22 to FY 2025-26 serve as the primary company data source. Market data serves as the source of data for the stock price of 31 March 2026, number of shares and beta, whereas finance sources serve as the source of data for the risk free rate and Indian equity risk premium. [9, 10, 13, 14, 15, 16]

Main financial metrics include revenues from operations, profit after tax, operating profit margin, return on net worth and debt-to-equity ratio. The formula for WACC computation is as follows: WACC = (E/V × Ke) + (D/V × Kd × (1-T)), where E is the market value of the equity; D is the interest-bearing debt; V is E+D; Ke is the cost of

equity; Kd is the pre-tax cost of debt and T is the tax rate. The cost of equity is calculated using CAPM approach as follows: Ke = Rf + β(Rm-Rf); here Rf is the risk free rate and the bracketed expression represents the equity risk premium. [4, 9, 10, 16, 17, 18, 20]

This needs to be pointed out as a methodology weakness. There are different elements in the FY2025-26 finance cost of Page Industries, while the debt-equity ratio of the company considers lease liabilities. Thus, calculating finance cost as a ratio of total debt cost with respect to only bank borrowings will lead to a distorted calculation of the debt cost. In this case, the main proxy for the cost of debt is the ratio of interest cost with respect to average lease liabilities, as lease liabilities represent most of the interest-bearing debt of the company. This proxy is not the management's WACC. The calculated WACC should, thus, be seen as indicative. [9, 10, 18, 20]

3.1 Data Sources and Period

Source	Purpose
Page Industries Annual Reports, FY2021–22 to FY2025–26	Financial statements, ratios, finance costs, lease liabilities and capital structure
Moneycontrol (2026)	Current beta and market information cross-check
Capital Market (2026)	31 March 2026 shareholding/share-count information
EquityPandit (2026)	31 March 2026 historical closing share price
CountryEconomy (2026)	31 March 2026 Indian 10-year government bond yield
Incwert Advisory (2026)	India equity risk premium assumption and sensitivity range
Lux Industries and Dollar Industries annual reports	Peer benchmarking

Table 1. Principal Data Sources Used in the Study

4. RESULTS AND ANALYSIS

4.1 Five-Year Financial Trend

There is an evident recovery and growth in operating scale for Page Industries in the period of five years. Operating income has gone up from ₹38,865 million in FY2021-22 to ₹52,468 million in FY2025-26. This has happened at an approximate CAGR of 7.79%. The profit after tax has grown from ₹5,365 million to ₹7,638 million over the same period of time, which amounts to a CAGR of approximately 9.23%. The higher growth in PAT than the operating income reveals that Page Industries has managed to improve its profitability.

Financial year	Revenue (₹ mn)	PAT (₹ mn)	OPM (%)	RONW (%)	Debt–Equity (%)
2021–22	38,865	5,365	19.07	54.37	Not reported
2022–23	47,886	5,712	16.69	46.45	18.10
2023–24	45,692	5,692	19.47	38.00	12.00
2024–25	49,349	7,291	24.79	48.54	18.61
2025–26	52,468	7,638	24.55	52.50	18.42

Table 2. Page Industries: Five-Year Financial and Capital-Structure Trend

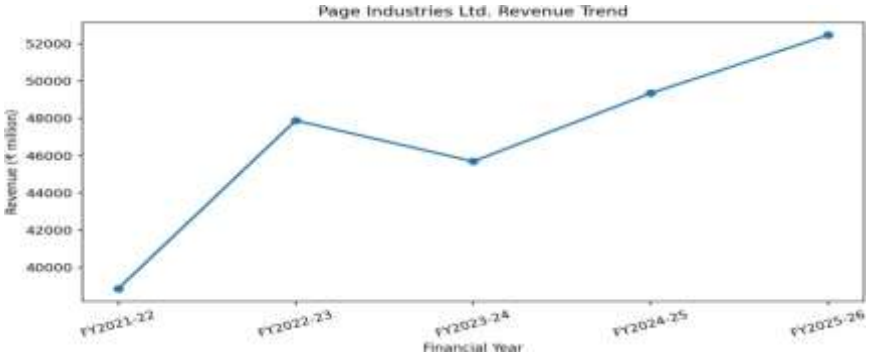


Figure 1. Revenue trend of Page Industries Ltd.

Figure 1. Page Industries Revenue and Profit Trend, FY2021–22 to FY2025–26 [10]

Most importantly, the key trend is from working capital pressure during the period of the pandemic/post pandemic era to operating profitability. Even as there was a slight drop in revenue for FY2023-24, the operating margin was recorded at 19.47%. In FY2024-25, the operating margin was increased to 24.79% with PAT rising to ₹7,291 million. FY2025-26 showed operating margin of 24.55% and PAT of ₹7,638 million. The return on net worth was also increased from 38% in FY2023-24 to 52.50% in FY2025-26. All these factors have improved the internal sources of finance of the firm. [10, 21]

4.2 Capital-Structure Trend

Page Industries has mostly been financed by equity. As per the debt-to-equity ratio reported, the same was 18.10% for the year FY2022–23, which declined to 12.00% for the year FY2023–24 because of repayment of borrowings. Thereafter, there was a rise in the ratio to 18.61% and 18.42% in FY2024–25 and FY2025–26, respectively. The annual report of the year FY2023–24 clearly mentions debt to include lease liabilities and that the improved ratio was due to repayment of borrowings. In the year FY2025–26, there were ₹902.50 lakh of non-current borrowings and ₹285.22 lakh of current borrowings along with lease liabilities worth ₹22,864



Figure 2. Profit after tax trend of Page Industries Ltd.

Figure 2. Page Industries Debt–Equity Ratio Trend, FY2021–22 to FY2025–26 [10, 20]

Taking into consideration the aspect of trade-offs, the low level of leverage indicates that the firm is running far below the point of financial distress that would overshadow the advantages of debt. On the other hand, the figure is not zero, since there are lease agreements which indicate some kind of financing obligation. This is an important distinction to make, since having a low balance of loans from the banks does not indicate absence of fixed financing obligations. The reason for this is the fact that the firm continues expanding in terms of manufacturing, retail and distribution. [10, 20]

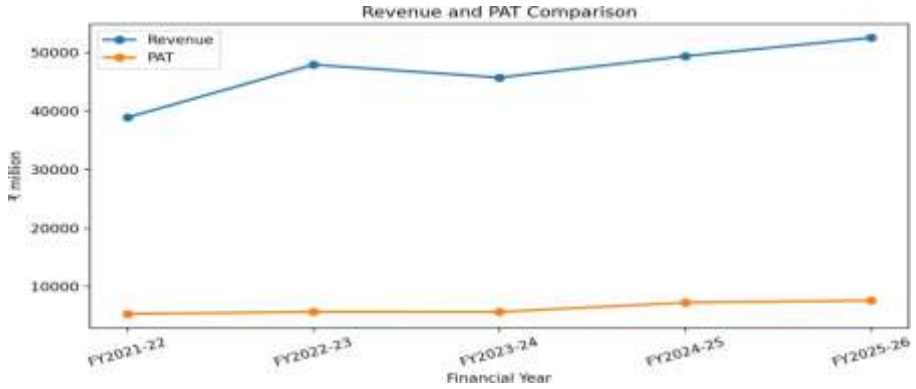


Figure 3. Revenue and PAT comparison.

4.3 Cost of Equity Using CAPM

CAPM is used to calculate the cost of equity for the fiscal year 2025-26. The risk-free interest rate will be calculated as per the 10-year Indian government bond interest rate on 31 March 2026, which is 6.96%. Page Industries' beta will be considered as 0.67 using the Market Data on Moneycontrol. Equity Risk Premium (ERP) of India in 2026 as calculated by Incwert Advisory shows that the central ERP is 7.00%, lower range 6.50%, and upper range 7.50%. Hence, the formula becomes Ke = 6.96% + 0.67 × 7.00% = 11.65%.

Input	Value	Interpretation
Risk-free rate (Rf)	6.96%	India 10-year government bond yield on 31 March 2026
Beta (β)	0.67	Market-data estimate of Page Industries' systematic risk
Equity risk premium	7.00%	Central India ERP recommendation for 2026
Beta × ERP	4.69%	Risk premium attributable to Page Industries' beta
Cost of equity (Ke)	11.65%	Required equity return under CAPM

Table 3. FY2025–26 CAPM Cost-of-Equity Calculation

The cost of equity estimated at 11.65% is less than what would be expected in a company with a high beta value since Page Industries' beta is less than one. It does not imply that this equity poses low risks from all perspectives. This is because beta measures systematic risk while other types of risks include consumer demand risk, input costs risk, licensing risk, foreign exchange risk, inventory risk, and valuation risk. The difference is vital in managerial decision making in that the project can present a unique level of risk.

4.4 Cost of Debt and WACC

Page Industries reported the equity for FY2025-26 to be ₹1,50,259.81 lakh and interest bearing debt to be about ₹27,680.18 lakh, which is inclusive of borrowings and lease liabilities. Its debt-equity ratio is 18.42%. It had 11,153,874 shares that were trading at ₹31,775, making the market value of its equity to be ₹35,441 crores. [10, 18,20] Finance cost includes various factors, and hence lease interest is taken as an approximation of the cost of debt. Using the lease interest ₹2,344.69 lakh and the average of lease liabilities of ₹26,339 lakh, the estimated cost of debt was 8.90%. The effective tax rate was approximately 25.50%. [10, 18]

Component	Calculation	Result
Market value of equity (E)	11,153,874 shares × ₹31,775	₹35,441.4 crore
Interest-bearing debt (D)	Borrowings + lease liabilities	₹276.8 crore
Equity weight (E/V)	35,441.4 / (35,441.4 + 276.8)	99.23%
Debt weight (D/V)	276.8 / (35,441.4 + 276.8)	0.77%

Cost of equity (Ke)	6.96% + 0.67 × 7.00%	11.65%
Cost of debt proxy (Kd)	Lease interest / average lease liabilities	8.90%
Effective tax rate	₹2,615 mn / ₹10,253 mn	25.50%
Indicative WACC	(E/V × Ke) + (D/V × Kd × (1−T))	11.61%

Table 4. FY2025–26 Indicative WACC Calculation

The approximate WACC of 11.56% depends to a greater extent on the cost of equity as the market value of equity is approximately ₹35,441 crore whereas that of interest bearing debt is just ₹277 crore. The weight of debt is below 1%, therefore any considerable variation in the cost of debt will have very little impact on the overall WACC. This fact holds great strategic importance as the hurdle rate of Page Industries will depend more on required rates of return rather than the cost of financing from banks. [10, 18]

4.5 Sensitivity Analysis

As the equity risk premium is a theoretical estimate, not an accounting figure, the WACC is determined based on the 6.50% to 7.50% ERP range suggested by Incwert. Keeping the risk-free interest rate and beta stable, the cost of equity varies between 11.32% and 11.99%, which leads to the WACC varying between 11.23% and 11.89%. As can be seen, the relatively narrow range of WACC proves that the debt is too low to influence the outcome significantly. [9, 10, 15, 16]

India ERP	Cost of equity	Indicative WACC
6.50%	11.32%	11.28%
7.00%	11.65%	11.61%
7.50%	11.98%	11.94%

Table 5. WACC Sensitivity to the India Equity Risk Premium

5. PEER AND INDUSTRY BENCHMARKING

Benchmarking is used as context since an isolated figure of WACC or leverage ratio needs to be understood in light of the financial practices of other similar firms. Two such firms which can act as benchmarks for Page Industries are Lux Industries and Dollar Industries – both firms are Indian branded hosiery and innerwear firms. Their business model is not the same as that of Page Industries; hence, their comparison should be considered indicative.

Metric	Page Industries	Lux Industries	Dollar Industries
Revenue from operations	₹5,246.8 crore	₹2,928.7 crore	₹1,880.96 crore
PAT	₹763.8 crore	₹106.1 crore	₹107.1 crore (consolidated)
Operating/EBITDA margin	24.55% OPM	≈7.0% EBITDA margin	≈10.6% EBITDA margin
Debt–equity ratio	18.42%	≈0.32x	0.26x
Business emphasis	Jockey-led branded innerwear and apparel	Multi-brand hosiery/innerwear	Branded innerwear and athleisure

Table 6. Selected FY2025–26 Peer Comparison

This comparison proves that Page Industries is more profitable compared to Lux Industries and Dollar Industries in terms of high revenue, PAT and margin of operations. The lower debt-to-equity ratio of 0.1842x of the company further proves that it has an aggressive financing approach. [10, 13, 14, 21]

Greater profitability of Page Industries allows the company to raise finances internally without relying heavily on debts. On the other hand, its low leverage will also lead to low benefits of debt tax shield. This way, the company needs to focus on profit making and other aspects such as financial flexibility and business risks. [9, 10, 13, 14]

6. DISCUSSION

6.1 Interpretation Through Capital-Structure Theory

It shows that the firm follows a conservative capital structure due to its profitability which is high enough that external funds do not play any significant role. This is explained by the pecking order theory. [6, 10, 20, 21]

Though there is tax advantage in using debt but the use of debt will not be much effective in lowering the WACC since the debt component is less than 1% of market value capital. [9, 10]

From the agency perspective, proper amount of funding and distribution of shares will help in proper capital budgeting.

6.2 Implications for Capital Budgeting

The 11.56% indicative WACC is best considered as a benchmark rather than a discount rate for all projects. A project with an operating risk comparable to that of Page Industries' ongoing operations can certainly be appraised using a discount rate near the estimated WACC. If, however, a project involves a new country, a new product line, high foreign exchange risk or different demand risk, then special risk premiums for the project need to be included. While a 15% expected return may look appealing for a project that has risks comparable to those of the company's ongoing operations, the same return may be inadequate in case the project has greater risks. [10]

The analysis also indicates that Page Industries must take into account the lease adjusted cash flows when estimating project free cash flows. Due to a significant share of leases in the total debt obligations, an approach to capital budgeting that fails to consider the effect of leases will result in overstatement of the free cash flow.

Leases related to retail stores, warehouses, office buildings and other property, plant and equipment need to be incorporated into the project NPV analysis. [7, 10, 18]

6.3 Key Risks to the WACC Estimate

Beta risk: The value of 0.67 is a market-derived estimate and may differ across sources and estimation periods. [15]

ERP risk: A range for India ERP of 6.50%-7.50% affects the cost of equity and WACC calculation. [9, 10, 23]

Equity valuation risk: Share price as at 31 March 2026 is a one-off data point and may not reflect a normalised stock value. [10]

Debt classification risk: Debt-equity ratio of Page Industries includes leases, whereas finance cost comprises several elements. [10, 18, 20]

Project risk risk: A company’s WACC should not automatically apply to projects that have significantly different risk profiles. [10]

Peer comparability risk: Lux Industries and Dollar Industries differ in their scale, business model, accounting treatment, and capital structure. [13, 14]

7. RECOMMENDATIONS

Go for conservative leverage and minimize unnecessary borrowings since the equity plays a key role in capital structure. Use the WACC of 11.56% as an academic base for projects having similar risks, higher for riskier projects. Make the inclusion of leases in capital budgeting and cash flow consideration since they constitute a large part of interest bearing liabilities. Carry out sensitivity analysis under various ERPs, betas, growths, and margins. Go for those projects that have good cash flow and operating synergy without replicating the financial structure of competitors. Lastly, make annual review of WACC due to fluctuations in interest rate, beta, markets, and leases. [3, 9, 10, 11, 13, 14, 15, 18, 20]

8. CONCLUSION

Cost of Capital and Capital Structure for Page Industries Limited were computed through the analysis of data of past five years. Revenue rose from ₹38,865 million for FY2021-22 to ₹52,468 million for FY2025-26. During the same period, PAT has gone up from ₹5,365 million to ₹7,638 million. This shows that there has been an improvement in overall profitability and financial performance. Moreover, the firm’s dependence on traditional sources of debt has

been quite low. [10, 20, 21] For the year 2025-26, CAPM approach yielded cost of equity as 11.65%. Market Value Equity amounted to approximately ₹35,441 crore and debt was ₹277 crore. Estimated WACC turned out to be about 11.56% and remained more or less constant as the proportion of debt in total market-value capital was less than 1%. It shows that the capital structure of the firm has been equity-dominated. [4, 9, 10, 15, 16, 23]

In addition to the above, the analysis indicates that the firm has been able to retain its equity and generate profits in a manner that is adequate to support its operations and investments. The firm needs to be vigilant in determining the cost-benefit ratio for various sources of finance especially those involving leasing and other interest payments in making future investment plans. [10, 20, 21]

Generally speaking, the capital structure of Page Industries has been flexible and one that is highly dependent on equity. The firm's future capital budgeting should aim at investing effectively, managing risk and efficiently using its operating cash flow. Proper balance between profitability, investments, financial flexibility and cost of capital will enable the firm to grow sustainably. [10, 20, 21]

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