

# DETERMINATION OF OPTIMAL CAPITAL STRUCTURE. EXAMPLE OF TWO RUSSIAN COMPANIES OJSC MAGNIT AND OJSC LUKOIL

*Kalimulin Mikhail, Menshova Nina, Shakhmatova Elena,  
Schvetsov Dmitry, Shipulina Yulia, Usok Ignat,*

*2-nd year Master Student, NRU HSE*

## Abstract

The paper presents a study of capital structure of such joint stock companies as «Magnit» and «Lukoil» using the weighted average cost of capital method, EBIT - EPS method and operating profit method. The analysis reveals that the use of different methods may lead to contradictions in choosing of the optimal capital structure as shareholders' interests do not always converge with the interests of creditors. In addition, standard models do not take into account side effects of changes in capital structure, for example, fluctuations in operating profit, and do not allow us to estimate the effect of the use of sophisticated tools to attract financing, e.g. convertible bonds.

**Keywords:** optimal capital structure, weighted average cost of capital method, EBIT – EPS method, operating profit method, convertible bonds

**JEL:** G32

## Referens

1. Lukoyl, Godovoy otchet 2012, sayt. URL: <http://www.lukoil.ru/static.asp?id=179>, data dostupa: 20.10.2013.
2. Magnit, Godovoy otchet 2012, sayt. URL: <http://magnit-info.ru/investors/finance/>, data dostupa: 20.10.2013.
3. Ofitsial'nyy sayt Damodarana A., sayt. URL: <http://www.damodaran.com>.
4. Ofitsial'nyy sayt ezhednevnoy delovoy gazety "Vedomosti", sayt. URL: <http://www.vedomosti.ru>.
5. Ofitsial'nyy sayt Informatsionnogo telegrafnogo agentstva, sayt. URL: <http://www.biztass.ru/news/id/83121>.
6. Teplova, T.V. Effektivnyy finansovyy direktor: uchebno-prakticheskoe posobie. M.: Yurayt, 2008.
7. Banerjee, S., Dasgupta, S., Kim, Y. (2008), Buyer–Supplier Relationships and the Stakeholder Theory of Capital Structure, *The Journal of Finance*, 5(63) (2008) 2507–2552.
8. Butt-Jaggia, P., Thakor, A. (1994), Firm-Specific Human-Capital and Optimal Capital Structure, *International Economic Review*, 35 (1994) 283–308.
9. Maksimovic, V., Titman, S. (1991), Financial Policy and Reputation for Product Quality, *Reviews of Financial Studies*, 4 (1991) 175–200
10. Modigliani, F., and Miller, M.H. (1958), The Cost of Capital, Corporation Finance and the Theory of Investment, *The American Economic Review*, 48 (1958) 261–297.
11. Myers, S.C. (1993), Still Searching for Optimal Capital Structure. *Journal of Applied Corporate Finance*, 6 (1993) 4–14.
12. Schauten, M. and Spronk, J. (2006), Optimal Capital Structure: Reflections on Economic and Other Values // ERIM Report Series Reference No. ERS-2006-074-F&A. sayt. URL: <http://ssrn.com/abstract=968852>.
13. Shim, J., Siegel, J. (2008), Leverage and Capital Structure, *Financial Management, Barron's Educational Series*.

14. Titman, S. (1984), The Effect of Capital Structure on a Firms Liquidation Decision, Journal of Financial Economics, 13 (1984) 137–151.
15. Yermack, D. (1996). Higher market valuation of companies with a small board of directors. Journal of financial economics, 40(2), 185-211.
16. Yi, B., Chen, C. W., & Zhao, M. (2013). DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND COST OF DEBT. Journal of International Finance & Economics, 13(4).