**Abstract**

Capital structure is the permanent financing of the company which represents primarily the shareholders’ funds and debt funds. Debt funds (leverage) play an imperative role in designing the capital structure. The focal gain of the insertion of debt funds in the capital structure is the treatment of interest as tax deductible expense, which has a domino effect on relatively higher profits to the shareholders. India is basically an agricultural economy. Food and beverage sector plays a pivotal role in the economic development of a nation. In this backdrop, the study makes an attempt to identify and analyse the determinants of leverage of Indian Food and Beverage sector for the period 1995-96 to 2009-10. Year wise analysis, summary statistics and a panel data approach have been applied to analyse the data. The study reveals that the variables, namely, profitability, and size are the key determinants of leverage of Indian Food and Beverage sector.