Financial Performance of Indian Steel

Arunachalam[1], Dr S. Prasanna Kumar[2]
[1]Dept of Commerce
[2]Assistant Professor, Dept of Commerce
[1, 2] Loyola College, Chennai

Abstract- *India's steel sector is one of the fastest growing and accounts for a significant portion of the country's GDP. India is the fourth largest producer of steel in the world after China, Japan and the United States. India's steel sector accounts for about 2% of GDP and has a share of 6.2% in the Index of Industrial Production (IIP). This paper examines the financial performance of Indian steel companies to demonstrate a linear relationship between liquidity, leverage and efficiency. and profitability of companies. Indian steel companies were selected for the study based on their market share in 2008-2009 over the 20-year period 1991-2010-2011. Steel Board of India has the largest market share followed by Tata Steel Ltd, JSW Steel Limited and Essar Steel Limited*

Keywords- Financial Performance, ratio analysics

I. INTRODUCTION

The Indian steel industry has played an important role in the development of the Indian economy. Its extraordinary performance in steel production, consumption and foreign trade over the past decade has earned it a place in the world's steel rankings. India is currently the world's fourth largest producer of hysteresis with 71.3 million tonnes, after China, Japan and the United States. Currently, India's apparent steel consumption is around kg per year, which is very low compared to other economically developed countries. Therefore, the Indian steel industry has a lot of room for growth. This major contribution shows steel's strong position in traditional sectors such as infrastructure and construction, automotive, transportation and industrial applications. However, the annual growth rate between February 2001 and November 2010 accelerated sharply to his 8.6%, with the sector recovering due to growth in infrastructure and the automotive industry. Potential demand for steel also comes from the consumer goods and consumer electronics industries. Therefore, this study mainly compares the financial performance of Indian steel companies under globalization and establishes a linear relationship between liquidity, leverage, efficiency and profitability of selected companies.

II. LITERATURE REVIEW

1. (DeVancy, 2012)Conducted a ponder to degree changes in family status within the Joined together States utilizing financial markers chosen from different categories over a four-year period from 1983-1986. In this ponder, financial markers were utilized as indicators of advance to reply the address of whether families were able to make strides their financial status amid the consider period. The significance of key numbers to degree a company's money related execution is expanding.
2. (Cleary, 1999)A combined relapse think about of different money related proportions of 1,317 US firms over the seven-year period 1987-1994 to decide the relationship between hypothesis and firm monetary well-being.
3. (Shrader, 2003)Conducted a think about of 127 expansive US companies and connected a relapse strategy on monetary markers and statistic differences to test the relationship between board statistic differences and money related execution and found that board differences is emphatically related to budgetary pointers of their company's execution.
4. (Gallizo, 2003)Moreover conducted a consider of the money related execution of US fabricating firms over an eight-year period from 1993 to 2000 to get it their behavior and alteration handle. The correct adjust between deals and resources more often than not decides that resources are overseen and utilized well to create deals. A company's fundamental objective is to maximize productivity, and benefit proportions offer assistance degree the by and large proficiency and viability of the company.
5. (Raheman, 2003)He conducted a ponder on the productivity and working capital administration of Pakistani companies over a period of six a long time (1999-2004) and connected relapse examination to look at the relationship between working capital factors and benefit pointers and the result appeared a negative relationship between working capital. capital and productivity over liquidity and productivity
6. (Ramaratnam & Jayaraman, 2010)Monetary proportions of liquidity, productivity, inconstancy and supportability were utilized to degree the monetary execution of the Indian steel industry over a five-year period from 2005 to

2010. Their investigate appears that the troubles of the Indian steel industry are due to overcapacity and a lull in request, driving to costs. Anti-dumping obligations forced by the Joined together States and numerous European nations contributed to the supply and request awkwardness within the showcase.

7. (Singapurwoko, 2011)Conducted a seven-year ponder of 48 Indonesian recorded companies chosen from different businesses to look at the relationship between obligation and productivity. Since a coordinate comparison of obligation and benefit isn't conceivable, they utilized a relapse demonstrate to decide the relationship

III. METHODOLOGY

Numerous relapse investigation is performed on 15 budgetary markers (factors) chosen from distinctive sections Liquidity, dissolvability, execution, benefit etc. Current proportion, speedy multiplier, outright speedy multiplier, net intrigued pay, etc. Obligation proportion, value proportion, crude fabric cycle, work-in-progress turnover, wrapped up products turnover Resource turnover proportion, proportion of commission to deals, proportion of crude materials and stock costs to deals, proportion of deals to deals, The assurance of the deals proportion is based on liquidity, specialized mastery, taken a toll of merchandise sold and return on venture; of the categories of use, proficiency and benefit, uncovering a direct relationship between them. A variable that primarily influences the generally productivity of the company. The variable (extent) may be a relapse show based on a tall t-value (|t|>2) and a moo p-value (pandlt;0.05).

ANALYSIS OF DATA

The taking after table presents a comparison of the tried companies. Open segment incorporates two companies Cruise and RINL and private division incorporates TSL, ESL, JSWSL, JSWISL, JSPL, BSL, LSIL, NSAIL. After cautious examination of the table, it is found that ICR is one of the foremost important indicator factors within the relapse show of Cruise, RINL, TSL, JSWISL and LSIL appears that the lower taken a toll of obligation capital is paid to the potential benefit. makes a difference increment the productivity of companies since the capital structure of these companies incorporates adjusted obligation. The FATR variable encompasses a positive impact on ROI for ESL and NSAIL, but a negative impact for RINL. The positive impact of FATR implies that companies (ESL and NSAIL) utilize settled resources viably for deals, whereas the negative impact of the variable implies that the company (RINL) does not utilize settled resources successfully and contributing in settled resources for a certain period does . . does not increment the company's deals. So, it can be said that pointless speculations in settled resources lead to cash blockage, which is ineffectual in creating deals. Subsequently, assist ventures to get extra salary are not successful, and the productivity of the company is contrarily influenced. The DTR variable contains a positive impact on the ROI of JSWISL, which implies that the company has made a sound credit policy that collects money from indebted individuals at the correct time and reinvests it within the company. Reinvesting resources into the commerce boosts execution, and as DTR increments, the company's benefit moves forward.

CURRENT RATIO

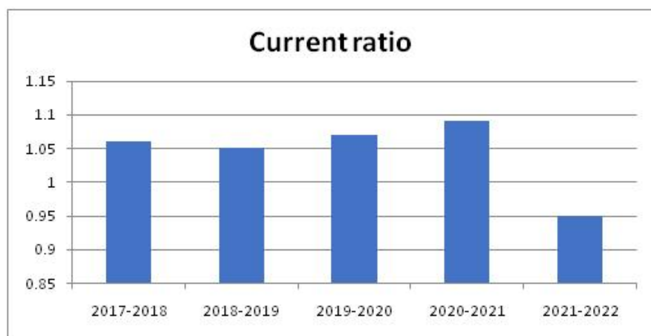
The current proportion may be a money related proportion that measures a company's capacity to pay its current liabilities with current resources. It is calculated by separating the company's current resources by add up to current liabilities.

Current ratio = current assets/current liabilities

TABLE 1

Year	Current Assets	Current Liabilities	Current Ratio
2017-2018	318.46	300.98	1.06
2018-2019	342.36	326.95	1.05
2019-2020	335.41	314.63	1.07
2020-2021	301.14	274.04	1.09
2021-2022	213.37	223.93	0.95

The current proportion is an critical money related marker that measures the short-term dissolvability or dissolvability of a company. It is utilized to evaluate whether the company has sufficient current resources to cover short-term liabilities. A current proportion of 2:1, as you said, implies that the company's current resources are twice the current liabilities, which is by and large considered a great current proportion. A better current proportion demonstrates that the company has superior chances of paying its current liabilities and assembly its commitments. On the other hand, a lower current proportion may demonstrate that the company may have trouble assembly its short-term commitments and may ought to borrow more or offer resources to meet the commitments. In brief, the current proportion is an critical instrument for speculators, banks and examiners to survey a company's monetary condition and dissolvability.



2. Quick Ratio:

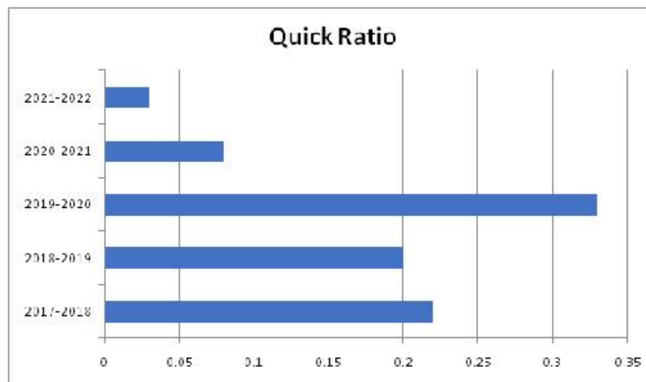
The quick ratio is calculated to determine a company's solvency. It defines the link between short-term assets and short-term liabilities. Apart for inventories and prepaid costs, it contains all current assets. Apart for bank overdrafts, all current obligations are included in current liabilities.

Quick Ratio=Quick asset / Current liability

TABLE 2

Year	Quick asset	Current liability	Quick Ratio
2017-2018	66.2156	300.98	0.22
2018-2019	65.39	326.95	0.20
2019-2020	103.8279	314.63	0.33
2020-2021	21.9232	274.04	0.08
2021-2022	6.7179	223.93	0.03

The quick ratio assesses a company's capacity to pay off its current commitments using solely its fast assets, which are assets that can be converted to cash cheaply and rapidly. A larger quick ratio implies that a company's liquid assets are greater than its current liabilities, and it is often seen as a stronger indicator of short-term liquidity than the current ratio According to the statistics supplied, the quick ratio has been declining over time, which may be cause for concern. However, before drawing any conclusions or making any judgements, it is critical to examine the company's financial accounts and other pertinent elements.



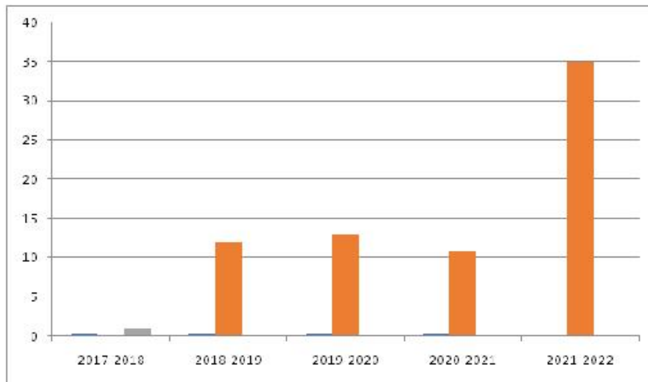
Proprietary Ratio:

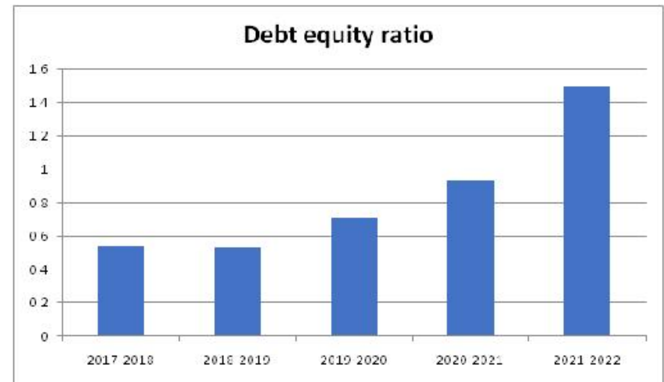
The proprietary ratio is a measure of a company's solvency since it reflects how much of the company's assets are financed by equity rather than debt. A greater proprietary ratio shows that the firm has a bigger proportion of equity in its capital structure, which investors and creditors may see favourably as indicating a lesser chance of insolvency.
Proprietary Ratio = Shareholder's Funds / Total Assets

TABLE 3

Year	Shareholder's Funds	Total Assets	Proprietary Ratio
2017-2018	221.92	577.57	0.384
2018-2019	216.01	594.08	0.363
2019-2020	154.53	576.67	0.268
2020-2021	135.30	534.80	0.253
2021-2022	85.67	437.38	0.195

As we can see, the proprietary ratio has been falling over time, showing that the firm is growing more leveraged, with a greater proportion of its assets funded by debt. This is reason for concern since it raises the danger of insolvency and may result in increased interest costs.However, before drawing any conclusions or making any judgements, it is critical to examine the company's financial accounts and other pertinent elements. A low proprietary ratio may not be a bad thing if the firm is effectively leveraging debt funding to promote profitability and expansion. As a result, before making any investment decisions, it is critical to assess the company's entire financial health and plan.





Debt equity ratio:

The ratio statistic represents the proportionate claims of owners and outsiders on the assets of the firm. The goal of is to acquire an overview of the funds available following the company's dissolution. In general, the financing of the company's assets should be a combination of owner money and external funding.

Debt equity ratio = Total debt / Total shareholder Funds

TABLE 4

Year	Total debt	Shareholder's Funds	Debt equity ratio
2017-2018	119.836	221.92	0.54
2018-2019	114.485	216.01	0.53
2019-2020	109.716	154.53	0.71
2020-2021	125.829	135.30	0.93
2021-2022	127.648	85.67	1.49

Shareholder’s funds have been decreasing over the years, indicating that the company is becoming less reliant on equity financing.

The debt equity ratio has been increasing steadily over the years, indicating that the company is relying more on debt financial

Total debt has been fluctuating over the years, with a peak in 2021-2022.

Gross Profit Ratio

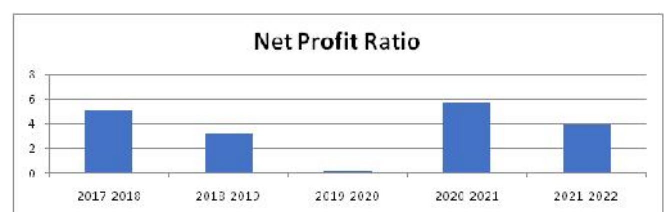
The gross margin is computed by dividing the sales margin by the turnover and is used to assess the profitability of the company's primary operation. The gross margin is calculated by subtracting the cost of items sold from the turnover. If you could give me with Bharat Petroleum's financial data, such as net sales and cost of products sold for a specific year or time, I would be pleased to determine the gross margin for you.

GPR=Gross Profit/Net Sales X 100

TABLE 5

Year	Net Profit after tax	Net Sales	gross Profit Ratio
2017-2018	33,539.07	1,68,701.5	5.03
2018-2019	24,542.52	78,536.06	3.20
2019-2020	2,761.54	745.61	0.27
2020-2021	29,554.00	1,70,526.58	5.77
2021-2022	33,053.06	1,33,534.36	4.04

the net profit after tax by the net sales and multiply by 100 to get the net profit ratio. It demonstrates how much profit a firm makes on each dollar of sales. The data show that the net profit ratio has changed over time, with the greatest ratio in 2020-2021 at 5.77 and the lowest ratio in 2019-2020 at 0.27. This suggests that the company's profitability has fluctuated over time.



IV. FINDING

1. In 2015 and 2017, India's steel production rose dramatically, from 88.98 million tonnes to 101.28 million tonnes. Strong demand from the building and infrastructure industries as well as rising government investment on infrastructure projects were the main drivers of this.
2. In 2017, India surpassed Japan to become the third-largest steel manufacturer in the world. For the nation's steel industry, which has historically lagged behind other major steel producers, this was a huge accomplishment.
3. During this time, the Indian government launched a variety of programmes to aid the development of the steel sector, including the "Make in India" campaign and the National Steel Policy 2017. These programmes attempted to boost domestic steel output, lower imports, and boost employment in the steel industry.
4. In spite of these encouraging developments, the Indian steel industry encountered a number of difficulties during this time, including high costs for raw materials, an increase in the imports of steel that was less expensive from China and other nations, and a lack of progress on important infrastructure projects.
5. In order to overcome these obstacles, Indian steel makers concentrated on boosting operational effectiveness, lowering costs, and growing exports in order to counteract the effects of cheaper imports. Overall, the Indian steel sector continued to play a substantial role in the nation's economy during this time, and there is significant room for future expansion.

V. SUGGESTIONS

The private sector firms, especially LSIL and NSAIL, as well as the public sector steel behemoth SAIL, should focu s on developing a working capital management policy, which r equires special attention because it has a detrimental influence on the companies' profitability. Too much holding of current o r rapid assets in hand maintains the company's solvency but ha s a detrimental impact on the profitability of the concerned fir ms.

Debtor management must be given specific attention by businesses. Debtor turnover ratios of SAIL, LSIL, and NSAIL have a negative influence on profitability, indicating that either the firms have slow moving creditors or the debtors are not paying on time. As a result, businesses must establish a healthy balance between liberal and strict debtor management policies, as well as tighten their collection policies.

His variable RMTR has a detrimental impact on the company's total profitability. The firm in question must concentrate on the use of raw materials in the manufacturing process. A high raw material turnover ratio does not automatically imply high output. Yet, raw material turnover might be significant when there is a problem with the ending raw material inventory. As a result, the firm should monitor and inspect raw materials in storage and throughout processing, as well as execute a good material management strategy, to ensure that raw materials are used appropriately for profit development.

The private sector enterprise JSPL suffered a negative impact from fluctuating STSADE on its profitability. It signifies that the company's extra costs on selling and distribution fail to create any additional sales volume, affecting profitability negatively. As a result, JSPL should exert control over operational expenditures.

The other public sector corporation, RINL, is responsible for fixed asset management. Fixed assets must be used more effectively and efficiently in order to create more sales and hence boost profitability. Yet, in this scenario, the fixed assets are not meant to boost the company's sales and profitability. As a result, RINL must pay close attention to fixed asset management.

VI. CONCLUSIONS

According to the findings of this study, Indian steel industries are performing well. Yet, sales are not the sole factor of profit maximisation. Several factors might have an impact on the profitability of the firm, either positively or negatively. According to the findings of this study, total profitability is influenced by various financial variables such as liquidity, profitability, activity, and financial leverage. Hence, in order to increase the company's profitability, the other elements must be addressed. As a result, organisations should focus on improving overall liquidity, solvency, and efficiency in order to maximise profitability; otherwise, the companies' profitability will suffer in other ways

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