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FINANCIAL ANALYSIS OF SELECTED STEEL COMPANIES LISTED IN NATIONAL STOCK EXCHANGE

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Abstract
Steel is considered to be the backbone for the development of modern economy and human civilization. The level of consumption of steel is considered as a vital index to measure the socio-economic development and standard of life of people of the country. Indian steel industry plays a significant role in the country's economic growth. The major contribution directs the attention that steel is having a stronghold in the traditional sectors, such as infrastructure & constructions, automobile, transportation, industrial applications etc. The iron and steel industry in India is one of the most essential industries in India which propels its industrial development. It has helped in generation of several subsidiaries and small scale industries and also supports the power, transport, fuel and communication industries in the country. Growth of any industries can be designated by the financial performance of indicators. It is true in the case of steel industry as well. The financial performance of any organization is influenced by several factors like capital structure, cost, revenue and the consequential profit margin. Paper has analysed the performance of steel industry listed in NSE in India on the parameters such as stability, performance, Earning, Profitability and working capital.

Introduction
India is one of the top producers of all forms of steel in the world. Steel is crucial to the development of any modern economy and is considered to be the backbone of human civilization Indian steel industry plays a significant role in the country's economic growth. The major contribution directs the attention that steel is having a stronghold in the traditional sectors, such as infrastructure & constructions, automobile, transportation, industrial applications etc. The iron and steel industry in India is one of the most essential industries in India which propels its industrial development Moreover, India is expected to become second largest producer of steel in the world That the industry has started to mark its presence world-wide is also evident from the fact that its share in world production of crude steel has been constantly on a rise since the industry's liberalization, at a healthy compound annual growth rate.

Review of Literature
1. Arunkumar O. N. and Jayakumar S. (2010) explain how working capital is considered to be the lifeblood and controlling nerve centre of the business. Profitability and solvency are two vital aspects of working capital management. The survival and growth of the company depends upon the ability to meet profitability and solvency.
2. Dr. S.K. khartiktitto Varghese, (2011) they found the profitability more or less depends upon the better utilization of resources and to manpower. It is worthwhile to increase production capacity and use advance technology to cut down cost of production and wage cost in order to increase profitability, not only against the investment, but also for investor‟s return points of view.
3. Moses Joshuva Daniel (2013) in his study "A Study on Financial Status of TATA Ltd stated the main objectives to analyzing the overall financial status of the TATA Ltd by using various financial tools. In order to analyze financial status in terms of Profitability, Solvency, Activity and Financial stability various accounting ratios have been used. It is cleared from the study that the company‟s financial performance is satisfactory. The company has stable growth and it shows a greater status in all the areas it works. The company has been suggested to reduce the expenditure as it increases every year. Decrease in expenses will increase the profitability.
4. Kavitha and Palanivelu (2013) main objectives of their study is know about the financial health of the steel industries and to analyze and compare the financial performances of NSE listed steel industries based on ratio analysis. They suggested that the companies try to increase production and sales get maximize profit to strengthen financial position of the NSE listed companies. The management may utilize maximum production capacity and reduce interest burden increase profit. The policy of borrowed financing in selected steel group of companies under study was not proper. So the companies may use widely borrowed funds and can try to reduce the fixed charges burden gradually by decreasing borrowed funds and enhancing the owner's fund. They concluded that the companies might enlarge their equity share capital by issuing new equity shares. For regular supply of raw materials and the final product infrastructure facilities are required further improvement.
5. Neeraj and Devesh (2013) studied liquidity position and impact on profitability of Tata Steel and steel authority of India. The study found that liquidity position can be improved with the help of low average collection period and

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average collection can be reduce by proper coordination between sale, production and finance department, lastly conclude that study found positive impact of liquidity position on profitability with the help of various techniques.

Objectives of the Study

1. To Analyse the Financial performance of selected steel companies with regard to stability, performance, Earnings and profitability.
2. To Examine the Working Capital Management of Selected steel company

Methodology of Study

The study is mainly based on the data in India with regard to Stability, earnings, performance and profitability position collected from secondary source which is gathered from the balance sheet and profit and loss account of different steel companies listed in National Stock Exchange and covers the period of 5 years. The data obtained have been analyzed as per the requirement of the study and financial ratio analysis are used to compare results & performance of the company

Statement of the Problem

The primary objective of a business undertaking is to earn profits. Profit earning is considered essential for the survival of the business. A business needs profits not only for its existence, but also for expansion and diversification. To invest in any business the business man wants to know the clear information about the previous business positions and annual reports. The investors want an adequate return on their investment as well as workers, creditors. And a business enterprise can discharge its obligation to various segments of the society only through earning of profit and it is necessary to know the profitability ratio. This study covers the various financial ratios for the period of five years with the selected steel companies listed in National stock Exchange.

Ratio Analysis & Interpretation

Profitability Ratios

The term profitability means the profit earning capacity of any business activity. Thus, profit earning may be judged on the volume of profit margin of any activity and is calculated by subtracting costs from the total revenue accruing to a firm during a particular period. Profitability Ratio is used to measure the overall efficiency or performance of a business. Generally, a large number of ratios can also be used for determining the profitability as the same is related to sales or investments.

Net Profit Ratio

The net profit ratio is the relation between the net profit and the net sales. It indicates the profitability after tax and excluding the non-operating incomes and expenses. The higher the ratio, the higher is the profitability.

$$\text{NetProfit} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

Table 1

Company Name	2017	2016	2015	2014	2013
TATA	-5.59	0.55	-13.05	0.97	0.67
SAIL	-6.37	-10.58	4.57	5.60	4.86
JSW	6.83	-9.53	4.70	2.94	5.07
VISA	-10.21	-115.49	-26.18	-14.80	-17.65
JINDAI	-7.12	-8.11	-2.32	8.88	-10.64

Net Profit ratio is a useful tool to measure the overall profitability of the business. A high ratio indicates the efficient management of the business. The above table shows the Net profit ratio of five selected companies and high net profit ratio of TATA steel Ltd is 0.97 in the year and less net profit ratio is -5.59 in the year 2017.SAIL steel company having the highest ratio of 5.60 in the year 2014 and less net profit ratio is -6.37 in the year 2017 and JSW steel company is having a highest ratio 6.83 in the year 2017 and less net profit in the year 2016 as -9.53 and VISA steel company is having a negative net profit ratio for continuous five years. The JINDAI steel company has 8.88 in the year 2014 and having a negative ratio in the year 2015 as -2.32.

IJMDRR
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Return on Capital

Return on Capital Employed Ratio measures a relationship between profit and capital employed. This ratio is also called as Return on Investment Ratio. The term return means Profits or Net Profits. The term Capital Employed refers to total investments made in the business.

$$\text{Return on Capital Employed} = \frac{\text{Net Profit after Taxes}}{\text{Gross Capital Employed}} \times 100$$

Table 2

Company Name	2017	2016	2015	2014	2013
TATA	3.89	4.79	6.50	6.95	5.92
SAIL	-4.70	-6.87	3.22	4.11	3.51
JSW	6.52	-6.99	3.97	2.79	4.61
VISA	-10.56	-31.65	-9.55	-5.79	5.92
JINDAI	-2.15	-3.48	0.94	4.51	6.12

The prime objective of the Return on capital is making investments in any business is to obtain satisfactory return on capital invested the higher the ratio, the more efficient use of capital employed, table shows the highest return on capital of TATA steel company in the year 2014 with 6.95% and less return on capital on 3.89% in the year 2017.SAIL steel company shows the highest ratio in the year 2014 as 4.11% and lowest ratio is -4.70%. JSW company shows 6.52% in the year 2017 and shows negative percentage in the year 2016 as -6.99%. VISA has the highest percentage of ratio in the year 5.92% in the year 2013 and low capital return on -9.55%. In 2013 JINDAI has the highest percentage of ratio as 6.12 %and lowest percentage as -2.15%

Earnings

Earnings per Share Ratio

Earnings per Share Ratio (EPS) measures the earning capacity of the concern from the owner's point of view and it is helpful in determining the price of the equity share in the market place.

$$\text{Earnings per Share Ratio} = \frac{\text{Net Profit After-tax and Preference Dividend}}{\text{No. of Equity Shares}}$$

Table 3

Company Name	2017	2016	2015	2014	2013
TATA	35.47	50.46	66.30	66.02	52.13
SAIL	-6.86	-10.02	5.07	6.33	5.25
JSW	14.80	-144.72	89.63	55.21	80.73
VISA	-12.97	-53.05	-21.95	-13.86	-8.28
JINDAI	-10.78	-11.14	-3.40	14.12	17.04

Earnings per share (EPS) are the portion of a company’s profit allocated to each outstanding share of common stock. It serves as an indicator of a company’s profitability. From the above table it is clear that EPS of Tata Steel is better in all these years because there is no negative ratio. On the other hands, VISA & Steel co. performance is not good as compare to other industries. From 2015 to 2017 JINDAI also having negative earnings per share ratio and that is not a good indicator of companies profit and comparably JSW is better than SAIL steel company.

Dividend Ratio

The dividend Payout ratio is the amount of dividends paid to stockholders relatives to the amount of total income of a company. The amount that is not paid out in dividends to stockholders is held by the company for growth. The amount that is kept by the company is called retained earnings.

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$$\text{Dividend Ratio} = \frac{\text{Dividends}}{\text{Net Income}}$$

Table 4

Company Name	2017	2016	2015	2014	2013
TATA	30.28	15.85	12.06	15.14	15.34
SAIL	0.00	0.00	39.47	31.88	38.06
JSW	6.10	-5.18	72.27	21.55	12.38
VISA	-	-	-	-	-
JINDAI	-	-	-	10.62	9.39

The dividend payout ratio measures the percentage of a company's share of profit that is given to equity shareholders in the form of dividends. Higher payout ratio indicates the strength of firm and the act of reducing dividends is usually interpreted as a sign of weakness. From the above table TATA steel company is having a highest payout ratio as 15.85% in 2016. SAIL steel company dividend payout ratio is zero for the year 2017 and 2016.VISA do not have any dividend payout ratio. JINDAI Company do not have any dividend payout ratio for three years 2015 to 2017 and in the year 2014 has the highest dividend payout ratio of 10.62.

Solvency Ratios

The term 'Solvency' generally refers to the capacity of the business to meet its short-term and long-term obligations. Short-term obligations include creditors, bank loans and bills payable etc. Long-term obligations consist of debenture, long-term loans and long-term creditors etc. Solvency Ratio indicates the sound financial position of a concern to carry on its business smoothly and meet its all obligations.

Debt Equity Ratio

This ratio also termed as External - Internal Equity Ratio. This ratio is calculated to ascertain the firm's obligations to creditors in relation to funds invested by the owners. The ideal Debt Equity Ratio is 1: 1. This ratio also indicates all external liabilities to owner recorded claims. It may be calculated as

$$\text{Debt - Equity Ratio} = \frac{\text{External Equities}}{\text{Internal Equities}}$$

$$\text{Debt - Equity Ratio} = \frac{\text{Outsiders funds}}{\text{Shareholders' funds}}$$

Table 5

Company Name	2017	2016	2015	2014	2013
TATA	0.91	0.62	1.35	0.75	0.74
SAIL	-	0.80	0.64	0.56	0.52
JSW	1.36	1.37	1.06	1.09	-0.85
VISA	0.00	0.00	1.35	0.75	0.74
JINDAI	-1.11	2.09	2.09	1.74	1.58

The Debt Equity Ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders 'equity. A high ratio generally means that a company has been aggressive in financing its growth with debt otherwise vice-versa. The above table shows the selected companies debt equity ratio and TATA steel company has the 1.35% in the year 2015 and lowest ratio in the year 2016 as 0.62 and SAIL has 0.64 as highest ratio in the year 2015 and lowest ratio in the year 0.52 in 2013 and JSW company had a negative ratio in the year -0.85 in the year 2013and highest ratio of 1.37 in the year 2016. VISA is having a zero ratios in the year 2017 and 2016. JINDAI is maintaining same level ratio in the year 2015 and 2016, and having negative ratio in the year -1.11.

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Concept of Working Capital

Working Capital may be regarded as the lifeblood of a business. Its effective Provision can do much to ensure the success of a business. Its inefficient management can lead not only to loss of profits but also to the downfall of business. A study of working Capital is of major importance to internal and external analysis because of its close relationship with the current day to day operation of a business.

From the financial management point of view, capital in broader sense can be divided into two main categories- fixed capital and working capital. To understand the exact meaning of the term 'Working Capital', it will be appropriate to understand its two components – current assets and current liabilities. The current assets are those assets, which can be converted into cash within a short period of time, say not more than one year during the operating cycle of business or without affecting normal business operations. Current liabilities are such liabilities as are to be paid within the normal business cycle a within the course of an accounting year out of current assets.

Components of Working Capital

The working capital consists of two components current assets and current liabilities. Assets of a concern are of two types- Fixed assets and current assets: Fixed assets are to be in business on permanent basis and are not intended for sale whereas the current assets are for conversion into cash at the earliest. Similar is the case with liabilities, which may be long-term liabilities and current liabilities. Long-term liabilities are those maturing over a long period of time usually five or ten years whereas short-term liabilities are those maturing within a short period usually less than a year

Table 7

Company Name	2017	2016	2015	2014	2013
TATA	-12528.77	-7621.04	-8575.37	-10162.18	-2894.95
SAIL	-46.76	402.59	5442.0	5791.66	9138.60
JSW	-1011.86	-3255.67	929.3	726.06	-868.23
VISA	-1179.47	-848.07	-607.33	-614.45	-328.95
JINDAI	-4560.96	1006.28	5361.10	44.858.22	4878.16

A proper management of working capital is essential to a company's fundamental financial health and operational success as a business. In this study investigate the relationship between the firm's working capital and profitability of the firm and also to know the comparative position of steel companies in working capital management by taking data from year 2013 to 2017. TATA steel company is having a negative ratio throughout the five years of analyses hence it shows that there is no flexibility to spend on growing its business and SAIL steel company had a good working capital in the year 2013 and later on it started decreasing and in the year 2017 it had a negative working capital. JSW steel company does not have any potentiality for three years and it has a negative working capital. VISA steel company states that company does not have enough current assets to pay its current liabilities throughout the five years. JINDAI has a positive working capital and it is available to spend on growing its business except 2017.

Suggestions

It was found that the total assets of the selected steel companies were increased considerably It resulted that there are some negative ratios due to some loss of business. The selected companies utilized their assets during the study period. Hence, the selected Indian steel companies must use their assets in fruitful manner in order to earn high level of profit and all companies have to take up initiative to increase these ratios.

Conclusion

The study deals with the analysis of financial strength of selected steel companies in India. Steel company has grown strongly in recent decades and is likely to continue to expand as the domestic producers are increasing their capacity to meet anticipated demand. The present study has brought out the various facts about the financial performance of Indian steel industry. The suggestions made in the study are of immense use for the policy makers to make appropriate decision for mitigating the financial problems and to better financial performance. In order to compete with global economic scenario and to sustain its place, steel industry needs to monitor its financial performance continually and take financial decisions rationally. Hence, it can be concluded that a company cannot attract the investors just by bonus issue and dividend unless its past performances reveals it to be more profitable. The different analyses have identified efficiency of working capital management practices and are expected to assist managers in identifying areas where they might improve the financial performance of their operation.

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