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An Analysis of the Steel Industry's Financial Performance in India

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ABSTRACT: This study looks at the financial performance of specific companies in India's steel sector using financial parameters like liquidity, solvency, and profitability position. Tata Steel Ltd., Jindal Steel Ltd., J S W Steel Ltd., Steel Authority of India Ltd., Mahamaya Steel Ltd., and Kalyani Steels Ltd. are a set of companies that are listed on Indian stock markets and have been chosen for this study. Ratio analysis is used to assess how certain variables affect the financial performance of designated steel industry units. Numerous factors, including financial facts, financial ratios, financial health, financial strength, and asset utilization, can be used to analyze the steel industry's financial performance. The steel industry's operational and financial efficiency can have an impact on financial performance. Sales, equity, return on assets, and other financial variables are the strongest measures of financial performance. The researcher has examined the Indian steel industry's performance using metrics like financial health, growth in performance, asset utilization, and profitability.

KEY WORDS: Financial performance analysis, Ratios, profitability position and Steel industry.

I. INTRODUCTION

The process of correctly establishing the relationship between the balance sheet and profit and loss account items in order to determine the firm's financial strengths and weaknesses is known as financial performance analysis. Additionally, it aids in both short- and long-term forecasting, and financial performance analysis can be used to identify growth. According to the dictionary, analysis is the process of breaking something down into its component pieces or elements in order to determine how those parts relate to the whole and to one another. An income statement or profit and loss account is the main source of information regarding an organization's financial performance throughout the course of the financial period. This displays revenue, expenses, and net profit in order.

Statement of the problem

The process of assessing the common components of financial statements in order to have a better understanding of the situation and performance of the organization is known as financial performance analysis. Investors and creditors can assess past and present performance and financial status, as well as forecast future performance, with the use of financial performance analysis. It is the process of determining the available accounting data and financial statements' financial strengths and weaknesses. By correctly establishing the relationship between the balance sheet items and the profit and loss account, the analysis is completed. Finding the facts pertinent to the decision under discussion from the entirety of the financial statement is the responsibility of the financial analyst. Arranging the data to emphasize important relationships is the second phase. Interpretation, inference, and conclusion drawing constitute the last phase. Therefore, the process of choosing, relating, and assessing the accounting data is known as financial analysis.

II. REVIEWS OF LITERATURE

“Kolluru” investigated a study on. Performance of Indian steel companies during 2019-2023. The objective of this study was to measure an overall index of performance across the Indian steel companies during 1999-2003. The objective of this study was to measure an overall index of performance across the Indian steel companies based on eleven financial ratios including the profit ratio for each company by using the globally popular method the taxonomic

method. The empirical results showed that, overall composite index would serve as a better performance indicator than the conventional stand-alone operating profit margin.

“Barad” in his thesis “A Study on Liquidity Management of Indian Steel Industry” dealt with the Analysis on liquidity of steel industry in India, which were mainly engaged in production of steel Products, The study aimed at exploring analysis of liquidity performance of steel industry in India. The study covered a period of 10 years i.e. from 2019-2020 to 2021-2022. Four companies JSWSL, JS&AL, SAIL and TSL were selected for the study. In order to analyze the liquidity performance six types of ratios were calculated i.e. current ratio, quick ratio and inventory turnover ratio working capital turnover ratio, debtor turnover ratio and average collection period. To test the hypothesis the one way ANOVA was used. The analysis describes that the need for liquidity to run day-to-day business activities can't be over emphasized

III. OBJECTIVE OF THE STUDY

- To research the steel industry's financial performance analysis
- To evaluate the Indian steel industry's profitability situation
- To assess the Indian steel industry's liquidity situation
- To evaluate the Indian steel industry's solvency situation
- To understand how the steel business is expanding

IV. RESEARCH METHODOLOGY

Research is a systematic inquiry process that includes gathering data, documenting important information, analyzing and interpreting that data or information, and doing so in compliance with appropriate techniques established by particular academic and professional disciplines.

The goal of the research is to examine an issue or situation under any given condition and determine its different causes or effects. It uses a variety of tools and approaches in an attempt to tackle a challenging and complex problem. These methods and instruments aim to provide a rational, precise, and scientific answer to the issue at hand. In general research can be characterized as an examination into the nature of causes for and the repercussions of any particular collection of circumstances. It is the process of solving the issue following a careful examination of the contextual elements.

Research methodology is a methodical approach to problem solving; it comprises the different processes that a researcher typically takes when investigating the topic and the reasoning behind them. The Steel Industry was the site of the current investigation. The study mostly relies on secondary data, specifically the company's annual reports. The company's annual reports for the previous five years were gathered. The study's necessary data was gathered from secondary sources. The internet, journals, and annual reports provided the pertinent data.

Research Design

The topic of the current study is quantitative research. The process of gathering and evaluating numerical data is known as quantitative research. Patterns and averages can be found, forecasts can be made, casual relationships can be tested, and results can be extrapolated to larger groups. The conceptual framework within which research is carried out is known as the research design. It serves as the blueprint for data collection, measurement, and analysis. The research design used in this study is analytical research.

Sample Size:

Tata Steel Ltd, JSW Steel Ltd, Steel Authority of India (SAIL) Ltd, Jindal Steel Ltd, Mahamaya Steel Industries Ltd and Kalyani Steels Ltd.

Sampling Method: Simple Random Sampling

Ratio analysis

- EPS
- Current Ratio
- Liquid ratio

- Gross profit ratio
- Net profit Ratio
- Operating profit ratio
- Total debt equity ratio
- Fixed asset turnover ratio
- Inventory turnover ratio

V. SCOPE OF THE STUDY

The study's objectives are to examine the company's liquidity, profitability, solvency, and the effectiveness with which it turns its resources into services. The goal of the study is to determine the proportions between the company's net profit and services. Liquidity ratios, such as the quick and current ratios, are used to evaluate the company's financial performance. Ratios like the gross profit ratio, net profit ratio, and others are used to determine a company's profitability. The company's financial strength was assessed with the aid of financial statement analysis. By comparing the union to a business in the same field, this study also offers helpful recommendations for improving its performance.

Limitation of the Study

Although the research is useful to industry and academics, it is not free from certain limitations. Some limitations are as follows;

- The reliability of the data depends on the accuracy of data collected.
- The present study is based on the published secondary data, hence the limitations of the published financial statement limitations may be applicable to the study as well.
- The period considered for the study is only last five year's financial statement. So it is not possible to find out the life time performance of the company.
- Most of the information is collected from the financial statements. So the limitations of the financial statements may affect the study.
- Non-monetary factors like human behaviour, their relationship extra are not considered.

VI. FINDINGS OF THE STUDY

- Tata Steel Ltd has the highest EPS of 270.06. Higher EPS ratio is always good because if EPS is higher market value of equity share will be higher in stock exchange and thus it is a good measure of profitability. Mahamaya Steel Industries Ltd has lowest EPS ratio in all five years. It shows they are not maintaining a good EPS.
- Mahamaya Steel Industries Ltd (MSIL) is maintaining a highest current ratio of 3.75 in 2022 and also the company have a good ratio in other four years. JSW Steel Ltd has a moderate ratio in 2023 which is 1.32 and a low ratio of 0.81 in 2022. A very low current ratio indicates that the liquidity position is not good.
- Mahamaya Steel Industries Ltd (MSIL) is having a highest liquid ratio of 2.11 in 2023 and in other four years they maintained a moderate ratio which is good for the company. Tata Steel Ltd. has lowest liquid ratio of 0.25 in 2020. The liquid ratio is below 1 is considered as not satisfactory.
- Tata Steel Ltd has the highest gross profit ratio of 35.39% in 2023 which is a sign of efficient production. Steel Authority of India (SAIL) Ltd. is not maintaining a good ratio in all five years. In 2019 they have a very low gross profit ratio of 2.69%. And Kalyani Steels Ltd maintained a moderate ratio in all five years.
- Tata Steel Ltd has the highest net profit ratio of 25.58% which indicates the company has high efficiency as well as profitability. Mahamaya Steel Industries Ltd (MSIL) is having a low net profit ratio in all the five years and it is not good for the company. The company faced a low ratio in 2022 which is 0.21%.
- Tata Steel Ltd has the highest operating profit ratio of 39.62% in 2023 and in 2022 it was 32.23%. Jindal Steel Ltd maintained a moderate ratio of 30.41%. And Mahamaya Steel Ltd has very low operating ratio when compared to other companies.
- Mahamaya Steel Industries Ltd has the highest debt equity ratio of 1.46 in 2019. JSW Steel Ltd has a moderate ratio in 2021 which is 0.94. Kalyani Steel Industries Ltd has very poor debt equity ratio of 0.14 in 2019.
- Mahamaya Steel Industries Ltd has the highest fixed asset turnover ratio of 2.81 during the five years. And the highest ratio indicates the better utilization of fixed assets. Jindal Steel Ltd has the lowest fixed asset turnover ratio of 0.37 in 2018 and it indicates the underutilisation of fixed assets. Kalyani Steels Ltd. is maintaining moderate fixed asset turnover ratio in all years which is also good for the company.

- Kalyani Steels Ltd has the highest inventory turnover ratio of 12.42 in 2020 and hence it is an indication of good inventory management. Jindal Steels Ltd has the lowest inventory turnover ratio which is 0.38 in 2019 and it indicates that inventories are lying in stock for a long time. Mahamaya Steel Industries Ltd. is maintaining moderate fixed asset turnover ratio in all years which is also good for the company.

VII. SUGGESTIONS

- Mahamaya Steel Industries Ltd (MSIL) has to maintain a good EPS ratio. Its EPS has been decreasing every year. EPS is a good measure of profitability and it will help the investors to take decisions on investment.
- The Tata Steel Ltd. has to maintain idle current ratio in every year since it has fluctuations in the 5 years. Current ratio is the measure of the ability of a firm to pay its current liabilities out of current assets.
- Steel Authority of India (SAIL) Ltd. has to maintain adequate level of liquid ratio. The liquid ratio is below 1 in every year
- Mahamaya Steel Industries Ltd (MSIL) is having a low gross profit ratio in all the five years and it is not good for the company. A good ratio will enhance the production or trading operations.
- The Mahamaya Steel Industries Ltd has to maintain the same current ratio in the following year. Since it has growth and development in its business. It should not be lost its control in the business.
- Operating ratio of Mahamaya Steel Industries Ltd is decreasing in every year. It has to plan its business to increase its gross profit in future. The company has to increase its business operation to increase its gross profit.
- The Kalyani Steels Ltd, Jindal Steel Ltd must maintain idle debt equity ratio.
- Jindal Steel Ltd has the lowest fixed asset turnover ratio. It must maintain adequate fixed asset value in its total assets.
- Tata Steel Ltd is having a low inventory turnover ratio. So the should focus to maintain an adequate level of inventories.
- The net profit of Mahamaya Steel Industries Ltd the has been going decreasingly. It has to follow strict financial implications and strategies to increase its net profit.

VIII. CONCLUSION

It is evident from examining the financial records of a few chosen Indian steel companies over the course of five fiscal years that the companies' financial standing is unstable. We might state that firms ought to have an effective financial management system. It should overcome the unfavorable circumstance, reduce its losses, and shield the company from the deteriorating liquidity situation. In the economy of the future, the world will belong to those who are open-minded, brave enough to take risks, creative, inventive, and adaptable to change. All of these traits have the potential to steer the business in the right direction.

The management should, however, concentrate more on the net profit and work to boost revenue. Because the majority of businesses' net profits fluctuate. Since net profit is a measure of overall profitability, the majority of businesses must maintain a sufficient amount of it. The main conclusions drawn from this study are that businesses are achieving very high levels of performance when viewed from a financial perspective. According to this study, management must take all reasonable measures to examine and adjust various policies, cash budgets, and financial condition utilizing a reliable information management system in order to further improve the company's overall performance. The management will be able to closely oversee the different operations as a result.

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