



## EFFECT ON FINANCIAL PERFORMANCE ANALYSIS WITH SPECIAL REFERENCE TO SALEM STEEL PLANT AT SALEM

**S. Sathya**

Doctoral Research Scholar, PG and Research Department of Commerce, Thanthai Hans Roever College, Perambalur - 621220

**Dr. P. Kanagaraju**

Assistant Professor and Research Advisor, PG and Research Department of Commerce, Thanthai Hans Roever College, Perambalur - 621220

### ABSTRACT

The present study aims to identify the financial strengths and weaknesses of the salem steel plant by properly establishing relationships between the items of the balance sheet and profit and loss account.

The study covers Salem Steel Plant, a special steels unit of Steel Authority of India Ltd, pioneered the supply of wider width stainless steel sheets / coils in India. The study has been undertaken for the period of twelve years from 2011-12 to 2020-21 and the necessary data have been obtained from SAIL database. The liquidity position was strong in case of both the selected companies thereby reflecting the ability of the companies to pay short-term obligations on due dates and they relied more on external funds in terms of long-term borrowings thereby providing a lower degree of protection to the creditors. The study will help investors to identify the nature of SAIL industry and will also help to take decision regarding investment.

**KEYWORDS :** Salem Steel Plant, SAIL, Investment

### INTRODUCTION

SAIL, a Central Public Sector Enterprises (CPSE) is India's largest steel producer with around 17.43 MT of Hot Metal and 16.15 MT of Crude Steel production. With Annual Turnover of more than Rs. 61000 crores in 2019-20, SAIL is one of the 'Maharatna CPSE' of country and has been the pivot of the domestic steel industry has continuously moved with the times to carve a niche for itself among the leading steel producers of the World.

SAIL Plants together produce the widest spectrum of steel products in the country, covering both flat and long product segments, providing cost-effective and superior quality of products and services.

SAIL has completed a massive expansion plan and increased its crude steel production capacity to 21 million tonnes (MT) enabling its steel plants to produce 100% steel through the basic oxygen furnace-continuous casting route and an expanded product mix with a larger proportion of value-added items. A long term strategic plan has been worked out to steer the company towards a target of 50 MT of hot metal production by 2031, thereby meeting the strategic objectives of maintaining leadership position in Indian steel sector and a position amongst the top steel companies globally and makes its steel available at customers' doorsteps through one of the most extensive warehouse, distributor and dealer networks.

Salem Steel Plant, a special steels unit of Steel Authority of India Ltd, pioneered the supply of wider width stainless steel sheets / coils in India. The plant can produce austenitic, ferritic, martensitic & low-nickel stainless steel in the form of coils & sheets with an installed capacity of 70,000 tonnes / year in Cold Rolling Mill & 3,64,000 tonnes / year in Hot Rolling Mill. Its steel melting shop can produce 1,80,000 tonnes of slabs per annum. In addition, the plant has country's first top-of-the-line stainless steel blanking facility with a capacity of 3,600 tonnes / year of coin blanks & utility blanks / circles.

This study was undertaken to investigate into the financial performance of Salem Steel Plant at Salam District. The study revealed that Salem Steel Plant in the study area have not performed well on all the parameters of financial performance. On plant performed best on one parameter, but worst on another which prove that the overall financial performance of the steels has not been quite good and all the Steel Plants have to make improvements on different fronts.

### Review Of Literature

Ramachandra et.al., (2019) conducted research on Financial Performance Analysis of Primary Agriculture Cooperative Credit Society (PACCS) and adopted various tools used for a ratio analysis, regression analysis, comparative balance sheet, common size balance sheet, time series analysis and found the increase and decrease position in particular field of the PACCS. Sathyamoorthi et.al., (2016) study was to provided empirical evidence on the financial performance of selected SACCOSs through ratio analysis and other analytical methods. . Muruganantham & Aichaya (2021) study was to analyzed the liquidity and profitability position of Cognizant. The tools that are used are operating profit ratio operating expenses ratio and other profitability ratio, liquidity ratio and solvency ratio . Deepa. & Iswarya (2021) financial analysis involves studying various relationships between different items reported in a set of financial performance and evaluates to a firms financial performance in order to point out the strengths and weaknesses of the firm. Gowsalya And Mohammed Hasan (2017) study was to compare the current financial performance with last five years and to study the existing financial position of Company and the data that used in this study, comparative balance sheet, common size balance sheet, comparative balance sheet analysis ,that the current liabilities is higher than the current asset in every year. The researcher identify the financial strengths and weaknesses of the Indian public sector pharmaceutical enterprises by properly establishing relationships between the items of the balance sheet and profit and loss account. The study covers two public sector drug and pharmaceutical enterprises listed on BSE. The study has been undertaken for the period of twelve years from 1997-98 to 2008-09 and the necessary data have been obtained from CMIE database. The liquidity position was strong in case of both the selected companies thereby reflecting the ability of the companies to pay short-term obligations on due dates and they relied more on external funds in terms of long-term borrowings thereby providing a lower degree of protection to the creditors.

### METHODOLOGY

The present study covers financial performance analysis in Salem Steel Plant . The sample of the companies has been selected on a convenient basis and the necessary data have been obtained from Salem Steel Plant .The study has been undertaken for the period of ten years from 2011-12 to 2020-21. In order to analyze financial performance in terms of liquidity, solvency, profitability and financial efficiency, various accounting ratios have been used. Statistical measures have been used i.e., Analysis of variance.

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. So, the research methodology not only talks about the research methods but also considers the logic behind the method used in the context of the research study.

The required data for the study are basically secondary in nature and the data are collected from the audited reports of the company.

**Analysis And Results**

The financial performance of selected Salem Steel Plant is shown in the succeeding.

**DEBT – EQUITY RATIO**

The debt – equity ratio is calculated to the measure in relative claims of the outsiders and the owners (shareholders) against the firm's assets. This ratio is calculated to measure the extent to which debt financing has been used in a business. A very low ratio is not considered satisfactory for the shareholders because it indicates that the firm is not able to use the low – cost outsiders' funds to magnify their earnings.

In order to find out whether there is any significant difference between the debt equity ratios of the selected Salem Steel Plant in the study area, a null hypothesis framed and tested with the help of ANOVA test.

H0: Salem Steel Plant (SAIL) in the study area maintain the same level of debt equity ratio.

**Table No. 1 Analysis of Variance Test**

	Sum of Squares	Df	Mean Squares	F	Result
Between groups	304.730	03	101.577	12.1336	Significant t**
Within groups	301.374	36	8.371		
Total	606.104	39	-		

\*\*Significant at 5% and 1% level

The calculated F value is 12.13, which is greater than that the Table value at 5 per cent level (2.87) and 1 per cent level (4.38). Therefore, the null hypothesis is rejected. Hence, it can be concluded that the debt equity ratio of selected Salem Steel Plant significantly differs.

**Liquid Assets To Total Assets**

Liquid Assets include cash in hand, balance with other (both in India and abroad), and money at call and short notice. This ratio is arrived by dividing liquid assets by total assets. The proportion of liquid assets to total assets indicates the overall liquidity position of the plants.

To find out whether there is any significant difference among the Salem Steel Plant for maintaining the ratio of liquid assets to total assets, a null hypothesis is framed and tested with the help of ANOVA test.

H0: There is no significant difference among the Salem Steel Plant for maintaining liquid assets to total assets ratio.

**Table No. 2 Analysis of Variance Test**

	Sum Of Squares	Df	Mean square	F	Result
Between groups	4720.338	03	1573.446	10.39	**Significant t
With in groups	5449.426	36	151.373		
Total	10169.764	39			

\*\*Significant at 5% and 1% level

The calculated F value is 10.39, which is greater than that the

table value at 5 per cent level (2.87) and 1 per cent level (4.38). Therefore, the null hypothesis is rejected. Hence, it can be concluded that there is a significant difference among the Salem Steel Plant in the study area in maintaining liquid assets to total assets ratio.

**CONCLUSION**

The company has judicious mix of export and domestic sales so as to dependency on any market. The company has taken up vertical integration by having long term arrangement with supplies for key inputs like to iron ore, oxygen and coal etc. certain other inputs viz power, coke, lime are available from the house facilities the company manufactures a wide range of product like pellets, slabs, coils, plats, galvanized coils and colour coated products with a flexibility to increase or reduce suppliers in line with market dynamics. This maintains a natural hedge against exchange rate movements. SAIL focus on sustainable development by establishing equilibrium and social performance. All expansion projects are planned and designed keeping in mind their environmental and compliance standards.

A product financial manager has to measure the working capital policy followed by the company. SAIL continues to play an important role in the industrial development of country; there is every possibility that SAIL would establish for itself a permanent and unshakable position in the industrial map of Indian and also in the emerging international market for sales in steel plants.

**REFERENCES**

- Bhanu, V.(1995), " Liberalisation and Performance of Steel Industry". Economic and Political Weekly: M111-M116.
- Bhunia, Amalendu & Mukhuti, Somnath & Roy, Gautam. (2011). Financial Performance Analysis-A Case Study. Current Research Journal of Social Sciences. 3(3), 269-275.
- Brigham, E.F., and J.F. Houston.2012. Fundamentals of Financial Management, Concise. 7th Edition. Mason, OH: Harcourt college publisher.
- Deepa, S , and Ms. J. Iswarya. (2021.) A Study on Financial Performance Analysis of Alamelu Steel Industries at Salem. International Journal of All Research Education and Scientific Methods, 9 (10), 434- 437.
- G. Sundarasan Reddy, Financial Management, Himalaya publishing house, Mumbai.
- Gowsalya R S, and Mohammed Hasan M.(2017). Financial Performance Analysis. International Journal for Research Trends and Innovation. 2(6),9398.
- I M Pandey, Financial Manahement, vikas publishing house pvt. Ltd, NewDelhi.
- Muruganatham,& Atchaya. (2021). A study on financial performance of cognizant technology solutions. EPRA International Journal of Multidisciplinary Research (IJMR), 7(7), 1-3.
- Ramachandran, Kandhakumar & Kannadas. (2019). A study on financial performance analysis of alangulam primary agriculture co-operative credit society, Alangulam, Tirunelveli District. Journal of Interdisciplinary Cycle Research, 11(12), 595-604.
- Sathyamoorthi, Christian J. Mbekomize, Ishmael Radikoko & Lillian Wally-Dima. (2016). An analysis of the financial performance of selected savings and credit co-operative societies in Botswana. International Journal of Economics and Finance, 8(8), 180-193.
- Thachappilly, G. (2009). "Financial Ratio Analysis for Performance Check: Financial Statement Analysis with Ratios Can Reveal problem Areas." Journal of financial ratio analysis for performance evaluation. 1(2),14-23

**WEBSITE**

- www.SAIL.com