



A Comparative Analysis of Financial Performance of Sail And JSW

KEYWORDS

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ABSTRACT Steel Industry play a vital role in development of any country. In present research paper an attempt has been made to study the financial performance of two selected units of steel Industry i.e. SAIL and JSW. The present study covers the five year period of both units. In the paper, it has been try to analyze the profitability, liquidity and management efficiency of both units with various financial tools and techniques. The paper has been also derived findings from the analysis.

Introduction

Steel is crucial to the development of modern economy and is considered to be backbone of human civilization. The level of per capita consumption of steel is treated as an important index of the level of socioeconomic development and living standard of the people in any country. It is a product of a large and technological complex industry having strong forward and backward linkages in terms of material flows and income generation. Steel Industry was n the vanguard in the liberalization of industrial sector and has made rapid strides since then.

The current global Steel Industry is in its best position in comparison to last decades. The supreme crisis has lead to the recession in economy of different countries, which may lead to have a negative effect on whole Steel Industry in coming years. However, Steel production and consumption will be supported continuous economic growth.

Literature review

- Miss Nandini Jaimini published an article "evaluation of cash management performance of the selected textile mills in Rajasthan" in Indian journal of public enterprise in 1988 – 89. She made analysis of selected textiles units by using various liquidity ratios and concluded that the inadequate cash balance to meet their currently maturing obligations.
- Journal of management Vol – III, 2006, "A comparative analysis of financial performance of IOC and BPCL" by Dr. D.C. Gohil. This research paper an attempt has been made to study the financial performance of two large units of petroleum industry i.e., IOC and BPCL. In the paper, it has been tried to analyze the assets turnover, li-

quidity and profitability of two units with various financial tools and statistical tools.

- Indian journal of accounting volume XLII (1) December 2011, "cash management performance evaluation' by Sudipta Ghosh. This study comparison between TSL and SAIL. The empirical findings of the study reveal that TSL on the average has utilized its cash more efficiently in comparison to SAIL. TSL has better capacity to correct its sales in to cash than that of SAIL.

Objectives of the study

1. To analyzed liquidity position of selected units.
2. To study profitability of selected units.
3. To examine management efficiency of selected units.
4. To make suggestion of improvement of financial soundness.

Hypotheses of the study

Ho = There is no significant difference in profitability, liquidity position, Management efficiency of both the selected units.

Research Design

1. Sample:-

The universe of the study consist all the limited steel companies working in India and listed in stock exchange in India. Here, researcher has selected two companies SAIL and JSW for this comparative study.

2. Tools and techniques:-

- Tool:- Ratio Analysis
- Statistical Techniques: - Mean, Standard deviation and T – test.

Data Analysis and Interpretation

Table - 1

| A. Profitability ratios of SAIL and JSW with T – valuation | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|--------|-------|-----------|-------------|-------|
| Year | 2008 | 2009 | 2010 | 2011 | 2012 | Mean | S. D. | T - value | Table value | H0/H1 |
| OPM | | | | | | | | | | |
| SAIL | 28.5 | 20.66 | 23.81 | 17.3 | 13.86 | 20.83 | 5.08 | 0.41 | 2.306 | H0 |
| JSW | 29.46 | 20.42 | 23.52 | 20.08 | 17.42 | 22.18 | 4.61 | | | |
| PBIT | | | | | | | | | | |
| SAIL | 24.34 | 16.75 | 19.29 | 12.97 | 9.87 | 16.64 | 5.60 | 0.16 | 2.306 | H0 |
| JSW | 23.05 | 14.32 | 17.28 | 14.01 | 12.02 | 16.14 | 4.30 | | | |
| GPM | | | | | | | | | | |
| SAIL | 25.3 | 17.62 | 20.3 | 13.55 | 10.22 | 17.398 | 5.86 | 0.34 | 2.306 | H0 |
| JSW | 23.43 | 14.51 | 17.33 | 14.11 | 12.09 | 16.294 | 4.41 | | | |
| NPM | | | | | | | | | | |

| | | | | | | | | | | |
|------|-------|-------|-------|-------|-------|--------|-------|------|-------|----|
| SAIL | 18.26 | 13.55 | 15.93 | 11.25 | 7.5 | 13.298 | 4.17 | 1.68 | 2.306 | H0 |
| JSW | 14.92 | 3.23 | 11.09 | 8.64 | 5.04 | 8.584 | 4.68 | | | |
| ROCE | | | | | | | | | | |
| SAIL | 42.76 | 26.92 | 20.29 | 13.03 | 11.06 | 22.812 | 12.80 | 1.49 | 2.306 | H0 |
| JSW | 18.76 | 11.53 | 15.08 | 11.73 | 13.22 | 14.064 | 2.99 | | | |
| RONW | | | | | | | | | | |
| SAIL | 32.7 | 22.1 | 20.29 | 13.34 | 8.92 | 19.47 | 9.10 | 1.01 | 2.306 | H0 |
| JSW | 22.99 | 5.59 | 21.14 | 12.07 | 8.77 | 14.112 | 7.64 | | | |

Analysis:-

Profitability ratio shows the financial soundness of the steel units management of the units is also interested to know its operational efficiency.

- ✓ OPM of SAIL in the year 2008 was 28.5% which is highest during the study period. In JSW, OPM is 22.18% in the year 2008. So the profitability of JSW is higher than SAIL. Further calculation of t – value indicates that there is no significant difference in the OPM.
- ✓ In the matter of PBIT, from view point of mean performance of SAIL and JSW is similar. In SAIL and JSW, PBIT was highest in the year 2008 i.e., 24.34% and 23.05% respectively. It is supported by t – value that both units are same in PBIT.
- ✓ The GPM of SAIL and JSW shows a fluctuated trend dur-

ing study period. T – Value indicates that there was no significant difference in this ratio.

- ✓ In the NPM, from view point of mean, SAIL is higher than JSW. But T – Value indicates that there was no significant difference in this ratio.
- ✓ ROCE of SAIL was higher in 42.76% in the year 2008, where as it was 18.76% in JSW in the year 2008. So the SAIL has a better position. The result of t – test indicates that there is no significant difference in the ratio of ROCE.
- ✓ RONW ratio presents reduce income of shareholders. The RONW of SAIL was decreasing trend but it was higher than JSW. The result of t – test indicates that there is no significant difference in the ratio of RONW

Above analysis explain that profitability of SAIL is highest as compared to JSW.

Table – 2

| B. Liquidity Ratios of SAIL and JSW with T – valuation | | | | | | | | | | |
|--|------|------|------|------|------|------|-------|-----------|-------------|-------|
| Year | 2008 | 2009 | 2010 | 2011 | 2012 | Mean | S. D. | T - value | Table value | H0/H1 |
| CR | | | | | | | | | | |
| SAIL | 1.71 | 1.75 | 2.03 | 1.22 | 1.21 | 1.58 | 0.36 | 5.56 | 2.306 | H1 |
| JSW | 0.51 | 0.44 | 0.58 | 0.78 | 0.76 | 0.61 | 0.15 | | | |
| QR | | | | | | | | | | |
| SAIL | 1.31 | 1.25 | 1.61 | 1.42 | 0.72 | 1.26 | 0.33 | 5.55 | 2.306 | H1 |
| JSW | 0.28 | 0.28 | 0.31 | 0.49 | 0.54 | 0.38 | 0.13 | | | |
| DER | | | | | | | | | | |
| SAIL | 0.17 | 0.31 | 0.52 | 0.57 | 0.42 | 0.40 | 0.16 | 3.82 | 2.306 | H1 |
| JSW | 1.06 | 1.51 | 1.26 | 0.74 | 0.69 | 1.05 | 0.35 | | | |
| LTDER | | | | | | | | | | |
| SAIL | 0.16 | 0.28 | 0.51 | 0.34 | 0.31 | 0.32 | 0.42 | 2.89 | 2.306 | H1 |
| JSW | 1.01 | 1.34 | 1.25 | 0.72 | 0.65 | 0.99 | 0.31 | | | |

Analysis:-

In second category of financial ratio is liquidity ratio. Various parties are interested in the liquidity position & long term soundness of the unit. The liquidity ratio shows the liquidity position of the units.

- ✓ The current ratio of SAIL showed progressive and fluctuating trend during the study period. The current ratio of JSW also having fluctuating trend. It shows that JSW have not maintained standard 2:1. Looking to the result of t, it can be concluded that current ratio position of both the units are not same.
- ✓ A quick ratio of 1:1 is the standard norms for evaluating solvency position of business. The quick ratio of SAIL is more than Standard norms and the quick ratio of JSW is

not equal to standard norms. It shows the better solvency position of SAIL. Both the units are significantly differing for this ratio.

- ✓ Debt equity ratio shows the relating contribution of creditor and owners. In general lower the debt equity ratio, higher the degree of protection enjoyed by creditors. From the view point of mean SAIL has a good position. It is supported by t – value that both units are not same in this ratio.
- ✓ In case of long term debt equity ratio, from view point of mean JSW has a better position in long term debt equity ratio. Looking at the t – value, both units are significantly differing from each other.

Overall researcher can say that liquidity position of SAIL is better as compared to JSW.

Table – 3

| C. Management efficiently Ratios of SAIL and JSW with T – valuation | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-----------|-------------|-------|
| Year | 2008 | 2009 | 2010 | 2011 | 2012 | Mean | S. D. | T - value | Table value | H0/H1 |
| ITR | | | | | | | | | | |
| SAIL | 8.58 | 5.84 | 6.01 | 5.08 | 3.7 | 5.84 | 1.78 | 2.89 | 2.306 | H1 |
| JSW | 9.26 | 8.75 | 8.95 | 7.1 | 7.97 | 8.41 | 0.87 | | | |
| DTR | | | | | | | | | | |
| SAIL | 14.64 | 14.14 | 12.15 | 10.94 | 10.25 | 12.42 | 1.93 | 11.01 | 2.306 | H1 |

| | | | | | | | | | | |
|---------|-------|-------|-------|-------|-------|-------|------|------|-------|----|
| JSW | 39.11 | 38.09 | 37.79 | 32.95 | 29.12 | 35.41 | 4.25 | | | |
| Invt.TR | | | | | | | | | | |
| SAIL | 8.58 | 5.84 | 6.01 | 5.08 | 3.7 | 5.84 | 1.78 | 2.89 | 2.306 | H1 |
| JSW | 9.26 | 8.75 | 8.95 | 7.1 | 7.97 | 8.41 | 0.87 | | | |
| FATR | | | | | | | | | | |
| SAIL | 1.28 | 1.33 | 1.14 | 1.1 | 1.09 | 1.19 | 0.11 | 6.58 | 2.306 | H1 |
| JSW | 0.82 | 0.83 | 0.83 | 0.84 | 0.91 | 0.85 | 0.04 | | | |
| ATR | | | | | | | | | | |
| SAIL | 1.28 | 1.33 | 1.14 | 0.77 | 0.8 | 1.07 | 0.26 | 1.28 | 2.306 | H0 |
| JSW | 0.82 | 0.81 | 0.9 | 0.92 | 1.07 | 0.90 | 0.10 | | | |

Analysis:-

Management efficiency indicates the efficiency with which an enterprise's resources are utilized.

- ✓ ITR and invt. Turnover ratio both same. Both the ratios of SAIL and JSW are highest in the year 2008 i.e., 8.58 and 9.26 times respectively. From view point of mean JSW has a good position. T – Value indicates there is significant different in both ratios.
- ✓ DTR of both the units were in decreasing trend. It is good for both units. But SAIL has a better position as compared to JSW because in the 2012, DTR of SAIL is 10.25 days and JSW has 29.12 days. It is supported by t – value that both units are not same in debtor's turnover ratio.
- ✓ Fixed assets turnover ratio of SAIL was highest in the year 2009 i.e., 1.33 and FATR of JSW was highest in the year 2012 i.e., 0.91. From view point of mean FETR of SAIL has good position. T – Value indicates that there is significant difference in this ratio.
- ✓ From view point of mean ATR of SAIL was higher than the JSW. The value of ATR in SAIL is good. But calculation of t – value indicates that ATR position of both units is same.

Overall researcher can say that on aspects of efficiency of assets utilization both steel units has maintained its position

to some extent. In case SAIL, it has better position in DTR, FATR and ATR and in case of ratio of ITR and invt.TR, JSW has good position. It can be concluded that management efficiency of both the units has good.

Findings

1. Profitability analysis: - profitability position of SAIL is good as compare to JSW.
2. Liquidity analysis: - liquidity or solvency position of SAIL is quite better in comparison to JSW. This shows sound liquidity position of SAIL. Statistically there is each significant difference between them as revealed by T-Test.
3. Management efficiency analysis: - efficiency of asset utilization of SAIL is better than JSW. T-Test revealed that there is significant difference between them.

Suggestions

1. JSW needs to improve their financial performance.
2. In order to increase the profitability of the companies, it is suggested to control the cost of Goods sold and operating expenses and to adopt cost reduction technique.
3. The management should try to utilize their production capacity fully in order to reduce factory over heads and to utilize their fix assets properly.
4. The government should minimize the subsidy and encourage the capital market for the steel companies.

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