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A Study on Financial Position of Selected Steel Industries Listed in Nse

KEYWORDS: NSE, Solvency, Gross Profit, Quick Ratio, Current Ratio, Production Capacity

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ABSTRACT *The Iron and Steel Industry in India has 2 separate divisions (I) Integrated producers and (II) Secondary producers. The total number of 7 companies has been selected for the purpose of the study. The study was conducted to analyze the present financial health of the organizations based on the following objectives. To assess the profitability position of the companies listed steel in NSE To analyze and compare the performances of the NSE listed steel industries. To analyze the complete financial analysis based on profitability of the companies. The management should utilize maximum production capacity to increase profit.*

Introduction
Steel was under a fairly strict framework of regulation till 1992 and the erstwhile policy was to allocate scarce investment and infrastructure resources for optimum and planned development of the industry and to make available this scarce industrial intermediate to the users at a reasonable price. The Iron and Steel Industry in India has 2 separate divisions (I) Integrated producers and (II) Secondary producers

Research Methodology
The seven companies have been selected for the purpose of this study. Companies of the Iron and Steel industry in India are randomly selected based on their listing in NSE for the purpose of this study. The study covers a period of 10 years 2001-2002 to 2010-2011.

Sources of Data
To accomplish the objectives of the Study, Primary and Secondary data were used. Primary data were collected from steel industries and secondary data has been collected from company records, published and unpublished financial reports, journals, magazines, and websites. Data analyses following accounting and statistical tools are used (i) Ratio Analysis (ii) ANOVA.

Objectives of the Study
- To assess the profitability position of the companies listed steel in NSE
- To analyze and compare the performances of the NSE listed steel industries.
- To analyze the complete financial analysis based on profitability of the companies.

Statement of the Problem
The study is conducted to analyze the present financial health of the organizations. The study aims to measure the profit and growth of steel industries listed in NSE and also to identify the drawbacks which are of the indicators of the low profit of the industry. The tool used for the study is to understand the actual position and present situation.

Limitations of the Study
However, the study hedges with certain limitations:
- The study has considered only ten years of data for its analysis.
- Any change the policy or attitude of the government may make the conclusions obsolete.
- The study is fully evident and based on the monetary information provided by the organizations.

Analysis
Ratio Analysis
Table: 1 Liquidity Ratios (Value Crores)

Companies	Current Ratio		Quick Ratio	
	Average	SD	Average	SD
Bajaj Steel Industries	0.90	0.16	1.07	0.26
Gangotri Iron & Steel Company	0.33	0.18	1.22	0.37
Kanishk Steel Industries	0.83	0.19	0.46	0.06
Mahamaya Steel Industries	1.25	0.26	1.68	0.50
Modern Steels	4.45	1.79	1.02	0.74
Vallabh Steels	1.49	0.28	1.17	0.17
Welcast Steels	1.75	1.56	1.21	1.30

Table 1 shows the seven steel industries which are listed under NSE has been taken for the study towards its Liquidity Position. The Current Ratio is taken for analysis shows that most of the industries were satisfying the rule of thumb i.e. 1:1 towards the current ratio. However, the highest ratio was found with Steel Strips which recorded 4.45 times and the lowest current ratio was recorded by India Steel which stood at 0.33 times. It is observed that on an average the Current Ratio of NSE listing companies were found to be satisfactory.

The steel industries liquidity positions which are listed under NSE has been taken for the study that analyses the quick ratio. The Quick Ratio is taken for analysis reveals that except Panchmahal Steel, the remaining six industries were almost fairing in average towards the quick ratio. However, the highest ratio was recorded by Sarda Energy and Minerals at 1.68 times and the lowest quick ratio was recorded by Panchmahal Steels which stood at 0.46 times. It is observed that on an average the quick ratio of NSE listing companies were found to be satisfactory.

Table: 2 Solvency Ratio (Value Crores)

Companies	Debt Equity Ratio		Quick Ratio	
	Average	SD	Average	SD
Bajaj Steel Industries	2.44	0.90	6.75	4.57
Gangotri Iron & Steel Company	33.83	29.31	1.62	4.08
Kanishk Steel Industries	2.14	1.97	4.94	4.62
Mahamaya Steel Industries	109.83	343.51	11.60	10.71
Modern Steels	0.93	0.48	1.59	1.10
Vallabh Steels	0.86	0.11	3.35	1.67
Welcast Steels	1.93	1.25	6.36	8.77

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Table 2 shows the seven steel industries solvency position which are listed under NSE has been taken for the study that analyses the Debt Equity Ratio. The Debt Equity Ratio is taken for analysis reflects that Sarda Energy performed exceptionally high showing 109.83 times and the remaining six industries were almost matching the rule of thumb i.e. 1:1 towards the debt equity ratio. However, the highest ratio was recorded by Sarda Energy and Minerals at 109.83 times and the lowest debt equity ratio was recorded by Sunflag Iron and Steels which stood at 0.86 times. It is observed that on an average the short term solvency position of the NSE listing companies were found to be satisfactory.

The steel industries solvency positions which are listed under NSE have been taken for the study that analyses the Interest Coverage Ratio. The Interest Coverage Ratio is taken for analysis reflects that except India steel works which poses negativity towards Interest coverage the remaining six industries were found to be performing positively and marginally good towards the interest coverage ratio. However, the highest ratio was recorded by Sarda Energy and Minerals which stood at 11.60 times and the lowest interest coverage ratio was recorded by India steels which recorded at 1.62 times. It is observed that on an average the solvency position of the NSE listing companies towards interest coverage ratio was found to be satisfactory.

ANOVA:
To test the level of consistency of Gross Profit among the NSE units and years the following null hypothesis is stated.

Null Hypothesis: H_0

- There is no significant difference among the sample units in the average Gross profit ratio of Steel industries.
- There is significant difference among the sample units in the average Gross profit of Steel industries.

Table: 3 showing Analysis of variance of Gross Profit among the NSE Units

Source of Variation	df	F-Result	P=0.05
Rows	6	2.709259	S
Columns	9	0.898353	NS
Error	54		
Total	69		

S: Significant
NS: Not Significant

Two-way ANOVA was applied to find significant difference among sample units and among years in the average gross profit ratio. The ANOVA table shows that the calculated 'F' ratio value for variation between samples units is 2.70 is more than the table value at 5% level of significance. The calculated F ratio for variation between years is 0.89 which is less than the table value 2.21 at 5% level of significance. This indicates that there is significant difference among the sample NSE units in the gross profit ratios where as the gross profit do not differ significantly between the years.

Findings:
The Current Ratio of NSE listing companies were found to be satisfactory.

- The quick ratio of NSE listing companies was found to be satisfactory.
- The short term solvency positions of the NSE listing companies' dept equity ratio was found to be satisfactory.
- The solvency position of the NSE listing companies towards Quick ratio was found to be satisfactory.
- There is significant difference among the sample NSE units in the gross profit ratios where as the gross profit do not differ significantly between the years.

Suggestions:
The management should utilize maximum production capacity. Companies to reduce interest burden it will help to increase profit. The policy of borrowed financing in selected steel group of companies under study was not proper. The regular supply of raw materials and the final product infrastructure facilities are required further improvement.

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