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Research Paper

A Study on Financial Performance of Iron and Steel Industries India

Commerce

KEYWORDS :

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ABSTRACT

Iron and Steel Industry is importance for the economic development of a country in terms of foreign exchange, employment generation, infrastructure development and technology. It is one of the most energy intensive sectors in Indian economy. The Steel Industry is a fundamental sector for development of nation. The level of per capita consumption of steel is treated as an important index of the level of socioeconomic development and standard of living of the people in any country. At present, India is world's second largest producer of steel. High demand of Iron and steel by sectors like, Infrastructure, Automobile and Real estate have given a boost to Iron and Steel Industry in India. Combined with huge production to the export of Iron and steel has also grown by 12.5%.

INTRODUCTION

Steel is fundamental to the development of any nation. The level of per capita consumption of steel is treated as an important index of the level of socioeconomic development and standard of living of the people in any country. It is a product of a large and technologically complex industry having strong forward and backward linkages in terms of material flows and income generation. All major industrial economies are characterized by the existence of a strong Iron and Steel Industry and the growth of many of these economies has been largely shaped by the strength of their steel industries in their initial stages of development. Iron and Steel Industry was revolution in the liberalization of the industrial Sector and has made rapid strides since then. The new Greenfield plants represent the latest in technology.

STATEMENT OF THE PROBLEM

Iron and Steel Industry is importance for the economic development of a country in terms of foreign exchange, employment generation, infrastructure development and technology. It is one of the most energy intensive sectors in India economy. The government is planning a massive enhancement of the iron and steel production capacity of India with the modernization of the existing iron and steel plants.

1. What are the factors contributing to the improvement of profitability position of Iron and Steel Industry?

ObjectiveS OF THE STUDY

- To examine the financial performance of select Iron and Steel industry.
- To investigate the factors affecting the steel industries based on profitability model.

Scope of the Study

This study confines itself to the issues relating to the Financial Performance of the iron and steel industries with regard to its growth, profitability and liquidity and the impact on various factors such as capital, liquidity, asset quality, earnings quality and liquidity passion of Iron and Steel Industry for the period of ten years.

RESEARCH METHODOLOGY

Research

The primary purpose for basic research is discovering, interpreting and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe. Methodology is a way of systematically solving a research problem.

Research Design

Research design constitutes the blueprint for the collection, measurement and analysis of data. The research applied in the study is Analytical Research Design. Analytical study is a system of procedures and techniques of analysis applied to quantitative data. It may consist of a system of mathematical models or statistical techniques applicable to numeric data.

Sampling Design

There are about 227 Iron and Steel Industries which are working in India. Out of which 168 Industries were listed in stock exchange in India. Finally 21 Industries were taken for the study.

Sources of Data

For the study secondary data is used. The data are collected from the audited balance sheet, journals, magazine, Bulletins, library sources.

Data Analysis

The Performance analysis of select Iron and Steel Industry in India were analyzed for the period of ten years from 2002-2003 to 2011-2012 with the help of the following tools and techniques.

TOOL USED

- ANOVA

List of steel Industries Selected For the Study

Bajaj Steels, Bhushan Steel, Essar Steel, Gangotri Steel, India Steels, JSW Ispat, JSW Steel, Kanishk Steel, Mahamaya Steels, Modern Steel, Panchamahal Steel, Rashtriya Ispat, SAIL, Sarda Energy, Steel Strips, Sunflag Steels, Tata Steel, Uttam Galva, Vallabh Steels, Visa Steels, Welcast Steel

ANALYSIS OF VARIANCE

To find out whether the liquidity, leverages and efficiency positions of the steel industries during the selected period of time have any significant difference in the profitability position. Hence, Analysis of Variance (ANOVA) has been used

HYPOTHESIS-1: There is no significant difference between the current ratio having impact on Profitability Position of Steel Industries.

Table: 1 ANOVA of Current Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	18202.122	147.985	2.848	.000
Within Groups	4468.998	51.965		
Total	22671.120			

The above table 1 reveals that the calculated 'F Value' is 2.84. Whereas the table value is 1.52 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is more than the table value. From the above table concludes that there is significant relationship

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among the current ratio having impact on profitability positions of the steel industries during the period of study has been rejected.

HYPOTHESIS-2: There is no significant difference between the quick ratio having impact on Profitability Position of Steel Industries.

Table: 2 ANOVA of Quick Ratio

Source	Sum of Squares	Mean Square	F	Sig.
Between Groups	18821.003	107.549	0.950	0.601
Within Groups	3850.117	113.239		
Total	22671.120			

The above table 2 reveals that the calculated 'F Value' is 0.950. Whereas the table value is 1.52 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is less than the table value. From the above table concludes that there is no significant relationship among the quick ratio having impact on profitability positions of the steel industries during the period of study has been accepted.

HYPOTHESIS-3: There is no significant difference between the Debt Equity ratio having impact on Profitability Position of Steel Industries.

Table: 3 ANOVA of Debt Equity Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	19648.044	128.419	2.379	0.000
Within Groups	3023.076	53.984		
Total	22671.120			

The above table 3 reveals that the calculated 'F Value' is 2.379. Whereas the table value is 1.52 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is more than the table value. From the above table concludes that that there is significant relationship among the debt equity ratio having impact on profitability positions of the steel industries during the period of study has been rejected.

HYPOTHESIS-4: There is no significant difference between the Proprietary ratio having impact on Profitability Position of Steel Industries.

Table: 4 ANOVA of Proprietary Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	22637.380	111.514	19.831	0.001
Within Groups	33.740	5.623		
Total	22671.120			

The above table 4 reveals that the calculated 'F Value' is 19.831. Whereas the table value is 1.52 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is more than the table value. From the above table concludes that that there is significant relationship among the proprietary ratio having impact on profitability positions of the steel industries during the period of study has been rejected.

HYPOTHESIS-5: There is no significant difference between the Fixed Asset to Net Worth ratio having impact on Profitability Position of Steel Industries.

Table: 5 ANOVA of Fixed Asset to Net-worth Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	17977.171	140.447	2.424	0.000
Within Groups	4693.949	57.950		
Total	22671.120			

The above table 5 reveals that the calculated 'F Value' is 2.424. Whereas the table value is 1.52 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is more than the table value. From the above table concludes that that there is significant relationship among the fixed asset to net-worth ratio having impact on profitability positions of the steel industries during the period of study has been rejected.

HYPOTHESIS-6: There is no significant difference between the Inventory Turnover Ratio having impact on Profitability Position of Steel Industries.

Table: 6 ANOVA of Fixed Asset to Inventory Turnover Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	21418.029	111.552	1.513	0.162
Within Groups	1253.091	73.711		
Total	22671.120			

The above table 6 reveals that the calculated 'F Value' is 1.513. Whereas the table value is 1.52 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is less than the table value. From the above table concludes that that there is no significant relationship among the inventory turnover ratio having impact on profitability positions of the steel industries during the period of study has been accepted.

Findings:

1. The current ratio having impact on profitability positions of the steel industries
2. The quick ratio having impact on profitability positions of the steel industries
3. The debt equity ratio having impact on profitability positions of the steel industries
4. The proprietary ratio having impact on profitability positions of the steel industries
5. The fixed asset to net-worth ratio having impact on profitability positions of the steel industries
6. The inventory turnover ratio having impact on profitability positions of the steel industries

Suggestions

Companies can reduce the interest burden by giving quality products and building brand image which will help to increase profit and utilize maximum production capacity. They can control the cost of goods sold and operating expenses. Improper planning and delays in implementation of projects lead to rise in their cost. So properly planning should be made. Companies try to increase production and sales for getting maximize profit to strengthen financial position. The management should utilize maximum production capacity.