



ORIGINAL RESEARCH PAPER

Management

PROFITABILITY ANALYSIS ON SELECTED IRON & STEEL COMPANIES IN INDIA

KEY WORDS: Profitability, Iron & Steel Company.

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ABSTRACT

The iron and Steel industry is one of the most important industry in India. India ranks second-most for the production of Iron and Steel. This industry is the mother of all industries as it helps other secondary industries and also helps in national development. Steel Industry is one of the vital aspects of stable growth and economic development. The Indian steel sector has seen large investments in the past few years. In our study our main objective was to find our most profitable Iron & Steel company from our sample companies, most profitable company is JSW Steel Ltd.

INTRODUCTION

Steel has traditionally occupied a top spot among metals. Steel production and consumption are frequently seen as measures of a country's economic development because it is both a raw material and an intermediary product. Therefore, it would not be an exaggeration to argue that the steel sector has always been at the forefront of industrial progress and that it is the foundation of any economy. The Indian steel industry is modern, with state-of-the-art steel mills. It has always strived for continuous modernization of older plants and up-gradation to higher energy efficiency levels.

Statement Of The Problem

Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability. The most common methods used for financial statement analysis are trend analysis, common size statements, and ratio analysis. These methods include calculations and comparisons of the results to historical company data, competitors, or industry averages to determine the relative strength and performance of the company being analyzed.

Objectives of the study

The study was conducted to achieve the following objectives:

1. To understand the concept of financial analysis.
2. To ascertain profitability position of selected companies on the basis key ratios.
3. To compare the profitability of selected Iron & Steel companies.
4. To compare the profit earning of the selected Iron & Steel companies from the year 2017-18 to 2021-22.

Review of Literature

Lal Manohar (1990) in his doctoral research on A Comparative Study of Financial Health of SAIL and TISCO. submitted to the Kurukshetra University, has undertaken a comparative study of financial health of SAIL and TISCO. In this study the researcher focus on the financial health of the mentioned company SAIL and TISCO where he studied comparative financial statement of SAIL and TISCO and made the comparative analysis.

Burange and Yamini (2008) Focused on the performance of Indian iron and steel industry and competitiveness of the firms during the 1971-2008. The study is based on secondary data and the data has been taken from annual report of SAIL and commercial and industrial department. The study implemented for the presentation of data which include the use of tables and CAGR methods. In the study the researcher has used variable such as- production, export and import etc. and found that the production of iron is increased continuous after independent of India.

Research Methodology

The present study is based on secondary data which have

been collected through data source from **www.moneycontrol.com website**. We taken five largest Iron & Steel companies name as Tata Steel Ltd, JSW Steel Ltd, SAIL Ltd, Hindalco Industries ltd & Jindal Steel & Power Ltd. out of seventy Iron & Steel companies in terms of total assets Which are listed in NSE source money control, for determent of profitability of the companies we use four financial ratios name as PBDIT Margin, Net Profit Margin , Return on Capital Employed & Return on Assets.

Limitation Of The Study

- The sample size is limited as this study will focus on five Iron & Steel companies.
- The time period under study is for the period of 5 years i.e., 2017-2018 to 2021-2022.

Data Analysis

We taken five largest Iron & Steel companies name as Tata Steel Ltd, JSW Steel Ltd, SAIL Ltd, Hindalco Industries ltd & Jindal Steel & Power Ltd. out of seventy Iron & Steel companies in terms of total assets Which are listed in NSE, source money control. We use Statistical Tools-1. Mean 2. Standard Deviation 3. Coefficient of Variation.

SL NO	Company Name	Total Assets(Rs in Cores)
1	Tata Steel Ltd.	221,986.22
2	JSW Steel Ltd.	162,870.00
3	SAIL Ltd.	117,741.14
4	Hindalco Industries ltd	99,057.00
5	Jindal Steel & Power Ltd.	75,162.25

Source-www.moneycontrol.com

ANALYSIS AND DISCUSSION

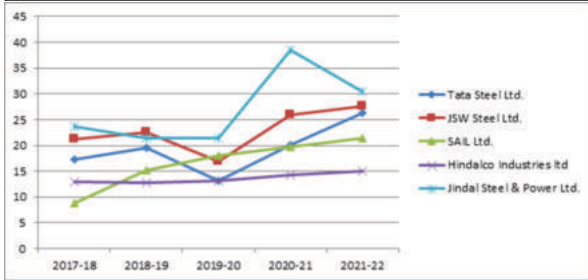
PBDIT Margin

The margin at the level of profit before depreciation, interest and tax (PBDIT), a measure of operational strength, The PBDIT margin is a measure of a company's operating profit as a percentage of its revenue. Knowing the PBDIT margin allows for a comparison of one company's real performance to others in its industry.

PBDIT Margin (%)										
Seri al No	Company Name/Financial Year	2017-18	2018-19	2019-20	2020-21	2021-22	Mean (%)	Standard Deviation	Coefficient of Variation	
1	Tata Steel Ltd.	17.25	19.53	13.19	20.06	26.34	19.27	4.79	24.84	
2	JSW Steel Ltd.	21.3	22.6	16.93	25.97	27.69	22.90	4.20	18.36	
3	SAIL Ltd.	8.77	15.31	18.03	19.67	21.45	16.65	4.95	29.73	
4	Hindalco Industries ltd	12.95	12.74	13.11	14.21	15.11	13.62	1.01	7.39	

5	Jindal Steel & Power Ltd.	23.63	21.38	21.34	38.42	30.46	27.05	7.37	27.26
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Source-www.moneycontrol.com



Interpretation

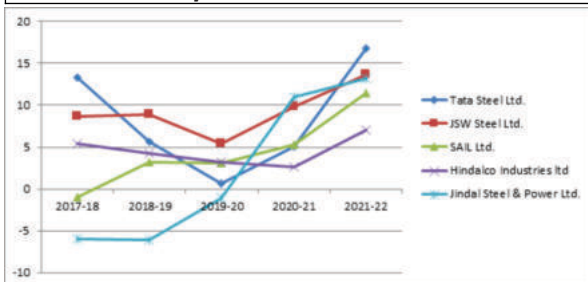
From the Above table and grape it is understood that PBDIT margin i.e operating profit of the Jindal Steel & Power Ltd.is in the highest position compare to other four companies, Mean Value of PBDIT margin is 27.05%.

Net Profit Margin (%)

The net profit margin, or simply net margin, measures how much net income or profit is generated as a percentage of revenue. Net profit margin is one of the most important indicators of a company's financial health. By tracking increases and decreases in its net profit margin, a company can assess whether current practices are working and forecast profits based on revenues.

Net Profit Margin (%)									
Ser	Company	2017-18	2018-19	2019-20	2020-21	2021-22	Mean (%)	Stan	Coeffi
No	Name/Fin							dard	cient
	cial							Dev	of
	Year							iation	Vari
									ation
1	Tata Steel Ltd.	13.3	5.62	0.66	5.02	16.84	8.29	6.60	79.63
2	JSW Steel Ltd.	8.64	8.91	5.46	9.85	13.67	9.31	2.95	31.66
3	SAIL Ltd.	-0.98	3.17	3.12	5.32	11.42	4.41	4.53	102.81
4	Hindalco Industries ltd	5.38	4.2	3.18	2.63	7.03	4.48	1.77	39.43
5	Jindal Steel & Power Ltd.	-5.93	-6.12	-1.08	10.94	13.24	2.21	9.28	419.83

Source-www.moneycontrol.com



Interpretation

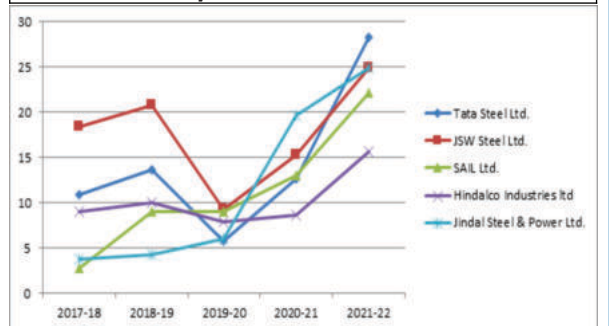
From the Above table and grape it is understood that Net profit margin i.e net profit position of the JSW Steel Ltd is in the highest position compare to other four companies mean value of net profit margin is 9.31 %.

Return on Capital Employed (%)

Return on Capital Employed (ROCE), a profitability ratio, measures how efficiently a company is using its capital to generate profits. The return on capital employed metric is considered one of the best profitability ratios and is commonly used by investors to determine whether a company is suitable to invest in or not.

Return on Capital Employed (%)									
Ser	Company	2017-18	2018-19	2019-20	2020-21	2021-22	Mean (%)	Stan	Coeffi
No	Name/Fin							dard	cient
	cial							Dev	of
	Year							iation	Vari
									ation
1	Tata Steel Ltd.	10.92	13.59	5.79	12.69	28.31	14.26	8.41	59.01
2	JSW Steel Ltd.	18.35	20.73	9.27	15.28	24.85	17.70	5.87	33.15
3	SAIL Ltd.	2.75	9	8.98	13.05	22.19	11.19	7.17	64.01
4	Hindalco Industries ltd	9.05	9.97	7.86	8.59	15.6	10.21	3.11	30.41
5	Jindal Steel & Power Ltd.	3.71	4.31	6.03	19.68	24.96	11.74	9.88	84.13

Source-www.moneycontrol.com



Interpretation

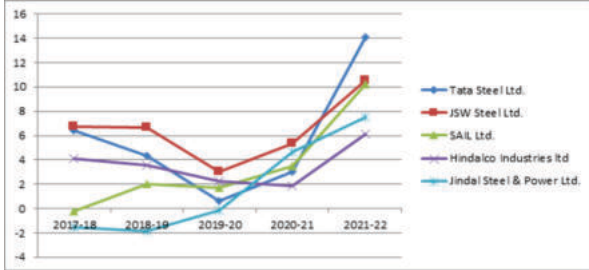
From the Above table and grape it is understood that Return on Capital Employed position of the JSW Steel Ltd is in the highest position compare to other four companies Mean of Return on Capital Employed is 17.70%.

Return on Assets (%)

Return on assets (ROA) refers to a financial ratio that indicates how profitable a company is in relation to its total assets. The Return on Assets (ROA) ratio assesses how well a company can manage its assets to generate profits over time. Since the main objective of a company's assets is to generate revenue and profits, this ratio assists management and investors. It assists in determining how well the company can convert its asset investments into earnings. A higher return on assets (ROA) implies that a company is more effective and productive in managing its balance sheet to generate profits. While a lower ROA suggests that there is space for development. Owing to the same asset base, it is always advisable to compare the ROA of companies in the same industry.

Return on Assets (%)									
Ser	Company	2017-18	2018-19	2019-20	2020-21	2021-22	Mean (%)	Stan	Coeffi
No	Name							dard	cient
								Dev	of
								iation	Vari
									ation
1	Tata Steel Ltd.	6.4	4.37	0.62	3.05	14.06	5.70	5.12	89.88
2	JSW Steel Ltd.	6.75	6.64	3.05	5.33	10.51	6.46	2.71	42.01
3	SAIL Ltd.	-0.24	1.99	1.67	3.47	10.19	3.42	4.01	117.41
4	Hindalco Industries ltd	4.11	3.6	2.22	1.83	6.15	3.58	1.72	47.95
5	Jindal Steel & Power Ltd.	-1.57	-1.83	-0.12	4.66	7.5	1.73	4.15	240.12

Source-www.moneycontrol.com

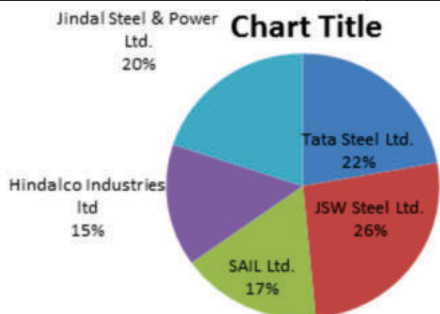


Interpretation

From the Above table and graph it is understood that **Return on assets** position of the JSW Steel Ltd is in the highest position compare to other four companies mean value of Return on assets is 6.46%.

Overall Profitability Position of Five Iron & Steel Companies

Ser ial No	Company Name	Mean of PBDIT Margi n (%)	Mean of Net Profit Margi n (%)	Mean of Return on Capital Empley d (%)	Mean of Return on Assets (%)	Mean (%)	Aver age (%)
1	Tata Steel Ltd.	19.27	8.29	14.26	5.70	11.88	22
2	JSW Steel Ltd.	22.90	9.31	17.70	6.46	14.09	26
3	SAIL Ltd.	16.65	4.41	11.19	3.42	8.92	17
4	Hindalco Industries ltd	13.62	4.48	10.21	3.58	7.98	15
5	Jindal Steel & Power Ltd.	27.05	2.21	11.74	1.73	10.68	20
Source-www.moneycontrol.com					Total	53.54	100



Findings

- Operational performance among the five sample Iron & Steel companies is in the highest position for the **Jindal Steel & Power Ltd.** compare to other four sample Iron & Steel companies.
- Highest Net profit margin achieve by the **JSW Steel Ltd.** compare to other four sample Iron & Steel companies.
- Most efficiently managing their capital for generating profit is the **JSW Steel Ltd.** compare to other four sample Iron & Steel companies.
- Efficiently utilise the total assets to generate profit by **JSW Steel Ltd.** compare to other four sample Iron & Steel companies.

CONCLUSION

In our study we observe that out of the five Iron & Steel companies one company is best profitable company name as **JSW Steel Ltd.** utilization of Assets for making profit ,net profit making in terms of revenue and use of capital for making profit are in the best position for **JSW Steel Ltd.** As profitability volatility for four ratios are in the better position for **JSW Steel Ltd**, so most profitable Iron & Steel company is **JSW Steel Ltd.**

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