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# PERFORMANCE ANALYSIS ON IRON AND STEEL COMPANIES IN INDIA DEPENDING ON FINANCIAL STATUS AND EFFICIENCY USING PBT MARGIN RATIO

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## ABSTRACT

The Indian steel companies have created a quick improvement on robust fundamentals over the recent few years. The business is obtaining all essential ingredients needed for dynamic growth. The government is backing the business through favorable industrial reforms, whereas the non-public sector is supporting it with investments value and billions of greenbacks. Even within the robust times of economic retardation, the business succeeded to sustain its positive growth momentum on the robust fundamentals of domestic demand from construction, automobile and infrastructure sectors. With a powerful chronicle, the country has become a reputed name within the world steel industry. This more signifies the resilience and strength of the Indian steel company against external risk factors. Nowadays, Indian steel companies have secure second rank in the production of steel in the world. This research paper focuses on the financial analysis of selected steel sponge iron sector companies in India. The study is descriptive and analytical in nature. The result shows that the performance of Jindal Steel & Power was better as compare to other companies. Even in basic EPS, Jindal Steel & Power performed well.

**Key Words:** Financial Performance, Sponge Iron Sector, Selected Steel Companies

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## INTRODUCTION

Steel is taken into account to be the backbone for the event of contemporary economy and human civilization. The amount of consumption of steel is taken into account as a significant index to live the socio-economic development and standard of life of individuals of the country. This product is that the outcome of the big and

technological complicated trade poisoning in terms of material flows and incomes that are sturdy. The economic standing of industries is robust concluded by the existence of strong industry and therefore the development of those industries at the initial stage is formed by the steel industries. Industrial sector has created speedy steps with the assistance of industry mistreatment it as a vanguard. The newest technology utilized by the inexperienced field plant has multiplied the output and therefore the trade has improved the Indian economy. The new plants have additionally brought an excellent regional dispersion within the western region and earned the domestic offer position. The domestic industry has featured new challenges, high value of authorization of recent developed markets and even several issues. The domestic demand has not improved to vital level. The litmus tests of the industries are to surmount these difficulties and stay competitive.

## **IMPORTANCE OF SPONGE IRON STEEL COMPANIES**

India, within the space of Sponge Iron, desires associate degree industry-wise consolidation. Consolidation of the trade can facilitate the trade within the long run. Steel makers area unit the most important customers of sponge iron, with a growing significance of the secondary steel makers. The primary steel makers manufacture regarding thirty million ton of steel every year whereas the secondary steel producers altogether across the country additionally manufacture equal amount of steel based mostly merchandise. Capacity and production of sponge iron in Indian country has full-grown pace within the second half decade. Nowadays with a production of nearly nineteen million tones, it's the most important producer of sponge iron within the world. Growth of this sector is associate degree proof of the growing resilience of the Indian industry and its ability to adapt its workings to ever-changing dynamics of the input and merchandise markets. During this case, rise of the sponge iron trade has helped the Indian industry in many areas related to steel.

## **REVIEW OF LITERATURE**

Dalvadi & Tagariaya (2019), studied shareholders returns of selected Infrastructure companies in India during the period from 2013-14 to 2017- 18 through ratio analysis. The statistical tools used for analysis are mean, standard deviation, one way Anova test

etc. They found that there is no significant difference in the performance of the selected Infrastructure companies in India in terms of shareholders return and financial performance during the study period. They also stated that the performance of DLF limited, Reliance Infrastructure limited and L & T limited have better compared to IRB Infrastructure Developers Limited and Nagarjuna Construction Company limited.

Arab, Masoumi and Barati (2015), has Examined the financial performance of known units within the industry in India in terms of accounting ratios like Liquidity, Solvency, profitability position and activity ratios. Number of companies listed within the stock exchanges of India particularly, Tata Steel Ltd., Jindal Steel & Power Ltd., JSW Steel Ltd., Bhushan Steel Ltd. and Steel Authority of India Ltd. are chosen for their study. To appraise the impact of variables on the Financial performance of known units within the industry, ANOVA-Test analysis is applied.

## **RESEARCH GAP**

From these concerned review literatures, it was basically examined that there are very few researches carried on the steel companies in India. From the population of steel companies, there are very few research study was picked up on steel sponge iron sector companies in India. So the researcher undertook the study to measure the financial performance analysis of selected steel sponge iron sector companies in India. Hence, the research has made an attempt to compare the financial performance of selected steel sponge iron sector companies in India.

## **OBJECTIVE OF THE STUDY**

To study financial performance of selected steel sponge iron sector companies in India.

## **RESEARCH METHODOLOGY**

The basic objective of this research is to study the financial position of selected steel sponge iron sector companies in India. The study is based on secondary data which were gathered from website of companies. Out of nineteen companies as per market capitalization, six samples are selected from Indian steel sponge iron sector. The period of study is 10 years from the year 2007-08 to 2016-17. The nature of the study is descriptive and analytical. Analysis has been done with the help of one - way ANOVA technique.

## HYPOTHESIS OF THE STUDY

H<sub>0</sub>: There is no significant difference between the PBT Margin, Basic EPS, Net Profit per Share, ROCE and RONW.

H<sub>1</sub>: There is significant difference between the PBT Margin, Basic EPS, Net Profit per Share, ROCE and RONW.

## DATA ANALYSIS

Five types of ratios have been used for the analysis, to measure the financial performance of steel sponge iron sector companies in India. The statistical tools like total, average, percentage have been used for the study. One-way ANOVA is applied to test the hypothesis.

**TABLE NO. 1- PBT MARGIN RATIO OF SELECTED STEEL - SPONGE IRON SECTOR (IN %)**

NAME OF THE COM.	20 07	20 08	20 09	20 10	20 11	20 12	20 13	20 14	201 5	201 6	TOT AL	A V G
	- 08	- 09	- 10	- 11	- 12	- 13	- 14	- 15	-16	-17		.
JINDAL STEEL & POWER	28. 07	34. 94	41. 10	38. 03	28. 49	19. 35	12. 55	- 7.9 5	- 21. 57	- 14. 45	158. 56	1 5. 8 6
GODAWARI POWER & ISPAT	13. 91	6.3 7	8.0 7	10. 66	5.3 1	6.5 2	4.3 5	3.1 9	- 7.9 3	- 4.0 5	46. 40	4. 6 4
SARDA ENERGY AND MINERALS	22. 47	16. 63	30. 50	10. 47	7.0 8	14. 27	9.7 0	4.9 5	3.1 6	10. 46	129. 69	1 2. 9 7
MONNET ISPAT	13. 43	16. 80	21. 17	22. 07	17. 95	15. 26	3.0 4	- 32. 70	- 104 .04	- 171 .82	- 198. 84	- 1 9. 8 8
JAI BALAJI INDUSTRIES	10. 29	0.5 7	2.6 9	5.3 9	- 13. 37	- 21. 63	- 22. 29	- 34. 37	- 56. 53	- 13. 97	- 143. 22	- 1 4. 3

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<b>ADHUNIK METALIKS</b>	9.25	5.38	13.71	14.86	0.13	3.65	1.65	-66.02	-109.96	-122.38	-249.73	-	-24.97
<b>AVG.</b>	16.24	13.45	19.54	16.91	7.60	6.24	1.50	-22.15	-49.48	-52.70			

### Interpretation

Table No.1 presented PBT Margin of selected Steel Sponge Iron Sector Companies in India. In sponge iron sector six companies has to be selected for the study. They are Jindal Steel & Power, Godawari Power & Ispat, Sarda Energy and Minerals, Monnet Ispat, Jai Balaji Industries and Adhunik Metaliks. According to the PBT Margin, performance of Jindal Steel & Power was highest i.e., 41.10% in the year 2009-10 and performance of Monnet Ispat was lowest i.e., (-171.82%) in the year 2016-17 during the study period from 2007-08 to 2015-16. The average performance of Jindal Steel & Power was 15.86%, Godawari power & Ispat was 4.64%, Sarda Energy and Minerals was 12.97%, Monnet Ispat was (-19.88%), Jai Balaji Industries was (-14.32%), and Adhunik Metaliks was (- 24.97%) .

NAME OF THE COM.	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	TOTAL	A V G.
	-08	-09	-01	-01	-01	-01	-01	-15	-01	-17		
<b>JINDAL STEEL &amp; POWER</b>	82.73	19.688	37.81	40.22	42.42	31.13	20.53	-13.97	-33.74	-27.73	376.28	37.63
<b>GODAWARI POWER &amp; ISPAT</b>	36.93	23.13	21.24	27.04	26.54	46.82	17.66	20.21	-29.58	-22.42	167.57	16.76
<b>SARDA ENERGY AND MINERALS</b>	35.78	38.91	42.36	19.95	24.31	45.05	29.60	15.26	4.25	35.58	291.05	29.11
<b>MONNET ISPAT</b>	34.62	44.33	50.10	47.81	40.60	34.67	3.67	-132.26	-94.99	-106.07	-77.52	-7.75
<b>JAI BALAJI INDUSTRIES</b>	25.83	0.39	5.55	12.16	-44.31	-35.04	-50.43	-55.83	-93.47	-28.45	-263.60	-26.3

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<b>ADHUNIK METALIKS</b>	8.9 9	5.0 5	10. 65	14. 92	1.6 7	7.0 6	3.2 7	- 39.1 6	- 52. 41	- 119. 85	- 159. 81	- 15 .9 8
<b>AVG.</b>	37. 48	51. 45	27. 95	27. 02	15. 21	21. 62	4.0 5	- 34.2 9	- 49. 99	- 44.8 2		

### Interpretation

Table No. 2 shows Basic EPS of selected Steel Sponge Iron Sector Companies in India. From the selected sponge iron sector steel companies, Jindal Steel & Power was highest in basic EPS i.e., 196.88% in the 2008-09 and the Monnet Ispat was lowest with (-132.26%) in the year 2014-15. It means the earning power of the company was reduced in the year 2014-15. The average ratio of Jindal Steel & Power was 37.63%, Godawari Power & Ispat was 16.76%, Sarda Energy and Minerals was 29.11%, Monnet Ispat was (-7.75%), Jai Balaji Industries was (-26.36%) and Adhunik Metaliks was (-15.98%) as per the company. As per the analysis, Jai Balaji Industries has negative average as per company during the study period from 2007-08 to 2016-17.

**TABLE NO. 3 – RETURN ON CAPITAL EMPLOYED RATIO OF SELECTED STEEL - SPONGE IRON SECTOR (IN %)**

NAME OF THE COM.	2007 - 08	2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 - 13	2013 - 14	2014 - 15	2015 - 16	2016 - 17	TOT AL	AV G.
<b>JINDAL STEEL &amp; POWER</b>	13. 82	23. 16	21. 03	16. 40	12. 80	7.4 3	3.6 8	- 2.1 3	- 3.9 1	- 3.6 3	88.6 5	8.8 7
<b>GODAWARI POWER &amp; ISPAT</b>	14. 54	8.5 8	6.4 7	7.2 2	6.0 4	6.9 1	2.2 0	2.5 5	- 4.1 3	- 2.6 2	47.7 6	4.7 8

<b>SARDA ENERGY AND MINERALS</b>	17.71	13.44	13.03	5.31	4.60	7.61	4.09	2.46	0.66	5.40	74.31	7.43
<b>MONNET ISPAT</b>	7.75	9.86	9.21	6.21	3.82	2.31	0.29	-7.34	-17.49	-30.49	-15.87	-1.59
<b>JAI BALAJI INDUSTRIES</b>	8.43	0.10	1.79	4.02	-22.04	-9.76	-17.62	-22.02	-47.85	-22.96	-127.91	-12.79
<b>ADHUNIK METALIKS</b>	6.65	2.67	5.28	5.10	0.40	1.55	1.09	-10.17	-17.70	-83.15	-88.28	-8.83
<b>AVG.</b>	11.48	9.64	9.47	7.38	0.94	2.68	-1.05	-6.11	-15.07	-22.91		

### Interpretation

Table No. 3 indicates Return on Capital Employed of selected Steel Sponge Iron Sector Companies in India. As per the company wise performance Jindal Steel & Power shows highest performance in the year 2008-09 that was 23.16% and Adhunik Metaliks shows lowest performance in the year 2016-17 that was (-83.15%). As per the year wise performance of selected steel companies at sponge iron sector, 2007-08 indicates maximum performance of 11.48% and 2016-17 shows minimum performance of (-22.91%). The performance of all the selected sponge iron sector steel companies in the year 2016-17 was most negative as per the analysis. It shows that all the companies are loss making during that year but they all are provide return to their investors.

**TABLE NO. 4- NET PROFIT RATIO OF SELECTED STEEL - SPONGE IRON SECTOR (IN %)**

NAME OF THE COM.	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	TOTAL	AVG.
<b>JINDAL STEEL &amp; POWER</b>	81.24	194.39	39.03	40.72	42.81	31.15	20.70	-15.90	-33.73	-27.76	372.65	37.27

<b>GODAWARI POWER &amp; ISPAT</b>	36.59	22.81	20.79	31.32	27.58	48.32	21.36	21.59	-31.61	-21.66	177.09	17.71
<b>SARDA ENERGY AND MINERALS</b>	35.78	38.90	42.41	20.08	24.58	45.29	25.69	15.66	4.38	35.24	288.01	28.80
<b>MONNET ISPAT</b>	34.62	44.29	49.98	43.12	40.92	35.05	5.67	-132.03	-95.49	-106.20	-80.07	-8.01
<b>JAI BALAJI INDUSTRIES</b>	25.59	0.39	5.55	12.16	-44.32	-35.05	-49.53	-55.05	-88.69	-27.58	-256.53	-25.65
<b>ADHUNIK METALIKS</b>	9.00	5.04	10.63	15.03	1.56	6.41	3.28	-39.16	-52.41	-119.85	-160.47	-16.05
<b>AVG.</b>	37.14	50.97	28.07	27.07	15.52	21.86	4.53	-34.15	-49.59	-44.64		

### Interpretation

Table No. 4 represents Net Profit per Share of selected Steel Sponge Iron Sector Companies in India. From the selected sponge iron sector steel companies, Jindal Steel & Power was highest in Net Profit per Share i.e., 194.39% in the 2008-09 and Monnet Ispat was lowest with (-132.03%) in the year 2014-15. It means Monnet Ispat was loss making company in the year 2014-15. The average ratio of Jindal Steel & power was 37.27%, Godawari Power & Ispat was 17.71%, Sarda Energy and Minerals was 28.80%, Monnet Ispat was (-8.01%), Jai Balaji Industries was (-25.65%), and Adhunik Metaliks was (-16.05%) as per the company. As per the analysis, Jai Balaji Industries has negative average during the study period from 2007-08 to 2016-17.

### TABLE NO. 5 - RETURN ON NET WORTH RATIO OF SELECTED STEEL - SPONGE IRON SECTOR (IN %)



NAME OF THE COM.	20 07 - 08	20 08 - 09	20 09 - 10	20 10 - 11	20 11 - 12	20 12 - 13	201 3 -14	20 14 - 15	201 5 -16	20 16 - 17	TOT AL	A V G .
<b>JINDAL STEEL &amp; POWER</b>	33. 05	43. 19	33. 79	26. 60	21. 89	13. 69	8.4 4	- 6.0 7	- 9.1 4	- 8.4 4	157. 00	15 .7 0
<b>GODAWARI POWER &amp; ISPAT</b>	25. 42	13. 98	11. 48	14. 19	12. 42	18. 82	6.6 9	7.1 6	- 11.7 4	- 10.6 9	87. 73	8. 77
<b>SARDA ENERGY AND MINERALS</b>	30. 30	25. 23	22. 13	8.8 6	9.6 8	15. 33	7.9 2	4.5 3	1.2 6	9.7 1	134. 95	13 .5 0
<b>MONNET ISPAT</b>	15. 56	17. 64	15. 97	12. 91	10. 78	8.4 3	1.3 3	- 46. 30	- 461. 14	132. 95	- 291. 87	- 2 9. 1 9
<b>JAI BALAJI INDUSTRIES</b>	31. 55	0.4 7	3.7 8	7.6 7	- 38. 87	- 42. 28	- 151 .22	20 6.8 4	78. 61	21. 47	118. 02	11 .8 0
<b>ADHUNIK METALIKS</b>	25. 97	13. 12	18. 25	21. 17	2.2 3	8.6 1	3.8 3	- 85. 33	131. 60	75. 30	214. 75	21 .4 8
<b>AVG.</b>	26. 98	18. 94	17. 57	15. 23	3.0 2	3.7 7	- 20. 50	13. 47	- 45.0 9	36. 72		

## Interpretation

Table No. 5 represents Return on Net Worth of selected Steel Sponge Iron Sector Companies in India. As per the company wise performance Jai Balaji Industries shows highest performance in the year 2014-15 that was 206.84% and Monnet Ispat shows lowest performance in the year 2015-16 that was (-461.14%). As per the year wise performance of selected steel companies at sponge iron sector, 2016-17 indicates maximum performance of 36.72% and 2015-16 shows minimum performance of (-45.09%). As per the study, overall average performance of Adhunik Metaliks was better as compare to other selected companies in sponge iron sector.

## HYPOTHESIS TESTING

**Table No.6 -One-way ANOVA**

Variables	Test Applied	F- Value	P-Value	Result
PBT Margin	ANOVA	4.52	0.00	Significant
Basic EPS	ANOVA	4.45	0.00	Significant
ROCE	ANOVA	4.16	0.00	Significant
Net Profit per Share	ANOVA	4.47	0.00	Significant
RONW	ANOVA	0.54	0.84	Insignificant

The above table no. 6 shows the result of ANOVA test. Above table shows F value and P value. We can observe that P values of PBT Margin, Basic EPS, ROCE and Net Profit per share are less than 0.05 means we cannot accept the null hypothesis. It means there is significant difference in PBT margin, Basic EPS, ROCE and Net Profit per share among the steel companies. But for the other variable like RONW, P value is greater than 0.05 means there is no significant difference.

## MAJOR FINDINGS

- As per PBT Margin, it was found that from the selected six companies the performance of Jindal Steel & Power was better as compare to Godawari Power & Ispat, Sarda Energy and Minerals, Monnet Ispat, Jai Balaji Industries and Adhunik Metaliks. It means Jindal Steel and power focuses on its sales performance.
- As per Basic EPS, it was observed that Jindal Steel & power has highest earning per share. As per the overall average performance, it was found that Jindal Steel & Power was leading as compare to other companies during the study period. It indicates that company succeeds to create high goodwill in the market and even maximum investors.

As per Return on Capital Employed ratio, it was examined that Jindal Steel & power was performing better as compare to Godawari Power & Ispat, Sarda Energy and Minerals, Monnet Ispat, Jai Balaji Industries and Adhunik Metaliks. Adhunik

Metaliks was performed very poor during the study period. As per the overall average performance it was found that Jai Balaji Industries was highly negative during the study period.

- As per Net Profit per Share, it was found that Jindal Steel & Power has highest net profit per share. But as we compare the average performance of selected companies, it was found that Jindal Steel & Power was better as compare to Godawari Power & Ispat, Sarda Energy and Minerals, Monnet Ispat, Jai Balaji Industries and Adhunik Metaliks. As per overall average performance of company it was indicated that Sarda Energy and Minerals was nearest to the performance of Jindal Steel & Power.
- As per As per Return on Net Worth ratio, it was examined that Jai Balaji Industries was performing better as compare to other selected companies. Monnet Ispat was most negative during the study period. In overall average performance Monnet Ispat was poor it means company give return to their equity shareholders as it was loss making.

## **SUGGESTION**

- As per the analysis, the performance of Jindal Steel & Power was better in most of the selected ratio. In most of the ratios Monnet Ispat performed very poor in PBT Margin, basic EPS, Net Profit per Share and RONW during the study period. It means the overall growth of the company was very poor. Monnet Ispat has to improve and focuses on its sales growth to improve its PBT Margin, try to reduced cost and improve its revenue to increase EPS and also net profit per share, try to get maximum profit to improve its profitability, focused on the satisfaction of the shareholders.

## **CONCLUSION**

This study is concerned with the ratio of PBT Margin, basic EPS, ROCE, Net Profit per Share, and RONW 2007-08 to 2016-17. The sponge iron sector was selected for the study because nowadays sponge iron steel sector was performing better in steel companies. As per current situation, steel companies secured second rank in world. It means Indian Steel companies are growing day by day. As per the study sponge iron sector was leading in steel companies. This study helps the sector to make better policies for the future growth. Also, helps to use capital efficiently.

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