

A Study on Financial Performance of Iron and Steel Industries in India with special reference to Electrosteel Steel Ltd and Essar Steel India Ltd

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ABSTRACT

India is world's second largest producer of iron and steel industry. This study is a descriptive research. The main purpose of this study is to study the financial performance of ELECTROSTEEL STEEL LTD and ESSAR STEEL INDIA LTD. This study is descriptive in nature. Secondary Data is collected from annual reports, books, journals and periodicals. The collected data has been analyzed using multiple regression analysis. The study concludes that value of R is highly predictable for the companies like ELECTROSTEEL STEEL LTD and ESSAR STEEL INDIA LTD. Hence the financial performance of both iron and steel industries are good.

1. Introduction

Steel plays a vital role in the development of any modern Indian economy Iron and steel industries are considered to be the backbone of human and steel industry of India, which is enormous in size, civilization and economy. The iron and steel industries level of per capita consumption is an important position and it is treated as an important index of the level of India. Iron and steel industries in India give enormous employment opportunities.. The iron and steel industry is important for the growth of many of economic activities and serves as the pillar of local economic development largely shaped by the strength of their steel industries in and social stability. Indian iron and steel industry is one of the fastest developing industries and according to authority gauges, the iron and steel industry contribute for the Gross Domestic Product. India is one of the very important steel producing countries in the world with more than 120 million tonnes production and annual growth rate of more than 8 percent.

2. Objectives:

- To study and analyze the financial performance of the iron and steel industries in India.
- To understand the overall financial position of the iron and steel industries in India.

3. Scope of the study

- This study clearly defines the financial position of the industries during the study period.
- The study report about the financial position of the JSW, JINDAL Iron and Steel industries from different years.

4. Limitations of the study:

- This study is confined to the extent of interpreting the data is collected only from particular iron and steel industries.
- The financial details of the industries are collected for 4 years only

- This study based on the historical data and information provided in the reports of the industries.
- The entire financial performance of the company cannot be disclosed.

5. Review of literature

K. S. Kavitha and Dr. P. Palanivelu (2014) stated that iron and Steel Industry is importance for the economic development of a country in terms of foreign exchange, employment generation, infrastructure development and technology. They are one of the most energy intensive sectors in Indian economy. For development of nation Steel Industry is a fundamental sector. The study resulted that 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. The study also concludes that 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.

Rooh Ollah Arab, Seyed Saadat Masoumi and Azadeh Barati (2015)

examined the financial performance of identified units in the steel industry in India in terms of financial ratios such as Liquidity, Solvency, Activity and Profitability position. For this study, Tata Steel Ltd., Essar Steel India Ltd & Power Ltd., J S W Steel Ltd., Bhushan Steel Ltd. and Steel Authority of India Ltd. are selected for this study. The study evaluated the impact of selected variables on the financial performance of identified units in the steel industry ANOVA-Test analysis is used.

Dr.C.Balakrishnan (2016) observed that financial performance of any organization is influenced by several factors like capital structure, cost, revenue and the consequential profit margin. The study can be analysed with many aspects like financial facts, financial ratios, financial health, financial strength and utilization of assets, etc. The study revealed that financial performance can be influenced by the operational and financial efficiency of the steel industry, which are related to cost and the revenue aspects. The study

analyzed the performance of steel industry in India on the parameters such as profitability, utilization of assets, growth of performance, financial strength and capital structure. The study also attempted to identify the nature of relationship between the various aspects of financial performance.

6. Research Methodology

This study is descriptive in nature. Secondary Data is collected from a source that has already been published in any form. The review of literature in any research is based on secondary data. Mostly from books, journals and periodicals. The main purpose of this study is to study the financial performance of ELECTROSTEEL STEEL LTD and ESSAR

STEEL INDIA LTD. The financial data of the iron and steel industries have been collected from website of money control, morning star, and finance.

7. Tools used in analysis

Multiple regression analysis

8. Period of study

The study covers the four years period from 2014-15 to 2017-2018

9. Analysis and interpretation

Table 1 Table showing multiple regression value for Iron and Steel Industries

| Company | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|------------------------|-------|----------|-------------------|----------------------------|-------------------|----------|------|-----|---------------|
| | | | | | R Square Change | F Change | df 1 | df2 | Sig. F Change |
| ELECTROSTEEL STEEL LTD | 0.706 | .499 | .491 | 72.21479 | .499 | 63.707 | 4 | 256 | .000 |
| ESSAR STEEL INDIA LTD | 0.754 | .569 | .562 | 19.25705 | .569 | 84.479 | 4 | 256 | .000 |

Table 1 shows that model summary R representing the multiple correlation coefficient, shows the linear correlation between all the independent and dependent variables. The maximum the value of R, there will be a strong relationship between the predictor and criterion variables. In this, the value of R is .754, which is high, representing a correlation among

the variables. R- Square is a square is a squared value of multiple correlation coefficients. The of R- square is .562, which depicts that 56.2 % of the variance in financial position can be predicted from the year 2014-2015 to 2017-2018.

Similarly to Electrosteel Steel Ltd.

Table 2 Table showing Coefficients of Iron and Steel Industries

| COMPANY | Year | Un standardized Coefficients | | Standardized Coefficients | T | Sig. |
|------------------------|------------|------------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| ELECTROSTEEL STEEL LTD | (Constant) | -106.525 | 401.757 | | -.265 | .791 |
| | 2017-18 | -.003 | .016 | -.010 | -.221 | .826 |
| | 2016-17 | 17.022 | 2.257 | .380 | 7.542 | .000 |
| | 2015-16 | -3.255 | .998 | -.307 | -3.262 | .001 |
| | 2014-15 | 9.820 | 5.797 | .166 | 1.694 | .091 |
| ESSAR STEEL INDIA LTD | (Constant) | 923.673 | 107.134 | | 8.622 | .000 |
| | 2017-18 | .002 | .004 | .021 | .505 | .614 |
| | 2016-17 | 2.391 | .602 | .186 | 3.973 | .000 |
| | 2015-16 | -.032 | .266 | -.010 | -.119 | .906 |
| | 2014-15 | -14.094 | 1.546 | -.829 | -9.117 | .000 |

Table 2 depicts the coefficients between variables when multiple regression analysis is applied. Beta coefficient reflects the change in the dependent variable for each unit change in the independent variable. It can be used to compare the relative strength of various predictors within the model. Larger will be the beta coefficient, the smaller will be the significant level.

As per the table 4.28, ELECTROSTEEL STEEL LTD in 2017-18 (Beta = -.010, p > 0.01), in 2016-17 (Beta = .380, P > 0.01), 2015-16 (Beta = -.307 p < 0.01) and 2014-15 (Beta = .166 p < 0.01) has largest beta coefficient which is statistically significance at the 1% and 0.1 % significance level.

As per the table 4.28, ESSAR STEEL INDIA LTD in 2017-18 (Beta = .021 p > 0.01), 2016-17 (Beta = .186, P > 0.01), 2015-16 (Beta = -.010 p < 0.01) and 2014-15 (Beta = -.829 p < 0.01) has largest beta coefficient which is statistically significance at the 1% and 0.1 % significance level.

10. Conclusion

The study evaluated the financial performance of the iron and steel industries with a specific end goal to give better degree to financiers, shareholders, leasers and the administration themselves about the rating of the organizations and their execution. In India, iron and steel business assumes a noteworthy part in choosing the development of the nation.

Steel industry has an extra ordinary growth and largest ventures in India that has built up a considerable measure in late decades. The study concludes that value of R is highly

predictable for the companies like ELECTROSTEEL STEEL LTD and ESSAR STEEL INDIA LTD. Hence the financial performance of both iron and steel industries are good.

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