



A Study on Financial Performance with Special Reference to JSW Steel Ltd

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ABSTRACT

It is essential to know about the financial performance and stability of the business to know the dynamic situations. In this project there is a wider scope to know the financial performance of JSW steels limited, Salem. In three main aspects such as financial liquidity, profitability and solvency of the company. Financial ratios are widely used for modelling purposes both by practitioners and researchers. This study is mainly based on the secondary data collected from the records of JSW steel limited, Salem. Ratio analysis, Dupont analysis are used as a benchmark for evaluating the financial performance of the spinning mill. Ratio analysis is widely used tool for financial performance analysis. It is defined the systematic use of interpret the financial statements of that the strength and weakness of a firm as well as its historical performance and current financial conditions can be ascertained. The term ratio refers to the numerical or quantitative relationship between two items/variables. Management should be particularly interested in knowing financial strength of firm to make their best use and to be able to spot out financials weakness of the firm in corrective actions. Hence an attempt is made to analyse the financial performance of JSW steels limited, Salem. Findings from the analysis are give under the project. Based on the findings and suggestions were given.

Keywords: Liquidity, Profitability, Financial Ratios, Management, financial performance, JSW steels.

I. INTRODUCTION

Finance is the life blood and nerve centre of every business, just as circulation of blood is essential in the human body for maintaining life, finance is the very essential for smooth running of the business. The success of every firm require adequate source of finance. It has been rightly

termed as universal lubricant which keeps the enterprise dynamic. No business, whether big, medium or small can be started without an adequate amount of finance. Right from the very beginning, that is conceiving an idea to business, finance is needed to promote or establish the business, acquire fixed assets, make investigation such as market surveys etc. Even an existing concern may require further finance for making loop improvements or expanding the business. Financial management is indispensable to every type of organization, irrespective of its size, kind or nature. It is as useful to a small concern as to a big unit. A trading concern gets the same utility form its application as a manufacturing unit at expect. Where there is a use of finance, financial management is helpful. Every management aims to utilize its funds in a best possible and profitable way

Finance management is indispensable to every type of organization, irrespective of its size, kind or nature. It is as useful to a small concern as to a big unit. A trading concern gets the same utility from its application as a manufacturing unit at expect. Where there is a use of finance, financial management is helpful. Every management is indispensable to any organization as it helps in:

- Financial planning and successful promotion of enterprise.
- Acquisition of funds as and when required at the minimum possible cost.
- Proper use and allocation of funds.
- Promoting and mobilizing individual and corporate savings.
- Increase the wealth of the investors and the nation
- Improving the profitability through financial controls.
- Taking sound financial decision.

The term "financial performance analysis is



also know as the analysis and interpretation of financial statements”, refers to the process of determining financial strength and weakness of the firm by establishing started relationship between the item of the balance sheet, profit and loss account and other operative data. Financial performance analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm’s position and performance. The purpose of financial analysis is to diagnose the information contained in the financial statements so as to judge the profitability and financial soundness of the firm. Just like a doctor examines his conclusion regarding the illness and before giving treatment. A financial analyst analysis the financial statement with various tools of analysis before commenting upon the financial health of weakness of an enterprise. The analysis and interpretation of financial statement is essential to bring out the mystery behind the figures in financial statements. Financial statement analysis is an attempt to determine the significance and meaning of financial statement data so that forecast may be made of the future earnings, ability to pay interest and debt maturities and profitability of a sound divided policy. Financial performance refers to the act of performing financial activity. In boarder sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a policies and operations in monetary. It is used to measure firm’s overall financial health over a given period of time and can also be used to compare similar firm across the same industry or to compare industries or sectors in aggregation.

The term financial statements generally refers to two basic statements; the balance sheet and the income statement. The balance sheet shows the financial position of the firm at a given point of time. It provides a snapshot and may be regarded as a static picture. Balance sheet is a summary of a firm’s financial position on a given data that shows Total Asset = Total liability + Owner’s equity.

INDUSTRY PROFILE

STEEL INDUSTRY OVERVIEW

Steel is the backbone of any industrial infrastructural development. Its demand and consumption move in tandem with industrial expansion tiding economic growth. Steel is the most widely used metal in the whole World. It is a versatile commodity which forms the core constituent of all major economies. As a result, Steel consumption is a derivative of the growth pattern of its various end-user sectors, i.e., manufacturing,

housing, infrastructure, automobile etc.

COMPANY PROFILE HISTORY

The company was incorporated in September 1991 as a Public Limited Company promoted by M/s. Lakshmi Machine Works Ltd. (LMW) and Tamil Nadu Industrial Development Corporation Ltd. (TIDCQ). The Company is in the business of manufacturing Pig iron, Billets, Bars and Rods at its integrated steel plant located at Pottaneri/M. Kalipatti villages, about 35kms from Salem with the area of 800 acres. In terms of the CDR approval and as per approval of the shareholders of the Company, LMW has sold its entire shareholding in the Company to the JSW Group.

JSW STEEL LIMITED

JSW group acquired the Company and took over the Management from November 2004. Salem Works is the only integrated steel plant in Tamil Nadu and is located at Pottaneri/M. Kalipatti villages and at about 35 kms from Salem.

JSW Steel Ltd. is one among the largest Indian Steel Companies in India today with capacity of 7.8MT. India’s second largest steelmaker, JSW Steel Ltd. consists of the most modern, eco-friendly steel plants with the latest technologies for both upstream & downstream processes. JSW Steel Ltd. has received all the three certificates.

- ISO:9001 for Quality Management System
- ISO:14001 for Environment Management System
- OHSAS:18001 for Occupational Health & Safety Management System

JSW Steels Ltd is an associated company of JSW Group of Companies is the Only Integrated Plant in Tamil Nadu with the facilities for manufacture of Pig Iron, Billets, Bars and Rods, Rolled Steel.

PRODUCTS OF JSW STEELS LTD

- CARBON SPECIAL STEELS
- FREE CUTTING STEELS
- BORON STEELS
- COLD HEADING STEELS
- ALLOY STEELS
- MICRO ALLOY
- ELECTRODE QUALITY STEELS
- BALL BEARING STEELS
- FILE STEELS
- CASE HARDENING STEELS
- SPRING STEELS
- FORGING QUALITY STEELS
- SEAMLESS QUALITY GRADE



- BOILER QUALITY STEELS
- STEEL FOR TYRE BEADS

CONCEPTUAL OVERVIEW

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of the balance sheet and profit and loss account. Financial performance analysis is vital for the triumph of an enterprise. Financial performance analysis is an appraisal of the feasibility, solidity and fertility of a business, sub-business or mission. The organizational factors such as liquidity, leverage, asset utilization Firm size, and market share are the independent variables. Financial performance is the dependent variable in this study and the selected performance metrics to measure it are the return on asset and return on equity. The main objective of the present work is to make a study on the overall financial performance of JSW Steel Limited. More specifically, it seeks to dwell upon mainly to assess the short term and long term solvency, to assess the liquidity and profitability position and trend, to know the efficiency of financial operations and to analyse the factors determining the behaviour of liquidity and profitability.

The advantages of financial performance analysis are pattern detection & forecasting and budget outline in real time. Financial statements have the ability to reveal earnings per year, sales and profits accrued. Though sales figures may vary, the financial planners will be in a position to find a correlative pattern over a few years of data of sales figures. Take the example of a company that may reveal a trend of sales increase whenever new products are marketed and released. Sales could drop after let's say a year of the product launch. This trend analysis is a huge company benefit as it forecasts a market life of about a year is useful, as it show sales patterns for product launches, a sales drop after one year, and a need for a new products in a year's time.

RATIO ANALYSIS – AN OVERVIEW

A Ratio analysis is such a significant technique for financial analysis. It indicates relation of two mathematical expressions and the relationship between two or more things. Financial ratios is a ratio of selected values on an enterprise's financial statement. There are many standard ratios used to evaluate the overall financial condition of a corporation or other organizations. Financial ratios are used by managers within firm, by current and potential

stockholders of a firm, and by a firm's creditor.

Ratio analysis is a very important tool of financial analysis. It is the process of establishing the significant relationship between the items of financial statement to provide a meaningful understanding of the performance and financial position of a firm. Ratio when calculated on the basis of accounting information are called "Accounting Ratio".

Kennedy and MC Mulla, "The relationship of one to another, expressed in simple term of mathematical is known as ratio." According to Accountant's Handbook by Wixom, Kell and Bedford, a ratio "is an expression of the quantitative relationship between two numbers."

DUPONT ANALYSIS – AN OVERVIEW

The DuPont analysis is called DuPont model is a financial ratio based on the return on equity ratio that is used to analyse a company's ability to increase its return on equity. In other words, this model breaks down the return on equity ratio to explain how companies can increase their return for investors. A method of performance measurement that was started by the DuPont Corporation in the 1920s. With this method, assets are measured at their gross book value rather than at net book value in order to produce a higher return on equity (ROE). It is also known as "DuPont identity".

OBJECTIVE

- To study the financial performance of JSW Steel Limited.
- To understand the future trend or position of the company for the past 5 years.
- To analyze the profitability position of the company
- To offer appropriate suggestions for the better performance of the organization.

STATEMENT OF THE PROBLEM

To understand the financial performance and condition of a firm through the balance sheet, profit and loss account. The analysis of the financial statement is a process of evaluating the relationship between component parts of financial statements obtain a better understanding of the firm's position and performance. The study attempt to analyze the financial performance of JSW steel Limited by using various tools.



II. REVIEW OF LITERATURE

Khan, & SAFIUDDIN, 2016, emphasis Liquidity and profitability are two very important and vital aspects of a company's business life. Without liquidity, no company can survive. An unprofitable company may be considered morbid, but an illiquid company may soon collapse and eventually die. Financial ratios are useful indicators to measure company performance and financial status. This study aims to analyze the liquidity and profitability of selected Indian telecommunications companies (Bharti Airtel and Vodafone India). 1. It is clear that the operating performance of a company depends on some key factors, such as turnover, profit, asset utilization, etc., as well as variables found in the company's income statement and balance sheet.

Vijay Patel and Chandresh Mehta (2012) They have made a study on "A Financial Ratio Analysis of Krishak Bharati Co- Operative Limited". This paper provides the guidelines about analysis of profitability ratio of Krishak Bharati Cooperative Ltd. located at Kawas-Hazira in Surat District. The study involved the calculation of profitability ratios to evaluate the financial performance of Kribhco Ltd in India from 2000-01 to 2008-09. The nature of data which is collected and used for this research is secondary in nature. Statistical measures like percentage, mean, ratio analysis and test are used in the study. The study has concluded that the company should try to minimize the operating expenses so as to maintain profit and it should not put much reliance on the subsidy. It is analyzed that the credit policy should be made effective so that collection from debtor can be received at the earliest.

Kennedy and Muller (1999), has explained that "The analysis and interpretation of financial statements are an attempt to determine the significance and meaning of financial statements data so that the forecast may be made of the prospects for future earnings, ability to pay interest and debt matures (both current and long term) and profitability and sound dividend policy."

Susan Ward (2008), emphasis that financial analysis

using ratios between key values help investors cope with the massive amount of numbers in company financial statements. For example, they can compute the percentage of net profit a company is generating on the funds it has deployed. All other things remaining the same, a company that earns a higher percentage of profit compared to other companies is a better investment option.

III. RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In this we not only talk of research methods but also consider the logic behind the methods or techniques.

RESEARCH DESIGN

A Research Design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The research design used on the study is analytical research. The aim of the study is to analyze the balance sheet and annual reports, which are historical data and derive conclusions from it. In fact, the research design is the conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data.

METHODS OF DATA COLLECTION

The validity of research mainly depends on the proper data collection method and suitable technique of analysis. Data – interpretation is used for the statistical analysis.

Any estimate in the study is generalized only when the design of the study is properly executed. The study mainly depends on the data provided by the firm and the **secondary data**.

DATA INTERPRETATION DEBT EQUITY RATIO

This ratio expresses the relationship between long term debts and shareholder's fund.

$$\text{Debt-equity Ratio} = \text{Total Long debt} / \text{Shareholder's funds}$$

Long Term Loans: These refer to long term liabilities which mature after one year. These include Debentures, Mortgage Loan, Bank Loan, and Loan from Financial institutions and Public Deposits etc.

Shareholder's Funds: These include Equity Share Capital, Preference Share Capital, Share Premium, General Reserve, Capital Reserve, Other Reserve and Credit Balance of Profit & Loss Account.



YEAR	TOTAL DEBT	TOTAL SHAREHOLDERS EQUITY	RATIO
2017-18	3,22,280	2,79,980	1.15
2018-19	2,96,560	3,47,950	0.85
2019-20	4,64,170	3,65,990	1.27
2020-21	5,17,270	4,49,910	1.15
2021-22	5,95,180	6,85,350	0.87

INTREPRETATION

The ratio gives results relating to the capital structure of a firm. Debt equity ratio is 1.15 in 2017-18 and decreased to 0.85 in 2018-19. The ratio is increased to 1.27 in 2019-20 and decreased to 1.15 and 0.87 in 2021-2022. We can conclude that the company depends on the debt fund is decreasing.

INVENTORY TURNOVER RATIO

The inventory turnover ratio is a measure of how many times the inventory is sold and replaced over a given period. It is calculated to see if a business has an excessive inventory in comparison to its sales level.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of revenue from operation}}{\text{Average inventory}}$$

YEAR	COST OF REVENUE FROM OPERATION	AVERGARE INVENTORY	RATIO
2017-18	65,071	1,37,270	0.47
2018-19	64,070	1,45,480	0.44
2019-20	64,262	1,37,730	0.47
2020-21	70,727	1,42,490	0.50
2021-22	1,18,820	3,37,870	0.35

INTREPRETATION

Inventory turnover ratio is 0.47 times in the year 2017, but decreased in the year 2018 to 0.44 times. The ratio is increased to 0.47 and 0.50 during the year 2019 & 2020. During the year 2021-22 the ratio has been decreased to 0.35 times. Inventory turnover ratio is increasing and decreasing year to year. So we can say that company production and sales is increasing and also decreasing at the same time.

GROSS PROFIT RATIO

This ratio shows the relationship between gross profit and sales.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net revenue from operation}} * 100$$

Here, Net sales = Sales – Sales Return

Significance: This ratio measures the margin of profit available on sales. The higher the gross profit ratio, the better it is. The gross profit ratio should be adequate enough to cover the operating expenses and also depreciation, Interest on loans, dividends and creation of reserves.



YEAR	GROSSPROFIT	NET REVENUE FROM OPERATION	*100	RATIO
2017-18	2,41,780	63,787	63,78,700	0.04
2018-19	3,44,980	75,210	75,21,000	0.05
2019-20	2,38,920	62,565	62,56,500	0.04
2020-21	3,91,480	69,458	69,45,800	0.06
2021-2022	7,15,400	1,16,928	116,92,800	0.06

INTREPRETATION

From the above table we can say that the gross profit ratio is 0.04 in the year 2017 but it is increased to 0.05 during the year 2018. But decreased to 0.04 in the year 2019. The ratio is increased from 0.04 to 0.06 during the year 2020 and remains same in the year 2021. The company is maintaining proper control on Trade Activities.

DUPONT ANALYSIS

FORMULA

ROE = Profit Margin (net income/net sales) * Total Asset Turnover (net sales/average total assets) * financial leverage (total assets/ total equity)

Particulars	2017-2018	2018-2019	2019- 2020	2020- 2021	2021- 2022
Profit Margin	0.08	0.09	0.05	0.10	0.14
Total Asset Turnover	8.13	8.19	5.94	5.70	4.25
Financial Leverage	3.34	3.35	3.66	3.21	2.87
ROE	2.31	2.47	1.20	1.82	1.72

INTREPRETATION

- In the year 2018, the company selling product at a smaller margin (0.08), but it is turning over a lot of products. And on the other side its low profit margin and extremely high asset turnover (8.13).
- In the year 2022, the company generating sales while maintaining a lower cost of goods as evidenced by its higher profit margin(0.14). 2022 is having a difficult time turning over fewer amounts of sales (4.42).
- Investors are satisfied with a higher ROE. But for the year 2021 and 2022, the value of ROE are gets decreases gradually from 2.31(2018) to 1.72 (2022). So the investors aregets unsatisfied.
- This model helps investors compare similar companies like these with similar ratios.

This model was developed to analyze ROE and the effects different business performance measures have on this ratio. So investors are not looking for large or small output numbers from this model. Instead, they are looking to analyze what is causing the current ROE. For instance, if investors are unsatisfied with a low ROE. The management can use this formula to pinpoint the problem area whether it is lower profit margin, asset turnover, or poor financial leveraging.

Investors can then apply perceived risks with each company's business model

IV. FINDINGS

- The position of Inventory turnover ratio indicates that the company has only a less number of times that it could sold and replenished its inventory over specific amountof time.
- The position of a Gross profit ratio is standard in 2021 and 2022, so the company assess its profitability.
- The study reveals that it was during2019-2020, the short term financialPosition is highest at 1.27 and decreases in subsequent years.
- Investors are satisfied with a higher ROE. But for the year 2021 and 2022, the value of ROE are gets decreases gradually from 2.31(2018) to



1.72 (2022). So the investors are gets unsatisfied.

V. SUGGESTION

- The gross profit of the company can be increased by reducing operating expenses.
- The Current level of debt-equity ratio shall be maintained in the future.
- As the liquidity ratio is declined in 2021-2022 the liquidity assets of the company is to be increased to improved the liquidity position.
- The industry has high growth rate, the company can issue more equity, which helps to minimize the borrowings.
- The continuous increase in income level can also be increased, if concentrate more on their production than on price basis.

VI. CONCLUSION

The study is concentrated on financial performance of the JSW steel Ltd. This study forecasted financial statements of the company is designed, this would help finance department about future statement, in this financial statement financial manager can take correct decision. The present studies aim to now the financial position of the company using Ratio analysis and Dupont analysis. The research used secondary data were collected from the company annual reports. Ratio analysis was processed from the year 2018-2022 using the data. The research analyzed the data by the method of the ratio analysis to provide that the company position was good. Therefore the company tries to retain the position and also to improve it is financial position further. The results show the inventory to current affect level and inventory turnover ratio is good.

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