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A Study on Financial Performance of JSW Steel Limited in India

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ABSTRACT:

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 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 investigations 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 from 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. The term "financial performance analysis is also known as 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.

Keywords: Ratio Analysis, Comparative Balance sheet

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 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 investigations 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 from 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. The term "financial performance analysis is also known as 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 patients by recording his body temperature, blood pressure etc before making his conclusion regarding the illness and before giving treatment. A financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health or weakness of an enterprise. The analysis and interpretation of financial statements 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.

STATEMENT OF THE PROBLEM

Learn about a company's balance sheet and profit and loss account in order to understand its financial performance and state. A better knowledge of the situation and performance of the company is obtained through the analysis of the financial statement, which is a process of examining the link between component elements of financial statements. This study makes an effort to examine JSW Steel Limited financial performance using various tools.

SCOPE OF THE STUDY

The focus of financial performance is to evaluate the data in financial statements in order to assess JSW Steel Limited's profitability and financial situation. The study discusses the information gathered from annual reports and other pertinent papers. It aids in understanding the company's functions. Future goals and policies for the company are developed with the aid of the study. The study provides information to the general public regarding the company's liquidity condition. The study will enable the business to make wise decisions regarding the existing scenario. Understanding the company's financial stability is beneficial.

OBJECTIVES OF THE STUDY

- To study the financial performance of JSW Steel Limited.
- To analyse the profitability position of the company.
- To know the liquidity position of the company..

LIMITATION OF THE STUDY

- The data collected only for a period of 5 years and it is not enough for making detailed analysis.
- The study is based on mainly secondary data, that is published in annual reports of the company
- Due to time constraints detailed analysis is not possible

RESEARCH METHODOLOGY

Sampling Design / Framework

In the present study, It covers about JSW steels in India

Data Collection

The secondary data is collected from the various sources like website and published materials like profit and loss account, balance sheet etc.

Period of the study

The study covers a period from to2018-2022

Tools for Analysis:

- Ratio analysis
- Comparative balance sheets.

II. REVIEW OF LITERATURE

Pal Shrabanti (2018) , investigated the relationship between liquidity ratios and profitability of selected 16 Indian steel companies listed under BSE. The study conducted to know effect of post-recession period i.e., 2010-11 to 2015-16 on financial performance of selected companies. Liquidity has positive impact on profitability found by the study. It concluded that due volatility in world steel market. The liquidity did not give high return to the companies.

Shipra Bhatia (2017) provided a holistic view of the iron and steel industry with special emphasis on the issues and challenges faced by the steel industry of India. Areas focused were production, capacity utilization, import and export, price movement and impact of international demand and supply conditions on the Indian steel industry. The conclusion of the study was that a special turnaround plan is required to be formulated by government of India for meeting the future targets set aside by government of India.

Padma (2016), has studied an analysis of financial performance of five steel companies in India from 2011 to 2015. Six financial parameters namely current ratio, ROCE, debt-equity ratio, dividend payout ratio, EPS and inventory turnover ratio selected to analyze the performance. Liquidity position of the companies showed moderate performance, dividend payout of Apollo steel presented highest result and EPS of Tata steel showed highest compare to other selected steel companies. The overall result of Apollo steel and Tata steel showed better performance than other companies

III. DATA ANALYSIS AND INTERPRETATION

CURRENT RATIO

Year	Current asset	Current liabilities	Ratio
2021-2022	47485	46134	1.0292
2020-2021	29703	37040	0.8019
2019-2020	29375	35594	0.8252
2018-2019	28009	34398	0.8142
2017-2018	19253	25205	0.7638

INTERPRETATION

The current ratio measures a company's ability to pay its short-term obligations using its current assets. The higher the current ratio, the more capable the company is of paying its current obligations. The current ratio for the given years indicates that the company's ability to meet its short-term obligations has been improving over the years.

DEBT RATIO

Year	Total liabilities	Total assets	Ratio
2021-2022	99369	162870	0.6101
2020-2021	86255	133232	0.6474
2019-2020	83680	122042	0.6856
2018-2019	69740	104902	0.6648
2017-2018	57644	85551	0.6737

INTERPRETATION

The debt ratio measures the proportion of total assets that are financed by the company's creditors rather than shareholders. A higher debt ratio indicates that more of the company's assets are financed by debt, which can increase the financial risk of the company. In this case, the company's debt ratio has remained relatively stable over the years, indicating a consistent level of reliance on debt financing.

COMPARATIVE BALANCE SHEETS

COMPARATIVE BALANCE SHEETSAS ON 31 MARCH 2020-2021				
Particulars	31-Mar-20	31-Mar-21	Change in absolute figure	Percentage increase or decrease
I ASSETS				
A)Current assets				
Inventories	9623	10692	1069	9.998129443
Trade receivable	3166	3333	167	5.01050105
Cash and cash equivalents	3438	11121	7683	69.08551389
Bank balances	7963	625	-7338	-1174.08
loan	321	733	412	56.20736698
derivative assets	275	86	-189	-219.7674419
other financial assets	2794	1348	-1446	-107.2700297
other current assets	1795	1765	-30	-1.699716714
Total current assets (A)	**29375**	**29703**	**328**	**1.104265562**
B) non current assets			0	-
property, plant and equipment	46117	46167	50	0.108302467
capital work in progress	23810	28914	5104	17.65234834
right of use assets	4102	4616	514	11.13518198
intangible assets	323	1614	1291	79.98760843
intangible assets under development	331	128	-203	-158.59375

Investment in subsidiaries associated and joint ventures	4757	6676	1919	28.74475734
Investment	1242	5782	4540	78.51954341
loans	8705	5382	-3323	-61.74284653
other financial assets	562	1971	1409	71.48655505
other current tax assets	340	230	-110	-47.82608696
other non current assets	2378	2394	16	0.66833751
Total non-current assets(B)	**92667**	**103529**	**10862**	**10.49174627**
Total assets (A+B)	**122042**	**133232**	**11190**	**8.398883151**
II EQUITY AND LIABILITIES			0	-
A)Equity			0	-
Equity share capital	301	302	1	0.331125828
other equity	38061	46675	8614	18.45527584
Total equity(A)	**38362**	**46977**	**8615**	**18.33876152**
B) non current liabilities			0	-
borrowings	39247	39551	304	0.768627848
lease liabilities	2716	2413	-303	-12.55698301
derivative liabilities	**130**	57	-73	-128.0701754
other financial liabilities	1308	1173	-135	-11.50895141
provisions	322	753	431	57.2377158
deferred tax liabilities	1315	3095	1780	57.51211632
other non current liabilities	3048	2173	-875	-40.2669121
Total non-current liabilities(B)	**48086**	**49215**	**1129**	**2.294016052**
C)Current liabilities			0	-
borrowings	6813	1205	-5608	-465.3941909
trade payable	13354	12150	-1204	-9.909465021
derivative liabilities	189	96	-93	-96.875
lease liabilities	773	925	152	16.43243243
other financial liabilities	11980	18550	6570	35.41778976
provisions	64	243	179	73.66255144
other current liabilities	2302	3254	952	29.25629994
current tax liabilities	119	537	418	77.83985102
Total current liabilities(c)	**35594**	**37040**	**1446**	**3.903887689**
Total liabilities(D=B+C)	**83680**	**86255**	**2575**	**2.985334184**
Total equity and liabilities(D+A)	**122042**	**133232**	**11190**	**8.398883151**

INTERPRETATION

The given data is the comparative balance sheets of a company for the years 2020 and 2021. The company's current assets increased by 1.1%, and its non-current assets increased by 10.5%. The total assets increased by 8.4%. The company's equity increased by 18.3%, while its non-current liabilities increased by 2.3% and its current liabilities increased by 3.9%. The total liabilities increased by 3%. The overall equity and liabilities increased by 8.4%.

COMPARATIVE BALANCE SHEETSAS ON 31 MARCH 2021-2022				
Particulars	31-Mar-21	31-Mar-22	Change in absolute figure	Percentage increase or decrease
I ASSETS				
A)Current assets				
Inventories	10692	21028	10336	49.15350961
Trade receivable	3333	6146	2813	45.76960625
Cash and cash equivalents	11121	7670	-3451	-44.9934811
Bank balances	625	7857	7232	92.04530991
loan	733	265	-468	-176.6037736
derivative assets	86	403	317	78.66004963
other financial assets	1348	1151	-197	-17.11555169
other current assets	1765	2965	1200	40.47217538
Total current assets (A)	**29703**	**47485**	**17782**	**37.44761504**
B) non current assets			0	-
property, plant and equipment	46167	65862	19695	29.90343445
capital work in progress	28914	12459	-16455	-132.0732001
right of use assets	4616	3905	-711	-18.20742638
intangible assets	1614	1879	265	14.10324641
intangible assets under development	128	140	12	8.571428571
Investment in subsidiaries associated and joint ventures	6676	13522	6846	50.62860524
Investment	5782	4506	-1276	-28.31779849
loans	5382	5763	381	6.611140031
derivative assets	110	24	-86	-358.3333333
other financial assets	1971	3534	1563	44.22750424
other current tax assets	230	318	88	27.67295597
other non current assets	2394	3473	1079	31.06824071
Total non-current assets(B)	**103529**	**115385**	**11856**	**10.27516575**
Total assets (A+B)	**133232**	**162870**	**29638**	**18.1973353**
II EQUITY AND LIABILITIES				
A)Equity				
Equity share capital	302	301	-1	-0.332225914
other equity	46675	63200	16525	26.1471519
Total equity(A)	**46977**	**63501**	**16524**	**26.02163745**
B) non current liabilities			0	-
borrowings	39551	41176	1625	3.946473674
lease liabilities	2413	1767	-646	-36.55913978
derivative liabilities	57	7	-50	-714.2857143
other financial liabilities	1173	1035	-138	-13.33333333
provisions	753	1292	539	41.71826625
deferred tax liabilities	3095	6935	3840	55.37130497

other non current liabilities	2173	1023	-1150	-112.4144673
Total non-current liabilities(B)	**49215**	**53235**	**4020**	**7.551422936**
C)Current liabilities			0	-
borrowings	1205	9259	8054	86.9856356
trade payable	12150	24328	12178	50.05754686
derivative liabilities	96	105	9	8.571428571
lease liabilities	925	984	59	5.995934959
other financial liabilities	18550	6693	-11857	-177.1552368
provisions	243	227	-16	-7.04845815
other current liabilities	3254	4153	899	21.64700217
current tax liabilities	537	385	-152	-39.48051948
Total current liabilities(c)	**37040**	**46134**	**9094**	**19.71214289**
Total liabilities(D=B+C)	**86255**	**99369**	**13114**	**13.1972748**
Total equity and liabilities(D+A)	**133232**	**162870**	**29638**	**18.1973353**

INTERPRETATION

This table shows the comparative balance sheet as on March 31, 2021 and 2022. It includes assets, equity, and liabilities. The total assets increased by 18.2% from 133,232 to 162,870. The current assets increased by 37.4%, while non-current assets increased by 10.3%. The equity increased by 26.0%, while non-current and current liabilities increased by 7.6% and 19.7% respectively.

IV.FINDINGS

- The company fails to attain the ideal current ratio from the financial years 2018-2021.
- The debt ratio measures the proportion of total assets that are financed by the company's creditors rather than shareholders. A higher debt ratio indicates that more of the company's assets are financed by debt, which can increase the financial risk of the company.
- The total assets increased by 18.2% from 133,232 to 162,870. The current assets increased by 37.4%, while non-current assets increased by 10.3%. The equity increased by 26.0%, while non-current and current liabilities increased by 7.6% and 19.7% respectively.

V.SUGGESTIONS

- The company should increase its current assets to meet its short term obligations.
- The shareholder’s fund has to be raised more, so as to bring the debt equity ratio to the standard level.
- The company has to decrease its current liabilities to improve their liquidity ratio and liquidity position.
- The company has to increase the quick assets and to decrease its current liabilities.
- The company needs to increase its working capital and it make increase in revenue from operation.

VI.CONCLUSION

In recent time the steel industry is one of the fastest growing industries in India and as well as in the world. The purpose of the study is to evaluate the actual condition and trend of the Jsw Steel Company Growth. JSW Steel’s lower capital expenditure per tonnes leads to higher return profile.JSW Steel is also among the fastest-growing companies in India with 18.91% net sales of steel and 15% profit margin which is highest among steel industry competitors. JSW Steel has plans to increase its manufacturing capacity to 44-45 million tons per annum by 2030 from the present 19 million tonnes.