FINANCIAL PERFORMANCE AND STOCK MARKET ANALYSIS OF SELECTED STEEL INDUSTRY COMPANIES IN INDIA

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Abstract - Steel could be a broadly utilized and eco-friendly fabric due to its capacity to be completely recycled, and it plays a significant part within the worldwide economy and foundation. The reason of this research is to analyze the monetary execution and stock behavior of many chosen Steel companies counting Tata Steel, Steel Authority of India Ltd(SAIL), APL Apollo Tubes, JSW Steel, and Jindal Steel. The study centers on utilizing measurements such as NP proportions, ROE, ROA, and D/E ratios to decide the superior and more powerful performing Steel companies. The results of this investigate will empower speculators to create educated financial decisions and develop a adjusted portfolio that yields tall returns. In terms of portfolio returns, APL Apollo Tubes is the foremost productive within the long run, whereas Jindal Steel encounters tall vacillations in stock costs.

Index Terms - Steel industry, Comparative analysis, working capital days, Return on equity, financial performance, Sail, Tata Steel.

I. INTRODUCTION

Steel has been a fundamental component of financial progression since the Mechanical Transformation within the 18th century. Its flexibility has made it an imperative fabric in different businesses, counting framework, transportation, fabricating, and development, driving the development of India's GDP. India is right now the world's second-largest maker and buyer of both crude and wrapped up steel within the monetary year 2020-2021. In 2020, Steel Authority of India Ltd(SAIL), Tata Steel, and JSW Steel positioned among the beat twenty-five steel makers universally. India's rough steel generation in 2021 expanded by 20.6% to 96.9 million tons from the previous year.

Established in 1907, Tata Steel is the primary private steel company in Asia. It includes a total steel generation esteem chain, beginning from mining and preparing press metal and coal to fabricating and promoting wrapped up items. (*Index @ Www.Tatasteel.Com*, n.d.) Steel Authority of India Ltd(SAIL), a Maharatna among Central Open Division Companies, is one of India's biggest steel producers. It works five coordinates' plants and three uncommon steel industrial facilities in eastern and central districts of India, deliberately found close neighborhoods sources of crude materials. SAIL produces and supplies a assorted extend of steel items. (*Vigilance-Structure @ Www.Sail.Co.In*, n.d.)

JSW Steel has reliably been a pioneer in inquire about and advancement of innovation. Through its key association with JFE Steel, a driving steel maker in Japan, JSW Steel has get to state of-the-art innovation to make and supply high-value extraordinary steel items to its clients. These items are broadly utilized in an assortment of businesses and applications such as foundation, development, automobiles, electrical applications, and appliances. (*About-Us @ Www.Jswsteel.In*, n.d.)

Jindal Steel and Power Ltd, one of India's biggest steel manufacturers, encompasses a solid nearness within the mining and control era businesses. The company has backups found in Australia, Botswana, Indonesia, Mauritius, Mozambique, Madagascar, Namibia, South Africa, Tanzania, and Zambia. (*D3c8fd1ded5d38959b01052a2c6d43a58840ac62 @ Www.Screener.In*, n.d.)

APL Apollo Tubes Ltd (APL Apollo) could be a major maker of branded steel items in India. Based in Delhi NCR, the company works ten fabricating offices that fabricate over 1,500 distinctive sorts of steel items, counting MS Dark Channels, Galvanized Tubes, Pre-Galvanized Tubes, Auxiliary ERW Steel Tubes, and Empty Segments. These items are broadly utilized in different businesses such as urban framework, lodging, water system, sun based plants, nurseries, and building. (*5194c089474eb8761c42ec2f83ad46b146b412a5 @ Www.Screener.In*, n.d.)

II. STATEMENT OF PROBLEM:

Steel is an essential component of the circular economy, which encourages resource reuse, zero waste, and recycling in order to create a sustainable future. A thriving steel industry is essential to a growing economy because it creates jobs. It's contributing 0.7% country GDP. How the steel industry development booms the Indian economy? In this research we will going to find out the Comparative financial performance of selected Steel companies for the past 3 years and also the behaviour of these stocks during these period. This analysis is based on the fundamentals of the companies, that is by comparing various ratios from their annual reports and stock volatility will be calculated from the daily closing price of the companies and sectoral indices for the past 3 financial years that is from 1st April 2019 to 31st March 2022. And also Analyzing the financial statements to determine the future performance of these companies.

III. LITERATURE REVIEW:

Effective financial management is critical to an enterprise's success. Financial performance is a highly dynamic phrase. The subject of financial performance has been rapidly evolving. Financial performance is becoming increasingly important in today's world. In this research the author selected the financial performance of the two units, Steel Authority of India and TATA STEEL LTD. Incorporate an analysis of working capital, an analysis of fixed assets, and a study of profitability when examining the financial performance of the selected units. From this research author concludes that TATA STEEL is better performed than the Steel Authority of India. (Dr. Vivek Singla, 2013)

Effective financial management is critical to the success of any business. We attempted to assess the financial performance of two titans of the iron and steel industry in this study. We examine the situation from a variety of perspectives, including short-term liquidity, long-term solvency, profitability, and, most importantly, management efficiency. Both companies' current and quick ratios are below average, which may limit their capacity to satisfy short-term liabilities. SAIL employs debt capital more aggressively, yet the interest coverage ratio is insufficient. (Sukul, 2016)

Operation of working capital is an important element of commercial fiscal operation because it directly affects the profitability of the enterprises. Net working capital trend is one of the bias for measuring liquidity. Net working capital trend analysis is largely applicable as it presents their compound reflection of the trend analysis of current means and current arrears. The direction of change in working capital position over the period of time is a suggestion of the effectiveness or ineffectiveness of the working capital operation. (Kalpesh Prajapati et al., 2012)

According to a study, the chosen steel companies' generally execution was palatable amid the consider period, in spite of the fact that there were a few varieties. For occurrence, Tata Steel Ltd accomplished amazing benefits and posted great EBIT edge in spite of unfavorable financial conditions and competition. On the other hand, Cruise gotten the most noteworthy normal return on capital utilized. The ponder recommended that companies might increment their effectiveness and benefit by extending payables deferral periods, but they ought to too make beyond any doubt to utilize their resources properly. (Maheshwari, 2014)

(Raheman & Nasr, 2007) They think about found a strong converse affiliation between a firm's utilize of obligation and its productivity. Obligation diminished the return on value of the company. Hence, an ideal capital structure is pivotal to play down clashes between them.

Before the COVID-19 widespread, the status of the global steel sector was talked about, in conjunction with its affect on the industry in both worldwide and Indian settings. The ponder briefly tended to the state of the Indian economy and the prospects for the steel advertise taking after the flare-up of the widespread. The think about moreover altogether investigated the affect of COVID-19 on RINL and point by point the different arrangements utilized by the industry amid that period. The think about too talked about how to handle such potential future occasions. The consider clarified the recuperation and future of the industry taking after the widespread and highlighted the intercessions and activities looked for from the government. (Rath & Ram, 2021)

IV. OBJECTIVES OF THE STUDY:

The broad objective of this research is to analysis the financial performance of selected steel industry in India with regard to profitability, solvency, liquidity and working capital.

1. To Determine the how effective the working capital days of these companies.
2. To Analyse the performance of top selected steel companies in past 3 financial year.
3. To Find out the behaviour of these selected Steel companies stocks in past three years.
4. To Determine the future performance of the selected steel company’s stocks.

V. RESEARCH METHODOLOGY:

This research is established on auxiliary information gotten from different sources, such as yearly reports of distinctive steel companies, which are available within the frame of books and reports on their official websites, as well as on NSC, Screener, and Cash Control. The investigation of the steel industry covers a three-year period, starting from 2019-20 and concluding in 2021-22. All calculations are performed utilizing Excel spreadsheets.

VI. SAMPLING:

There are 97 steel industry companies listed in stock exchange of India (but there are 241 steel industry are there in India) and out of which 5 companies are selected. Thus, the selected companies are

1. APL Apollo Tubes,
2. Jindal steel Ltd,
3. JSW steel Ltd,
4. Steel Authority of India Ltd and
5. Tata steel.

VII. ANALYSIS USED IN THIS RESEARCH:

1) Net Profit Ratio:

The Net Profit Proportion, too called the Net Benefit Margin Proportion, could be a degree of a company's benefit that compares its benefits to its add up to income. This proportion is valuable in assessing how productively the trade is working. Be that as it may, it ought to be noted that the net benefit proportion isn't a dependable marker of cash streams since it takes under consideration an extend of costs such as non-cash costs, collected costs, deterioration, and amortization. (Nalysis, n.d.)

Return on Equity = Net Income / Equity shareholder fund

2) Return on Asset:

The Return on Resources (ROA) could be a proportion that demonstrates the relationship between a company's net benefit and the resources it has utilized to create that benefit. Basically, it measures a firm's productivity in connection to the resources it has utilized. This proportion is calculated by dividing the net benefit after charges by the full resources of the company. (Nalysis, n.d.)

3) Return on Equity:

ROE measures the profitability of equity funds invested in the frim. It can be measured by Earnings available for equity shareholders divided by numbers of equity shares. (Nalysis, n.d.)

Return on Equity = EAESH / Equity shareholder fund

4) Average Trading Days:

Average number of trading days in a year is calculated by dividing the total number of trading days in year by total number of years taken for the study. In this study there are 743 trading days and 3 years, we got an average trading day(ATD) as 247.6 days for Tata Steel and APL Apollo Tubes. And for other three companies 742 days and ATD is 247.3 days.

No. of Days traded in years / no. of years

5) Standard Deviation:

The standard deviation could be a factual instrument that measures the level of market instability by deciding the degree to which costs diverge from their normal esteem. When costs stay inside a little exchanging run, the standard deviation esteem will be moo, demonstrating a moo level of market volatility. Volatility, on the other hand, may be a measure of the degree to which a cost has changed or is expected to differ over a specific period. The instability of a share cost is decided by calculating the standard deviation of the persistently compounded rates of return for the share amid a particular time frame.

6) Portfolio Return:

Portfolio return refers to the gains or misfortunes that are accomplished through a broadened speculation portfolio. The most point of a portfolio is to create returns that adjust with the goals of the speculation methodology and the chance resistance of the financial specialists it caters to.

7) Debtors Days:

It's means the average number of days taken for a company to collects a payment from its customer. It means days within which receivables get realised. It's also called as Debtor Collection Period. (Rangaswami, n.d.)

Debtor Days = (Accounts receivables/ Annual credit sales) *365

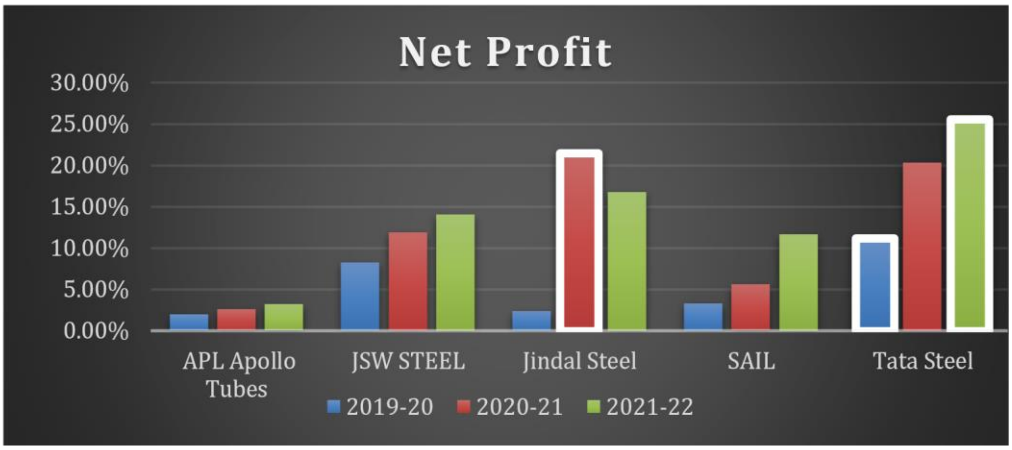
8) Days Payables:

Days payable outstanding(DPO) is a financial ratio that tells the average time taken to company to pay its creditors. A company with a high day of DPO longer to pay its bills. It tells how efficiently a company is operating its resources. (Hayes et al., 2022)

DPO= (Accounts payable * Number of Days)/ Credit Purchases

VIII. DATA INTERPRETATION:

A. Net Profit Ratio:



(Source: Computed)

Interpretation:

From the above chart we can see that there is an increasing trend in Net Profit percentage of all the companies expect Jindal Steel. There is drastic increase in Net profit from 2019-20 to 2020-21 in Jindal Steel (from negative to positive) it's because of decrease in manufacturing expenses in 2020-21. For all other companies there is a constant growth in Net Profit %. In 2019-20 and 2021-22 Tata Steel had more % than its competitors.

B. Return on Assets:

(Source: Computed)

Interpretation:

Its same as above net profit margin ratio Tata steel and Jindal Steel are the top in these period. All the companies had increase their Fixed Assets and sales in year 2021-22 it's because of covid and some sold more Fixed Assets and increase sales (Jindal). Sail had sudden increase in return on assets because of more sales (purchasing raw material on credit is increase than the previous years) and increase in fixed assets.

C. Return on Net worth/Equity:

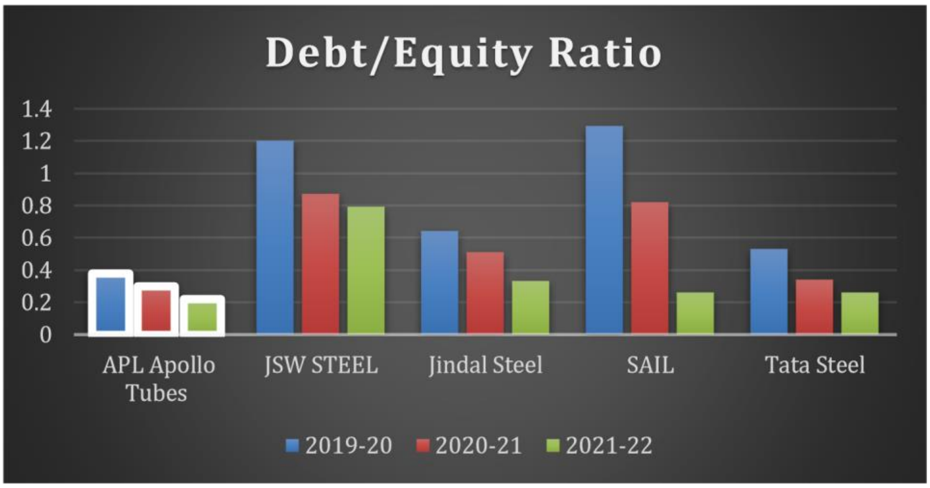
RETURN ON NETWORTH/EQUITY

(Source: computed)

Interpretation:

High return on equity means high profit to shareholders but sometimes it's because of low Equity Share Capital but all this company had more market cap. Therefore, Tata Steel had more return in 2021-22. And, Jindal and JSW had more return in 2020-21 and 2019-2020 respectively. Tata, APL and JSW had a constant increase in the return. But SAIL had a sudden increase in 2021-22.

D. Debt/Equity Ratio:



(Source: computed)

Interpretation:

We can see from the data that the debt to equity ratio has been dropping over the last three years. A high debt equity ratio indicates that outside creditors' claims may be more significant than those of the firm's owners, which may be unfavourable to creditors and investors due to the reduced margin of safety provided at the time of the firm's liquidation. APL Apollo Tubes has less debt portion compare to others in all the three years. And also in decrease trend in the ratio for APL and also other companies its good sign the external borrowings are decreasing but it also negative impact because of more owners control.

E. Standard Deviation and Portfolio Return:

Past Years (2019-20 to 2021-22)			
Particular	**Average Trading Period**	**SD**	**Portfolio return**
APL Apollo Tubes	246.67	34.36%	44.11%
JSW Steel	246.33	45.81%	19.68%
Jindal Steel	246.33	49.76%	23.27%
SAIL	246.33	25.16%	12.17%
Tata Steel	246.67	20.33%	19.57%

(Source: computed)

It's calculated on the Excel Sheet using the information in the NSE Website.

Interpretation:

The above table shows the Standard Deviation and portfolio return for the stock from 2019 to 2022. The table illustrates that the standard deviation is high, indicating that the volatility is strong during these periods. There are numerous causes for this transition, including a covid lockout period, a boost in sales after the outbreak, and thus an increase in profit and market share price. Tata Steel had minimal volatility in these periods, indicating that the stock is relatively stable when compared to its competitors. APL has more return compare to others and also as high risk. And Jindal Steel has high deviation volatile is more, SAIL has less return.

F. Receivables or payables days

(i). APL APOLLO TUBES

PARTICULARS	**2019-20**	**2020-21**	**2021-22**
Debtor Days	23	6	10
Inventory Days	44	39	28
Days Payable	42	40	34

(Source: screener)

Interpretation:

From the above table we can observe that debtor days is higher in the year 2020and lowest in the year 2021 which shows that the company credit policy become stringent over the years. In the year 2020 debtor collection period is very less which shows the company is good in collecting debts.

From the above table we can see that the inventory days is in decreasing trend over the last three years. The above table shows a shorter inventory period during the year 2022 which indicates that the inventories during the year were sold very quickly and management of inventories were satisfactory. During the year 2020 the inventory holding period was high which results in poor inventory management and sales.

From the above table we can see that the days payable has been fluctuating over the last three years. In the year 2020 & 2021 the days payable was high which indicates payments to creditors was delayed.

(ii). JSW STEEL

PARTICULARS	2019-20	2020-21	2021-22
Debtor Days	18	17	19
Inventory Days	105	139	158
Days Payable	146	158	183

(Source: screener)

Interpretation:

From the above table we can observe that debtor days is higher in the year 2022 and lowest in the year 2021 which shows that the company credit policy is lenient in the year 2022 as compared to last 2 years.

From the above table we can observe that the inventory days is in increasing trend over the last 3 years. The above table shows a shorter inventory period during the year 2020 which indicates that the inventories during the year were sold very quickly and management of inventories were satisfactory. During the year 2022 the inventory holding period was high which results in poor inventory management and sales.

In the above table, we can see that the firm enjoys shorter payment period during 2018.All the other three years showed an increase in payment period indicating payments to the creditors were delayed.

(iii). JINDAL STEEL

PARTICULARS	2019-20	2020-21	2021-22
Debtor Days	13	21	9
Inventory Days	125	160	128
Days Payable	148	133	96

(Source: screener)

Interpretation:

From the given table we can see that the debtors day has been highly fluctuating in the last 3 years. The debtors days has been higher in the year 2021 and lower in the year 2022 which shows company collect debt more earlier than in the year 2022. From the above table we can observe that inventory has been almost similar in the year 2020 and 2022 and higher in the year 2021 which shows that management of inventory is not effective in the year 2021. From the given table we can observe that days payable over the years has been in the decreasing trend which indicates that the creditors have been paid without much delay.

(iv). SAIL

PARTICULARS	2019-20	2020-21	2021-22
Debtor Days	52	43	17
Inventory Days	370	207	170
Days Payable	97	107	145

(Source: screener)

Interpretation:

From the given table we can see that debtors days has been in decreasing trend over the last three years which shows that the companies credit policy become stricter in the year 2021 & 2022. From the above table we can observe that the inventory days has been in decreasing trend over the last three years which indicates that companies management of inventory has been good over the years. From the above table we can see that days payable has been increasing over the years which indicates that companies payment policy has been easier and creditors payment delayed.

(v). TATA STEEL

PARTICULARS	2019-20	2020-21	2021-22
Debtor Days	6	12	9
Inventory Days	213	191	194
Days Payable	210	199	205

(Source: screener)

Interpretation:
From the above table we can observe that debtor days is higher in the year 2021 and lowest in the year 2020 which shows that the company credit policy is lenient in the year 2020 as compared to 2021 & 2022. From the above table we can see that inventory days are fluctuating over the last 3 years. It clearly shows that shorter inventory period in the year 2021 which indicates there is an effective management of inventory as compared to other 2 years. From the given table we can observe that days payable is almost similar over the last 3 years which shows that payment policy over the years does not changed much.

IX. FINDINGS:

1) The stocks of these selected companies were more volatile during these period, but it has a positive impact on the investor's portfolio, of all the companies had given a positive return.
2) APL Apollo Tubes has high return it shares price increase from Rs150 to Rs930 during this period. All the others also have risen in price but APL is higher than the other. So, it is good to hold this stock for a long run.
3) Tata Steel has less deviation compare to others; the investor should select this stock if they not want to take risk.
4) APL Apollo Tubes has less debt compare to others but all the other also has decreasing trend in the debt / equity ratio its good sign.
5) Tata Steel had outperformed all other companies in 2021-22 in all aspects except in debt/ equity ratio but it also in good trend.
6) Jindal is second best in the financial performance it's because it quietly done brilliantly in 2020-21 during the pandemic period.
7) SAIL had one positive is that it's not at the top but it's moving towards good trend. In the 3 to 5 years it will lead the industry compare to other.
8) In debtor collection period the Tata Steel had minimum days and creditor payables APL Apollo Tubes has minimum days.

X. CONCLUSION:

Steel output in India has been steadily increasing over the previous few years. Recently, Orissa and Jharkhand have been highlighted as possible steel destinations in India, supplying the Indian steel industry with the raw materials it requires. A significant amount of foreign direct investment has recently been invested in the Indian steel industry. Indeed, the rate of investment has increased in recent years, and to some extent, this increase has been aided by the growth potential of India's steel sector, which is regarded as outstanding in the worldwide steel circle. In recent years, a number of prominent steel businesses from across the world have flocked to India to take advantage of the country's thriving steel industry. The number of steel projects in India has also increased, implying that the number of enterprises lining up to participate in these projects will grow as well. Tata Steel had ticks the all the boxes (Financial Performance, Working Capital and stock behaviour) in this research so it's the best company and Sail had done well but the compare to others it's slightly behind them. Then Jindal had done well in the financial ratios only next to the Tata Steel. And APL Apollo Tubes has done well in stock market it behaviour to stock market is in positive line. JSW has constant grow rate compare to others. But I conclude my research by saying that SAIL has more scope in future compare to others and also in good trend it will be lead the market after 3 to 5 years.

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