

**Financial Performance of JSW Steel Coated Products Ltd. Vasind:Ratio Analysis****Bebi Arun Soshte, Student, Mumbai University****Renuka Dilip Morani , Asst. Professor, Mumbai University****Abstract**

*This project report entitled to a study of financial ratio analysis of JSW steel coated product ltd. at vasind. The main objective of the study is to analyse the financial position of the company. It is the process of identifying the financial strength and weakness of the firm properly establishing relationship between the items of balance sheet & profit and loss account. To evaluate the performance of the company by using ratio analysis as a yardstick to measure the efficiency of the company. The detail regarding collected through Annual report of 2014-15.*

*The various chart and tools are used for better understanding. To understand the liquidity, profitability & efficiency position of the company during the study period. Turnover position of the company. To evaluate and analyse various facts of the financial performance of the company. To make comparison between the ratios during different periods.*

*The company is following low debt – equity ratio & and supplier are grant us low credit period in current year. On the other hand cash turnover ratio also sufficient to healthy the business. The study recommends to reducing the expenses and to increase sales to reduce the loss of the company.*

**Key Words:** Ratio anlysis, Financial performance, JSW steel coated

**Introduction:**

Ratio analysis is one of the techniques of financial analysis where ratios are used as a yardstick for evaluating the financial condition and performance of a firm. Analysis and interpretation of various accounting ratios gives a skilled and experienced analyst, a better understanding of the financial condition and performance of the firm than what he could have obtained only through a perusal of financial statements.

The most important task of a financial manager is to interpret the financial information in such a manner that it can be well understood by the people, who are not well versed in financial information figures. The technique, by which it is so done, is known as 'Ratio Analysis.'

The point to be noted is that a ratio reflecting a quantitative relationship helps to form a qualitative judgment. A comparative study of the relationships between various items of financial statements reveals the profitability, liquidity, solvency as well as the overall position of the concern. As ratios are simple to calculate and easy to understand, there is tendency to employ them profusely. The absolute accounting figures reported in these financial statements do not provide a meaningful understanding of the performance and financial position of the concern. An accounting figure conveys meaning when it's

related to some other relevant information. Ratios are useful indication of the progress position and prospects of a business unit in which the many parties are interested in different ways.

#### Objective Of the Study:

- To analyse financial performance of JSW through Ratio Analysis.
- To put forth suggestions for improvement of its performance.

#### Literature Review:

1. Rasmer and foster (1931) used eleven ratios to examine that the successful firms has higher ratios than unsuccessful firms. Although this study was immature but immaturity was ignored by considering the vital contribution this study has in the evaluation of usefulness of ratios. Security and exchange commission of America was formed in 1934. This also expands the flow and number of financial statements and with the help of this peripheral factor importance of ratio analysis further enhanced and realized.
2. Beaver (1967) also examined the prediction power of ratio analysis and point out ratios ability to predict failure as early as five years before the collapsed. Statistical technique used in the study was more powerful than earlier studies and fund statement data was used to calculate ratio. This study set the foundation for future research on ratio analysis.
3. Sorter and Becker (1964) examined the relationship between psychological model and corporate personality of financial ratios and find out that long-established corporation maintain greater liquidity and solvency ratios.

#### Research Methodology:

- The published secondary data has been put at use for the present study.
- Annual reports of JSW have been utilized to magnify the comprehension of the problem under study.
- Statistical tools like Ratio analysis have been used for analysis & interpretation of data.

#### Data analysis & Interpretation:

##### BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2014 & 2015

	Particulars	As at 31 <sup>st</sup> March 2015	As at 31 <sup>st</sup> March 2014
I	<b>EQUITY AND LIABILITIES</b>		
1	Shareholder's Funds:		
	Share Capital	50.05	50.05
	Reserves and Surplus	1262.51	1396.34

		1312.56	1446.39
2.	Non-Current Liabilities:		
	Long-term Borrowings	829.40	868.36
	Deferred Tax Liabilities ( Net )	169.33	171.13
	Long Term Provisions	2.36	17.14
3.	Current Liabilities:		
	Short Term Borrowings	533.34	255.02
	Trade Payables	682.22	899.64
	Other Current Liabilities	281.83	342.11
	Short Term Provision	45.00	30.88
		1542.39	1528.65
	<b>Total</b>	<b><u>3856.04</u></b>	<b><u>4031.67</u></b>
II	<b>ASSETS</b>		
1.	Non Current Assets:		
	Fixed Assets:		
	Tangible Assets	1941.77	1996.47
	Intangible Assets	4.04	5.46
	Capital Work in Progress	74.63	115.24
	Non Current Investment	46.10	4.39
	Long-term Loans and Advances	74.87	72.77
	Other Non Current Assets	-	0.08
		120.97	77.24
2.	Current Assets:		
	Inventories	963.91	987.81

	Trade Receivables	138.58	166.91
	Cash and Bank Balances	13.57	54.37
	Short term Loans and Advances	597.41	500.05
	Other Current Assets	1.16	128.12
		1714.63	1837.26
	<b>Total</b>	<b><u>3856.04</u></b>	<b><u>4031.67</u></b>

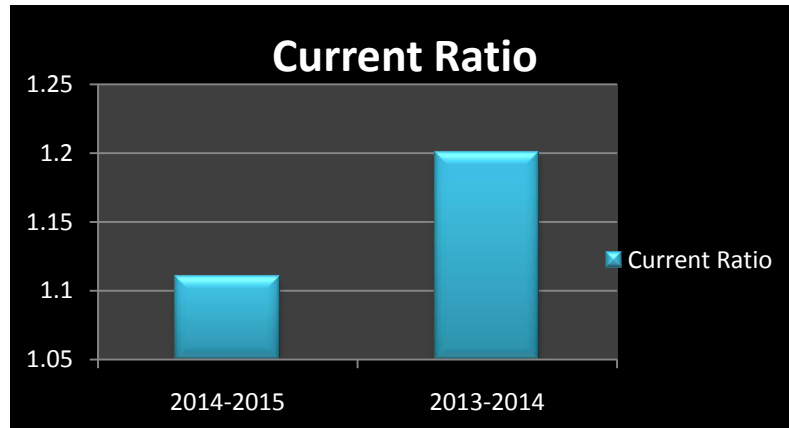
### Statement of Profit & Loss for the year ended March 31<sup>st</sup>, 2015

	Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
I	Revenue From Operations (Gross)	9525.13	9382.63
	Less: Excise Duty	508.62	542.21
	Revenue From Operations ( Net )	9016.51	8840.42
II	Other Income	20.67	46.81
III	Total Revenue ( III= I+II)	9037.18	8887.23
IV	Expenses:		
	Cost of Material Consumed	7167.61	7221.16
	Purchases of Traded Goods	8.65	15.85
	Changes in Inventories of Finished Goods, W.I.P, & Traded Goods	119.17	- 46.44
	Employee Benefit Expenses	218.04	183.05
	Finance Costs	178.99	105.08
	Depreciation & Amortization Expenses	199.94	164.62
	Other Expenses	1167.04	1136.29
	Total Expenses	9059.44	8779.61

V	Profit/ (Loss) before Exceptional Items & Tax	- 22.26	107.62
VI	Exceptional Items		
	Exchange Gain/Loss (Net)	-	17.25
VII	Profit/ (Loss) before Tax (V-VI)	- 22.26	89.87
VIII	Tax Expenses:		
	Current Tax	-	18.57
	Deferred Tax	3.12	38.73
	Less: MAT Credit Entitlement	-	- 18.57
IX	Profit/ (Loss) for the year (VII-VIII)	- 25.38	51.14
X	Earnings Per Equity Share		
	Basic & Diluted ( Face Value Rs. 10 per share )	- 5.07	31.54

### 1. Current Ratio:

	2014-2015	2013-2014
Current Assets	1714.63	1837.26
Current Liabilities	1542.39	1528.65
<b>Ratio</b>	<b>1.11:1</b>	<b>1.20:1</b>



### Analysis

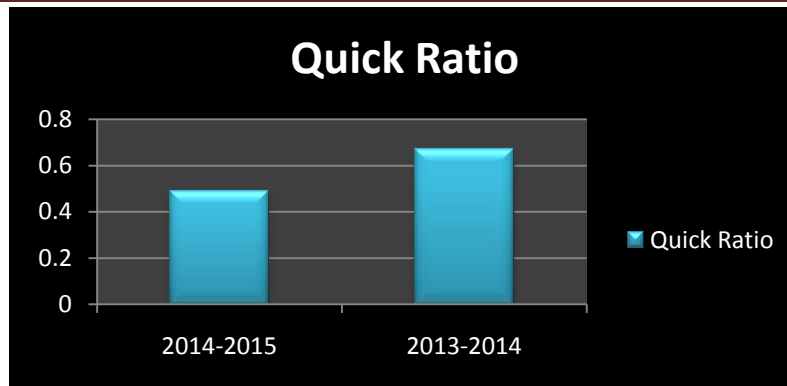
- ✓ The current ratio of JSW Steel Coated Product Ltd. is satisfactory as compared with standard ratio that is 2:1. It indicates the short term solvency of a business organisation & its current liabilities.
- ✓ In the year 2014-15 current ratio decreasing to 1:11. It may suggest a deteriorating liquidity position of the business or a leaner working cycle of the company through the adoption of more efficient management practices.
- ✓ Both year current ratio is greater than 1 so indicates the short term solvency of the business organisation & its ability to meet its current liability additional cushion agent and enforceable contingency that may arise in short term .
- ✓ 2013-14 current ratios are more favourable than 2014-15 because it show the company can more easily make current debt payment.
- ✓ For instance, in the year 2014-15 the current ratio is alarmingly low that is 1:11:1 as compared to previous year that is 1:20:1. but cannot say that 2013-14 CR are more favourable for company as compare with 2014-15 CR, because current ratio shows quantity of assets not quality of assets.

Because; In year 2014-15 other current asset are less than previous year.

In 2014-15 short term loans & advances are less than previous year.

### 2. Quick Ratio:

	2014-15	2013-14
Quick assets	750.72	849.45
Quick liabilities	1542.39	1273.63
<b>Ratio</b>	<b>0.49</b>	<b>0.67</b>

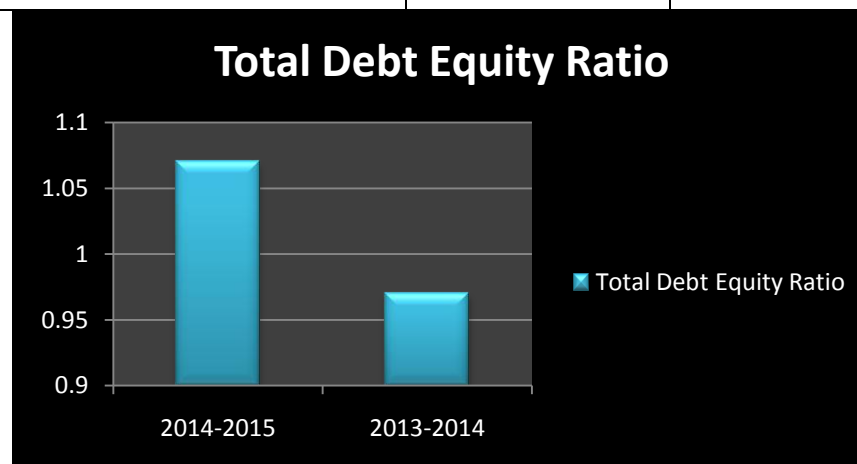


#### Analysis:

- ✓ The Quick Ratio of the years 2014-2015 & 2013-2014 are 0.49 & 0.67 respectively this is unsatisfactory level when compared with standard. It means this co. Do not have enough liquid cash to meet its immediate commitments.
- ✓ The current year's quick ratio is less than previous year because there is no bank overdraft. A Company with low quick ratio may have fast moving inventories.

#### 3. Shareholders' Equity: Equity and Preference Share Capital + Reserve and Surplus – Fictitious Assets

	2014-2015	2013-2014
Debt	1407.61	1403.44
Net worth + Pref. Share Capital	1312.55	1446.39
<b>Ratio</b>	<b>1.07</b>	<b>0.97</b>



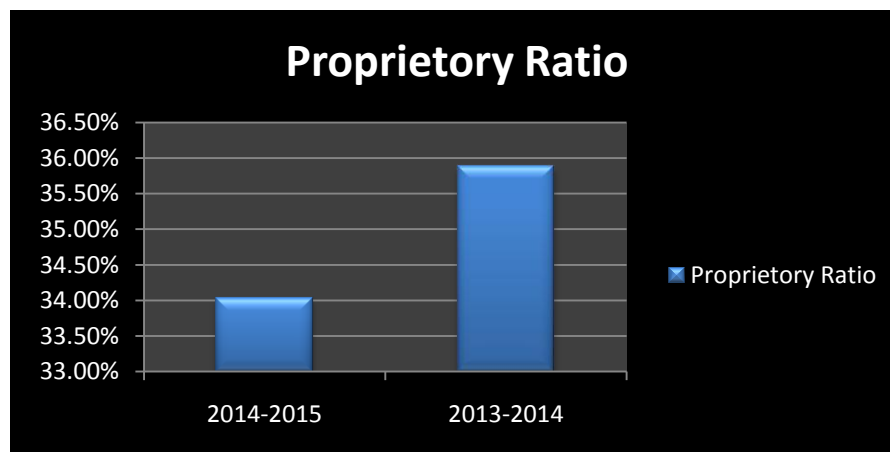
### Analysis

- ✓ Both the years Debt Equity ratio is favourable as compared with the standard. But if we compare current year ratio with previous year, previous year's ratio was slightly better than current year. It implies a smaller claim of creditors. It indicates the margin of safety to creditors.
- ✓ Because high ratio is more risky to creditors & investors and lower ratio implies a more financially stable business.
- ✓ In the year 2014-2015 ratio is 1.07 because the company has more outsider's liability than owner's capital. In other words the investors haven't funded the operations as much as creditors have.

#### 4. Proprietary/equity ratio:

$$\text{Proprietary Ratio} = \frac{\text{Proprietors Funds}}{\text{Total Assets}} * 100$$

	2014-2015	2013-2014
Proprietors Funds	1312.60	1446.39
Total Assets	3856.04	4031.67
<b>Ratio</b>	<b>34.04%</b>	<b>35.88%</b>



### Analysis

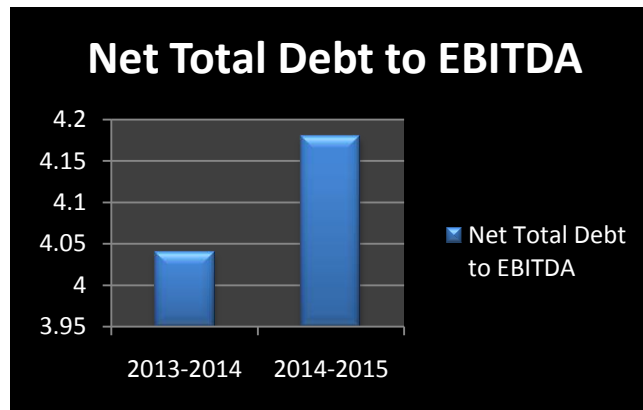
- ✓ Proprietary ratio of both the years is between 34% - 36%. It is neither too high nor too low.
- ✓ This ratio is stable. It shows a good financial position of the company and greater the security for creditors.



- ✓ It indicates the long term solvency of the business and the interest of the proprietors is high. The current year's ratio is slightly decreased to 34.04% but it does not affect the company's financial position.

#### 5.Net Total Debt to EBITDA Ratio:

	2014-2015	2013-2014
Net Total Debt	1407.61	1403.44
EBITDA	337.09	347.26
<b>Ratio</b>	<b>4.18</b>	<b>4.04</b>

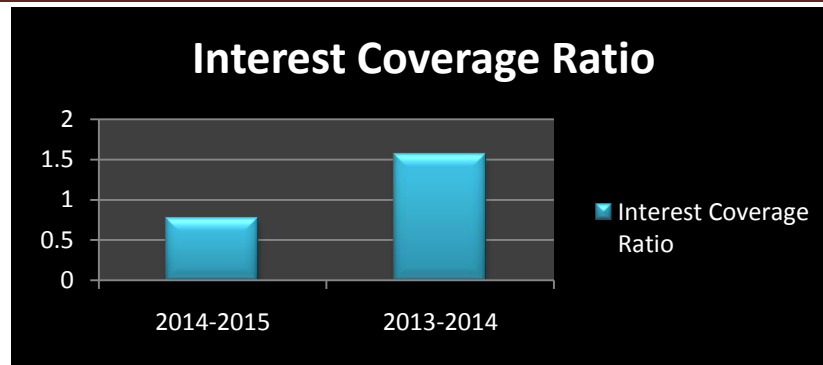


#### Analysis

- ✓ The Net Debt / EBITDA ratio for the years 201-2015 and 2013-2014 is 4.18 and 4.04 respectively. Ratios higher than 4 is considered to be too high.
- ✓ Both the years' ratio typically set off alarm bells because this indicates that a company is likely to be able to handle its debt burden, and this is less likely to be able to take on the additional debt required to grow the business.
- ✓ Therefore, this ratio is unfavourable.

#### 7.Interest Coverage Ratio:

	2014-2015	2013-2014
EBIT	137.16	182.64
Interest & Finance Charges	178.99	105.08
<b>Ratio</b>	<b>0.77</b>	<b>1.57</b>

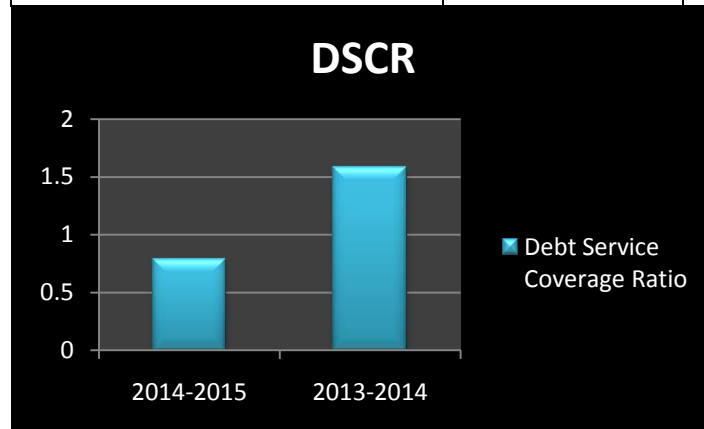


#### Analysis

- ✓ In 2014-15 interest coverage ratio has lower i.e. 0.77. It indicates that company have more burdens by debt expenses. It also shows that company ability to meet interest expenses may be questionable.
- ✓ It indicates that company is not generating sufficient revenue to satisfy interest expenses.
- ✓ Interest coverage ratio for the year 2014-15 was 1.58 times is favourable for the company.
- ✓ It shows the ability of the firm to handle fixed charged liabilities & more assure is the payment of interest to them. But it has decreased to 0.77 time in 2014-15.
- ✓ It is a danger signal that the firm is using excessive debt & does not have the ability to offers assured payment of interest to the lenders.
- ✓ So, previous year ratio was better than current year.

#### 8. Debt Service Coverage Ratio:

	2014-2015	2013-2014
EBIT	137.16	164.89
Interest & Finance Charges + Repayment of Long-term Loan	180.73	105.08
<b>Ratio</b>	<b>0.79</b>	<b>1.58</b>



### Analysis

- ✓ A higher ratio indicates that there is more income available to pay for debt servicing.
- ✓ In 2013-14 Debt service coverage ratio are 1.58 that would means the company net operating profit are sufficient to pay its debt service obligation.
- ✓ In the year 2014-15 Debt service coverage ratio of 1.58 times, it had satisfactory. It decrease to 0.79 times in 2015 i.e. less than 1.
- ✓ It may be taken as it indicates that the firm does not generate enough cash internally to service debt.
- ✓ In other word a ratio is less than one means that the company does not generate enough operating profit to pay its debt service and must use some of it saving.
- ✓ In the view of this commentates financial statistics. It can be concluded that the solvency position of JSW Steel Coated product Ltd. was sound for the year 2014-15 because of interest debt service coverage ratio.

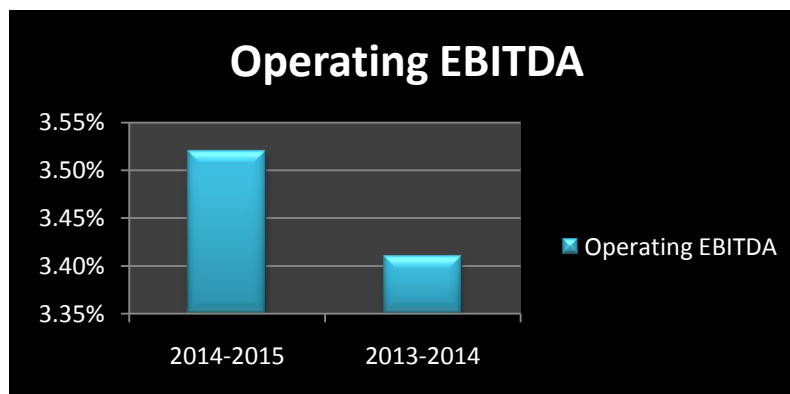
### Conclusion:

In view of this commendable financial statistics, it can be concluded that the solvency position of JSW Steel Coated Products Ltd. was sound for the year 2013-2014. Because of Interest and Debt Service Coverage Ratio.

### Profitability Ratios:

#### 2.Operating EBITDA Margin:

	2014-2015	2013-2014
Operating EBITDA	316.42	300.45
Net Sales	8996.94	8810.35
<b>Ratio</b>	<b>3.52%</b>	<b>3.41%</b>

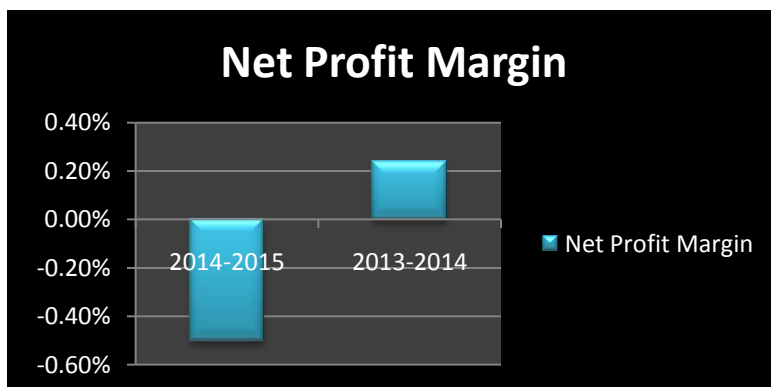


### Analysis

- ✓ The operating EBITDA Margin for the year 2013-2014 was 3.41%. After that in 2014-2015, the EBITDA Margin has increased significantly i.e. 3.52%.
- ✓ Because in current year Interest, Tax and Depreciation are more than previous year. The higher the EBITDA Margin, the less operating expenses eat into company's bottom line, leading to a more profitable.
- ✓ It includes both the items usually categorized under Net Profit (Taxes, Interest) and items usually categorized under operating profit, depreciation and amortization. It is helpful for comparing profitability.
- ✓ There is no significance difference between the ratios of both the years. This ratio is unfavourable because of high expenses. So, company needs to improve the ratio by controlling cost etc.

### 3.Net Profit Ratio

	2014-2015	2013-2014
Net Profit	-44.95	21.08
Net Sales	8996.94	8810.35
<b>Ratio</b>	<b>-0.50%</b>	<b>0.24%</b>



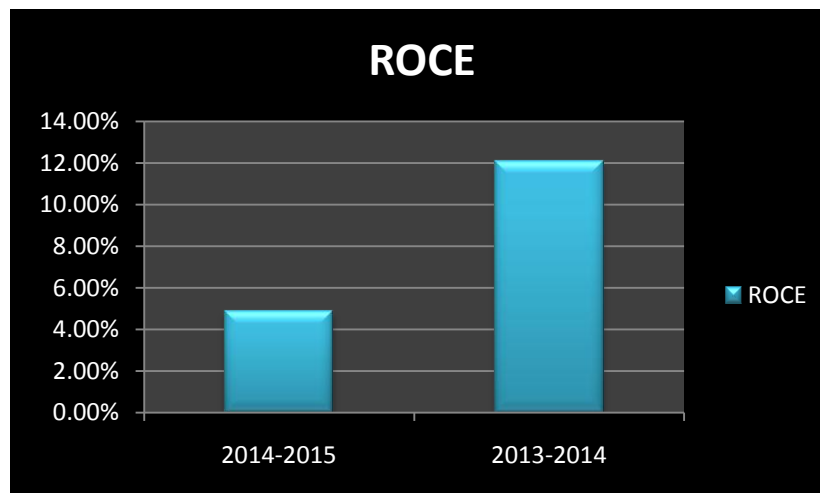
### Analysis

- ✓ In the year 2013-2014 Net Profit Margins was 0.24% which was unfavourable for the company. After that it decreased to -0.50%.
- ✓ Because of heavy Cost, Interest and Depreciation, the Company suffers loss in current year. This decline is due to increase in the Cost, Interest and Depreciation.

- ✓ Decline in Net Profit shows a decline in performance and profitability level. It also indicates that a company is not efficient at converting sales into actual profit. So, company need to improve its profit and cover the loss by increasing the sales as well as control its cost.

#### 4.Return on Capital Employed Ratio:

	2014-2015	2013-2014
EBIT	137.16	182.64
Capital Employed	2816.07	1510.48
<b>Ratio</b>	<b>4.87%</b>	<b>12.09%</b>

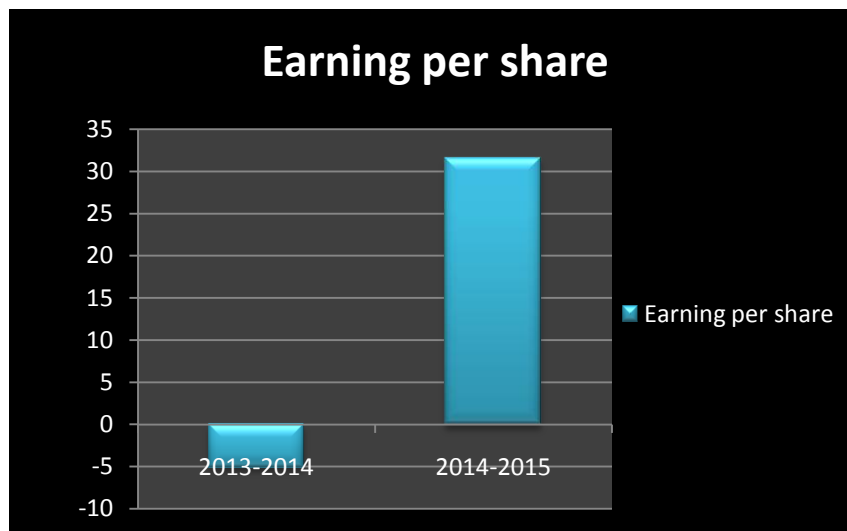


#### Analysis

- ✓ For the year 2013-2014 ROCE was 12.09%. It measures more efficient use of capital; ROCE should be higher than the company's capital cost. In the year 20104-2015 the ratio is decreased to 4.87%. It means company is not efficiently generating profit from its capital employed. Otherwise it indicates that the company is not employing its capital efficiently.
- ✓ Therefore, current year ROCE is unsatisfactory because of low EBIT due to more expenses. The company need to increase this ratio and this may be possible when sales will be increase and expenses will decrease.

**5.Earning Per Ratio:**

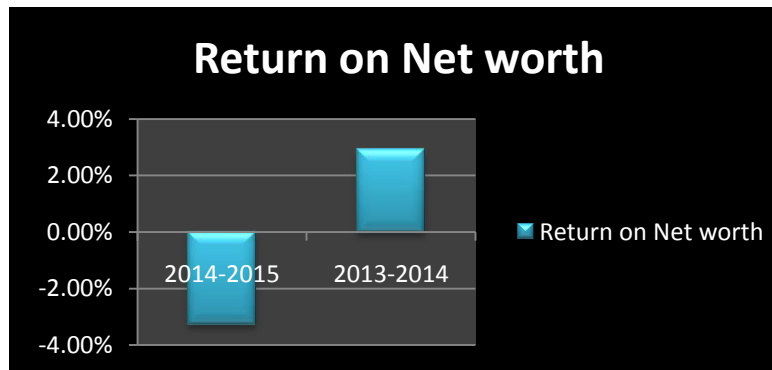
	<b>2014-2015</b>	<b>2013-2014</b>
PAT	-25.38	51.14
No. of ordinary shares outstanding	50.05	50.05
<b>Ratio</b>	<b>Rs. -5.07</b>	<b>Rs. 31.42</b>

**Analysis**

- ✓ The EPS of JSW Steel Coated Products Ltd. For the year 2013-14 was Rs. 31.54. In 2014-15 it is reduced to Rs-5.07 because company suffers loss of this year so, EPS should be negative. This is not good for the company.
- ✓ I show company do not has earnings as well as company's financial position is not good in this year. This decline in EPS indicates the decreasing the earning power of the company.
- ✓ Previous years EPS is slightly good as compared to current year. It means the company has profit to distribute to its shareholders and company is reliable for invest.

**6.Return on Net worth Ratio:**

	<b>2014-2015</b>	<b>2013-2014</b>
PAT – Pref. Dividend	-44.95	21.08
Average Net worth	1379.47	723.19
<b>Ratio</b>	<b>-3.26%</b>	<b>2.91%</b>

**Analysis**

- ✓ Likewise a notable decrease has been observed in Return on Net Worth. In the year 2013-2014 Return on Net Worth was 2.91% it indicates that a company is funding its operations with a disproportionate amount of debt and trade payables.
- ✓ Company with positive Return on Net Worth is successful to generate cash internally.
- ✓ In 2014-2015 it has decreased to -3.26%. It shows company is not good for utilizing the shareholders investment.
- ✓ This decline is due to decrease in net income i.e. in 2014 company earned profit of Rs. 21.08 Core but in 2015 Company suffers loss of Rs. 44.95 Crore.

**Findings:**

- ✓ The **Current Ratio** of JSW for the year 2013-14 & 2014-15 is 1.20 & 1.11 respectively.
- ✓ The **Quick Ratio** of JSW for the year 2013-14 & 2014-15 is 0.67 & 0.49 respectively.
- ✓ **Proprietary Ratio** of JSW for the year 2013-14 & 2014-15 is 35.88% & 34.04% respectively.
- ✓ **Debt –Equity Ratio** of JSW for the year 2013-14 & 2014-15 is 0.97 & 1.07% respectively.
- ✓ **Net Total Debt to EBITDA Ratio** of JSW for the year 2013-14 & 2014-15 is 4.04% & 4.18% respectively.
- ✓ **Interest Coverage Ratio** of JSW for the year 2013-14 & 2014-15 is 0.97% & 0.77% respectively.
- ✓ **Debt-Service Coverage Ratio** for the year 2013-14 & 2014-15 is 1.58% & 0.79% respectively.
- ✓ **Operating EBITDA Margin** for the year 2013-14 & 2014-15 is 3.41% & 3.52% respectively.

- ✓ **Net Profit Ratio** for the year 2013-14 & 2014-15 is 0.24% & -0.50% respectively.
- ✓ **Return to Capital employed** for the year 2013-14 & 2014-15 is 12.09% & 4.87% respectively.
- ✓ **ROCE(Adjusted) Ratio** for the year 2013-14 & 2014-15 is 26.18% & 6.63% respectively.
- ✓ **Earning Per Share Ratio** for the year 2013-14 & 2014-15 is 31.42% & -5.07% respectively.
- ✓ **Return On Net Worth Ratio** for the year 2013-14 & 2014-15 is 2.91% & -3.26% respectively.

#### Suggestions:

- ✓ Company need to be Increase its Sales.
- ✓ JSW Steel Coated product Ltd need to increase its current Assets quantity & also improve quality of asset.
- ✓ Company should made optimum utilisation of Resources.
- ✓ Company need to be adopt efficient Inventory Management System.
- ✓ Company need to reduce its Expenses.

#### Conclusion

It may be concluded that JSW Steel Coated Products Ltd. previous year's performance is better than current year. Company is at week in position due to economic condition.

After analysing all these ratios current years liquidity position is not favourable as well as profitability is also not so good in current year. The margins are low due to weak domestic steel demand. But these are strong enough to service the debt they have on their books. The company is not worried and do not see any challenge in servicing the debt. It is being taken care of and things are going fine for steel business. Besides, from a debt perspective, as a whole, JSW Group is fairly alright. If you see the debt-to-equity and DEBT-TO-EBITDA (earnings before interest, tax, depreciation and amortisation) levels in the sector, they are relatively the best. Talking about the company's debt, he says JSW is in a comfortable position, adding "the company is not far from its target of either reducing the debt or increasing EBITDA."

He also expects the government to bring in some more safeguard and anti-dumping measures for steel industry within 6 months apart from the recent imposition of anti-dumping duty.

In the sense, much of the capacity addition in the industry has happened in the last 5-6 years and it is laden with huge debt. Steel prices are weak as the cheap imports have set the benchmark at low levels. The current slowdown in demand and onslaught of imports has hit the industry badly, and the RBI, as a banking regulator, has expressed its concern. As far as JSW Steel is concerned, we are in a much comfortable position to handle our debt and growth plans.

#### References:

- ✓ [www.jsw.in](http://www.jsw.in)
- ✓ [www.moneycontrol.com](http://www.moneycontrol.com)
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