



Biju Patnaik Institute of Information Technology & Management Studies

**A
PROJECT REPORT
ON
RATIO ANALYSIS OF SAIL**



सेल SAIL

**स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
STEEL AUTHORITY OF INDIA LIMITED**

**BY
LOKNATH PATRA
UNDER THE GUIDANCE OF
DR. CHINMAYA KUMAR ROUT
SUBMITTED TO
BIJU PATNAIK INSTITUTE
OF IT & MANAGEMENT STUDIES
YEAR 2020 TO 2022**

**A FINAL SIP REPORT SUBMITTED
TO
BIJU PATNAIK UNIVERSITY OF TECHNOLOGY
ODISHA**

(For The Partial Fulfilment of the Requirement of the Degree of MBA 2020 – 2022)

**SUBMITTED BY
MR. LOKNATH PATRA**

BPUT RED. NO.: 2006258003

**UNDER THE GUIDANCE OF
DR. CHINMAYA KUMAR ROUT
Assistant Professor Finance, BIITM**



**BIJU PATNAIK ISTITUTE OF INFORMATION
TECHNOLOGY & MANAGEMENT STUDIES
(Recognized by AICTE, New Delhi & Affiliated to BPUT, Rourkela)
BHUBANESWAR**



सेल SAIL

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STEEL AUTHORITY OF INDIA LIMITED

CERTIFICATE

To Whom so ever It May Concern

This is to certify that Mr. Loknath Patra is student of MBA – Finance, Biju Patnaik Institute of IT & Management Studies, Bhubaneswar. He has done his training in our organization for 6 weeks from 20th Sep. 2021 to 5th Nov. 2021.

Smt. Rita Mishra
DGM (Fin), BSO



**Biju Patnaik Institute
Of Information Technology & Management Studies**

PATIA, BHUBANESWAR- 751024, ODISHA

Phone:- 07438000111, 9040003344

Email:- info@biitm.ac.in

INTERNAL GUIDE

**BIJU PATNAIK INSTITUTE OF INFORMATION TECHNOLOGY AND
MANAGEMENT STUDIES PATIA, BHUBANESWAR**

CERTIFICATE

This is to certify that the project work titled, “**A STUDY ON RATIO ANALYSIS OF SAIL**” is abonafile work of Mr. Loknath Patra under the guidance and supervision during the session of 2020-2022 and carried out in partial fulfillment for the award of degree of Master Business Administration.

Place: Bhubaneswar

Dr. Chinmaya Ku. Rout

Date:

Assistant prof. (finance)



**Biju Patnaik Institute
Of Information Technology & Management Studies**

PATIA, BHUBANESWAR – 751024, ODISHA

Phone: - 07438000111, 9040003344

Email:-info@biitm.ac.in

DECLARATION

I, Mr. Loknath Patra hereby declare that the project work titled, “A STUDY ON RATIO ANALYSIS OF SAIL” is the original work done by me and submitted to Biju Patnaik University of Technology, Odisha in fulfilment of requirement for the award of Master of Business Administration is a recorded of the work done by me under the supervision of Assistant Professor Finance Dr. Chinmaya Kumar Rout. This thesis has not formed before the basis of any degree, diploma or any similar titles.

Regd. No: - 2006258003

Date: -

Signature of the Student

ACKNOWLEDGEMENT

It is my privilege to thank all of them who have supported me in carrying out this dissertation successfully.

Firstly, I would to express my sincere thanks to two separate concerns, BIITM, and SAIL, the former for arranging and guiding me to start the dissertation and the latter for extending their noble help for its formation and completion.

I express my sincere gratitude to my internal guide **Assistant Professor Finance Dr. Chinmaya Kumar Rout** for extending guidance and direction in preparing this dissertation, without whose cooperation the project would have been completed.

I would like to thank and appreciate to the company SAIL, Ltd BBSR and my guide **Smt. Rita Mishra, DGM (Fin), BSO, BHUBANESWAR** who has devoted his vivid knowledge and valuable time to my benefit.

I also acknowledge the contribution of all the members of SAIL, Ltd. who all together provide me and inspiring working environment.

In the same breath, I thank all my friend who helped me in completing the report and providing me with a lot of information essential for it.

LOKNATH PATRA

Regd. No - 2006258003

PREFACE

The courses of MBA require one to under a summer internship with the end of the 2nd semester, so as to get a practical knowledge and understanding the aspects of all the theories read. It helps us to make the best use of our skills and intelligence so as to make a better research report. It is really the most important thing during the course our study. The purpose of my research project was to study the “**Ratio Analysis** of SAIL”.

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CHAPTER – 1

Introduction

Steel Authority of India (SAIL) consists of several steel plants that are integrated and otherwise in nature. It caters to the humongous need of railways, automotive, engineering, and power sectors of the country. Moreover, it satisfies the requirements of its foreign clients also whenever they demand its support.

It is the largest steel company with the annual capacity of 21 million tonne per annum steel production. Registered under Indian Companies Act, 1956 the company was established in 1973 and is an enterprise of the Government of India. It has five integrated steel plants at Bhilai (Chattisgarh), Rourkela (Orissa), Durgapur (West Bengal), Bokaro (Jharkhand) and Burnpur (West Bengal). SAIL has three special and alloy steel plants viz. Alloy Steels Plant at Durgapur (West Bengal), Salem Steel Plant at Salem (Tamilnadu) and Visvesvaraya Iron & Steel Plant at Bhadravati (Karnataka). Approximately 75% of SAIL's equity is owned by the government of India which enjoys operational and financial autonomy by virtue of Maharatna Company. It has been ranked amongst the top public sector enterprises in India in terms of turnover. For a huge company like SAIL, the management of equity capital and working capital and debt capital becomes more significant to manage not only for sustenance but for profitability as well. Working capital management is a vital function in the financial management decision of steel industry. Management of working capital significantly affects the profitability and liquidity position of the company. To reach optimal working capital management, a firm's manager controls the trade-off between profitability and liquidity accurately. An optimal working capital management is expected to contribute positively to the creation of firms' value (Amalendu, 2011). There is need to strike balance between working capital and value creation which is often considered as rational

decision to be taken by finance manager. Liquidity provides capacity to a firm in completion of several obligations such as payment to creditors, bills payable and outstanding expenses. No firm can survive without liquidity. A firm not making profit may be considered as sick but having no liquidity may soon meet its downfall and ultimately die (Goswami, 2011). Liquidity management, thus, is an important issue during financial decision making since its being a part of investment in assets that requires appropriate financing investment. However, working capital always being ignore in financial decision making since it involves investment and financing in short-term period. It also acts as a control in financial performance. Analysis of a firm's liquidity becomes important as it affects business day-to-day operation. But there is uncertainty in achievement of desired trade-off between liquidity and profitability during course of liquidity management (Raheman et.al. 2007). To look into the significance of equity and capital management which rationalises the present study, a rigorous literature review has been done around the liquidity management and its impact over the profitability of the firm.

OBJECTIVES OF THE STUDY

- ❖ To analyse the financial stability and overall performance of SAIL in general.
- ❖ To study the financial performance of SAIL by using ratio analysis
- ❖ To identify the reasons of various deficiency

SCOPE OF THE STUDY

This paper examined the financial reports and financial statements of SAIL-Steel Authority of India limited from 2013 to 2020 with the help of statistical analysis, the projecting of following years can also be made for item such as sales, inventory, profit, etc. The statistical scrutiny can also be applied to every ratio and by them upon more inclusive results can be obtained. Thus, this study also provides significant information to the management of SAIL company, for prophesying profit, sales amount, EPS etc.

Chapter-2

Company Profile

Steel Authority of India Limited (SAIL) is a government owned steel producer based in New Delhi, India. It is under the ownership of Ministry of Steel, Government of India with an annual turnover of INR 68,452 Crore (US\$9.32 billion) for fiscal year 2020–21. Incorporated on 24 January 1973, SAIL has 63,433 employees (as of 1 November 2021). With an annual production of 16.30 million metric tons, SAIL is the 20th largest steel producer in the world and the largest in India. The Hot Metal production capacity of the company will further increase and is expected to reach a level of 50 million tonnes per annum by 2025.

SMTP Soma Mondal is the current Chairman of SAIL.

SAIL operates and owns five integrated steel plants at Bhilai, Rourkela, Durgapur, Bokaro and Burnpur (Asansol) and three special steel plants at Salem, Durgapur and Bhadravathi.

It also owns a Ferro Alloy plant at Chandrapur. As a part of its global ambition, the company is undergoing a massive expansion and modernisation programme involving upgrading and building new facilities with emphasis on state-of-the-art green technology. According to a recent survey, SAIL is one of India's fastest growing Public Sector Units. Besides, it has R&D Centre for Iron & Steel (RDCIS), Centre for Engineering in Ranchi, Jharkhand.

Background

The Ministry of Steel and Mines drafted a policy statement to evolve a new model for managing industry. The policy statement was presented to the Parliament on December 2, 1972. On this basis the concept of creating a holding company to manage inputs and outputs under one umbrella was mooted.

This led to the formation of Steel Authority of India Ltd. The company, incorporated on January 24, 1973, with an authorized capital of Rs. 2000 crore was made responsible for managing five integrated steel plants at Bhilai, Bokaro, Durgapur, Rourkela and Burnpur, the Alloy Steel Plant and the Salem Steel Plant. In 1978 SAIL was restructured as an operating company.

The company is a PSU under the Gol, which holds, 85.82% of the former's equity. In May 2010, SAIL was awarded the Maharatna status by the Gol.

Since its inception, SAIL has been instrumental in laying a sound infrastructure for the industrial development of the country. Besides, it has immensely contributed to the development of technical and managerial expertise. It has triggered the secondary and tertiary waves of economic growth by continuously providing the inputs for the consuming industry.

Business Portfolio

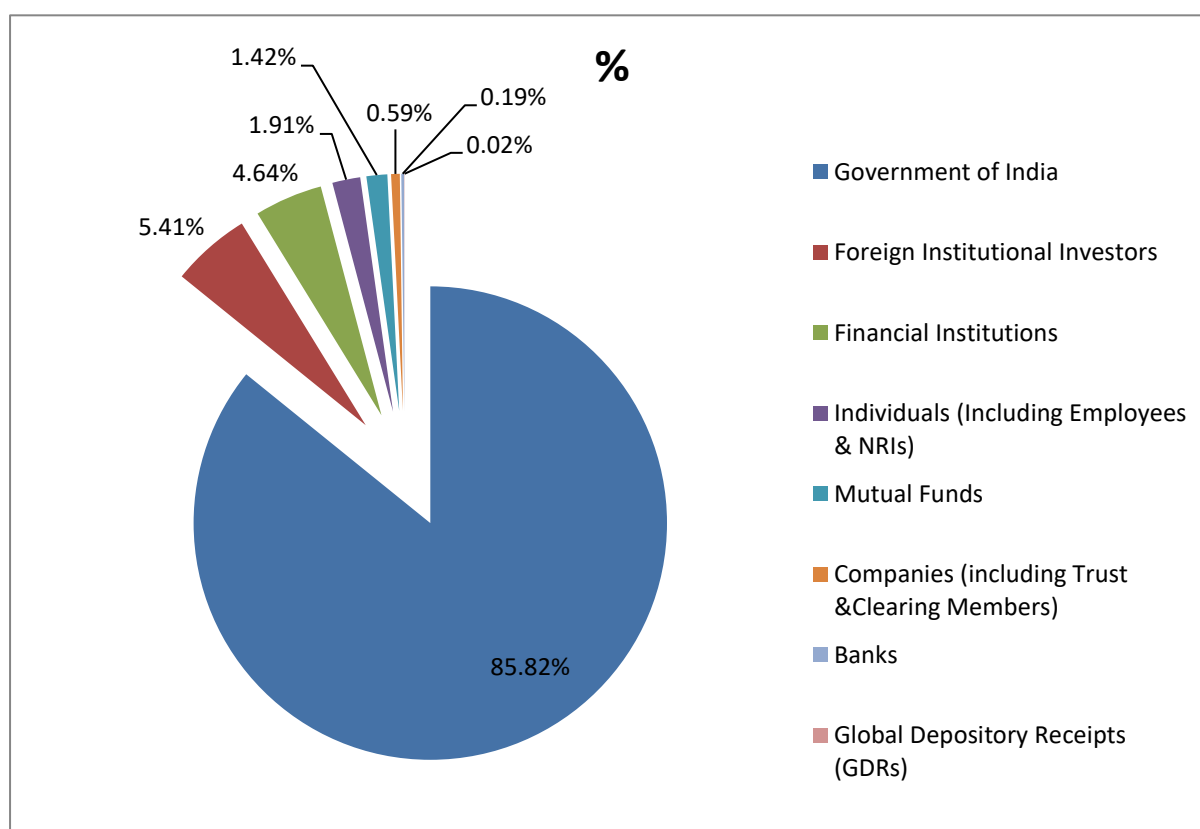
A business portfolio is a group of products, services, and business units that confirm a given company and allows it to pursue its strategic goals. This portfolio can also be defined as the set of available assets that the company possess to develop its mission and reach its vision.

Shareholding Pattern - Steel Authority of India (SAIL) Ltd.

Holder's Name	No of Shares	% Share Holding
NoOfShares	4130525289	100%
Promoters	2684714550	65%
ForeignInstitutions	222027953	5.38%
NBanksMutualFunds	159675887	3.87%
CentralGovt	3118462	0.08%
Others	121596042	2.94%
GeneralPublic	584140747	14.14%
FinancialInstitutions	355140658	8.6%
GDR	110990	0%

SHARE HOLDING PATTERN (% OF Equity)

- Government of India -85.82%
- Foreign Institutional Investors-5.41%
- Financial Institutions-4.64%
- Individuals (Including Employees & NRIs)-1.91%
- Mutual Funds-1.42%
- Companies (including Trust & Clearing Members)-0.59%
- Banks-0.19%
- Global Depository Receipts (GDRs)-0.02%



SWOT Analysis

STRENGTH-:

1. Bokaro Steel Plant has a huge pool of skilled and experienced personnel.
2. Principle of hierarchy is given due respect in BSP enabling management to ensure proper planning and its implementation.
3. Flawless corporate image of SAIL enhances the confidence of managers and customers alike.
4. Record of harmonious customer relation boosts the revenue graph towards north.
5. Strategic Information System in the organization gives cutting edge advantage reducing cost and time for every operation.
6. Huge infrastructure, when provides a strong base for better production and marketing, since it has countrywide network of stockyards, dockyard and sales branch offices.
7. The by-product of Bokaro Steel Plant is coal-based and of best quality against the petroleum based bye-products, giving the company a huge advantage against their competitors.
8. Bokaro Steel Plant has TQP i.e. Total Quality People which mean a dedicated work force towards serving the company's customers.
9. A strong R&D cell of the company keeps on working over enriching the quality of its bye-products and to reduce the cost of the whole process.

WEAKNESS:-

1. Lack of teamwork and internal customer orientation inhibits proper implementation of company's policy.
2. Complex pre post sale activities repel the probable customers.
3. Due to its large organizational structure involving numerous policies and officials, prompt decision making is a real problem.
4. The hard working marketing officials are not given due recognition and appropriate reward that hurts their motivation and interest.

OPPORTUNITY:-

1. There is growing demand for secondary and by-products in both domestic and international market.
2. State government is planning to establish small industries in and around Bokaro which will increase the list of probable customers.
3. New markets are to be searched and developed with the opening of the global steel market.
4. There is a great opportunity in the field of research to improve the quality of the coal-based products which would strengthen its well established base among customers.

THREAT:-

1. The biggest threat for any company is competition, SAIL, BSL is also no exceptional. So due to globalization the company is facing stiff competition from global companies in all product segments as well as facing competition from domestic players.

SAIL Steel Authority of India Brand Analysis

Parent Company	SAIL (Govt of India)
Category	Iron & steel
Sector	Industrial Products and Chemicals
Tagline/ Slogan	There's a little bit of SAIL in everybody's life
USP	Leading steel making company in India producing basic & special steels

SAIL Steel Authority of India STP

Segment	Iron & steel market
Target Group	Construction, engineering, power, railway, automotive & defense industries
Positioning	Respected world class corporation & the leader in Indian steel business in quality, productivity, profitability & customer satisfaction

SWOT Analysis of SAIL Steel Authority of India

SAIL Steel Authority of India Strengths

Below are the Strengths in the SWOT Analysis of SAIL Steel Authority of India:

1. Strong employee workforce with over 130,000 employees
2. Technical & managerial expertise in the industry
3. Strong raw material supply chain management
4. Strong financial resources owing to being a Govt enterprise
5. It has an annual production of over 13million tonnes
6. Partnerships with NTPC, Bokaro Steel etc has strengthened its market position

SAIL Steel Authority of India Weaknesses

Here are the weaknesses in the SAIL Steel Authority of India SWOT Analysis:

1. Govt and political intervention affects operational efficiency
2. Higher profit margins are not allowed

SAIL Steel Authority of India Opportunities

Following are the Opportunities in SAIL Steel Authority of India SWOT Analysis:

1. Expansion & growth
2. Globalization with tie-ups with international players
3. Mergers & Acquisitions

SAIL Steel Authority of India Threats

The threats in the SWOT Analysis of SAIL Steel Authority of India are as mentioned:

1. Change in Government policies & economy trend
2. Emerging & existing private sector players
3. Technological developments in outside world

SAIL Steel Authority of India Competition

SAIL Steel Authority of India Competitors

Below are the top 3 competitors of SAIL Steel Authority of India:

1. [TATA Steel](#)
2. [JSW Steel](#)
3. ISPAT Industries

SAIL Steel Authority of India SWOT Analysis, Competitors, Segmentation, Target Market, Positioning, USP & Brand Analysis Table

Market Capitalisation

Market capitalization refers to the total dollar market value of a company's outstanding shares of stock.

Commonly referred to as "market cap," it is calculated by multiplying the total number of a company's

Outstanding shares by the current market price of one share.

Market Share

Market share is the percent of total sales in an industry generated by a particular company.

Market share is calculated by taking the company's sales over the period and dividing it

by the total sales of the industry over the same period. This metric is used to give a general

idea of the size of a company in relation to its market and its competitors.

The market leader in an industry is the company with the largest market share.

$$\text{Market Share} = \frac{\text{Total Number of Units Sold by the Company}}{\text{Total Number of Units Sold in the Market}} \times 100$$

Market Share & Capitalisation of Sail

₹108.75 ↑ 0.28% +0.30 Today

28 Dec, 15:59:57 UTC+5:30 · INR · NSE · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



Most active

Stock

IN listed security

IN headquartered

PREVIOUS CLOSE ₹108.45

DAY RANGE ₹108.40 - ₹109.40

YEAR RANGE ₹55.30 - ₹151.30

MARKET CAP 449.40B INR

P/E RATIO 3.41

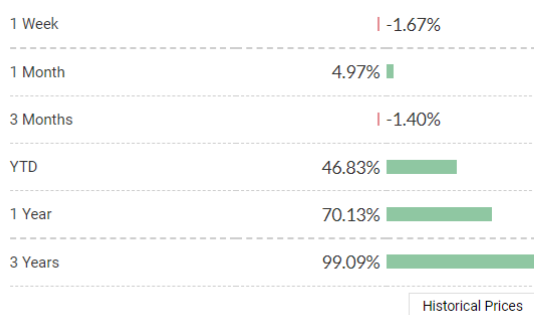
DIVIDEND YIELD 5.33%

PRIMARY EXCHANGE NSE

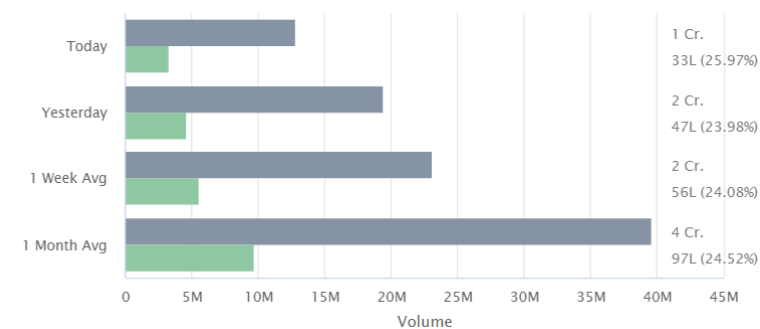
Open	108.70	High	109.40	TTM EPS	31.89	Mkt Cap (Rs. Cr.)	44,940
Previous Close	108.45	Low	108.40	TTM PE	3.41	Dividend Yield	--
Volume	12,134,126	UC Limit	119.25	Sector PE	13.28	20D Avg Volume	38,180,375
Value (Lacs)	13,201.93	LC Limit	97.65	Book Value Per Share	109.93	20D Avg Delivery(%)	24.62
ⓘ VWAP	108.90	52 Week High	151.30	P/B	0.99		
Beta	1.42	52 Week Low	55.30	Face Value	10		

PRICE AND VOLUME

Price Performance



Volume Analysis



Business Description

SAIL manufactures the widest spectrum of steel products in the country, covering hot and cold rolled sheets and coils, galvanized sheets, electrical sheets, structural, railway products, plates, bars and rods, stainless steel and other alloy steels. The products of the company are used in several sectors, encompassing construction, engineering, power, railway, automotive and defence industries apart from catering to the export market. During FY10, the steel plants of SAIL produced 14.5 MT of hot metal, 13.5 MT of crude steel and 12.6 MT of saleable steel with saleable steel achieving 114% of capacity utilization. During the year several new products were developed, such as 3mm Chequered Coils, SAIL-MC60 HR Coils, C30 HMn 1.2 HR Coils, SAE1541 HR Coils & API X60 ERW Pipes at RSP, DMR 249B Plates at RSP & BSP and ATM Grade Plates at BSP.

Marketing and Distribution Network

SAIL has established a country wide marketing network with 37 branch sales offices, 25 Departmental Warehouses, 42 Consignment Agents and 27 Customer Contact Offices. It also extended its distribution through its dealers. As on Apr 1, 2010, SAIL's distribution network covered 630 districts of the country with around 2,500 dealers in place.

Activities during the financial year

- During the year, SAIL agreed to merge its subsidiary, Maharashtra Electro smelt Ltd (MEL) with itself.
- Signed an MoU with IRCON international Ltd, a PSU under the Ministry of Railways, for jointly working on rail infrastructure project both in India and abroad.
- The company established a JV SAIL SCI Shipping Pt Ltd in May 2010, to cater to its requirements of shipping imports of coal.
- Entered into a JV with RITES Ltd for establishing a wagon manufacturing plant in Kulthi, in WB.
- Signed an MoU with Kobe Steel Japan, for exploring feasibility of ITmk3 technology for producing premium grade iron nuggets using iron ore fines and non-coking coal.
- Signed an MoU with POSCO, Korea for exploring business opportunities in the areas of manufacturing and commercialization of CRNO; and exploration of upstream & downstream opportunities in utilizing FINEX technology.
- Signed an MoU with Rastriya I spat Nigam Ltd for jointly exploring and developing high grade low silica limestone deposits of Qalhat in the sultanate of Oman for supply to steel plants of SAIL & RINL on a long-term basis.

CSR

Corporate Social Responsibility of SAIL

CSR was an integral part of its operations ever since the establishment of its production units in remote locations of the country since the early 1950s. Places like Bhilai, Rourkela, Durgapur, etc., which today are thriving industrial and commercial centres having grown around SAIL's integrated steel plants set up there, were once extremely backward locations without any economic or social infrastructure. The company had to provide basic amenities like power, drinking water, and education and medical facilities for its workforce at these plant locations; these facilities have multiplied over the decades as SAIL's business has grown.

Healthcare

At today's count, SAIL has established 54 Primary Health Centres, 12 Reproductive & Child Health Centres, 17 Hospitals and 7 Super-Specialty Hospitals for providing specialized healthcare to more than 30 million people since inception. Five special health centre (Kalyan Chikitsalyas) have been set up at plant locations for poor and needy people, where free medical treatment and medicines are provided. SAIL organizes health camps in the range of more than 3,000 every year, reaching out to people needing primary health support.

The coverage has spanned various states like Jharkhand, Chhattisgarh, Odisha, West Bengal, Tamil Nadu, Karnataka, Bihar, Maharashtra, Madhya Pradesh, Haryana, Rajasthan, etc. To help the poor and downtrodden patients and to have health outreach, 24 MMUs /ambulances have been provided to various NGOs like HelpAge India, Bharat Sewashram Sangha, Anugraha Drishtidaan, etc. A

special project 'Akshaya' for providing free investigation to TB patients of under privileged sections of society and project 'Chetna' for treatment of sickle cell anaemia are run in Rourkela.

Education

146 schools have been set up in the steel townships for providing modern education to about 70,000 children and assistance has been provided to over 286 schools of villages surrounding steel plants/units for free education of more than 55,000 students. 225 tribal children at Bhilai and 12 boys of the nearly extinct Birhore tribe at Bokaro have been adopted and are provided free education, boarding and lodging. SAIL has achieved a girl-boy ratio of 1:1 for all levels of education as well as a survival rate of 96% in SAIL primary schools and 90% in SAIL secondary schools. SAIL has also set up 6 Special Schools exclusively for poor, underprivileged, BPL children at its 5 integrated steel plant locations covering around 1,400 children providing free education, midday meals, uniform, including shoes, textbooks, stationery items, school bag, water bottles, etc. With the help of Akshay Patra Foundation, SAIL is providing midday meals to more than 18,000 students in different schools of Bhilai every day. In order to support the existing school infrastructure, SAIL has been providing additional classrooms across the country and such projects are in progress at Bhilai, Durgapur, Bokaro, Rourkela, Burnpur, as well as areas where SAIL carries out mining activities.

Besides the above, SAIL has supported Chhattisgarh Technical University with Rs 50 crore, for promotion of technical education and industry-education collaboration. Industrial Training Institutes (ITIs) have also been set up at Gua Mines and Bokaro and two new ITIs are being set up in Uttar Pradesh.

Scholarships for ITI and nursing courses to people belonging to weaker sections and women, sponsorships to students for technical education, free coaching and assistance to needy and poor children for their higher education, etc., are other areas of focus for SAIL in the field of education.

Roads are a means of communication and help economic and social activities to multiply. Involved in the construction and repair of roads in far-flung locations since inception, SAIL has constructed roads in 435 villages helping around 73 lakh people.

Water

SAIL has also provided access to water infrastructure to people living in far-flung areas by installing 5,153 water sources, thereby providing drinking water access to around 38 lakh people. Each SAIL plant has ensured that villages within the radius of approximately 16-18 kms of its township have access to potable water.

Model Steel Villages

In order to bridge the gap between rural and urban areas and to provide comprehensive development of both physical and social infrastructure, 79 villages have been identified as 'Model Steel Villages' in 8 states across the country. The developmental activities being undertaken in these villages include medical & health services, education, roads & connectivity, sanitation, community centres, livelihood generation, sports facilities, etc.

Solar Power

Promotion of alternative source of energy is one of the thrust areas of SAIL. This year, SAIL under this initiative is supporting setting up of 100-kw

Community Solar Power Plants in Jarri, Albert Ekka Block, Jharkhand with the help of Jharkhand Renewable Energy Development Agency. SAIL is also installing solar street lights at public places to eradicate the problem of power crisis in rural and mines areas of the country.

Calamity Aid

SAIL has been always a trend setter in supporting people during natural calamities and recently it has supported construction of low cost houses at Leh after a cloud burst, providing galvanized sheets to Sikkim earth quake victims, contributing to Chief Minister's Relief Fund for aid to people affected by the Odisha floods, and provided flood relief packets during the floods in Uttar Pradesh.

Vocational Training

Villagers are being provided vocational training in areas such as improved agriculture, mushroom cultivation, animal husbandry (goatery, poultry, fishery, piggery), achar/ppapad/agarbatti making, etc. Training is also provided for skill enhancement as welders, fitters and electricians, in sewing & embroidery, smokeless chullah making, etc. Vocational training centres like Bhilai Ispat Kaushal Kutir for rural and unemployed youth and Skill Development & Self Employment Training Institutes for the benefit of women and girls have also been set up. One of the outstanding success stories of SAIL-supported Self Help Group programmes is 'Kiran' which is run by 97 lady artisans of nearby villages of Kiriburu Ore Mines. Kiran branded towels, bedsheets, sarees, Diwali

candles and agarbattis are beinhg sold through door-to-door marketing efforts and through cooperatives.

Sports

SAIL has also become a part and parcel of the sporting history of the Nation. Right from the early trickles to the recent deluge of medals, awards and accolades, the steel major has supported many sports disciplines and promoted numerous sportspersons. SAIL supported wrestlers Sushil Kumar, Yogeshwar Dutt and Deepak Sharma, all of whom won top honours and made the nation proud during international events such as the Beijing Olympics and Commonwealth Games 2010. SAIL was the presenting sponsor of World Cup Hockey 2010 and is also sponsoring the Asian Tour-level SAIL Open Golf Championship for the past 4 years, besides prestigious annual events such as Davis Cup, SAIL Trophy Cricket Tournament, DSA league, Nehru Cup, etc. The company has also set up 6 academies at its plant & mines locations – for Athletics (boys & girls), Hockey, Football and Archery.

Preservation of Art & Culture

Promotion and preservation of various forms of Indian arts and cultures enriches our cultural diversity. To fulfill this aspiration, SAIL has supported maintenance of monuments in Delhi's Lodhi Gardens, and Vedvyas, Saraswati kund in Rourkela. To take care of distinct features of tribal culture, a 5-day Chhattisgarh Lok Kala Mahotsav is celebrated every year in Bhilai and nearby places in which more than 600 artistes participate. To promote local culture and

games, various Gramin Lokotsavs and Gramin athletics competitions are organised by SAIL at different locations throughout the year.

Awards & Accolades

SAIL's efforts as a responsible corporate citizen in Nation building have been recognized by various organizations in the form of awards and accolades. These include the SKOCH Financial Inclusion Award-2012 for Women Empowerment , India Shining Star CSR Award-2010 by Wockhardt Foundation in the Iron & Steel category, SCOPE Meritorious Award for Corporate Social Responsibility & Responsiveness for the year 2008-09, Annual FICCI Awards 2008-09 in the category of 'The Vision Corporate Triple Impact – Business Performance, Social & Environmental Action and Globalisation', Business World -FICCI-SEDF CSR Award for the year 2006, FICCI Award for Rural & Community Development 2006-07, CSR Award of the Ministry of Rural Development, Government of India, Golden Peacock Award – 2008, 2009 & 2008-09 for CSR to Bhilai Steel Plant , CSR Award of Tamil Nadu Government to Salem Steel Plant for the consecutive years 2007-08 and 2008-09, etc.

Expansion Plans

Steel Authority of India (SAIL) will finalise the next phase of its modernisation and capacity expansion plan — to more than double its installed crude steel production capacity to 50 million tonne per annum (MTPA) — in the next 15-18 months, its top management said in an investor call.

The work on the expansion is likely to start in 2023-24.

The public sector unit is currently on the verge of completing a Rs 70,000-crore modernisation and expansion programme. After that, its capacity will go up to 21.4 MTPA.

In the next round of modernisation and expansion, likely to start from FY24, SAIL will look at expanding capacity by 12-14 MTPA in the first phase at its units in Bokaro, Burnpur (IISCO) and Rourkela, the management said.

SAIL has already completed land surveys in Rourkela and Bokaro and has land parcels available to support a brownfield expansion.

“Taking cues from previous expansion, the management informed that it would not embark on all expansion projects at one go but would pursue it in a manner that there is a sufficient time gap between two large payments,” brokerage firm Motilal Oswal said in a report.

SAIL aims to repay as much debt as possible before embarking on its expansion plans and finance the new phase of expansion at a 1:1 debt-to-equity ratio, it said.

Sources said in the first phase, the company intends to enhance strength at its Durgapur Steel Plant to 7.5 MTPA from 2.5 MTPA. That of the Rourkela Steel Plant has been proposed to be raised to 8.8 MTPA from 3.7 MTPA. Bokaro Steel Plant's capacity will be raised to 9.5 MTPA and IISCO's to 3 MTPA in the first phase and subsequently to 7.3 MTPA in the next phase.

Though there hasn't been any plan to raise capacity at Bhilai Steel Plant in the first phase, its capacity will be raised to 12 MTPA in the second phase from the current 7 MTPA, and subsequently to 14 MTPA by 2030.

Chapter – 3

PESTEL Analysis of the Steel Industry

Asian countries are in the lead with the production of the steel, China is the top producer among the Asian countries which are contributing high a supply of the steel in the international market. 419 million ton of the steel is produced only in China. In past 6 years there are many acquisitions and mergers are happening in the steel industry. May be this could be the one of the reasons behind this tremendous growth globally.

After the China country, Japan, India, and South Korea. India is contributing total of the 53 million ton steel in global market. The Japan is producing only 9% of the steel which is contributed to the global steel market. India is also one of the major countries in the production of the steel. The east, south, and west regions are important for the steel industry in India. The rapid expansion is expected in the east region, Orissa because the availability of the superior raw material. In India because the vast availability of resources and major industry players India is enjoying the boom in this sector which are responsible of the growth in the GDP according to the survey which is done by the DEUTSCHE BANK where the analysis is done with detailed survey of 34 economies in nation. It is observed that India will enjoy the average growth of 5.5% in between the year 2006 to year 2010.

The average is observed for the, whereas 5.4% to Malaysia. The opening up the economies in the global market is responsible for the high investment in the industry sector where lots of acquisitions and mergers are happening in the industry. The PESTEL ANALYSIS of the industry is divided into five parts which can be discussed as follows:

P- Political analysis

E - Economic analysis

S - Socio -culture analysis

T - Technological analysis

E - Environmental analysis

L - Legal analysis.

POLITICAL ANALYSIS:

Political analysis includes the factors which can influence the business. It is included the political factor which includes the policy offered by the government to the specific sector. Here for this sector government introduces the National Steel Policy. The main aim for the introduction of this policy is to fill the gap between the demand and supply of the steel. To maximize the production is also main activity is designed under this policy. To increase the production up to million ton is also the main objective of the policy.

Under this policy the special incentives are designed for the steel sector. Incentives like the cut in the duty, zero duty on imports, provision of the land and other infrastructural facilities are the facilities provided for the steel sector. Under this policy the government is encourage to the use the full opportunities available in the PUBLIC AND PRIVATE PATNERSHIP (PPP). With the growing industry the government is increased the sales tax from the 15% to 20% where as 75% FDI (foreign direct investment) is allowed in the industry this scheme also provides the various concessions in the custom duties.

ECONOMICAL ANALYSIS:

STEEL industry is concern to be a very booming industry from past decades. Opening up with the various economies the foreign direct investment is the happened in this sector the various foreign players are interested to invest in the country. Under the various economies schemes there is permission in advance licensing scheme which allows the duty free imports of raw material for exports. But, with the boom in the industry GDP is rising at very slow rate. The steel industry is also facing the problem of the subprime crisis occurs in the united states before 15 months. Because of the subprime crisis there is ill effect occurs in the automobile industry, infrastructure and other business which are related with the steel industry.

SOCIO- CULTURE:

The socio culture is one of the important aspect in the analysis of the industry it describes the impact of the particular industry on the society. Likewise the steel industry also give the encouragement to the permanent employment to the people but on the other hand it divides the area in to the rural and urban sector because the industry is only in the particular area only which leads to the particular development of that area only and not overall the development . because of the working conditions the people which are employed in the steel industry faced many health problems which are incurable in the nature and many industries are not paying the attention on the health of the employees. Any kind of the allowances are not given to the employees. Steel industry is also responsible for the development in the rural sector which leads to the rise in the standard of the living of the people.

TECHNICAL:

The traditional technologies are being used from many years in the industry. There is no innovation in the use of the technique in the production process. The Tata steel is developing the same technique is by which the encouragement is given to the trading of the steel. Tata and sail introduces the online trading of the steel. Only the electric furnace is being used now days in the production process but because of the fluctuations in the energy there is wastage in the raw material. The basic technologies are used in the production process are basic arc, induction furnace and electric furnace which are outdated in the nature.

ENVIRONMENTAL:

Though the steel industry is encouraging the many sectors and the encouraging the development it is creating the unfavourable environment in the nature. The all leading industries are following the environmental acts which are declared by the governments, though it is creating very bad impact on the environment. Many industries are using the pollution control equipment and energy saving equipment but that is not sufficient in the nature. The least importance is given to the environmental aspect. But the Tata steel is encouraging the ecofriendly system, to reduce the emission the co2 gas during the production process. Tata is developing the Ultra-Low Carbon steel making where there will be reduction in the environmental loss.

LEGAL:

Government is introducing the various rules and regulations of this particular industry. The government is about to paying the more attention in the health policies of the employees which are working with the steel industry. Special health incentives and rules are introduced in the steel industry.

Conclusion:

From above discussion and surveys, we come to know about how the pestel analysis is done in the industry we also come to know about the political, economic, and technical aspect are important for the development.

Porter Five (5) Forces Model

Barriers to entry: We believe that the barriers to entry are medium. Following are the factors that vindicate our view.

Capital Requirement: Steel industry is a capital intensive business. It is estimated that to set up 1 mtpa capacity of integrated steel plant, it requires between Rs 25 bn to Rs 30 bn depending upon the location of the plant and technology used.

Economies of scale: As far as the sector forces go, scale of operation does matter. Benefits of economies of scale are derived in the form of lower costs, R& D expenses and better bargaining power while sourcing raw materials. It may be noted that those steel companies, which are integrated, have their own mines for key raw materials such as iron ore and coal and this protects them for the potential threat for new entrants to a significant extent.

Government Policy: The government has a favourable policy for steel manufacturers. However, there are certain discrepancies involved in allocation of iron ore mines and land acquisitions. Furthermore, the regulatory clearances and other issues are some of the major problems for the new entrants.

Product differentiation: Steel has very low barriers in terms of product differentiation as it doesn't fall into the luxury or specialty goods and thus does not have any substantial price difference. However, certain companies like Tata Steel still enjoy a premium for their products because of its quality and its brand value created more than 100 years back. Bargaining power of buyers: Unlike the FMCG or retail sectors, the buyers have a low bargaining power. However, the government may curb or put a ceiling on prices if it feels the need to do so. The steel companies either sell the steel directly to the user industries or through their own distribution networks. Some companies also do exports.

Bargaining power of suppliers: The bargaining power of suppliers is low for the fully integrated steel plants as they have their own mines of key raw material like iron ore coal for example Tata Steel. However, those who are non-integrated or semi integrated must depend on suppliers. An example could be SAIL, which imports coking coal.

Competition: It is medium in the domestic steel industry as demand still exceeds the supply. India is a net importer of steel. However, a threat from dumping of cheaper products does exist.

Threat of substitutes: It is medium to low. Although usage of aluminium has been rising continuously in the automobile and consumer durables sectors, it still does not pose any significant threat to steel as the latter cannot be replaced completely and the cost differential is also very high.

Conclusion: After understanding all the above viewpoints and the current global scenario, we believe that the domestic steel industry will likely maintain its momentum in the long term. However, the growth may get affected in short run. Investors need to focus on companies that are integrated, have economies of scale, and sell premium quality products.

Chapter – 4

Comparison with Competitors

Balance Sheet	----- in Rs. Cr. -----				
	SAIL	JSW Steel	Tata Steel	Hindalco	Jindal Steel
	Mar '21	Mar '21	Mar '21	Mar '21	Mar '21
Sources Of Funds					
Total Share Capital	4,130.53	302.00	1,198.78	222.00	102.00
Equity Share Capital	4,130.53	302.00	1,198.78	222.00	102.00
Share Application Money	0.00	0.00	3.78	0.00	0.00
Preference Share Capital	0.00	0.00	0.00	0.00	0.00
Reserves	39,364.35	46,675.00	89,289.55	49,842.00	32,540.11
Revaluation Reserves	0.00	0.00	0.00	0.00	0.00
Networth	43,494.88	46,977.00	90,492.11	50,064.00	32,642.11
Secured Loans	35,576.20	40,836.00	28,088.80	19,464.00	16,710.32
Unsecured Loans	0.00	0.00	0.00	0.00	0.00
Total Debt	35,576.20	40,836.00	28,088.80	19,464.00	16,710.32
Total Liabilities	79,071.08	87,813.00	118,580.91	69,528.00	49,352.43
	SAIL	JSW Steel	Tata Steel	Hindalco	Jindal Steel
	Mar '21	Mar '21	Mar '21	Mar '21	Mar '21
Application Of Funds					
Gross Block	112,636.59	68,659.00	91,729.43	50,446.00	55,503.09
Less: Accum. Depreciation	45,036.83	16,717.00	22,951.81	18,056.00	12,781.57
Net Block	67,599.76	51,942.00	68,777.62	32,390.00	42,721.52
Capital Work in Progress	8,878.48	29,042.00	10,465.97	1,709.00	604.16
Investments	1,595.01	12,458.00	57,470.73	31,731.00	5,557.53
Inventories	19,508.30	10,692.00	8,603.79	15,989.00	4,591.67
Sundry Debtors	7,124.00	3,333.00	3,863.31	1,602.00	1,960.75
Cash and Bank Balance	680.52	11,746.00	1,671.71	1,019.00	5,687.40
Total Current Assets	27,312.82	25,771.00	14,138.81	18,610.00	12,239.82
Loans and Advances	11,773.59	14,019.00	14,182.86	3,507.00	8,008.25
Fixed Deposits	0.00	0.00	0.00	0.00	0.00
Total CA, Loans & Advances	39,086.41	39,790.00	28,321.67	22,117.00	20,248.07
Deffered Credit	0.00	0.00	0.00	0.00	0.00
Current Liabilities	34,795.58	44,423.00	42,836.71	17,167.00	19,622.41
Provisions	3,293.00	996.00	3,618.37	1,252.00	156.44
Total CL & Provisions	38,088.58	45,419.00	46,455.08	18,419.00	19,778.85
Net Current Assets	997.83	-5,629.00	-18,133.41	3,698.00	469.22
Miscellaneous Expenses	0.00	0.00	0.00	0.00	0.00
Total Assets	79,071.08	87,813.00	118,580.91	69,528.00	49,352.43
Contingent Liabilities	47,462.92	51,081.00	33,058.37	1,023.00	13,858.80
Book Value (Rs)	105.30	194.34	751.48	225.05	320.02

PROFIT AND LOSS ACCOUNT STATEMENTS

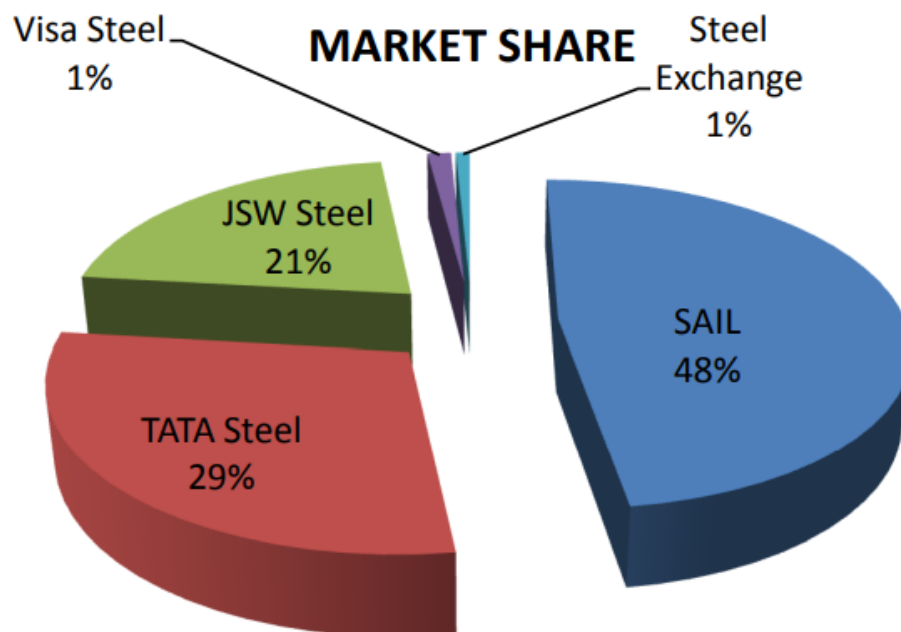
Profit & Loss account	----- in Rs. Cr. -----				
	SAIL	JSW Steel	Tata Steel	Hindalco	Jindal Steel
	Mar '21	Mar '21	Mar '21	Mar '21	Mar '21
Income					
Sales Turnover	69,110.02	70,727.00	64,869.00	42,701.00	33,307.83
Excise Duty	0.00	0.00	0.00	0.00	0.00
Net Sales	69,110.02	70,727.00	64,869.00	42,701.00	33,307.83
Other Income	1,337.77	300.00	3,472.28	680.00	494.30
Stock Adjustments	-4,268.58	872.00	-1,464.12	1,821.00	-183.04
Total Income	66,179.21	71,899.00	66,877.16	45,202.00	33,619.09
Expenditure					
Raw Materials	26,362.32	31,548.00	19,126.56	29,292.00	12,183.39
Power & Fuel Cost	5,709.46	5,210.00	2,759.02	5,668.00	3,935.63
Employee Cost	10,445.94	1,501.00	5,198.82	1,844.00	675.86
Other Manufacturing Expenses	0.00	0.00	0.00	0.00	821.27
Selling and Admin Expenses	0.00	0.00	0.00	0.00	0.00
Miscellaneous Expenses	9,595.67	14,081.00	14,555.13	3,625.00	2,453.73
Preoperative Exp Capitalised	0.00	0.00	0.00	0.00	0.00
Total Expenses	52,113.39	52,340.00	41,639.53	40,429.00	20,069.88
	SAIL	JSW Steel	Tata Steel	Hindalco	Jindal Steel
	Mar '21	Mar '21	Mar '21	Mar '21	Mar '21
Operating Profit	12,728.05	19,259.00	21,765.35	4,093.00	13,054.91
PBDIT	14,065.82	19,559.00	25,237.63	4,773.00	13,549.21
Interest	2,817.14	3,565.00	3,393.84	1,469.00	2,186.54
PBDT	11,248.68	15,994.00	21,843.79	3,304.00	11,362.67
Depreciation	4,102.00	3,781.00	3,987.32	1,708.00	2,243.45
Other Written Off	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	7,146.68	12,213.00	17,856.47	1,596.00	9,119.22
Extra-ordinary items	0.00	0.00	0.00	0.00	0.00
PBT (Post Extra-ord Items)	7,146.68	12,213.00	17,856.47	1,596.00	9,119.22
Tax	3,029.01	3,803.00	4,188.51	566.00	1,964.91
Reported Net Profit	3,850.02	8,393.00	13,606.62	993.00	7,154.31
Total Value Addition	25,751.07	20,792.00	22,512.97	11,137.00	7,886.49
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Equity Dividend	0.00	483.00	1,145.93	222.00	0.00
Corporate Dividend Tax	0.00	0.00	242.34	0.00	0.00
Per share data (annualised)					
Shares in issue (lakhs)	41,305.25	24,172.20	12,041.27	22,245.67	10,200.16
Earning Per Share (Rs)	9.32	34.72	113.00	4.46	70.14
Equity Dividend (%)	0.00	650.00	250.00	300.00	0.00
Book Value (Rs)	105.30	194.34	751.48	225.05	320.02

Cash Flows

----- in Rs. Cr. -----

	Jindal Steel	Hindalco	JSW Steel	Tata Steel	SAIL
	Mar '21	Mar '21	Mar '21	Mar '21	Mar '21
	12 mths	12 mths	12 mths	12 mths	12 mths
Net Profit Before Tax	9119.22	1574.00	12196.00	17795.13	6879.03
Net Cash From Operating Activities	9760.12	5564.00	17733.00	29368.56	23395.88
Net Cash (used in)/from Investing Activities	-3508.73	-3486.00	-2609.00	-13008.46	-3390.79
Net Cash (used in)/from Financing Activities	-1080.01	-4306.00	-7441.00	-15852.03	-19690.12
Net (decrease)/increase In Cash and Cash Equivalents	5171.38	-2228.00	7683.00	508.07	314.97
Opening Cash & Cash Equivalents	380.99	3231.00	3438.00	993.64	153.43
Closing Cash & Cash Equivalents	5552.37	1003.00	11121.00	1501.71	468.40

Comparison of Market share



Yearly

	----- in Rs. Cr. -----				
	Tata Steel	Hindalco	SAIL	Jindal Steel	JSW Steel
	Mar '21	Mar '21	Mar '21	Mar '21	Mar '21
Sales Turnover	64,869.00	42,701.00	69,110.02	33,307.83	70,727.00
Other Income	637.89	650.00	1,011.69	666.11	669.00
Total Income	65,506.89	43,351.00	70,121.71	33,973.94	71,396.00
Total Expenses	43,103.65	38,607.00	56,381.97	20,252.92	51,468.00
Operating Profit	21,765.35	4,094.00	12,728.05	13,054.91	19,259.00
Profit On Sale Of Assets	--	--	--	--	--
Profit On Sale Of Investments	--	--	--	--	--
Gain/Loss On Foreign Exchange	--	--	--	--	--
VRS Adjustment	--	--	--	--	--
Other Extraordinary Income/Expenses	--	--	--	--	--
Total Extraordinary Income/Expenses	2,773.05	7.00	58.43	-171.81	-386.00
Tax On Extraordinary Items	--	--	--	--	--
Net Extra Ordinary Income/Expenses	--	--	--	--	--
Gross Profit	22,403.24	4,744.00	13,739.74	13,721.02	19,928.00
Interest	3,393.84	1,469.00	2,817.14	2,186.54	3,565.00
PBDT	21,782.45	3,282.00	10,981.03	11,362.67	15,977.00
Depreciation	3,987.32	1,708.00	4,102.00	2,243.45	3,781.00
Depreciation On Revaluation Of Assets	--	--	--	--	--
PBT	17,795.13	1,574.00	6,879.03	9,119.22	12,196.00
Tax	4,188.51	581.00	3,029.01	1,964.91	3,803.00
Net Profit	13,606.62	993.00	3,850.02	7,154.31	8,393.00
Prior Years Income/Expenses	--	--	--	--	--
Depreciation for Previous Years Written Back/ Provided	--	--	--	--	--
Dividend	--	--	--	--	--
Dividend Tax	--	--	--	--	--
Dividend (%)	--	--	--	--	--
Earnings Per Share	113.50	4.47	9.32	70.14	34.83
Book Value	--	--	--	--	--
Equity	1,198.78	222.00	4,130.53	102.00	241.00
Reserves	89,289.55	49,842.00	39,364.35	32,540.11	46,675.00
Face Value	10.00	1.00	10.00	1.00	1.00

Competition

Name	Last Price	Market Cap. (Rs. cr.)	Sales Turnover	Net Profit	Total Assets
JSW Steel	651.30	157,433.57	70,727.00	8,393.00	87,813.00
Tata Steel	1,115.45	136,272.71	64,869.00	13,606.62	118,580.91
Hindalco	458.90	103,122.62	42,701.00	993.00	69,528.00
SAIL	108.80	44,940.12	69,110.02	3,850.02	79,071.08
Jindal Steel	384.30	39,201.99	33,307.83	7,154.31	49,352.43
NMDC	132.60	38,859.83	15,370.06	6,253.05	31,750.61
APL Apollo	1,008.50	25,223.14	6,007.96	153.78	1,881.69
KIOCL	265.40	16,129.71	2,383.61	301.17	1,985.99
Tata Steel BSL	85.35	9,332.51	21,418.63	2,445.98	31,578.01
Jindal Stainles	183.30	9,243.32	11,679.14	427.92	6,017.70

RATIOS OF STEEL AUTHORITY

KEY FINANCIAL RATIOS OF STEEL AUTHORITY OF INDIA (in Rs. Cr.)	MAR 21	MAR 20	MAR 19	MAR 18	MAR 17
PER SHARE RATIOS					
Basic EPS (Rs.)	9.32	4.89	5.27	-1.17	-6.86
Diluted EPS (Rs.)	9.32	4.89	5.27	-1.17	-6.86
Cash EPS (Rs.)	19.25	13.99	13.47	6.25	-0.37
Book Value [ExclRevalReserve]/Share (Rs.)	105.30	96.30	92.36	86.46	87.18
Book Value [InclRevalReserve]/Share (Rs.)	105.30	96.30	92.36	86.46	87.18
Dividend / Share(Rs.)	0.00	0.00	0.50	0.00	0.00
Revenue from Operations/Share (Rs.)	167.32	149.28	162.13	139.35	107.62
PBDIT/Share (Rs.)	33.26	27.08	24.86	12.35	1.39
PBIT/Share (Rs.)	23.33	17.99	16.66	4.93	-5.10
LIQUIDITY RATIOS					
Current Ratio (X)	0.78	0.91	0.78	0.68	0.55
Quick Ratio (X)	0.36	0.38	0.31	0.29	0.21
Inventory Turnover Ratio (X)	3.54	2.60	3.44	3.39	2.83
Dividend Payout Ratio (NP) (%)	0.00	0.00	0.00	0.00	0.00
Dividend Payout Ratio (CP) (%)	0.00	0.00	0.00	0.00	0.00
Earnings Retention Ratio (%)	0.00	0.00	0.00	0.00	0.00
Cash Earnings Retention Ratio (%)	0.00	0.00	0.00	0.00	0.00
VALUATION RATIOS					
Enterprise Value (Cr.)	67,464.91	60,358.43	63,395.41	70,763.74	63,890.27
EV/Net Operating Revenue (X)	0.98	0.98	0.95	1.23	1.44
EV/EBITDA (X)	4.91	5.40	6.17	13.87	111.38
MarketCap/Net Operating Revenue (X)	0.47	0.15	0.33	0.50	0.57
Retention Ratios (%)	0.00	0.00	0.00	0.00	0.00

PBT/Share (Rs.)	16.65	7.68	8.08	-1.84	-11.74
Net Profit/Share (Rs.)	9.32	4.89	5.27	-1.17	-6.86
PROFITABILITY RATIOS					
PBDIT Margin (%)	19.88	18.13	15.33	8.86	1.29
PBIT Margin (%)	13.94	12.04	10.27	3.53	-4.73
PBT Margin (%)	9.95	5.14	4.98	-1.31	-10.91
Net Profit Margin (%)	5.57	3.27	3.25	-0.83	-6.37
Return on Networth / Equity (%)	8.85	5.08	5.71	-1.34	-7.86
Return on Capital Employed (%)	13.63	9.26	9.19	2.87	-3.49
Return on Assets (%)	3.28	1.61	1.87	-0.42	-2.65
Total Debt/Equity (X)	0.82	1.29	1.09	1.18	1.08
Asset Turnover Ratio (%)	58.98	49.28	57.51	50.40	41.72
Price/BV (X)	0.75	0.24	0.58	0.81	0.70
Price/Net Operating Revenue	0.47	0.15	0.33	0.50	0.57
Earnings Yield	0.12	0.21	0.10	-0.02	-0.11

Chapter – 5

RATIO ANALYSIS

Ratio Analysis is a powerful tool of financial analysis. Analysis of financial statements with the assistance of ratios helps the management in decision making and control. Ratio analysis is used by creditors, banks, financial institutions investors and shareholders. It helps them in making a decision concerning the granting of credit and making investments in the firm. Thus, ratio analysis is of enormous use and has wide application.

STEEL AUTHORITY OF INDIA LTD. (SAIL) - FINANCIAL RATIOS

RATIOS	2021	2020	2019
Debt-Equity Ratio	1.10	1.27	1.23
Current Ratio	0.84	0.92	0.85
Asset Turnover Ratio	0.61	0.58	0.68
Inventory Turnover Ratio	3.49	2.82	3.63
Debtors Turnover Ratio	8.67	9.27	16.01
Interest Coverage Ratio	3.44	2.14	2.20
Operating Margin (%)	19.97	18.22	15.40
Net Profit Margin (%)	5.57	4.13	3.68
Return On Capital Employed (%)	10.37	7.92	7.89
Return On Net Worth (%)	9.25	6.53	6.67

CLASSIFICATION OF RATIOS:

Financial ratio analysis involves the calculation and comparison of ratios which are derived from the information given in the company's financial statements. The historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and its investment attractiveness.

Financial ratio analysis groups the ratios into categories that tell us about the different facets of a company's financial state of affairs. Some of the categories of ratios are described below:

- Liquidity Ratios give a picture of a company's short term financial situation or solvency
- Turnover Ratios show how efficient a company's operations and how well it is using its assets.
- Profitability Ratios show the quantum of debt in a company's capital structure.

LIQUIDITY RATIOS:

Liquidity Ratios are ratios that come off the Balance Sheet and hence measure the Liquidity of the company as on a particular day i.e., the day that the Balance Sheet was Prepared. These ratios are important in measuring the ability of a company to meet both its short term and long-term obligations.

1. Current Ratio
2. Liquid Ratio
3. Net working capital ratio

Current Ratio:

An indication of a company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by current liabilities. If the current assets of a company are more than twice the current liabilities, then that company is generally considered to have good short-term financial strength. If current liabilities exceed current assets, then the company may have problems meeting its short-term obligations.

$$\text{CURRENT RATIO} = \text{CURRENT ASSETS} / \text{CURRENT LIABILITY}$$

Liquid ratio:

Liquid ratio is also known as 'quick' or 'Acid test' ratio. Liquid assets refer to assets which are quickly convertible into cash. Current Assets other than stock and prepaid expenses are considered as quick assets. The ideal liquid ratio accepted 'norm' for liquid ratio '1'.

$$\text{Quick Ratio} = \text{Total Quick Assets} / \text{Total Current Liabilities}$$

$$\text{Quick Assets} = \text{Total Current Assets (minus) Inventory}$$

Net working capital ratio:

Working Capital is more a measure of cash flow than a ratio. The result of this calculation must be a positive number. Companies look at Net Working Capital over time to determine a company's ability to weather financial crises. Loans are often tied to minimum working capital requirements.

$$\text{NET WORKING CAPITAL RATIO} = \text{Net Working Capital} / \text{Capital Employed}$$

TURNOVER RATIO:

The turnover ratio is also known as activity or efficiency ratios. They indicate the efficiency with which the capital employed is rotated in the business (i.e.) the speed at which capital employed in the business rotates. Higher the rate of rotation, the greater will be the profitability. Turnover ratios indicate the number of times the capital has been rotated in the process of doing business.

- **Fixed Asset Turnover Ratio**
- **Working Capital Turnover Ratio**
- **Debtor Turnover Ratio**
- **Stock Turnover Ratio**

Fixed assets turnover ratio:

Fixed asset turnover is the ratio of sales (on your Profit and loss account) to the value of your fixed assets (on your balance sheet). It indicates how well your business is using its fixed assets to generate sales.

Generally speaking, the higher the ratio, the better, because a high ratio indicates the business has less money tied up in fixed assets for each dollar of sales revenue. A declining ratio may indicate that you've over-invested in plant, equipment, or other fixed assets.

$$\text{FIXED ASSETS TURNOVER RATIO} = \text{GROSS SALES} / \text{NET FIXED ASSETS}$$

Working capital turnover ratio:

Working capital refers to investment in current assets. This is also known as gross concept of working capital. There is another concept of working capital known as net working capital. Net working capital is the difference between current assets and current liabilities. Analysts intend to establish a relationship between working capital and sales as the two are closely related. Through this ratio we are attempting to see that one rupee blocked by the organization in net working capital is generating how much sales. Higher the ratio better it is. In recent years for operating an industry have not only become scarce, but also costly in the wake of macro level policies on credit squeeze and an increase in Interest rate. So, the working capital can be defined either as a gross working capital, which include funds invested in all current assets, or as net working capital, which denotes the difference between the current asset's current liabilities of an organization.

$$\text{WORKING CAPITAL TURNOVER RATIO} = \text{NET SALES} / \text{NET WORKING CAPITAL}$$

Debtors turnover ratio:

Debtor's turnover ratio measures the efficiency with which the debtors are converted into cash. This ratio indicates both the quality of debtors and the collection efforts of the business enterprise. This ratio is calculated as follows:

I. Debtors' turnover ratio

II. Debt collection period.

The numerator of this ratio should preferably be credit sales. This is so because the denominator is logically related to credit sales as it arises from credit sales only. Cash sales do not generate debtors. However, as the information related to credit sales is not separately available in corporate accounts, so total sales could be taken in the numerator. Average debtors are calculated by dividing the sum of beginning-of-year and end-of-year balance of debtors by

$$\text{DEBTOR'S TURNOVER RATIO} = \text{CREDIT SALES} / \text{AVERAGE ACCOUNTS RECEIVABLES}$$

Debt collection period:

The ratio indicates the extent to which the debt has been collected in time. It gives the average debt collection period. The ratio is very helpful to lenders because it explains to them whether their borrowers are collecting money within a reasonable time. An increase in the period will result in greater blockage of funds in debtors.

$$\text{Debt collection period} = \text{Months/Days in a year} / \text{Debtor's turnover ratio}$$

Stock turnover ratio:

This ratio indicates whether investment in inventory is efficiently used or not. It is therefore explains whether investment in inventories is within proper limits or not. The Inventory turnover ratio signifies the liquidity of the Inventory. A high inventory turnover ratio indicates brisk sales. The ratio is, therefore a measure to discover the possible trouble in the form of over stocking or over valuation.

It is difficult to establish a standard ratio of inventory because it will differ from industry to industry.

$$\text{Stock Turnover Ratio} = \text{Sales} / \text{Average Inventory}$$

PROFITABILITY RATIO

Profitability is an indication of the efficiency with which the operation of the business is carried on. Poor operational performance may indicate poor sales and hence poor profits. A lower profitability may arise due to lack of control over the expenses. Bankers, financial institutions and other creditors look at the profitability ratios as an indicator whether or not the firm earns substantially more than it pays interest for the use of borrowed funds.

- Return on Investment
- Return on Shareholders' fund
- Return on total asset
- Earning per Share
- Net profit Ratio
- Operating ratio
- Payout ratio
- Dividend yield ratio

Return on investment:

It is also called as "Return on Capital Employed". It indicates the percentage of return on the total capital employed in the business.

The term 'operating profit' means 'profit before interest and tax' and the term 'capital employed' means sum-total of long-term funds employed in the business. i.e., Share capital + Reserve and surplus + long term loans – [non business assets + fictitious assets]

$$\text{Return on investment} = \text{Operating profit} / \text{Capital employed} * 100$$

Return on shareholder's fund:

In case it is desired to work out the productivity of the company from the shareholder's point of view, it should be computed as follows:

Return on shareholder's fund = Net profit after Interest and Tax/Shareholders' fund*100

The term profit here means 'Net Income after the deduction of interest and tax'. It is different from the "Net operating profit" which is used for computing the 'Return on total capital employed' in the business. This is because the shareholders are interested in Total Income after tax including Net non-operating Income (i.e. Non- Operating Income -Non-Operating expenses).

Return on total assets:

This ratio is computed to know the productivity of the total assets. The term 'Total Assets' includes the fixed asset, current asset and capital work in progress of the company. The above table clearly reveals the relationship between the net profit and Total Assets employed in the business.

Return on Total Assets = Net profit after Tax/Total Assets* 100

Earnings per share:

In order to avoid confusion on account of the varied meanings of the term capital employed, the overall profitability can also be judged by calculating earnings per share with the help of the following formula:

$$\text{Earning Per Equity Share} = \text{Net Profit after Tax} / \text{Number of Equity Shares} \times 100$$

The earning per share of the company helps in determining the market price of the equity shares of the company. A comparison of earning per share of the company with another will also help in deciding whether the equity share capital is being effectively used or not. It also helps in estimating the company's capacity to pay dividend to its equity shareholders.

$$\text{Earning Per Equity Share} = \text{Net Profit after Tax} / \text{Number of Equity Shares} \times 100$$

Net profit ratio:

This ratio indicates the Net margin on a sale of Rs. 100. This ratio helps in determining the efficiency with which affairs of the business are being managed. An increase in the ratio over the previous period indicates improvement in the operational efficiency of the business. The ratio is thus an effective measure to check the profitability of business. However, constant increase in the above ratio after year is a definite indication of improving conditions of the business.

$$\text{Net Profit Ratio} = \text{Net Operating Profit} / \text{Net Sales} \times 100$$

Operating ratio:

This ratio is a complementary of Net Profit ratio. In case the net profit ratio is 20%. It means that the operating profit ratio is 80%. It is calculated as follows:

$$\text{Operating Ratio} = \text{Operating Cost} / \text{Net Sales} \times 100$$

The operating cost includes the cost of direct materials, direct labour and other overheads, viz., factory, office or selling.

$$\text{Direct Material cost to sales} = \text{Direct Material} / \text{Net Sales} \times 100$$

This ratio is the test of the operational efficiency with which the business is being carried. The operating ratio should be low enough to leave a portion of sales to give a fair return to the investors.

Payout ratio:

This ratio indicates what proportion of earning per share has been used for paying dividend. The pay-out ratio is the indicator of the amount of earnings that have been ploughed back in the business. The lower the pay out ratio, the higher will be the amount of earnings ploughed back in the business and vice versa.

$$\text{Payout Ratio} = \text{Dividend per equity share} / \text{Earning per equity share} * 100$$

Dividend yield ratio:

This ratio is particularly useful for those investors who are interested only in dividend income. The ratio is calculated by comparing the ratio of dividend per share with its market value.

$$\text{Dividend yield} = \text{Dividend per Share} / \text{Market price per share} * 100$$

$$\text{And Dividend per share} = \text{Dividend paid} / \text{Number of shares}$$

LONG TERM FINANCIAL POSITION OR SOLVENCY RATIOS

The term 'solvency' refers to the ability of a concern to meet its long-term obligations. The long-term indebtedness of a firm includes debenture holders, financial institutions providing medium- and long-term loans and other creditors selling goods on instalment basis. So, the long-term Solvency ratios indicate a firm's ability to meet the fixed interest and costs and repayment schedules associated with its long-term borrowings. Two types of ratios are there:

1. Capital structure ratios-ex. Debt equity ratio
2. Coverage ratios-ex. Debt service ratio or Interest coverage ratio

Debt-equity ratio

Debt –Equity ratio also known as External- Internal Equity Ratio is calculated to measure the relative claims of outsiders and the owners against the firm's assets.

The ratio is calculated as:

Debt equity ratio = outsider's funds / shareholder's funds

Outsider's fund includes all debts/liabilities to outsiders, whether long term or short term or whatever in the form of debentures bonds, mortgages or bills. The shareholders fund consists of equity share capital, preference share capital, capital reserves, revenue reserves, and reserves representing accumulated profits and surpluses.

Interest coverage ratio

This ratio is used to test the debt servicing capacity of a firm. The ratio is calculated as:

$$\text{Interest coverage ratio} = \text{Ebit} / \text{Fixed interest charge}$$

Table 2: Important Financial Ratios of Steel Authority of India Limited (SAIL)

Per Share Ratios	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Basic Eps	7.67	15.13	18.39	15.14	16.57	12.14	8.7	5.64	6.42	4.69	-10.11	-6.67	-0.68	5.69	5.13
PBDIT/Share	18.06	26.79	31.60	26.63	29.21	22.59	19.42	14.59	12.47	14.03	-5.75	1.25	12.23	24.83	26.93
PBIT/Share	15.01	23.73	28.50	23.40	25.74	18.71	15.34	10.88	8.01	9.41	-11.57	-5.24	4.81	16.63	17.83
Net Profit/Share	7.67	15.13	18.39	15.14	16.58	12.14	8.7	5.64	6.42	4.69	-10.02	-7.14	-1.37	5.15	4.66
Profitability Ratio	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PBDIT Margin (%)	26.11	32.18	32.62	25.07	29.55	21.5	17.19	13.36	10.93	12.57	-6.07	1.16	8.77	15.31	18.03
PBIT Margin (%)	21.71	28.51	29.41	22.04	26.05	17.8	13.57	9.97	7.02	8.43	-12.22	-4.86	3.44	10.25	11.94
PBT Margin (%)	20.02	27.56	28.80	21.47	24.94	16.77	11.34	7.58	6.81	5.06	-18.1	-11.03	-1.4	4.96	5.03
Net Profit Margin (%)	11.09	18.17	18.98	14.25	16.77	11.55	7.7	5.16	5.62	4.2	-10.59	-6.62	-0.98	3.17	3.12
Return on Networth/Equity (%)	24.92	35.75	32.62	22.10	20.29	13.33	8.92	5.59	6.12	4.65	-10.4	-7.44	-0.76	5.92	5.1
Return on Capital Employed (%)	32.95	42.15	41.33	25.05	20.24	14.42	10.7	7.1	5.07	5.77	-7.63	-3.53	2.75	9	8.98
Return on Assets (%)	10.67	17.98	17.96	10.98	9.71	6.42	4.57	2.69	2.81	1.98	-4.12	-2.56	-0.24	1.99	1.67
Total Debt/Equity (X)	0.36	0.27	0.17	0.31	0.52	0.53	0.42	0.54	0.58	0.69	0.82	1.05	1.14	1.05	1.23
Asset Turnover Ratio (%)	96.25	98.92	94.61	77.06	57.90	55.57	59.44	52.11	50.09	44.92	38.59	41.35	49.86	56.78	48.58
Liquidity Ratios	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Ratio (X)	1.47	1.81	1.94	1.92	2.23	1.51	1.51	1.23	0.95	0.83	0.63	0.55	0.69	0.78	0.91
Quick Ratio (X)	0.88	1.22	1.43	1.36	1.72	1.05	0.79	0.53	0.42	0.32	0.25	0.21	0.29	0.31	0.38
Inventory Turnover Ratio (X)	4.52	5.09	5.75	4.28	4.46	3.77	3.36	2.79	3.07	2.56	2.66	2.83	3.38	3.43	2.59
Dividend Payout Ratio (NP) (%)	26.52	20.49	20.11	17.17	19.91	19.77	22.99	35.46	31.47	40.58	-2.47	0	-2.24	0.18	0
Dividend Payout Ratio (CP) (%)	18.99	16.77	17.06	14.04	16.47	14.98	15.64	21.4	18.56	20.95	-5.82	0	0.22	0.07	0
Earnings Retention Ratio (%)	73.48	79.51	79.89	82.83	80.09	80.23	77.01	64.54	68.53	59.42	102.47	0	102.24	99.82	0
Cash Earnings Retention Ratio (%)	81.01	83.23	82.94	85.96	83.53	85.02	84.36	78.6	81.44	79.05	105.82	0	99.78	99.93	0
Coverage Ratios	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Interest Coverage Ratios (%)	12.81	29.96	47.96	38.83	23.44	13.5	8.14	5.31	3.13	2.5	-2.08	-0.86	0.7	2.18	2.11

CHAPTER – 6

RECOMMENDATIOND AND SUGGESTIONS

- ❖ SAIL should always try to maintain an adequate quantum of net current assets in relation of current liabilities as to keep a good amount of liquidity throughout the year.
- ❖ SAIL should tighten the debt collection efforts and should reduce the amount tied up in debtors. In order to improve the quality of debtors and also to bring down the amount tied-up in debtors, a periodical report of the overdue may be prepared and effective action may be taken by the management time to time to expedite the collections.
- ❖ Inventory turnover ratio is lesser in SAIL compared to other competitors which indicates inefficient management of inventories. So it is advisable to keep less inventories to minimize costs and improve efficiency.
- ❖ SAIL is more traditionally financed with low debt and more of equity financing, so in future debt should be preferred for financing to bring the ratio close to the ideal ratio of 1:1.
- ❖ The management of SAIL should also try to maintain a definite proportion among various components of working capital in relation to overall current assets to keep an adequate quantum of liquidity all the times.

CHAPTER - 7

CONCLUSION

The study clearly shows that liquidity management is very important aspect as it has significant influence on the profitability of Steel Authority of India Limited (SAIL). Current ration, quick ratio and inventory turnover ratio has significant influence on the profitability of the company, therefore, there is need for the company to focus on current ratio and quick ratio as these have been found as positive explanatory variable to the return on capital employed. There is also need for attention that the company does not have overstocking of the inventory as this would lead to low sales affecting profitability. Interest coverage ratio has not been found having significant impact on the company's profitability during the period under the study. Though the ICR has been found higher during most of the financial years but during last few FYs i.e., since 2015-16 it has been found deplorable reflecting higher burden of debt and interest expense affecting profitability. The study also reveals that more investment is needed to reduce the burden of current liabilities substantially that would help to overcome the poor liquidity position and increase the profitability.

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