PROFITABILITY ANALYSIS – A CASE STUDY OF THE SELECTED STEEL UNITS IN INDIAN STEEL INDUSTRY

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ABSTRACT

BACKGROUND

The main objective of this paper is to examine the probability position of an organisation with a suitable suggestion to strengthen the profitability of an organisation. The data collected from the secondary sources of business and the period of study covers from 2005-06 to 2013-14. SPSS was used for descriptive statistics to infer the results. The study found that TSL showed good profitability followed by the RINL, JSWSL and the SAIL. The study also found that highest capital employed ratio of steel industry was found in RINL followed by the SAIL, TSL and the JSWSL. The management of SAIL and TSL were able to get the return on the net worth due to adequate leverage policy and better utilisation of owner’s funds. The study also found that performance of RINL and SAIL was satisfactory regarding the return on equity share capital. It is suggested to control the cost of goods sold and operating expenses and also adopt cost reduction techniques in their companies for higher profitability.

KEYWORDS

RINL, JSWSL, SAIL, Profitability, Cost Reduction.

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BACKGROUND

Profitability means the ability to earn profit from all the activities of an enterprise. It indicates how well management of an enterprise generates earnings by using the resources at its disposal. In the other words the ability to earn profit is called profitability. The word ‘profitability’ is composed of two words ‘profit’ and ‘ability’. The word ‘profit’ represents the absolute figure of profit but an absolute figure alone does not give an exact idea of the adequacy or otherwise of increase or change in performance as shown in the financial statement of the enterprise. The word ‘ability’ reflects the power of an enterprise to earn profits, it is called earning performance. Earning is an essential requirement to continue the business. So we can say that a healthy enterprise is the one which has good profitability. Profitability is the result of financial as well as operational efficiency. It is the outcome of all business activities. Measurement of profitability is a multi-stage concept.

According to Murthy V. S., “the income statement is the major device for measuring the profitability of a firm over a period of time.” Measurement of profitability is essential as the earning of itself for the business concern. Some managerial decisions like raising of additional finance, further expansion, problems of bonus and dividend payments rest upon this measurement. It can be measured for a short-term and as well as for a long-term. The relation to sales is the good short-term indication of successful growth while profitability in relation to investment is healthier for long growth of the business, Block and Hirt. Profitability provides overall performance of a company and useful tool for forecast measurement of a company’s performance.

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Appraisal of performance as regards to profitability can be drawn from interpreting various ratios. However, there are few factors affecting the firm’s profitability. Each factor in turn will affect the profitability ratio. In the present study, profitability ratios can be measured by two ways i.e. (a) profitability from the view point of management and (b) profitability from the view point of shareholders.

Review of Literature

Anil Kumar (2000) in his study on "Money related Execution of Hindustan Engines Restricted, Cochin", states the specialist utilised the proportion examination as a device, through this he found that the organisation budgetary execution is positive amid the study period. In his study, he found that the offers of the organisation were demonstrating an upward pattern which mirrored a development in its benefit. The devices used by him were proportion examination, the organisation’s money related position.

Karthikeyan’s (2000) “Financial execution of selected automobile businesses, an investigative study” attempted to distinguish the relationship between the budgetary execution, variables. The monetary investigation variables considered were net deals, complete resources, Gross benefit, Benefit before duty, Profit, Held income, Money streams and Total assets. He inferred that the deals have been steady in all the fours year of study. Absolute resources have likewise been steady in four years under the study. MD Shan Alam (2001) analysed the expense and gainfulness of an open division paper factory. The study recommends that the month to month fluctuation of material utilised, work expenses and overheads consumption ought to be arranged to control cost and enhance benefit. Manish M. Chudasama (2002) in a research on “Examination of cost structure of Indian Materials Industry”, he had made an attempt to break down cost structure, direct costs and benefit, circuitous costs and benefit, and how these manufacturing plant influences the cost structure of material industry. Dr. Sugan C. Jain (2002) has composed a book on "execution evaluation car industry." In his study, he examined the execution of the car business and introduced similar investigation of some national and worldwide units.
The operational effectiveness and gainfulness had been broken down utilising the composite list approach. He made a few proposals for reinforcing the monetary soundness enhancing gainfulness, working capital and the execution of settled resources. Sahu (2002) in his investigation "A disentangled model for liquidity examination of paper companies" recognised the power of Liquidity Administration with convenience and adds to a basic model for present and snappy proportions of 12 Indian paper organisations for the time period of 1989-1990 to 1996-1997. The study uncovered that compelling liquidity administration is seen in paper organisations.

Padmina Manoharan (2002) through the explanatory study on "Productivity of Bond Industry in India" has uncovered the variety in benefit of Indian concrete organisations relying upon age, size and locale. The study distinguished that nature of procuring relies upon administration and influenced by management. Further, the investigation presumes that the benefit and nature of income is impacted by the liquidity element. Singh P.K. (2002) examined the working capital administration of Lupin Labs Ltd. from the year 1995-1996 to 2001-2002; goals of the study were (i) to survey the significances of working capital, (ii) to distinguish the components in charge of changes in working capital and (iii) to study liquidity position of the organisation. He reasoned that the organisation's general working position was attractive and it was recommended that the obligation gathering approach was to be moved forward. Ashita Raveendran (2003) presented a review of the Money related Structure and Execution of the Building Business in Kerala. In her study, information of four building bunches, to be specific, metal items, hardware, electrical and transport items were broken down. She presumed that the changed approach ought to be at the upgradation of the innovation, thereby enhancing the quality and efficiency of the building business. Measures for cost control, modernisation, upgradation, computerisation and so forth, will help in reinforcing the forward and reverse linkages of the building business inside the state.


Objectives of the Study
The Main Objectives of the Study is to analyse the Financial Performance of Major Steel Industries in India which Include:
1. To examine the profitability position of the selected steel units in Indian Steel Industry.
2. To offer suitable suggestions to strengthen the profitability position of the selected steel units.

Sampling
There are 206 Steel Companies listed in Stock exchanges in India and out of which 4 companies are included in 'A' group companies. All these four companies are selected for this study. Thus, the selected companies are RINL, Steel Authority of India Ltd, Tata Steel Ltd, and JSW Steel Ltd.

Time of Study
The study depends on auxiliary information taken from yearly reports of steel organisations. The distributed yearly reports of organisations have been gathered from the enlisted and corporate workplaces of individual organisations. The present study was done for a long time period i.e. from 2004-2005 to 2013-14.

Tools and Techniques for the Analysis
It is an empirical study, so researcher has followed scientific approach to design the research methodology for investigation. For this study, researcher is using secondary data as a source of information for the research e.g. the annual reports, websites and other publications. The following tool & techniques have been used in the study.

Tools and Techniques Used in the Study

\[
\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{sales}} \times 100
\]

\[
\text{Operating Profit Ratio} = \frac{\text{Operating profit}}{\text{Sales}} \times 100
\]

Operation Profit = Sales - (Cost of goods sold + operational expenditure)

\[
\text{Net Profit Ratio} = \frac{\text{net profit}}{\text{sales}} \times 100
\]
Net profit margin = \( \frac{\text{net profit before interest and tax}}{\text{sales}} \times 100 \)

Net profit margin = \( \frac{\text{net profit before interest and tax}}{\text{sales}} \times 100 \)

Net profit margin = \( \frac{\text{net profit before interest and tax}}{\text{sales}} \times 100 \)

Return on Capital Employed = \( \frac{\text{net profit(EBIT)}}{\text{capital employed}} \times 100 \)

Where capital employed = share capital + reserves + long term loan

Return on Owner’s Equity = \( \frac{\text{Net profit (After int. & tax)}}{\text{owner’s equity}} \times 100 \)

Return on Equity Capital = \( \frac{\text{net profit – preference share dividend}}{\text{equity capital + reserves}} \times 100 \)

### Table 1. Gross Profit Ratio in Steel Industry in India during 2004-05 to 2013-14

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<td>38.61</td>
<td>38.71</td>
<td>37.64</td>
<td>36.44</td>
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(In Percentage)

Note: Max: Maximum, Min: Minimum.

Sources: Computed from the annual reports and accounts of the Steel companies.

**Graph 1. Gross Profit Ratio of Steel Industry in India during 2004-05 to 2013-14**

**GROSS PROFIT RATIO=G.P./NET SALES X 100**
Table No.1 shows the gross profit ratio in relative terms as percent of net sales. As regards to the RINL, the gross profit ratio varies from 4.15 to 58.90 percent. It shows overall fluctuation in the ratio within the study period. The gross profit ratio of RINL was highest in the year 2004-05. The value of the ratio in this year was 58.90 percent. The lowest value of the ratio was in the year 2013-14, 4.15 percent. From the year 2004-05, the trend of the ratio is fluctuating. In the year 2007-08, the value of the above said ratio was 52.90 percent. The average value of the gross profit ratio of RINL was 39.76 percent. The standard deviation was 14.86 percent and coefficient of variation was 37.37 percent which showed high fluctuation in gross profit ratio during the study period. If so the ratio of the company was fluctuating during the research study.

The above Table No.1 shows the gross profit ratio of SAIL from the year 2004-05 to 2013-14. The trend of the above ratio fluctuated. The gross profit ratio of the company ranged between 39.15 percent in 2004-05 and 12.60 percent in 2012-13, with an average of 24.87 percent. The standard deviation was 8.48 percent and coefficient of variation was 34.13 percent which shows high fluctuation in gross profit ratio of SAIL. The gross profit ratio of the company was up to the mark. The company could generate sufficient sales to earn gross profit and by keeping a very low cost of goods sold. The above table shows gross profit ratio of TSL, the ratio showed a fluctuating trend during the study period. The ratio varied from 34.47 percent in 2009-10 to 81.20 percent in 2007-08. The average ratio of the company was 53.69 which was the highest ratio among the selected steel companies under the study. The ratio was considered good.

Gross profit ratio of JSWSL showed a fluctuating trend during the study period. The ratio varied from 19.15 percent in 2011-12 to 55.82 percent in 2009-10. The average of gross profit ratio of the company was 37.84 percent, which was less than the average ratio of steel industry. The ratio was not considered a good sign. On the basis of above analysis, it can be said that the gross profit ratio of TSL was the highest followed by RINL, SAIL, JSWSL. Companies need to increase sales turnover and try to control cost of goods sold. The gross profit ratio of SAIL ltd was not up to the mark.

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<td>49.14</td>
<td>48.20</td>
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Table 2. Operating Profit Ratio in Steel Industry in India during 2004-05 to 2013-14 (In Percentage)

Note: Max: Maximum, Min: Minimum Sources: Computed from the Annual Reports and Accounts of the Steel Companies.

Graph 2. Operating Profit Ratio in Steel Industry in India during 2004-05 to 2013-14

OPERATING PROFIT RATIO=PBT/NET SALES X 100 (Manual)

The above Table No.2 shows the operating profit ratio of selected steel companies in India. The above table shows the operating profit ratio of RINL from the year 2004-05 to 2013-14, the trend of the operating profit ratio of the above said company was fluctuating during the study. The highest value of the operating profit ratio of the above company was 96.3 percent in the year 2009-10 and the lowest value of the ratio was 7.30 percent in the year 2011-12 and 2013-14. The average value of the ratio is 70.12 percent with a fluctuating trend. The standard deviation was 32.42 percent and coefficient of variation was 46.23 percent which showed slight fluctuation in the operating ratio. The ratio of the company is at a good sign.

The above table shows the operating profit ratio of SAIL. The operating profit ratio shows fluctuating trend during the study period from 2004-05 to 2009-10 and a declining trend during the study period from 2010-11 to 2013-14. The operating profit ratio declined from 35.17 percent in 2004-05 to 22.18 percent in 2005-06. The ratio was raised to 28.76 percent in 2006-07 and to 29.66 percent in 2007-08. Then it sharply declined to 22.38 percent in 2008-09. The ratio during last five years was 25.98 percent in 2009-10 and 17.66 percent in the year 2010-11 and 13.34 percent in the year 2011-12 and 9.46 percent in the year 2012-13 and 9.08 percent in the year 2013-14 respectively. The operating profit ratio had been on an average of 21.36 percent which was above the average ratio steel industry. This ratio is a good sign.

The above Table No.2 shows operating profit ratio of TSL, the ratio registered fluctuating trend during study period. The ratio ranged between 29.12 percent in the year 2012-13 to 41.70 percent in the year 2007-08.
The average ratio was 36.81 percent. The average ratio was lower than the average ratio of selected steel companies under the study. The standard deviation was 4.13 and coefficient of variation was 11.21.

The above Table No.2 shows the operating profit ratio of JSW from the year 2004-05 to 2013-14. The trend of the operating profit ratio of the above said company was fluctuating during the study period. The highest value of the operating profit ratio of above company was 87.01 percent in the year 2005-06 and the lowest value of the ratio was 50.69 percent in the year 2009-10. The average value of the ratio was 74.21 percent. The average ratio was (74.21 percent) higher than the average ratio of selected steel companies (50.63 percent). This ratio of the company is a good sign.

The above Table No.2 shows the net profit ratio followed by RINL, TSL and SAIL. Companies like TSL and SAIL have below average ratio than the group average. The companies need to curb the operating cost.

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</table>

Table 3. Net Profit Ratio in Steel Industry in India during 2004-05 to 2013-14 (In Percentage)

Note: Max: Maximum, Min: Minimum

Sources: Computed from the annual reports and accounts of the Steel companies.

Graph 3. Net Profit Ratio in Steel Industry in India during 2004-05 to 2013-14 (In Percentage)

The above Table No.3 shows the net profit ratio of the RINL from the year 2004-05 to 2013-14. The trend of the ratio of above said company was fluctuating in downward direction during the study period. The highest value of the ratio was 27.20 percent in the year 2004-05 and the lowest value of the ratio was 2.90 percent in the year 2012-13. The average value of the net profit of above said company was 12.30 percent during the study period.

The above Table No.3 shows the net profit ratio of the SAIL ltd from the year 2004-05 to 2013-14. The trend of the ratio of above said company was fluctuating direction during the study period from 2004-05 to 2009-10 and downward direction during the study period from 2009-10 to 2013-14. The highest value of the ratio was 32.80 percent in the year 2004-05 and the lowest value of the ratio was 7.00 percent in the year 2013-14. The average value of net profit ratio of above said company was 19.94 percent, slightly above the industry average which is considered to be a good performance.

The net profit ratio of JSW is depicted in Table no. 3. The net profit ratio was showing fluctuating trend with an average of 24.09 percent. The highest value with of the ratio was 41.85 percent in the year 2008-09 and the lowest value of the ratio was 12.59 percent in the year 2011-12. The average ratio was above the industry average which was considered to be a good ratio. Company should try to minimise production cost. The standard deviation was 9.34 which showed high energy in net profit ratio.

The Table No.3 shows the net profit ratio of TSL. The ratio showed fluctuating trend during the study period from 2004-05 to 2013-14. The highest value of the ratio was 24.05 percent in the year 2006-07 and the lowest value of the ratio was 13.25 in the year 2012-13. The average ratio of the company was 20.82 percent which is higher than the industry average, which is considered a good ratio. The standard deviation of the company was 3.59 and the co-efficient of variation was 17.29.

The above analysis explains that the JSW has the highest net profit ratio followed by RINL, SAIL, TSL. Therefore, companies need to maintain these ratios.
It is clear from the above table 4 that the return on capital employed in RINL was fluctuating during the year 2004-05 to 2011-12, it further dropped in the last two years. The ratio showed increasing trend from 66.10 percent in the year 2004-05 to 72.60 percent in the year 2005-06. Thereafter the ratio declined to 67.60 percent in the year 2006-07 and 61.50 percent in 2007-08. It further increased to 66.00 percent in the year 2008-09 and 73.30 percent in the year 2009-10, and 76.30 percent in the year 2010-11 and 91.60 percent in the year 2011-12. Thereafter the ratio declined to 64.00 percent in the year 2012-13 and 66.00 percent in the year 2013-14. The average ratio of the company was the highest among the selected steel companies under the study. The ratio showed satisfactory return on capital employed, but management should think about the decline in EBIT.

The above Table No.4 showed return on capital employed of SAIL. The trend of this ratio fluctuated during the research period. The standard deviation was 14.09 percent with an average of 26.92 percent. The return on capital employed was 53.10 percent in 2004-05 and 27.30 percent in 2005-06. The ratio rose to 39.90 percent in 2006-07 and reached at the level of 42.50 percent in 2007-08. Thereafter the ratio declined to 29.50 percent in 2008-09 and 26.60 percent in 2009-10 and 17.30 percent in 2010-11 and 14.20 percent in 2011-12, and 10.10 percent in 2012-13 and 8.40 percent in 2013-14. Thus, the ratio ranged between 42.50 percent in 2007-08 and 8.40 percent in 2013-14.

The above Table No.4 shows that the return on capital employed in TSL was decreasing during first six years of the study period. It decreased from 49.43 percent in 2004-05 to 40.81 percent in 2005-05, to 32.37 percent in 2006-07, to 20.53 percent in 2007-08, to 16.12 percent in 2008-09, and to 14.25 percent in 2009-10. Then it rose to 15.52 percent in 2010-11 and dropped to 13.07 percent in 2011-12, to 11.94 percent in 2012-13 and then it rose in the last year to 12.57 percent in 2013-14. The average ratio of the company was 22.66 percent which was lower than the average ratio of steel industry. The return on capital employed was not at a good sign. The highest ratio of TSL Company was 49.43 percent, and the lowest ratio of TSL Company was 11.94 percent which was in 2012-13.

The above Table No.4 showed return on capital employed of JSW. The ratio showed a decreasing trend from 21.92 percent in 2004-05 to 15.39 percent in 2005-06. Thereafter the ratio increased from 15.39 percent in 2005-06 to 21.62 percent in 2006-07. Thereafter the ratio declined to 16.32 percent in 2007-08, to 15.53 percent in 2008-09, to 13.15 percent in 2009-10, to 9.48 percent in 2010-11, and to 2.62 percent in 2011-12. Thereafter the ratio increased to 10.82 percent in 2012-13 and then in the last year declined to 7.25 percent i.e. in 2013-14. The average ratio of the company was the lowest among the selected steel companies under the study. This ratio is not a good sign, but management should think about the decline in EBIT. The overall position was good.
Return on share holders’ equity of steel companies during the study period from 2004-05 to 2013-14 is shown in Table No.3 & 5 which gives a clear picture. Return on owner’s equity of steel companies of all the steel companies shows fluctuating trend throughout the study period. The minimum return on owner’s equity of steel companies in RINL was 2.8 percent (2012-13), SAIL was 5.4 percent (2012-13), TSL was 9.7 percent (2012-13), and JSWLS was 4 percent (2011-12). The maximum return on owner’s equity of steel companies in RINL was 33 percent (2004-05), SAIL was 92.9 percent (2004-05), TSL was 47.35 percent (2004-05), and JSWLS was 29 percent (2008-09). The average ratio of SAIL Company was 28.8 percent which was higher than the other steel companies like RINL, TSL and JSWLS. The standard deviation of SAIL companies was 24.78 and co-efficient of variation was 85.80.

Return on equity capital ratio in steel manufacturing companies in India has been compared and presented in Table No.6. It is evident from Table No.6 that the return on equity capital of RINL, SAIL, TSL and JSWLS showed fluctuating trends during the study period.

The percentage of return on equity capital ratio was highest at 66.14 percent in SAIL in 2004-05 and was the lowest to 0.14 percent in JSWLS in 2011-12. The average ratio of SAIL Company was 24.23 percent more than that of average of steel industry, and the standard deviation was 17.55 and the co-efficient of variation was 72.44.

JSWLS showed fluctuating trend with an average of 1.251 percent, the percentage of return on equity capital ratio was reduced which shows that in those years the speed of increase in net profit was much more than that of the capital. The minimum return on equity capital ratio in RINL was 4.4 percent in 2012-13, SAIL was 5.9 percent in 2012-13, TSL was 3.22 percent in 2004-05, and JSW was 0.14 percent in 2011-12. The maximum return on equity capital ratio in RINL was 25.65 percent in 2004-05, SAIL was 66.14 percent in 2004-05, TSL was 14.39 percent in 2009-10, and JSWLS was 3.23 percent in 2007-08.

Return on share holders’ equity of steel companies during the study period from 2004-05 to 2013-14 is shown in Table No.3 & 5 which gives a clear picture. Return on owner’s equity of steel companies of all the steel companies shows fluctuating trend throughout the study period. The minimum return on owner’s equity of steel companies in RINL was 2.8 percent (2012-13), SAIL was 5.4 percent (2012-13), TSL was 9.7 percent (2012-13), and JSWLS was 4 percent (2011-12). The maximum return on owner’s equity of steel companies in RINL was 33 percent (2004-05), SAIL was 92.9 percent (2004-05), TSL was 47.35 percent (2004-05), and JSWLS was 29 percent (2008-09). The average ratio of SAIL Company was 28.8 percent which was higher than the other steel companies like RINL, TSL and JSWLS. The standard deviation of SAIL companies was 24.78 and co-efficient of variation was 85.80.
Graph 7. Dividend per Share Ratio of Steel Industry in India during 2004-05 to 2013-14 (In Rs.)

The Table No.7 shows the ratio of dividend per share of RINL. The ratio of dividend per share ratio showed increasing trend from Rs. 4.01 in 2004-05 to Rs. 4.6 in 2005-06. It rose to Rs. 4.72 in 2006-07, then it declined to Rs. 3.9 in 2007-08, it further declined to Rs. 2.7 in 2008-09 and 2009-10, to Rs. 1.3 in 2010-11. It rose to Rs. 4.8 in 2011-12 and to Rs. 7.1 in 2012-13 and it declined in the last year to Rs. 7 in 2013-14. The average ratio of the company was Rs. 4.28 which was not more than the steel industry. The ratio of dividend per share was not at good sign.

The Table No.7 shows the ratio of dividend per share of SAIL. The ratio of dividend per share ratio showed decreasing trend from Rs. 3.3 in 2004-05 to Rs. 2 in 2005-06. And it rose to Rs. 3.1 in 2006-07 and to Rs. 3.7 in 2007-08. And then it declined to Rs. 2.6 in 2008-09, and it rose to Rs. 3.3 in 2009-10 and then it declined to Rs. 2.4 in 2010-11 and it was constant at Rs. 2 in 2011-12 to 2013-14. The average ratio of the company was Rs. 2.64 which is lower than the average ratio of steel industry. The standard deviation was 0.62 and the coefficient of variation was 23.66.

The ratio of dividend per share of TSL was fluctuated throughout the research period. The ratio varied from Rs. 14.87 in 2004-05 to Rs. 14.82 in 2005-06. It further varied from Rs. 19 in 2006-07 to Rs. 18.56 in 2007-08. It further varied from Rs. 20.42 in 2008-09, to Rs. 16.82 in 2009-10, to Rs. 17.34 in 2010-11, to Rs. 21.77 in 2011-12, to Rs. 25.32 in 2012-13, and to Rs. 28.01 in 2013-14. The average ratio of the company was Rs. 19.69, which is more than the average of selected steel industry. The standard deviation was 4.10 and coefficient of variation was 20.82. The ratio was a good sign.

The ratio of dividend per share of JSWSL was fluctuating throughout the research period. The highest value of the dividend per share of this company was Rs. 2.79 in 2005-06 and the lowest value of the dividend per share of this company was Rs. 0.3 in 2009-10, the average ratio of JSWSL was Rs. 1.54, lower than the average of selected steel industry. The standard deviation was 0.83 and the coefficient of variation was 53.70. This ratio was not a good sign.

Findings of the Study
In this paper, the concepts of the profit, profitability and rate of return, bases of profitability, measuring the profitability in relation to sales and capital employed, shareholders’ investment and dividend policy of the sample units have been analysed. The main conclusions drawn are as follows:
1. The gross profit ratio in terms relative terms as percent of net sales. As regard the steel industry, the gross profit ratio ranged from 28.77 percent in the year 2013-14 to 49.63 percent in the year 20027-08. It showed a fluctuating trend from 2004-05 to 2013-14 with an average of 39.04 percent.

As regards this ratio, TSL showed good profitability followed by RINL, JSWSL and SAIL. It is suggesting that the SAIL, JSWSL and RINL should reduce the cost of goods sold.
2. The steel industry showed fluctuating trend of operating profit ratio during the study period. The average ratio of steel industry fluctuated from 58.95 percent in 2007-08 to 28.48 percent in 2013-14. The average ratio was 50.63 percent. The steel companies such as JSWSL and RINL showed higher than the average ratio of the steel industry whereas TSL and SAIL had lower ratios than the average ratio of the steel industry.
3. The net profit ratio in steel companies was satisfactory. The average ratio of JSWSL was highest among all the steel companies. The average ratio of JSWSL was 24.09 percent, followed by TSL (20.81 percent), SAIL (19.94 percent), RINL (12.3 percent). The average ratio of RINL indicated a very low profitability than other steel companies.
4. The return on capital employed ratio of steel industry showed a decreasing trend during the study period. The ratio ranged from 8.70 percent in 2013-14 to 47.68 percent in 2004-05 with an average of 30.44 percent. The highest ratio was found in RINL followed by SAIL, TSL, and JSWSL. The capital structure of major companies consists of large amount of current liabilities which was not included for computing the net capital employed. However, the performance of JSWSL was not up to the mark.
5. Analysis of return on shareholders showed that the managements of RINL and JSWSL were unable to get the return on owner’s funds on account of poor leverage policy and inefficient production and sales. The managements of SAIL and TSL were able to get the return on net worth due to proper leverage policy and better utilisation of owner’s funds.
6. The ratio of return on equity share capital in the steel industry showed a fluctuating trend during the study period. The ratio declined from 24.21 percent in 2004-05 to 13.41 percent in 2005-06, then it raised to 15.16 percent in 2006-07 and to 16.06 percent in 2007-08 and declined to 13.25 percent in 2008-09, to 12.42 percent in 2009-10, to 8.55 percent in 2010-11, to 7.25 percent in 2011-12, to 3.67 percent in 2012-13 and then it slightly increased to 6.4 percent in 2013-14. The average ratio of selected steel companies under the study was 12.04 percent. RINL and SAIL had higher average ratio than the average ratio of selected steel companies under the study. The other selected companies such as TSL and JSWSL had below average ratio than the average ratio of selected steel companies under the study.
7. On the basis of above analysis, it can be concluded that the performance of RINL and SAIL was good and TSL and JSWSL was not good.
8. It can be generalised from the above analysis that the JSWSL and TSL had the highest EPS followed by SAIL and RINL.
9. It can be generalised that the dividend pay-out ratio of SAIL was the highest followed by TSL, RINL and JSWSL. RINL and JSWLS had ratios lower than the average ratio of steel industry.

Suggestions
1. The industry should try strategies for reaping the economies of scale by stimulating and diversifying the markets and thus increasing output and in turn capacity utilisation. It will assist in raising the rate of return on capital employed.
2. In order to increase the profitability of the companies, it is suggested to control the cost of goods sold and operating expenses.
3. The management should try to adopt cost reduction techniques in their companies for higher profitability.
4. The quantum of sales generated should be improved impressively for better returns on capital employed.
5. The selected group of steel industries are capital intensive in nature but the policy of purchase of fixed assets should be carefully planned and reviewed so that the funds could be properly utilised.
6. The selected steel units should try to match the amount of working with the sales trend. When there is a deficit of working capital, they should try to build on adequate amount of working capital. When there is an excessive working capital, it should be invested either in trade securities or should be used to repay borrowings.
7. The management should try to utilise their production capacity fully in order to reduce factory overheads and to utilise their fixed assets properly.
8. The burden of interest could be deteriorating and reduces the percentage of net profit. It is suggested that the companies should try to reduce the interest burden gradually by increasing the owner’s funds.

CONCLUSION
Profitability is the ability of a given investment to earn a return from its use. It is a vital instrument to measure not only the business performance but also overall efficiency. In the present study, several types of measurement tools of profitability were discussed i.e. Gross Profit Ratio, Operating Profit Ratio, Net Profit Ratio, and Ratio of Return on Capital Employed, Ratio of Return on Owner’s Fund, Ratio of Return on Equity Share Capital, Dividend per Share Ratio, Dividend Pay-out Ratio. Generally, ratio of earnings per share is used widely and is also familiar. The present study describes concept, importance and measurement tools for profitability performance of selected companies of steel industry.

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