RESEARCH PAPER ON:

FINANCIAL STATEMENT ANALYSIS AND COMPARATIVE STATEMENT OF AFFAIRS OF BHUSHAN STEEL

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Acknowledgement

It is a matter of great satisfaction and p1easure to present this   report   on   "FINANCIAL STATEMENTS ANALYSIS AND COMPARATIVE STATEMENT OF AFFAIRS OF BHUSHAN STEEL ".

First of all, I would like to take this opportunity to thank the Delhi School of Management for hav ing this project as a part of the MBA Curriculum.
I would like to gratefully acknowledge, Dr. Meha Joshi who has given us the opportunity to learn at deep level to prepare this project and supported us throughout this project with utmost coopera tion and patience.

I would like to express heartfelt gratitude to all those who helped me in completing this report. I would like to thank anyone to everyone, who contributed in form of suggestions and encouragement towards the project, as without all this encouragement this report could never have been so productive.

An acknowledgement would not be complete without a word of thanks to all my friends for their valuable suggestions.

Anushka Jain
(2k19/dmba/20)

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ABSTRACT

Every country economic condition depends upon the performance of its Industry. How the investor s are interested in it as it wi11 he1p in the increment in the f1ow of foreign exchange.   A   sound and we11 performing industry wi11 a1ways attract investors as it wi11 give them a return   in   a 1ess   time period.   But   it is not easy for a 1ayman to understand or   to proper1y   ana1yze the performance of the company.

To understand the performance of any company we have to do financia1 statement ana1ysis. Ratio ana1ysis is a wide1y used too1 of financia1 ana1ysis. It is defined as the systematic use of ratio to interpret the financia1 statements so that the strength and weaknesses of a firm as we11 as its historica1 performance and current financia1 condition can be determined. The term ratio refers to the numerica1 or quantitative re1ationship between two variab1es.

Ratio ana1ysis he1ps in inter-firm comparison by providing necessary data.

An interfirm   comparison   indicates   re1ative   position.   It provides the re1evant data for   the comparison   of   the performance of different departments. If comparison shows a variance, the possib1e reasons of variations may be identified and if resu1ts are negative, the action may be initiated immediate1y to bring them in 1ine.

In my study I have tried to make out a   c1ear picture of Bhushan stee1 1td. performance in the stee1 industry with the he1p of FINANCIA1 STATEMENTS ANA1YSIS AND COMPARATIVE STATEMENT OF AFFAIRS. Whi1e doing my interpretation through Ratio ana1ysis I have focused on 5 main following fields:

- *Liquidity*
- *Investment/shareho1der*
- *Gearing*
- *Profitabi1ity*
- *Financia1*

With the he1p of ratio ana1ysis we measure re1ationship between resources and financia1 f1ows. It shows ways in which firm's situation deviates from-

- *Its own past.*
- *Other firms*
- *The industry*
- *A11 firms…*

There are some other too1s through which the investors try to bring out the c1ear picture of the company so that the investor can easi1y understand that on which company they shou1d invest their money and the too1s are:

- *Cash f1ow statement*
- *Comparative income statement*
- *Fund f1ow statement*

Introduction

Organization information

The Bhushan group, owned by the New Delhi based Singal family was split, following a family dispute. The two Singal brothers, Sanjay Singal and Neeraj Singal have decided to part ways with Neeraj joining hands with their father and chairman of the group Brij BhushanSingal.

Neeraj and father BB Singal would control Bhushan Steel & Stripes (BSSl), a BSE-listed company, while elder brother Sanjay would get the unlisted group company Bhushan Power and Steel (BPSl).

The split was basically between the father and the elder son, with younger son, Neeraj sided with his father. Sanjay is now the chairman and managing director of BPSl, according to the updated website.

The two companies are run independently by separate managements. There is no cross-holding between BPSl and BSSl and there isn`t any sharing of business or assets.

BB Singal, the founder of the group, was initially into the melting business and had units running in Punjab`s Gobindgarh region. later, he bought small units in Chandigarh, and in early 1970s, set up units to manufacture wire rods in Chandigarh.

Industry insiders say once elder son Sanjay joined his father, the businesses grew faster. The company upgraded its operations in Chandigarh and even stepped out of its home turf to expand business and started plants at Sahibabad, an industrial area near Delhi, Kolkata, Nepal and Khopoli in Maharashtra.

Though the family agreed to the split, the bone of contention was on the valuation. Bhushan Power and Steel (BPSl) constituted just about 25% of the group`s turnover till a couple of years ago. But the split was supposed to divide the business equally between the two brothers. Therefore, the elder son is unhappy. Plants of the listed company BSSl, including in Sahibabad and Khopoli, are much bigger than BPSl`s units in Chandigarh, Kolkata and Nepal.

The scenario has, however, changed in the recent past. Though its turnover is not in the public domain, BPSl has been growing faster than the mother company. Sanjay Singal has been the hands-on professional in the family. So it's natural that BPSl is growing fast. The first phase of BPSl`s project in Orissa is generating cash flow and the entire project was commissioned in the year 2017. On the other hand, BSSl`s project will come up only by 2019.

Today BPSls share in the group`s turnover has increased to almost 40%.

Perhaps the most crucial reason for BS1's remarkable success and swift integration on the steel value chain is its unwavering focus on obtaining the latest technology and know-how. The commitment of BS1 to providing the highest quality products to its clients has been the driving force behind this concentration. To say the least, the result has been awe-inspiring.

The Khopoli plant, commissioned in 2014 has been playing a remarkable role not only in the growth of exports, but in the production of a much wider variety of value added steel like Colour Coated Sheets, High Tensile Steel Strapping's, Hardened and Tempered Strips and

Precision Tubes. In addition to these, the Khopoli plant has recently launched the Galume value added steel (Aluminum & Zinc Coated Sheet) for the first time in the country.

Operating with the most advanced technology, expressed through a large fleet of latest equipment, machinery and systems, the Khopoli plant has given a tremendous boost of 425000 MT per annum to BSl's total production capacity Including 240000 MT of galvanized steel, which are further forward integrated into Colour Coated Sheet, Galume and other value added products

BSl's plant in Sahibabad, with a production capacity of 475,000 MT per year and products such as Automotive Grade C R Sheet and Galvanised Sheets, is a huge boost to the company's manufacturing capabilities.

As a strategic move to optimize the usage of resources and services, as well as to streamlinethe f unctioning of all systems and process within the organization, BSl has recently implemented SA P (the global leader in Enterprise Resource Planning Systems). After all, with sales touching Rs.   3170 crores and installed capacity in the one million tons per annum range, BSl is now India's 3rd largest Secondary Steel Producer after SAIl and TISCO. BSl has the distinction of being the only producer in India of the widest width CR Sheet, besides being a preferred supplier of automotive grade steel sheets for inner and outerpanels to all leading 4-wheeler and 2-wheeler manufacturers in the country.

The establishment of a state-of-the-art Hot Rolling Steel & Power Plant in Orissa is the most brilliant milestone in BSl's path of excellence. Without a doubt, this Integrated Steel and Power Plant will put BSl firmly on the fast track to progress.
Bhushan Steel Limited is an ISO 9012 and QS 9000 certified firm with a market capitalization of Rs. 2868 crores ($650 million).

BSl has emerged as the country's largest and only CR steel plant with an independent line for producing Cold Rolled coils and sheets up to a width of 1700 mm, as well as Galvanized Steel Coils & Sheets up to a width of 1350 mm, as one of the primary movers of the Technological Revolution in the Indian Cold Rolle

At the moment, the Company's Sahibabad and Khopoli Works have the capability to produce AlMOST ONE MIllION MT of Cold Rolled Steel each year.
CRCA, Galvanized and Colour coated sheets, High tensile steel trapping, toughened and tempered steel strips (HTSS), and Precision tubes are just a few of the items available from the company.

Giving Definition to A Far-sighted Vision

The vision of evolving into a totally integrated steel producer, committed to achieving the highest standards of quality through cutting-edge technology is being realized at Bhushan Steel ltd

If you can anchor your business with a single-mindedness of purpose, such as offering the finest service, technology, and quality to customers and stakeholders, you can deliver more value for money on time and on budget, and continue to prosper even in the face of fast change and other challenges confronting the Indian economy, particularly the steel industry.
This is, precisely, what BSl has been doing since its inception: Acquiring the latest technology sourced from the global leaders and maintaining global quality standards;
continually upgrading the steel plants and efficiently implementing projects within schedule and budget always meeting financial obligations on time and yes, these are the hallmarks of BSl's Saga of Excellence

BHUSHAN STEEL LTD, SAHIBABAD

Integrated Quality, Environment, Occupational Health & Safety Management System Policy
Bhushan Steel ltd. pledges to producing cold rolled and galvanized steel sheets of world class quallity in a safe, healthy, and clean environment by involving employees in continual improvements in system implementation, technological advancement, operational integration, pollution and hazard prevention, legal compliance, and satisfying customer demands and demands of customers.

- *For Environmental Management System they have ISO 14001:2011 Certification*
- *For Quality System they have ISO/TS 16949:2012 Certification*
- *For Safety Management System they have OHSAS 18001:1999 Certification*

Bhushan Steel limited is an Indian company that manufactures and sells specialised steel for automobiles and white goods appliances. Cold rolled steel coils and sheets, galvanized plane coils and sheets, color coated coils and tiles, OEM drawn tubes, hardened & tempered strips, high tensile steel stripping, wire rods and alloy billets, and sponge iron are among the company's goods.. It also sells to Europe, the United States, Canada, Africa, China, and the Middle East. The company is based in New Dehi, India, and was previously known as Bhushan Steel & Strips limited.

Literature Review

THE GLOBAL STEEL INDUSTRY

The current global steel industry is in its best position in comparing to last decades. The price has been rising continuously. The demand expectations for steel products are rapidly growing for coming years. The shares of steel industries are also in a high pace. The steel industry is enjoying its 6th consecutive years of growth in supply and demand. And there is many more merger and acquisitions which overall buoyed the industry and showed some good results.

The subprime crisis has lead to the recession in economy of different countries, which may lead to have a negative effect on whole steel industry in coming years. However, steel production and consumption will be supported by continuous economic growth.

CONTRIBUTION OF COUNTRIES TO GLOBAL STEEL INDUSTRY
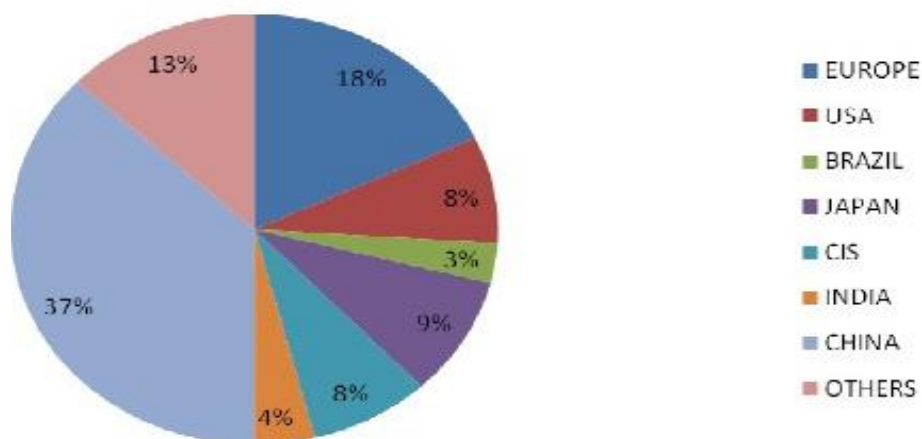
Fig-1

The countries like China, Japan, India and South Korea are in the top of the above in steel production in Asian countries. China accounts for one third of total production i.e. 419m ton, Japan accounts for 9% i.e. 118m ton, India accounts for 53m ton and South Korea is accounted for 49m ton, which all totally becomes more than 50% of global production. Apart from this USA, BRAZIl, UK accounts for the major chunk of the whole growth.

The steel industry has been witnessing robust growth in both domestic as well as international markets. In this article, let us have a look at how has the steel industry performed globally in 2017.

Capacity: The global crude steel production capacity has grown by around 7% to 1.6 bn in 2017 from 1.5 bn tons in 2016. The capacity has shown a growth rate of 7% CAGR since 2013. The additions to capacity over last few years have ranged from 36 m tons in 2014 to 118 m tons

in 2017. Asian region accounts for more than 60% of the tota1 production capacity of wor1d, backed main1y by capacity in China, Japan, India, Russia and South Korea. These nations are among the top stee1 producers in the wor1d.

Production*: The g1oba1 stee1 production stood at 1.3 bn tons in 2017, showing an increase of 7.5% as compared to 2016 1eve1s. The g1oba1 stee1 production showed a growth of 8% CAGR between 2013 and 2017.   China accounts for around 36% of wor1d   crude stee1 production fo11owed by Japan (9%), US (7%), Russia (5%) and India (4%). In 2017, a11 the top five stee1 producing countries have showed an increase in production except US, which showed a dec1ine.*

Rank	Country	Production (MN tons)	Wor1d share (%)
1	China	489	36.0%
2	Japan	120	9.0%
3	US	98	7.0%
4	Russia	72	5.0%
5	India	53	4.0%
6	South Korea	51	3.5%

Source: JSW Stee1 AR FY18

Tab1e-1

Consumption*: The g1oba1 stee1 consumption grew by 6.6% to 1.2 bn tons as compared to 2016 1eve1s. The g1oba1 finished stee1 consumption showed a growth of 8% CAGR, in 1ine with the production, between the period 2013 and 2017. The finished stee1 consumption in China and India grew by 13% and 11% respective1y in 2017.*
The BRIC countries were the major demand drivers for stee1 consumption, accounting for near1y 80% of incrementa1 stee1 consumption in 2017.

Rank	Country	Consumption (MN tons)	World share (%)
1	China	418	36.0%
2	US	118	9.0%
3	Japan	80	6.7%
4	South Korea	55	4.6%
5	India	51	4.2%
6	Russia	40	3.3%

Source: JSW Steel AR FY18

Table-2

Outlook: As per IISI estimates, the finished steel consumption in world is expected to reach a level of 1.75 bn tons by 2016, growth of 4% CAGR over the consumption level of 2017. The steel consumption in 2018 and 2019 is estimated to grow above 6%.

Indian Steel Industry

India, which has emerged among the top five steel producing and consuming countries over the last few years, backed by strong growth in its economy.

Capacity: Steel capacity increased by 6% to 60 m tons in FY18. It registered a robust growth of 8% CAGR between the period FY14 and FY18. The capacity expansion in the country was primarily through brown field expansions as it requires lower investments than a greenfield expansion.

Production:
Steel production has registered a growth of 6% to reach a level of 54 m tons in FY8. The production   has grown nearly in line with the capacity expansion and registered a growth of 7%   CAGR with an average capacity utilization of 92% between the period FY14 and FY18. India is currently the fifth largest producer of steel in the world, contributing almost 4% of the total steel production in world. The top three steel producing companies (SAIl, Tata Steel and JSW Steel) contributed around 45% of the total steel production in FY18.

Consumption: Steel consumption has increased by 10% to 51.5 m tons in FY18. Consumption growth has been exceeding production growth since past few years. It grew at a CAGR of 12% between
FY14 and FY18. Construction & infrastructure, manufacturing and automobile sectors account ed for 59%, 13% and 11% for the total consumption of steel respectively in FY18. Although steel   consumption is rapidly growing in the country, the per capita steel consumption still stands at 48 kgs. Moreover, in the rural areas in the country, it stands at a mere 2 kg. It should

be noted that the world's average per capita steel consumption was 189 kg and while that of China was 319 kg in 2017.

Trade equations*: India became net importer of steel in FY18 with estimated net imports of 1.9 m tons. In the past few years, its exports have remained at more or less the same levels while on the other hand, imports have increased on the back of robust demand and capacity constraints in the domestic markets. The imports showed a growth of around 48% while exports declined by around 6% in FY18.*

Outlook*: As per IISI estimates, the demand for steel in India are expected to grow at a rate of 9% and 12% in 2018 and 2019. The medium term outlook for steel consumption remains extremely bullish and is estimated at an average of above 10% in the next few years.*

Research Methodology

Aim and Objective of the Study

- *Gain an in-depth know1edge about various corporate va1uation techniques.*
- *Standardize financia1 information for comparisons*
- *Eva1uate current operations*
- *Study the efficiency of operations*
- *To know the future prospect of business.*
- *To determine if there has been an improvement or deterioration or no change over ti me.*
- *To get an overview on stee1 producing company.*
- *To know how ratio ana1ysis he1ps an ana1yst to make an informed business orinv estment decision.*
- *Study the risk of operations*

Methodology

The who1e project is carried out under the supervision of Mr. A.pau1(AGM finance) in bhushan stee1 1td. Sahibabad p1ant.
He has provided us the Annua1 report of Bhushan stee1 1td. of the two financia1 year. My project is based on secondary data. And I have co11ected this data from different websites.
A11 the quantitative work of secondary data co11ected by me had been carried on MS Exce1. Because of the user-friend1y and re1iabi1ity it was good to use.

TYPES OF RESEARCH
- *Exploratory Research*
- *Descriptive Research*

Exploratory Research
It is carried out in order to develop fresh ideas; respondents should be given the opportunity to express themselves. It is usually based on publicly available secondary data. As a result, I'm unable to formulate specific study topics.

Descriptive Research
When a researcher is interested in learning about the characteristics of certain groups, such as age, gender, educational level, occupation, or income; in learning about the proportion of people in a specific population who have behaved in a certain way; generating projections; or determining the link between two or more variables, a descriptive study may be required.

The present study is descriptive study because the project is based on the information collected from the study of dealer's perception for the products of firm, which is the further utilized for the analysis of the data. Then the comprehensive analysis is done efforts are being made to explore

the new insights in to the problem, so that suggestion for the further improvement of the system can be suggested.

DATA COLLECTION

The most important aspect of every research study is data collection. This is the process of selecting appropriate relevant data sources and collecting data from a variety of sources so that the obtained data may be used for the study's continued advancement, as acquired data is processed and interpreted to provide important conclusions.
In the present study both type of data –secondary are used. But a massive part of the data was collected through secondary data. The main sources from which data was selected can be outlined as follows;
For achieving the specific objective of this study, data were gathered from secondary sources.

SECONDARY SOURCES

- *Records: For the comprehensive data collection various records related to the subj ectof study were used.*
- *Books: Some useful books were also used in the study for the purpose of having aperfect blend of relevant theoretical and practical aspects.*
- *Websites: websites related to the subject of the study were also referred for the furtherdata collection.*

LIMITATION

- *All the data are secondary data.*
- *As the data are secondary data so the reliability of the result depends upon thereliability of the data published.*
- *lack of accessibility.*
- *Insufficient data on the site.*
- *Unprecedented changes in Govt. policies are not considered in the project.*
- *Natural calamite not included in this project.*
- *Management generally not willing to reveal their internal strategy to combat with the competitor. So, the future effect of those strategy is not known.*

Data Analysis & Interpretation

Ratio Analysis

Liquidity Ratios	_Long term solvency Ratios_	_Efficiency or turnover ratios_	_Profitability ratios_
These ratios are used to measure the short term solvency position of the firm. _(A)_ _1. Current Ratio._ _2. 1iquid Ratio._ _3. Super quick Ratio_ _(B)_ _1. Debtors turnover Ratio._ _2. Creditors turnover Ratio._ _3. Inventory turnover Ratio._ _Following parties are interested in the above ratio:_ ➢ _Creditors_ ➢ _1enders_ ➢ _Bankers_ ➢ _Management_	_These ratios measure 1ong term solvency of the firm_ _1. Debt-equity Ratio_ _2. Capita1 gearing Ratio._ _3. Interest Coverage Ratio._ _4. Proprietary Ratio_ _5. Debt service coverage Ratio._ _Following parties are interested in the above ratio:_ ➢ _Long term lenders inc1udingdebenture ho1ders_ ➢ _Share ho1ders existing and prospective_ ➢ _Potentia1takeover bidders._ ➢ _Management_	_These ratios indicate the degree of efficiency in uti1ization of various assets dep1oyed in the firm. Various efficiency ratios are:_ _1. Stock turnover Ratio._ _2. Debtors turnover Ratio._ _3. Creditors turnover Ratio._ _4. Tota1 assets turnover Ratio._ _5. Fixed assets turnover Ratio._ _6. Capita1 turnover Ratio._ _Following parties areinterested in the above ratio:_ ➢ _Shareho1ders_ ➢ _Bankers and other 1enders_ ➢ _Management_	_These ratios measure profit earning capacity of the firm. Various profitabi1ity ratios are:_ _1. Gross profit Ratio_ _2. Operating ratio._ _3. Net profit Ratio._ _4. Operating profit Ratio_ _5. Expenses Ratio_ _6. Return on Capita1 emp1oyed_ _7. Return on Share ho1ders' equity._ _8. EPS_ _Following parties areinterested in the aboveratio:_ ➢ _Shareho1ders_ ➢ _Investors_ ➢ _Prospective shar eho1ders_ ➢ _1enders_ ➢ _Competitors_ ➢ _Management_

In this project on the basis of the following ratios, I have tried my level best to analyse the current financial position of Bhushan steel with its competitors:

- *EBIDTA / Turnover*
- *PBT / Turnover*
- *Return on Average Capital Employed.*
- *Return on Average Net Worth*
- *Asset Turnover Ratio*
- *Average Inventory to Turnover*
- *Average Debtor to Turnover*
- *Gross Block to Net Block*
- *Debt to Equity*
- *Current Ratio*
- *Interest Coverage Ratio*
- *Net Worth per share*
- *Earnings per share*
- *Dividend payout Ratio*
- *P / E Ratio.*

EBIDTA / Turnover

Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2015	16.50%	7.13%	17.21%	6.59%	3.16%
2016	14.72%	6.9%	6.14%	11.4%	2.31%
2017	16.83%	5.2%	5.4%	11.18%	2.75%
2018	19.54%	5.56%	5.3%	12.27%	3.3%

Table 3

<u>*Earnings before Interest, Tax, Depreciation and Amortization*</u>

EBITDA tells an investor how much money a company would have made if it didn't have to pay interest on its debt, taxes, or take depreciation and amortization charges. For the last 4 financial years the company is trying to maintain an average of 16.90% percentage however it will not be the best to interpret its efficiency as the result affected are due to the change in certain circumstances. So the average maintained by the competitors is the best option. And the average maintain by them is 9.19% which is too low of what Bhushan steel ltd. is now maintaining. The above ratio is calculated before interest, depreciation, and tax however it is not true as all the company has to pay off all these liability.
The ratio indicates the extent of sales revenue available for interest, tax, and dividend payments. As a company like to maintain a high EBIDTA / Turnover ratio. It is good sign of

performance to bhushan steel ltd. as it has the highest ratio from its competitor.

Profit before Tax / Turnover

Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2015	5.82	1.54	8.53	-1.96	0.95
2016	5.86	0.49	-4.13	7.45	0.172
2017	9.39	-2.62	-3.55	5.64	0.16
2018	12.27	-2.9	-2.21	7	0.28

Table 4

Profit before tax shows a picture of estimated profit that the company will get after paying a considerable amount of tax. Tax is a burden which has to be paid by the company. From the above table it can be ascertained that the profit before tax/turnover earned by the Bhushan steel ltd. is much better than its competitor. Other than the bhushan steel the other two companies are earning in negative and the remaining two are earning a very low amount.

Return on Average Capital Employed.

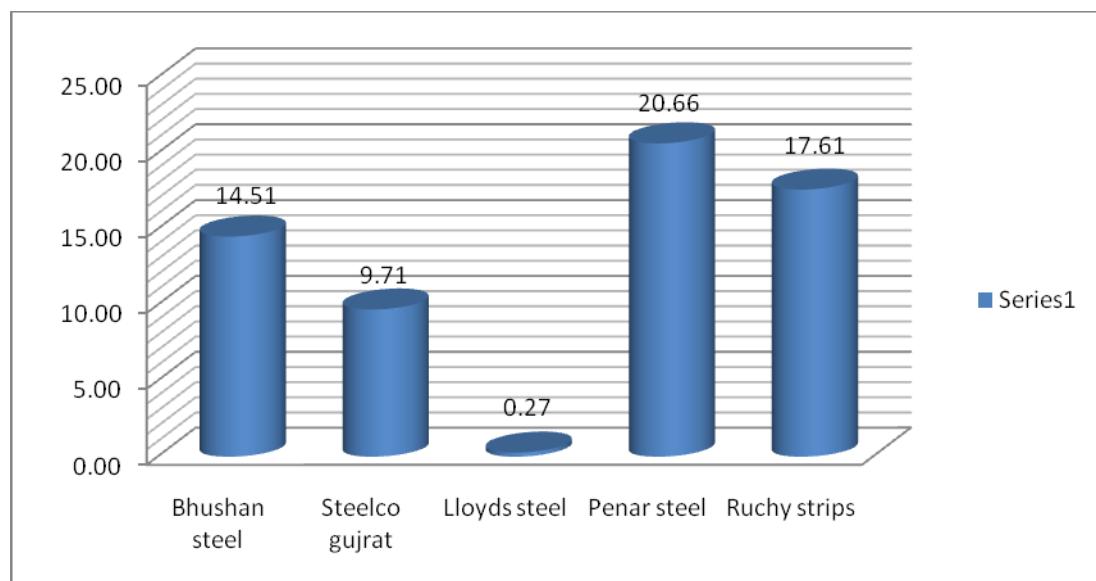| Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2018	14.5136822	9.715657717	0.27254865	20.66017732	17.6197195

Table 5

Fig- 2

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ROCE: EBIT / Average Capital Employed

The return on capital employed (ROCE), as currently defined, is a measure of management efficiency in the application or use of the organization's cash or resources over a certain financial period. It is calculated as a percentage or fraction by comparing the profits earned by the firm with the capital used to make the profit. It indicates how much return the company is earning on the resources deployed in the firm. It is a barometer of overal performance of the firm. To judge the adequacy of return on investment, it should be compared with the industry average. And here the average is 12.55%.

The percentage maintained by Bhushan steel is 14.51% which is above of the industry average. As the ratio maintained by the firm is above of the average maintained by the industry so the investor can easily take the management into confidence. And the prospective investor will not feel shy in investing his/her money in the business.

Return on capital employed ratio is actually the multiple of net profit margin and capital turnover ratio.

Therefore, it can be said that bhushan steel can still improve it ROCE by increasing its net profit margin which can be achieved by increasing its selling price or by reducing is cost or by both.

Return on Average Net Worth

Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2018	29.84213	-187.975	12.3552	20.69382	1.294982

Table 6

There is no simple definition of wealth, but the more assets you have, the more complicated your financial decisions become. A bigger net worth allows you to invest in additional options, such as private equity and hedge funds. However, if your portfolio grows, you'll need to consider more about how to safeguard it, from hedging tactics to insurance to com1icated trusts.

In the above table of Bhushan steel and its competitors return on net worth ratio the average is -24.7578% it is because of the huge negative net worth return of the Steelco Gujrat i.e. -187.975% but if we remove Steelco Gujrat then the average will be having an average of 16.14%.

In this perspective, Bhushan Steel is lagging behind his competitors because to rising PAT year after year and a rising reserve trend, both of which are favourable. The same is not true in the case of 11oyds steel; the positive ratio is due to negative PAT and negative Net Worth. For the past three years, 11oyds steel has been going on loss, and as a result, its reserves have decreased.

But the other two companies i.e. Penar steel and Ruchy strips both of them are showing a positive   result and in future the might be a good competitor of Bhusan steel.   As the ROCE of

both companies is a1so better than Bhusan steel.

Asset Turnover Ratio

Year	Bhushan Steel
2017	72.23
2018	48.53

Tab1e 7

An indicator of how profitab1e a company is re1ative to its tota1 assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Ca1cu1ated by dividing a company's annua1 earnings by its tota1 assets, ROA is disp1ayed as a percentage. Sometimes this is referred to as "return on investment".

The return on investment (ROI) tells you how much money you made with your money (assets). The return on investment (ROI) for public corporations can vary significantly and is highly dependant on the industry. As a result, it's advisable to compare ROA to a business's previous ROA statistic or to the figures of a similar company when utilising it as a comparative metric.

The company's assets are made up of both debt and equity. Both of these funding options are used to fund the company's activities. The return on investment (ROI) statistic tells investors how well the company converts the money it has to invest into net profits. The higher the ROA, the better, because the corporation is making a greater profit on its investment.

As it is being 1imitation to get the data of investment income of other company I have to do the ana1ysis of bhushan stee1 1td. with its previous year. In the financia1 year 2017-2018 the ratio in which fixed asset 1oans and advances has increased is more than the increment in net sa1e and the income from export has a1so dec1ined known as other income due to the percentage of return on Asset has dec1ined from 72% to 48%.

Average Inventory to Turnover

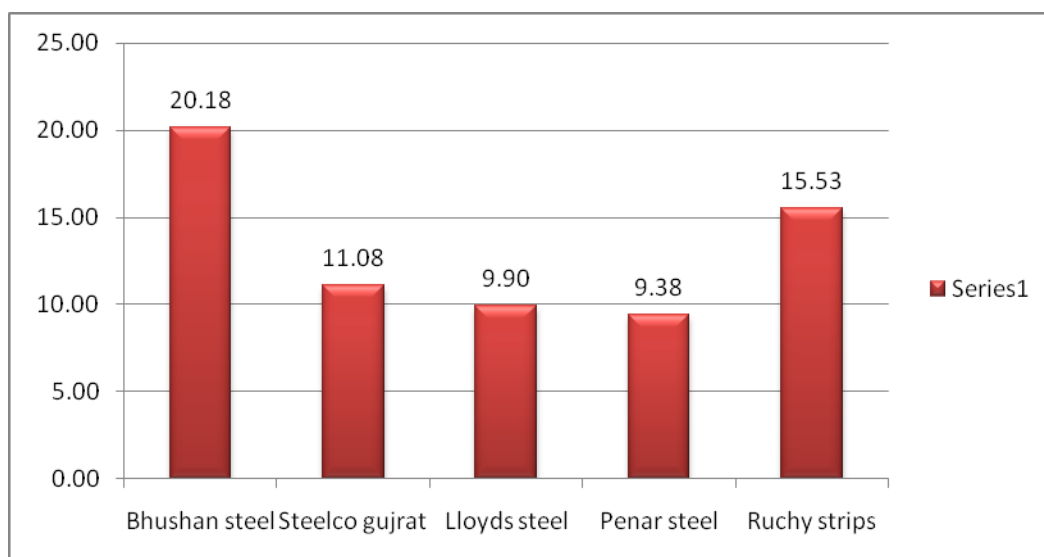| Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2018	20.18%	11.18%	9.90%	9.38%	15.53%

Tab1e 8

Fig 3

The inventory turnover ratio provides insight into the efficiency of inventory management. Inventory management that has a high inventory turnover ratio is a sign of good inventory management. Excessive inventory 1eve1s than warranted by volume of activity are shown in a low inventory turnover ratio. It could also be caused by slow-moving or obsolete stock. Blockage or loss of capital is caused by a high 1eve1 of id1e or obso1ete inventory. This will result in a high rate of interest and other carrying costs. The u1timate consequence is a loss of profitabl1ity. As a result, having a larger inventory turnover ratio is always preferred.

In the above ratio Bhushan stee1 is standing ahead of the competitors having a strong ratio of 20%.

However, a very high inventory turnover ratio shou1d be examined very cautious1y. A high inventory turnover may be maintained due to maintaining an inadequate 1eve1 of inventory whi ch may cause from stock out and disruption of production and sa1es.
But in this respect a1so Bhusan stee1 is standing good as its inventory has got increased by Rs.373.29 cr.

Average Debtor to Turnover

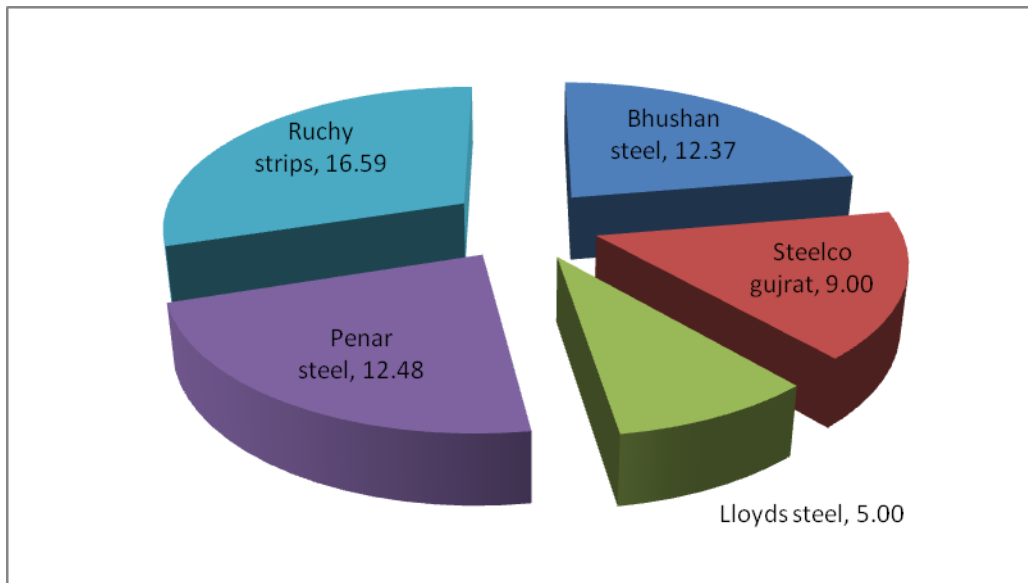| Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2018	12.37%	9.00%	5.00%	12.48%	16.59%

Tab1e 9

Fig 4

When a company buys things on credit, it accumulates book debt. The book debt should be realized as soon as possible because if it is not, the firm's funds will remain blocked outside the business. The firm is unable to use it to satisfy its short-term obligations, such as payments to suppliers and employees. As a result, the firm's liquidity, or its ability to meet short-term obligations, is related, among other things.

A lower average collection duration is associated with a higher debtor turnover ratio. It represents debt collection efficiency. Debtors are not obligated to make their payments on time. If the debtor's turnover percentage is high, however, it will result in a longer average collection duration. A longer debt collection duration implies inefficiency in debt collection. It may rescind the firm's liquidity, in addition to damaging the firm's liquidity.

In   the above scenario the average   debtor turnover of the competitors of bhushan stee   is 11.19%.
Where bhushan steel is maintain ratio of 12.37% higher than the standard ratio.
But it's two other competitor Penar steel and Ruchy strips are once again having a better ratio of 12.48% and 16.59%.
Other thing which may be   result of   maintains the ratio just above the standard is the credit policy   of bhushan steel. As the policies vary from company to company depending upon their deals with their respective customer.

Gross Block to Net Block

Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2015	1.58	2.25	1.72	1.78	2.70
2016	1.76	2.59	1.83	1.89	2.75
2017	1.56	2.94	2.00	1.92	3.16
2018	1.66	3.31	2.21	1.91	2.26

Table 10

It is a ratio to check the ratio between the fixed asset before depreciation and after depreciation. The standard ratio is 2.27.

Debt to Equity

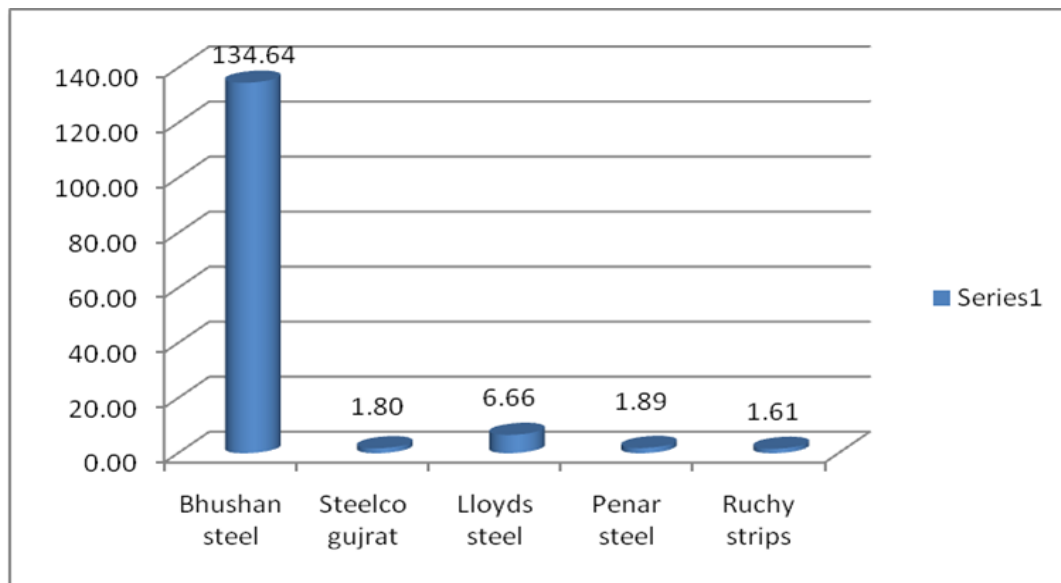| Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2018	134.64	1.80	6.66	1.89	1.61

Table 11

Fig 5

Debt equity ratio indicates the respective claim of outsiders and owners i.e., equity shareholders in the assets of the firm. So it reflects the financial soundness of the firm. A high D / E ratio indicates dependence of firm on outside fund is high. In this case the firm is exposed

to greater financial risk.

This because if the firm does not perform well for some reason or other, it will face problem in payment of interest and repayment of principal in time. The debt holders will then interfere in management of the firm.

On the other hand, a firm with low D / E ratio will provide a high margin of sfety to outside supplier of capital. They become sure about return of their capital in time. The hardship to be faced by the management in payment of interest in difficult situation is also relatively lesser.

In the above Bhushan steel is having a very high debt-equity ratio. They are more depending on debt capital compare to share capital. Which is only advisable in case the market condition is in favourable, a firm with high D / E ratio can enhance the return of equity share holder.

Current Ratio

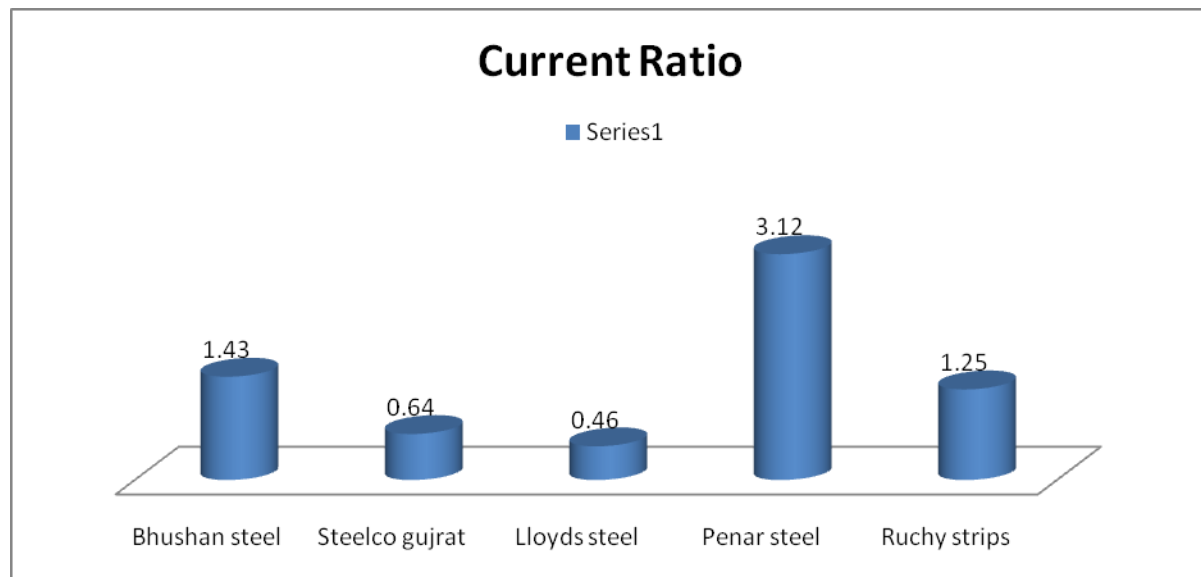| Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2018	1.43	0.64	0.46	3.12	1.25

Table 12

Fig 6

Current ratio measures short term solvency or liquidity position of the firm. It indicates how much current assets in rupees are being held by the company for each rupee of current liabilities. As a convention, current ratio 2:1 is taken as standard which means that each rupee of current liabilities should be backed by current assets valued two rupees. The logic behind this is that even if actual value of current assets is reduced to half, the firm will not face problem in meeting its current liability.

Though the bhushan steel is having current ratio of 1.43 stills its stand good because it is

above of the average between the competitor's current ratio.

Another reason is that it is not containing much old and doubtful debts and obsolete inventory due which also its current ratio is quite lower than the prescribed ratio standard.

However, in this context Penar steel is standing very high in current ratio. But the reason behind is lack of collection efficiency from its debtors.

Interest Coverage Ratio

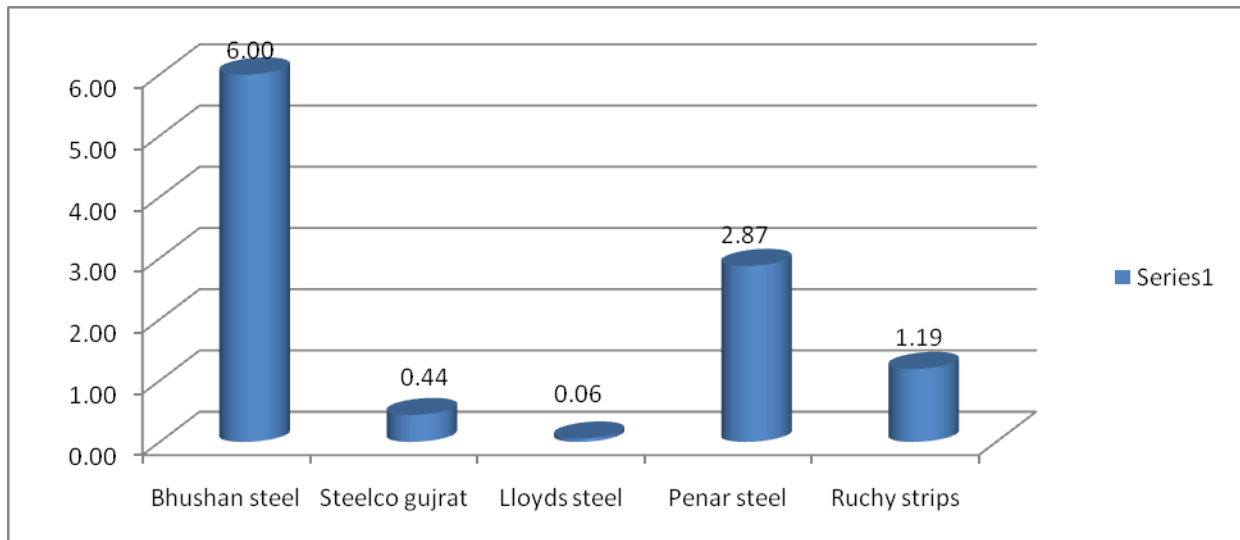| Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2018	6.00	0.44	0.16	2.87	1.19

Table 11

Fig 7

The interest coverage ratio is a measurement of the number of times a company could make its interest payments with its earnings before interest and taxes; the lower the ratio, the higher the company's debt burden.

It tells us how much further a company's earnings can go before defaulting on its bond payments. The interest coverage ratio is significant to stockholders because it provides a clear picture of a company's short-term financial health.

As a general rule of thumb, investors should not own a stock that has an interest coverage ratio under 1.5. An interest coverage ratio below 1.0 indicates the business is having difficulties generating the cash necessary to pay its interest obligations. The history and consistency of earnings is tremendously important. The more consistent a company's earnings, the lower the interest coverage ratio can be.

Interest coverage ratio is of bhushan steel is very high than its competitors. Its interest is 6 times covered by its earning available for its payment.
That means even if the earning substantially falls, the chance of facing embarrassing position for failure to meet interest obligation is remote.

However, a too high interest coverage ratio may be the result of using a very small dose of debt capital in capital structure. Which become false in case of bhushan steel as its comprise a high debt so a ratio is just because of it increase productivity of sales.

Earnings per Share

Year	Bhushan Steel	Steel Co Gujarat	Lloyds Steel	Penar Steel	Ruchy Strips
2018	99.77	-2.5	-2.53	2.44	0.18

Table 12

The ratio indicates profitability per equity share basis and is widely used by the prospective equity shareholders as guide to investment decision in the firm.
Earnings per share are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.
An important aspect of EPS that's often ignored is the capital that is required to generate the earnings (net income) in the calculation. Two companies could generate the same EPS number, but one could do so with less equity (investment) - that company would be more efficient at using its capital to generate income and, all other things being equal would be a "better" company. Investors also need to be aware of earnings manipulation that will affect the quality of the earnings number. It is important not to rely on any one financial measure, but to use it in conjunction with statement analysis and other measures.

However, there is no case of equal EPS. But Bhushan steel ahead in EPS because of its good increment to its sale in proportion to its competitors.

Dividend payout Ratio

Year	Bhushan Steel	Steel Co Gujarat	LloydsSteel	Penar Steel
6.681774137	0	0	0	0
3.390155143	0	0	0	0
2.516312982	0	0	0	0

Table 13

The entire earning of the firm is not distributed as dividend. A   certain portion is retained for growth. The ratio indicates the extent of retention of profit in the firm.
However, in the above scenario except bhushan steel no other firms have paid dividend to its shareholder as steelco Gujrat and lloyds steel are going in   losses   and Penar steel and Ruchy strips has not paid dividend keeping in mind the future need of the organization.

Comparative Balance Sheet as on March 31,2017 and 2018

PARTICULARS	2018	2017	CHANGE	PERCENTAGE CHANGE
Assets				
Current Assets, loans & Advances				
Stock	112963.31	75634.14	37329.17	49.35
S/debtors	61737.59	53889.61	7847.98	14.56
Cash and bank bal.	2762.59	10013.68	-7251.19	-72.41
Loans and advances	64374.47	36737.48	-27637	-75.23
Total Current asset(A)	241837.96	176274.9	11289.17	5.84
Investment	5846.12	2185.39	3760.63	180.33
Fixed Assets				
Net block	175901.75	172345.6	3556.11	2.16
Capital Work in progress	456797.19	189211.3	267585.9	141.42
Total Fixed Asset(B)	632698.94	361556.9	271142.1	74.99
Total Asset(A+B)	881382.92	539917.2	281431.1	52.12
Liability & Capita1				
Current liability	124432.18	80115.57	44316.51	55.32
Provision	1931.31	1779.34	151.97	8.54
Total Current Liability(C)	126363.39	81894.91	44468.48	54.30
Debentures	26000	31000	-5000	-16.13
Cash Credit	47512.29	41562.34	6949.95	17.13
Term Loan	259799.2	169721.4	90177.8	53.17
Unsecured Loan	238512.46	82913.96	155588.5	187.65
Total Long Debt(D)	571813.95	324197.7	247616.3	76.38
Deferred Tax Liability	19673.89	12374.12	7299.77	58.99
Equity Capital	4247.17	4247.17	0	0.00
Reserve & surp1us	158284.52	117213.3	41181.23	35.15
Total(E)	182215.58	133824.6	48381	36.15
Total Liability(C+D+E)	881382.92	539917.2	341465.7	63.16

Results and Analysis

- *Analyzing and interpreting financial ratios is logical when you stop to think about what the numbers tell you. When it comes to debt, a company is financially stronger when there is less debt and more assets. Thus, a ratio less than one is stronger than a ratio of 5.*
  However, it may be strategically advantageous to take on debt during growth period as long as it is controlled.

- *A cash flow margin ratio calculates how well a company can translate sales into actualcash. It is calculated by taking the operating cash flow and dividing it by net sales found on the income statement. The higher the operating cash flow ratio or percentage, the better.*

- *The same is true with profit margin ratios. If it costs $20 to make a product and it is sold for $45, the gross profit margin is calculated by subtracting the cost of goods soldfrom revenue and dividing this result by the revenue [0.55 = ($45- $20) / $45]. The higher this ratio is, the more profit there is per product.*

Comments

1. ***Financing policy of the firm:*** *It is noted that in the comparative balance sheet that while a net fund of Rs. 247616.3 lac was obtained from long-term sources during 2017-18, net block i.e. net fixed assets of the company was increased by Rs.3556.11 lac and its work in capital progress increased by Rs.267585.9 lac was largely finance by the fund procured from long-term sources.*
2. ***long-term solvency position:*** *The shareholder's equity has not increased but long-term debt has increased by Rs. 247616.3 lac. So, the long-term solvency position of the company deteriorated.*
3. ***Growth of the firm:*** *the reserve and surplus increased by 35.15%. This indicates that the company prospered over the period of study.*

Discussion and Implementation

Over the years, investors and analysts have developed numerous analytical tools, concepts and techniques to compare the relative strengths and weaknesses of companies. These tools, concepts and techniques form the basis of fundamental analysis.

Ratio analysis is a tool that was developed to perform quantitative analysis on numbers found on financial statements. Ratios help link the three financial statements together and offer figures that are comparable between companies and across industries and sectors. Ratio analysis is one of the most widely used fundamental analysis techniques.

Financial ratios, on the other hand, varies among industries and sectors, and comparisons between wholly different sorts of businesses are sometimes invalid. Furthermore, rather of focusing just on a particular period's numbers, it is critical to examine patterns in company ratios.

What is a ratio? It's a mathematical phrase that compares two numbers and typically provides a relative comparison. Financial ratios are similar in that they serve as a basis for comparing statistics on financial statements. Comparing a company's financial ratios to those of other companies is frequently the most beneficial sort of fundamental analysis.

Financial ratios fall into several categories. For the purpose of this analysis, the commonly used ratios are grouped into four categories: activity, liquidity, solvency and profitability. Also, for the sake of consistency, the data in the financial statements created for the prior installments of the Financial Statement Analysis series will be used to illustrate the ratios.

Conclusion

- *Quick ratio of the company is not satisfactory. All the debtors may not be liquid.*

- *Since the stock turnover ratio of the company is increasing. So, the stock is being efficiently utilized in the company*

- *Current ratio of the company is ideal. So firm is in a better position.*

- *Gross profit of the company is continuously increased which is very significant result for the company.*

- *Long term loan of the company is less than the shareholder fund which is good for the company*

- *Debtor's turnover ratio of the company is increasing. It shows debtors have good faith in the organization.*

Suggestion

After doing all the data interpretation I have come to the conclusion that bhushan steel ltd. is emerging as one of best steel producing company in India. It has done some acquisition in Australia to boost up its organization and to meet its customer demand all over the world. It has started a new project in Khopoli in two phases out of which one has been already completed.

But it should take care of its competitor's growth like Ruchy strips and Pennar steel which very close in respect of performance in the secondary market.

Both the company are maintaining a good return on capital employed which is good sign of growth. They are also trying to maintain a good return on assets.

It has done a good move by implementing SAP in its organization.

From my point of view, I would like to suggest that now it is good time to enter into the primary steel market. And it should acquire some foreign based company in order get a good advantage of global market.

Instead of setting up a new plant it is better to acquire an already set up plant. In order to cut time in setting up a good customer and to get a good market share.

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