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A STUDY ON FINANCIAL PERFORMANCE OF SAIL, SALEM

SUMMER PROJECT REPORT
Submitted to the
Faculty Of Management Sciences, Anna University
In partial fulfillment of the requirement
For the award of the degree of
MASTER OF BUSINESS ADMINISTRATION

By

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COIMBATORE

BONAFIDE CERTIFICATE

Certified that this project titled **'A Study on Financial Performance of SAIL, Salem'** is bonafide work of **Mr. M.MAHENDIREN (71205631031)** who carried out this research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

15/11

Mr. S.PREM KUMAR
Faculty Guide

Prof. S. GANESAN
Director

Evaluated and viva-voce conducted on.....15/11/06.....

15/11

Examiner I

ExaminerII

DECLARATION

I, hereby declare that this project report entitled as "A Study on Financial Performance of SAIL , Salem" has been undertaken for academic purpose submitted to Anna University in partial fulfillment of the requirements for the award of the degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of Dr S. Prem kumar during the academic year 2006 – 2007.

I, also declare hereby, that the information given in this report is correct to the best of my knowledge and belief.

M.Mahendiren

Place : Coimbatore
Date : 15.11.06

(M.MAHENDIREN)

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A Government of India Enterprise

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Salem 636 013, Tamil Nadu, India
Phone : 0427-238 3021 Fax : 0427-238 2800
Grams : STAINLESS www.sail.co.in

Ref No TR-15(6)/506

August 07, 2006

CERTIFICATE

Certified that
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Final Year MBA student of
Kumaraguru College of Technology, Coimbatore
has done a Project on
"STUDY ON FINANCIAL PERFORMANCE OF SAIL"
in Finance and Accounts Department
of Salem Steel Plant
From 30/06/2006 to 07/08/2006

KN. Sankarlal
Asst Manager (HRD)

ACKNOWLEDGEMENT

First and foremost objective is to pay rich dividends to The Almighty for having stayed before and besides me showering all sorts of blessing for me to complete this work, which is the part and participle of our curriculum.

I wish to express my deep gratitude to the principal Prof. Joseph V. Thanikal for his guidance and encouragement to complete my project work.

I wish to express my sincere thanks to Prof. S. Ganesan-Director, KCT Business School, for his continuous encouragement throughout my project.

I owe my heartfelt gratitude to Dr.S.Premkumar, faculty KCT Business School, for his help and valuable guidance given to me through out my project.

I owe my sincere thanks to Mr. K. Krishna moorthy, Sr. Manager (Finance), Steel Authority of India Ltd., Salem for granting permission to do my project in the esteemed organization viz SAIL, Salem and also for the support, guidance and encouragement provided by him for the successful completion of my project.

Last but not the least, my sincere thanks to my friends and parents for their continuous support and encouragement without which the project could not have been a success.

ABSTRACT

The study entitled "A Study on Financial Performance of SAIL" (With Special Reference to Salem Steel Plant, Salem) has been undertaken by the researcher in Salem Steel Plant for a duration of 40 days

The major objectives of the study is to analyse the financial performance of SAIL in order to study the causes and consequences of the various components of the Financial Statement in relation to the productivity and profitability of the company.

The financial data for 5 years from 2000 – 2005 were taken for analysis. Trend analysis, comparative statement analysis, working capital, ratio analysis, were used to analyse the data.

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CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF STUDY

Financial accounting is designed to supply information in the form of profit and loss account and balance sheet to external parties like share holders , creditors, banks, investors and government. Information is supplied periodically . It portrays the financial position of business as a whole . Financial statements like income statement and balance sheet report on overall performance or status of the business . Financial accounting is concerned with the monetary record o past events. In financial accounting only such economic events find place which can be described in money . In case of financial accounting there is more emphasis on precision . Financial accounting is more or less important for every business .

1.2 PROBLEM OF THE STUDY

The following are the problems of study:

- To estimate the earning capacity of the concern.
- To judge the financial position and financial performance of the concern.
- To determine the debt capacity of the concern.
- To decide about the future prospects of the concern.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

- The main objective of the study is to analyse the financial performance of SAIL for the period of 2001 – 2005.
- To study the causes and consequences of the various components of the financial statement in relation to the productivity and profitability of the company.
- To analyse the financial stability and overall performance of SAIL in general.
- To analyse and interpret the trends as revealed by various ratios of the company in particular.

1.4 SCOPE OF STUDY

The scope of study is to determine the Working Capital Management of SAIL. The study will be useful for improvement in the performance of the firm. The study covers a period of 5 years from 2000-2005.

1.5 RESEARCH METHODOLOGY ADOPTED

Primary data and secondary data are used for the study. Primary data was collected by direct contact with officers and managers. Sources of secondary data were Annual Reports of SAIL for the year ended 2000 March to 2005 March. Ratio analysis was done and statement showing changes in working capital was prepared to analyze the working capital.

1.6 LIMITATIONS

The present study is subject to the following limitations:-

1) The study is based only on the secondary data contained in the published annual reports of SAIL for the study period.
2) Due to the limited time available at the disposal of the researcher the study has been confined for a period of five years only.
3) All the limitations of ratio analysis and fund flow analysis are equally applicable to the present study as well.

1.7 CHAPTER SCHEME

The study has been designed and presented as stated below,

Chapter I – Introduction

Chapter II – Organisation profile

Chapter III – Macro-Micro economic analysis

Chapter IV – Data analysis and interpretation

Chapter V – Findings, suggestions and conclusions.

CHAPTER II
ORGANISATION PROFILE

2.1 BRIEF INTRODUCTION ABOUT COMPANY

Steel Authority of India Limited (SAIL) is the leading steel-making company in India. It is a fully integrated iron and steel maker, producing both basic and special steels for domestic construction, engineering, power, railway, automotive and defence industries and for sale in export markets.

Ranked amongst the top ten public sector companies in India in terms of turnover, SAIL manufactures and sells a broad range of steel products, including hot and cold rolled sheets and coils, galvanised sheets, electrical sheets, structurals, railway products, plates, bars and rods, stainless steel and other alloy steels. SAIL produces iron and steel at five integrated plants and three special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including the Company's iron ore, limestone and dolomite mines.

SAIL's wide range of long and flat steel products are much in demand in the domestic as well as the international market. This vital responsibility is carried out by SAIL's own Central Marketing Organisation (CMO) and the International Trade Division. CMO encompasses a wide network of 38 branch offices and 47 stockyards located in major cities and towns throughout India.

With technical and managerial expertise and know-how in steel making gained over four decades, SAIL's Consultancy Division (SAILCON) at New Delhi offers services and consultancy to clients world-wide.

SAIL has a well-equipped Research and Development Centre for Iron and Steel (RDCIS) at Ranchi which helps to produce quality steel and develop new technologies for the steel industry. Besides, SAIL has its own in-house Centre for Engineering and Technology (CET), Management Training Institute (MTI) and Safety Organisation at Ranchi. Our captive mines are under the control of the Raw Materials Division in Calcutta. The Environment Management Division and Growth Division of SAIL operate from their headquarters in Calcutta. Almost all our plants and major units are ISO Certified.

2.1.1 MAJOR UNITS

The following are the major units of SAIL

(i) Integrated Steel Plants

The following are the Integrated Steel Plants of SAIL

- Bhilai Steel Plant (BSP) in Chhattisgarh
- Durgapur Steel Plant (DSP) in West Bengal
- Rourkela Steel Plant (RSP) in Orissa
- Bokaro Steel Plant (BSL) in Jharkhand
- IISCO Steel Plant (ISP) in West Bengal

(ii) Special Steel Plants

The following are the Special Steel Plants of SAIL

- Alloy Steels Plants (ASP) in West Bengal
- Salem Steel Plant (SSP) in Tamil Nadu
- Visvesvaraya Iron and Steel Plant (VISL) in Karnataka

(iii) Subsidiaries

The following are the Subsidiaries of SAIL

- Maharashtra Elektrosmelt Limited (MEL) in Maharashtra
- Bhilai Oxygen Limited (BOL) in New Delhi.

2.1.2 JOINT VENTURE

SAIL has promoted joint ventures in different areas ranging from power plants to e-commerce.

(i) NTPC SAIL Power Company Pvt. Ltd

Set up in March 2001, this 50:50 joint venture between SAIL and the National Thermal Power Corporation (NTPC) operates and manages the Captive Power Plants-II of the Durgapur and Rourkela Steel Plants which have a combined capacity of 240 MW.

(ii) **Bokaro Power Supply Company Pvt. Limited**

This 50:50 joint venture between SAIL and the Damodar Valley Corporation formed in January 2002 is managing the 302-MW power generation and 1880 tonnes per hour steam generation facilities at Bokaro Steel Plant.

(iii) Bhilai Electric Supply Company Pvt. Limited

Another SAIL-NTPC joint venture on 50:50 basis formed in March 2002 manages the 74 MW Power Plant-II of Bhilai Steel Plant which has additional capacity of producing 150 tonnes of steam per hour.

iv) UEC SAIL Information Technology Limited

This 40:60 joint venture between SAIL and USX Engineers & Consultants, a subsidiary of the US Steel Corporation, promotes information technology in the steel sector.

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This 40:60 joint venture between SAIL and USX Engineers & Consultants, a subsidiary of the US Steel Corporation, promotes information technology in the steel sector.

(vi) Metaljunction.com Private Limited

A joint venture between SAIL and Tata Steel on 50:50 basis, this company promotes e-commerce activities in steel and related areas.

(vii) SAIL-Bansal Service Center Pvt. Ltd.

SAIL has formed a joint venture with BMW industries Ltd. on 40:60 basis to promote a service centre at Bokaro with the objective of adding value to steel.

(viii) North Bengal Dolomite Limited

A joint venture between SAIL and West Bengal Mineral Development Corporation ltd on 50:50 basis was formed for development of Jayanti Dolomite Deposit, Jalpaiguri for supply of Dolomite to DSP and other plants.

(ix) Romelt-SAIL (India) Ltd

A joint venture between SAIL, National Mineral Development Corporation (NMDC) and Russian promoters for marketing Romelt Technology developed by Russia for reducing of iron bearing materials, which is carried out with carbon in single stage reactor with the use of oxygen. .

2.1.3 HISTORY OF SALEM STEEL PLANT

Salem Steel Plant (SSP) is a premier producer of international quality stainless steel in India. Commissioned in 1981, the Plant has a capacity to roll 1,86,000 tones of hot rolled carbon and stainless steel flat products and 70,000 tones of cold rolled stainless steel sheets and coils per annum. The Plant has gone beyond its designed capacity and successfully cold rolled value added 0.13 mm thick stainless steel. SSP can also supply hot rolled carbon steel in thick nesses of 1.5, 1.4 and 1.25 mm. Its products have become a household name 'Salem Stainless' in the domestic market and are widely exported; besides meeting the requirements of 100 per cent export oriented units and free-trade zones in India. In hot rolled special grade carbon steels, SSP has been recognized as a well-known manufacturer of boiler quality steel. The Plant is also supplying LPG grade IS 6240 steel in sheet form. The entire Plant is certified for the ISO: 9001:2000 Quality Assurance and the ISO: 14001 Environmental Management Systems.

A Blanking Line, the first of its kind in India, was established in 1993, with an annual capacity to produce 3000 tonnes of ferritic grade coin blanks or 3600 tonnes of utility blanks. Coinage of Re 1, 50 paise and 25 paise denominations are minted from the blanks supplied by SSP to the Government Mint in Noida, Mumbai, Kolkata and Hyderabad.

SSP has revolutionized application of stainless steel in India both in conventional and unconventional areas. High-tech industries like atomic power stations prefer 'Salem Stainless'. It is also chosen in industrial sectors like dairy and food processing, chemical and fertilizer, heavy engineering, railways, automobile, bulk solid handling, power etc. The building and architecture segment, which is growing at a rapid pace, sees 'Salem Stainless' as the most dependable companion.

SSP undertakes turnkey projects like fabrication and supply of stainless steel tubes, pipes for sugar and chemical industry and for water pipelines. Under conversion scheme, value-added products like kitchen & tableware and doorframes are manufactured and supplied in bulk to corporates. SSP has also developed new application of its products, viz. LPG tanks for automobile, stainless steel ceiling fans, exhaust fans, corrugated sheets, water tanks, etc.

In architecture, building and construction, the prestigious structure where 'Salem Stainless' was chosen include the Parliament House Library Complex, New Delhi, the world's tallest twin buildings -- the Petronas Twin-Towers, in Malaysia and the retractable roofing at the Melbourne Tennis Stadium, Australia. The coaches of the high speed Jan Shatabdi Express trains are furnished with modular rail marts and sub pantries made entirely of Salem Stainless

2.2 MANAGEMENT

The Government of India owns about 86% of SAIL's equity and retains voting control of the Company. However, SAIL, by virtue of its "Navratna" status, enjoys significant operational and financial autonomy.

SAIL is listed on National Stock Exchange of India (NSE), the Mumbai Stock Exchange (BSE) besides on London Stock Exchange, London. As approved by the members in the last Annual General Meeting (AGM), the Company has got its shares delisted from the Madras Stock Exchange, Chennai (MSE), Ahmedabad Stock Exchange (ASE), Delhi Stock Exchange Association Limited (DSE). The delisting approval is awaited from the Calcutta Stock Exchange Association Limited, Kolkata (CSE).

Chairman -Shri V.S. Jain

Functional Directors

Personnel - Shri Ashis Das

Commercial - Shri S.K. Roongta

Finance - Shri G.C. Daga

Technical - Shri K.K. Khanna

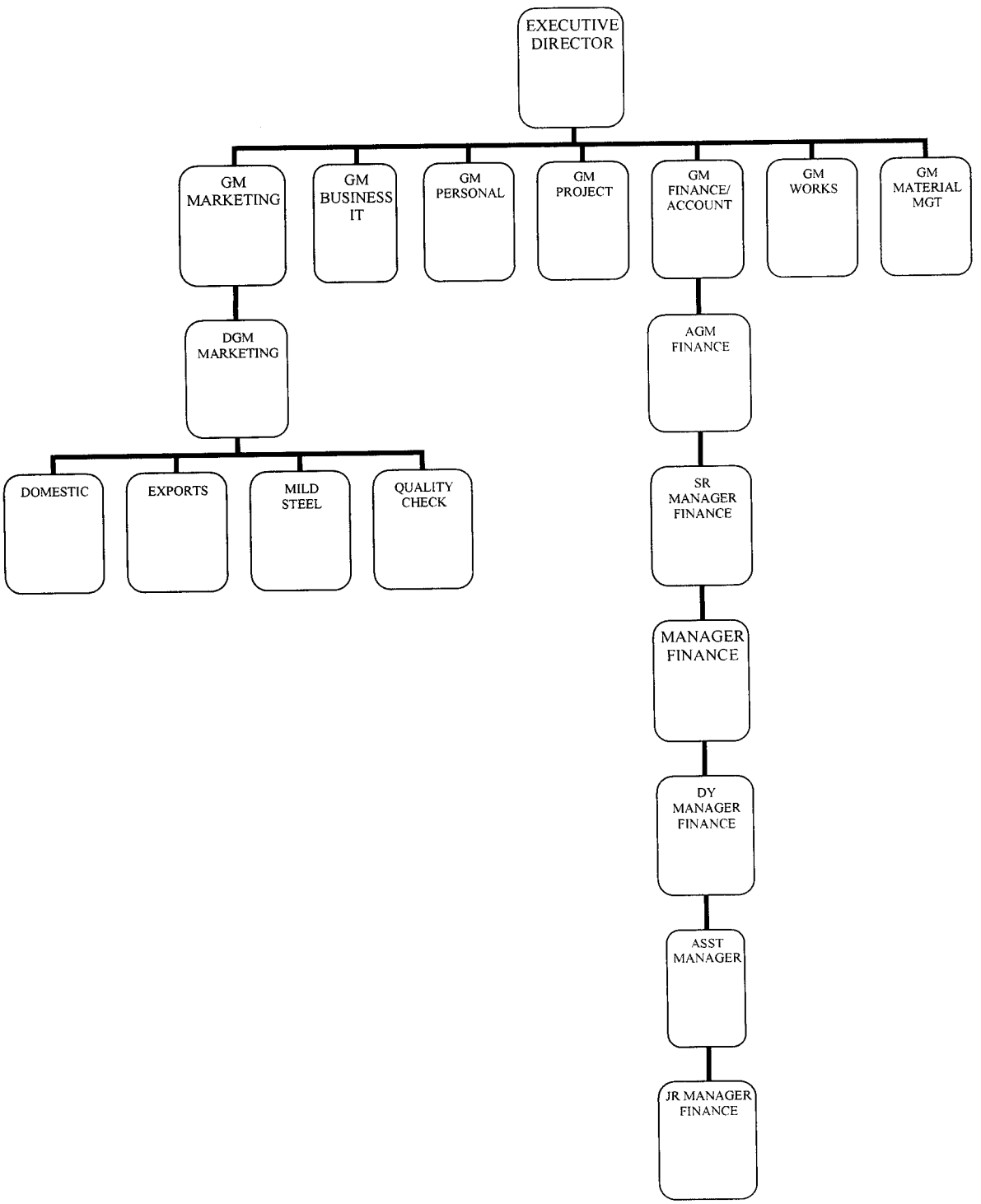
Directors

Shri V.K. Agarwal
Shri P.K. Sengupta
Dr. Amit Mitra
Shri A.K. Rath
Shri J.P. Singh

Secretary - Shri Devinder Kumar

2.3 ORGANISATION STRUCTURE

The organization structure of Salem Steel Plant:



2.4 PRODUCTS PROFILE AND MARKET POTENTIAL

2.4.1 PRODUCTS

Some of the products of SAIL are:

- Billets
- Cold-rolled Coils
- Cold-rolled Sheets
- Electrical Steels
- Galvanised Coils
- Hot-rolled Coils
- Hot-Rolled Plates/Sheets
- Pig Iron
- Reversing Mill Plates
- Rails
- Wire Rods
- Customised Products

2.4.2 MARKET POTENTIAL

The market potential of SAIL are:

- After liberalization, there have been no shortages of iron and steel materials in the country.
- Apparent consumption of finished carbon steel increased from 14.84 Million Tonnes in 1991-92 to 42.636 million tonnes (Provissional) in 2005-06.
- Steel industry that was facing a recession for some time has staged a turnaround since the beginning of 2002.
- Efforts are being made to boost demand.
- China has been an important export destination for Indian steel.
- The steel industry is buoyant due to strong growth in demand particularly by the demand for steel in China

2.5 COMPETITIVE STRENGTH OF THE COMPANY:

The organization being a manufacturer of steel has been growing ever since the company has begun. In this area of steel manufacture there are many big players like Tata group, Mittal steel company , etc to name a few. The company is trying to establish itself among the players and is growing steadily towards its goal.

The broad product portfolio of SAIL will consist of 30% market share in flat and 26% in long by 2011-12. Beside capacity enhancement, the growth plan addresses the need of the SAIL plants and other units towards eliminating technological gaps, interlinking product profile with the growth segments and focusing on customer centric business processes. The country's steel exports, which had been stagnating during the three years of 1999-2000, 2000-01 and 2001-02, recovered in the fiscal just ended. Exports of finished carbon steel during 2002-03 rose by an industry-wide average of 13 per cent and crossed 3 million tonnes for the first time.

The domestic demand for steel in fiscal 2002-03 grew at about 4 per cent. Growth in the first quarter of this fiscal has also been a lower than expected 4.9 per cent. In 2002-03, the country's total production of finished steel is estimated to be about 33 million tonnes..

2.6 FUTURE PLANS

Steel Authority of India Limited (SAIL) announced its corporate plan 2012 in July 2004 and set itself on a growth track making steady progress in launching different projects. The company initially aimed at increasing its annual hot metal production capacity from 13 million tonnes (MT) to 20 MT by 2011-12. But following amalgamation of IISCO in February 2006 and firming up of growth plan for SAIL's speciality steel plants, it revised the target to 22.5 MT. The expected investment plan has also been upgraded from Rs 25,000 crore (about $US 5.6 billion) to Rs 35,000 crore The growth plan foresees the company's finished steel production of mild steel from its five integrated steel plants being raised to a level of 17.6 MT per annum, which means that semis will form only 8% of SAIL's product basket by 2011-12.

2.7 DESCRIPTION OF VARIOUS FUNCTIONAL AREAS:

The functional areas of the organization are Finance, Marketing, Human resource and Production whose functions are described briefly as follows.

2.7.1 FINANCE:

Financial area mainly deals with the sources of funds, allocation and proper utilization of it... The company has beén doing financially well over the years. The company's financial partners are Indian Overseas bank and State Bank of India.

2.7.2 MARKETING:

The company manufactures mild steel. The product range is wide and the areas of marketing are all over the country. The channel distribution is direct.

2.7.3 HUMAN RESOURCE:

Thrust on human resource development continues with a renewed focus on inculcating a greater value orientation across the company. A series of initiatives are being taken to improve the competence level of the employees in tune with changing technologies, customer demands and market dynamics. Accordingly, training modules have been redesigned with a clear focus on competence mapping, skill gap analysis, multi-skilling and multi-tasking apart from imparting training on new technologies of steel making. Efforts are also on to put a system in place to institutionalise the sharing of knowledge among the employees. SAIL targets to improve its labour productivity to a level of around 170 tonnes of crude steel (tcs)/man/year by 2006-07.

2.7.4 PRODUCTION

The company has well kept inventory and it is centralized one. The company maintains proper record of inventories .

CHAPTER III

MACRO-MICRO ECONOMIC ANALYSIS:

The steel industry, in general, is on the upswing, due to strong growth in demand propelled particularly by the demand for steel in China. The world scenario coupled with strong domestic demand has benefited the Indian steel Industry.

The faster growth of domestic consumption relative to production was reflected in a decline in exports of finished steel (2.6 million tonnes) by 18.2 percent compared to the corresponding period of previous year. Production of pig iron is falling due to the integration of the steel making process with the production of pig iron being consumed as a raw material in the process itself.

While the increase in the domestic prices of steel because of an increase in international demand cannot be avoided , attention needs to be paid to the problem of adequate and reliable supply of coal to the steel industry. Efforts are required for securing assured linkages of coking coal from overseas sources.

Furthermore, cross-border investment in captive coal mines, especially for coking coal, in major source countries as well as investment for developing coal mines in India, need to be encouraged. Further, the movement of raw materials and finished steel would need good rail and road network as well as substantial improvement in port handling, storage and haulage facilities.

India's rapid economic growth is being built on a frame of steel. Soaring demand by sectors like infrastructure, real estate and automobiles, at home and abroad, has put India's steel industry on the world map. Dominating the Indian horizon are steel giants like Tata Steel, which has just pushed through a US$ 8 billion buyout of UK-Dutch steel company Corus. Meanwhile, the LN Mittal-owned Mittal Steel has acquired French steel company Arcelor to create the world's number one steel company, Arcelor Mittal; and Korean steel giant POSCO is pumping money into mines and steel plants in Orissa to emerge as one of the biggest steel plants in the state.

The International Iron & Steel Institute (IISI) in its forecast for 2006 has confirmed the trend of recent years of an increase in steel use in line with general economic growth, the fastest growth occurring in the countries with the highest GDP growth such as India and China. Apparent worldwide steel demand is forecast to grow to between 1,040 and 1,053 million tonnes in 2006 from a total of 972 million tonnes in 2004. This is a growth of 4 - 5 per cent over the two-year period. However, according to IISI, the cost of raw materials and energy would continue to represent a major challenge for the world steel industry.

India currently occupies the eighth position in the list of global producers of crude steel. Production of finished (carbon) steel stands at 42.64 million metric tonnes for 2005-06 (provisional estimates by the Ministry of Steel). These numbers are poised to increase radically in the next six to seven years, when a slew of investments flow into resource-rich states in eastern India like Orissa, Jharkhand and Chhatisgarh.

From the biggest players, like SAIL and Tata Steel to mid-level players like Bhushan Steel and Welspun, the next four years are a time to ramp up. SAIL, a state-owned public sector undertaking and India's largest steel manufacturer, is planning to increase its annual production of 12 million tonnes per annum (mtpa) to 22.5 mtpa by 2011-12.

Tata Steel proposes to increase its steel making capacity to 33-34 mtpa by 2015, besides increasing the capacity of its Jamshedpur plant from 5 mtpa to 10 mtpa. In addition, the Tatas are planning to set up a 12-mtpa greenfield project in Jharkhand, a 6-mtpa plant in Orissa and another 5 mtpa capacity unit in Chhattisgarh. Mittal Steel has announced a 12-mtpa greenfield steel project in Jharkhand and a 12-mtpa greenfield steel plant in Orissa.

Tata Steel has been given the green signal by the South African government to start construction on its US$ 103 million ferrochrome steel plant at Richards Bay in the country's KwaZulu-Natal region.

CHAPTER IV

DATA ANALYSIS&INTERPRETATION

4.1 WORKING CAPITAL MANAGEMENT

Working capital refers to the amount of capital which is readily available to an organisation. Working capital is the difference between resources in cash or readily convertible into cash (Current Assets) and organisational commitments for which cash will soon be required (Current Liabilities).

Working capital analysis is an important field of financial management. This analysis will provide a base to judge whether the practice and prevailing policies of management with regard to working capital is good enough or an improvement is required for managing the working capital funds. Working capital analysis is an unavoidable factor as it displays the present financial position of this petroleum industry. The present study involves ratio analysis and cash flow analysis in order to analyze the working capital position of the company.

Table 4.1 SHOWING CHANGES IN WORKING CAPITAL

(Rs.in Crores)

Particulars	**2000-2001**		**2001-2002**		**2002-2003**		**2003-2004**		**2004-2005**	
Current Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Inventories	4518.99	53.95	4041.83	56.69	3744.37	51.36	3057.06	37.07	4220.69	29.45
Debtors	1687.59	20.15	1389.41	19.49	1660.09	22.77	1549.96	18.80	1908.45	13.31
Cash & Bank	667.43	7.97	416.37	5.84	512.91	7.04	2035.82	24.69	6132.12	42.78
Interest Receivable/ Accrued	174.69	2.08	93.52	1.31	90.59	1.24	86.18	1.04	142.18	0.99
Loans & Advances	1327.32	15.85	1188.79	16.67	1282.74	17.59	1517.18	18.40	1930.19	13.47
TOTAL A	**8376.02**	**100**	**7129.92**	**100**	**7290.70**	**100**	**8246.20**	**100**	**14333.63**	**100**

Current Liabilities										
Creditors	1913.58	28.17	1849.97	27.37	1677.77	22.94	1785.33	19.86	2207.50	21.71
Advance from Customers& Others	280.17	4.12	256.77	3.80	250.52	3.43	364.59	4.06	524.47	5.16
Security deposits	173.34	2.55	182.80	2.70	191.92	2.62	191.83	2.13	209.67	2.06
Interest accrued(not due on loans)	1240.44	18.26	1082.10	16.02	997.91	13.64	839.93	9.34	527.75	5.19
Other liabilities	1231.13	18.13	1281.94	18.97	1374.59	18.79	1230.64	13.68	1309.53	12.88
Provision for taxation	-	-	-	-	-	-	118.47	1.32	748.06	7.36
Gratuity	877.84	12.92	1090.06	16.13	1387.63	18.97	1547.36	17.21	1851.19	18.21
Accrued Leave Liability	378.72	5.57	557.70	8.25	747.23	10.22	871.75	9.70	1013.37	9.97
Others	698.52	10.28	457.56	6.77	686.54	9.39	2040.34	22.70	1774.53	17.46
TOTAL B	**6793.74**	**100**	**6758.90**	**100**	**7314.11**	**100**	**8990.24**	**100**	**10166.07**	**100**
NET WORKING CAPITAL (A-B)	**1582.28**		**371.02**		**-23.41**		**-744.04**		**4167.56**	

Table 4.2 TREND OF WORKING CAPITAL

YEAR	CA	CL	WC	TREND %	YEAR WISE TREND
2000-01	8376.02	6793.74	1582.28	100	0
2001-02	7129.92	6758.90	371.02	23.44	-76.56
2002-03	7290.70	7314.11	-23.41	1.47	-21.97
2003-04	8246.20	8990.24	-744.04	47.2	45.73
2004-05	14333.63	10166.07	4167.56	263.38	216.18

4.2 RATIO ANALYSIS

Ratio analysis is one of the techniques of financial analysis which are used as a yardstick for evaluating the financial condition and performance of a firm. Analysis and interpretation of various accounting ratios given a skilled and experienced analyse a better understanding of the financial condition and performance of the firm that what the could have obtained only through a perusal of financial statements.

Ratio's are relationship expressed in mathematical terms between figures which are connected with each other in some manner. According ratio's are therefore, mathematical relationships expressed between inter-connected accounting figures.

CLASSIFICATION OF RATIOS:

Ratios can be classified into different categories depending upon the basis of classification.

I. Profitability Ratios

II. Turnover Ratios

III. Financial Ratios

4.2.1 PROFITABILITY RATIO

Profitability is an indication of the efficiently with which the operations of the business are carried on poor operational performance may arise due to lack of control over the expenses. Bankers, financial institution and other creditors look at the profitability ratio's as an indicator whether or not the firm's earns substantially more than it pays interest for the use of borrowed funds and whether the ultimate repayment of their debt appears reasonable and certain.

(i) 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.

$$\text{Return on investment} = \frac{\text{Operating profit}}{\text{Capital employed}} \times 100$$

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.

Table 4.3 Return on Investment

(Rs. In Crores)

Year	Operating Profit	Capital Employed	Return on Investment
2001	1023	18265	5.60
2002	-145	17056	-0.85
2003	1018	16541	6.15
2004	3530	15218	23.20
2005	9970	20064	50

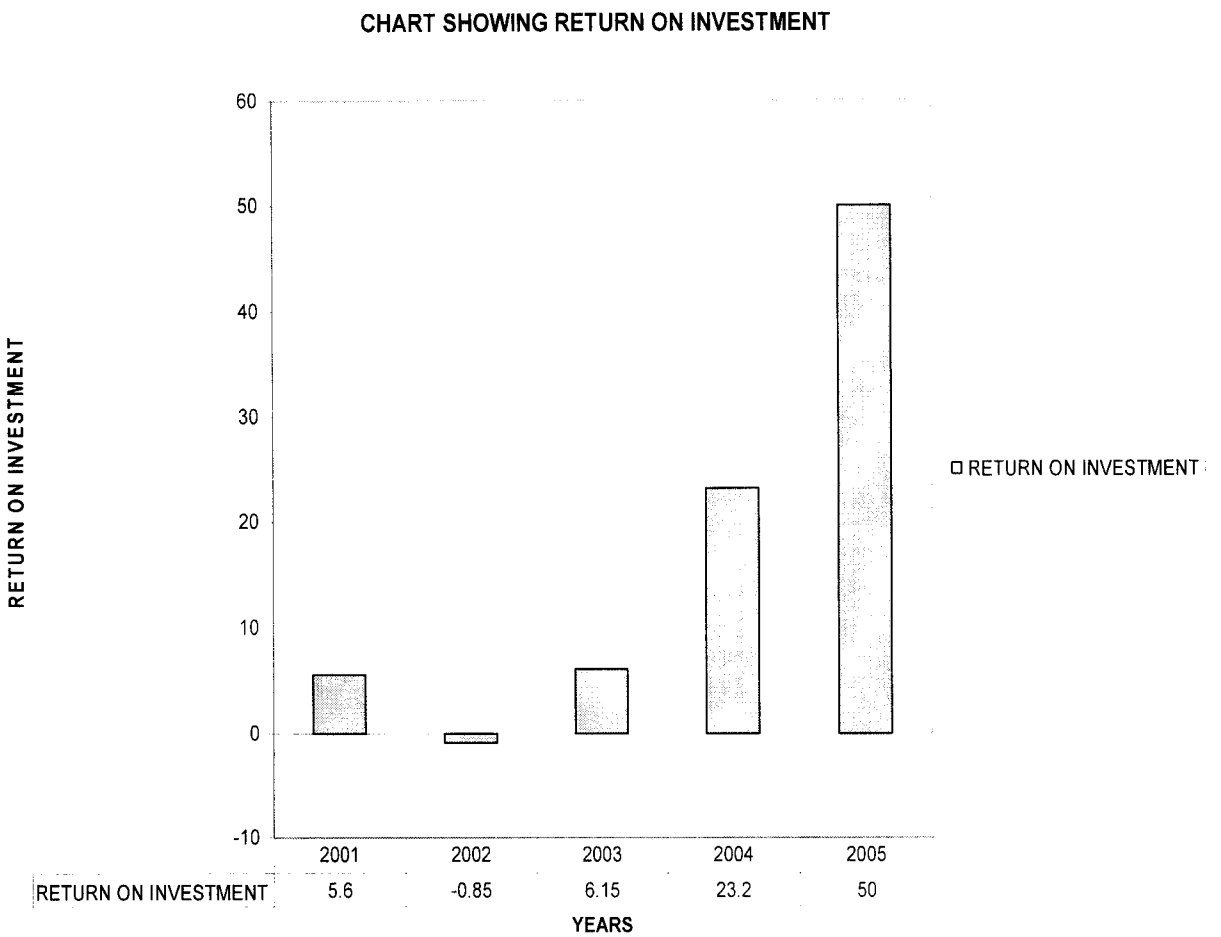
The project being the net result of all operations, the return on Investment depicts the results of a business collectively and thus, is a dependable measure for judging its overall efficiency level.

Interpretation:

Here, the Return on Investment of the firm is moving in a row as 5.60, -0.85, 6.15, 23.20 and 50 during the period 2001 to 2005. In 2001, the return on Investment is negative, because the project before Interest and Tax is also in negative due to low sales value in the corresponding year.

But the year 2004 and 2005 shows high Return due to low Interest and Finance charges.

Chart 4.1



(ii) Return On Share Holders' Fund:

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

$$\text{Return on Shareholders Fund} = \frac{\text{Net Profit after Interest and Tax}}{\text{Shareholders' Fund}} \times 100$$

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 shareholder's are interested in Total Income after tax including Net non-operating Income (i.e., Non-operating Income – Non-operating Expenses).

Table 4.4 Return on Share Holders' Fund

(Rs. In Crores)

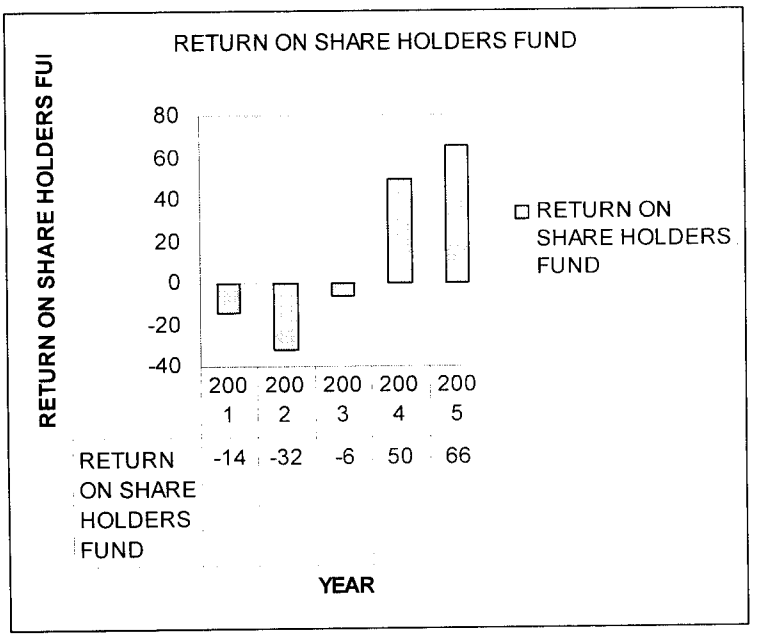
Year	Net Profit	Shareholders' Funds	Return on Shareholders' Fund
2001	-729	5291	-14
2002	-1707	5290	-32
2003	-304	5290	-6
2004	2512	5038	50
2005	6817	10307	66

Interpretation:

Here, the Net Profit (i.e.,) Profit after Interest and Tax has been in negative during the year 2001 to 2003 due to Net losses in the corresponding year because of very high Interest and Finance charges of the company.

But the repayment of Loan Funds and Increase in the Sales value has contributed for the rise in the return on Shareholder's Fund during the year 2004 and 2005.

Chart 4.2



(iii) Return on Total Assets:

This ratio is computed to know the productivity of the total assets.

$$\text{Return on Total Assets} = \frac{\text{Net profit after Tax}}{\text{Total Assets}} \times 100$$

Table 4.5 Return on Total Assets

(Rs. In Crores)

Year	Profit after tax	Total Assets	Return on total assets
2001	-729	24760	-2.94
2002	-1707	22461	-7.59
2003	-304	21679	-1.40
2004	2512	21625	11.62
2005	6817	27058	25.21

The term 'Total Assets' includes the fixed asset, current asset and capital work in progress of the company.

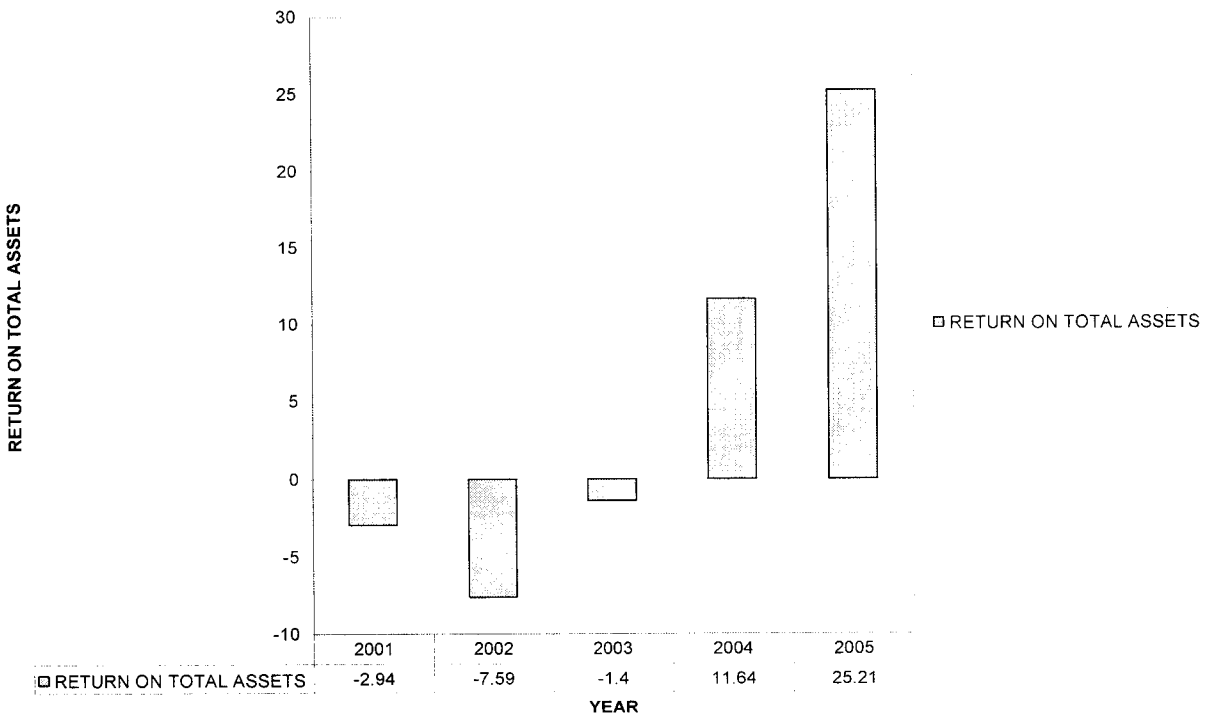
The above table clearly reveals the relationship between the Net Profit and Total Assets employed in the business.

Interpretation:

Here the Return on Total Assets shows the Negative Points due to Net Loss on the corresponding year. But the Return on Total Assets turn the Positive as soon as Net Profit occurs.

Chart4.3

CHART SHOWING RETURN ON TOTAL ASSETS



(iv) Earning Per Share:

The overall profitability can also be judged by calculating earning per share with the help of the following formula:

$$\text{Earning per Equity Share} = \frac{\text{Net profit after Tax}}{\text{Number of Equity Shares}} \times 100$$

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 the 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.

Table 4.6 Earning Per Share

(Rs. in Crores)

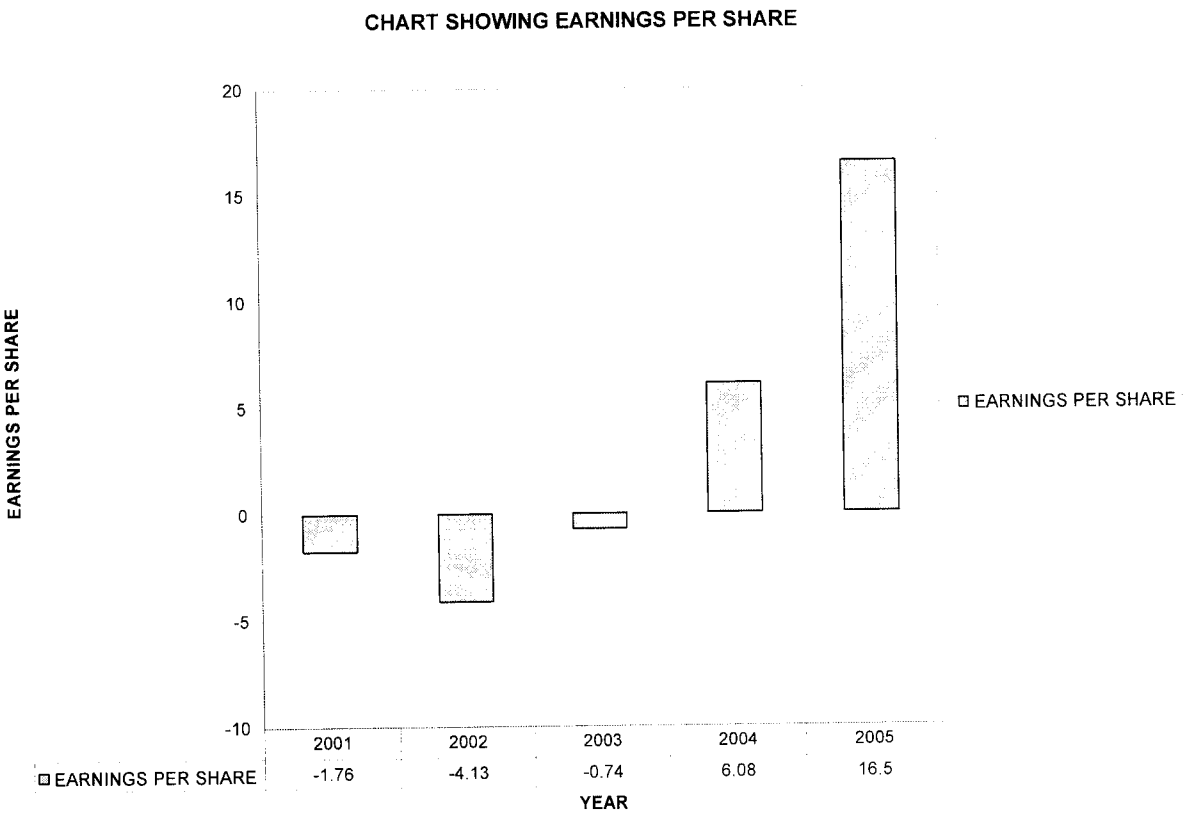
Year	Net Profit after tax	No. of Equity Shares	Earning Per Share
2001	-729	413	-1.76
2002	-1707	413	-4.13
2003	-304	413	-0.74
2004	2512	413	6.08
2005	6817	413	16.50

Earning per share for the year 2005 is 150% higher than 2004 due to more Net Profit as the consequence of high Sales value and low Interest charges.

Interpretation:

Here the Earning per Share is the result of Net Profit after Tax, it shows the positive correlation during the period of study.

Chart 4.4



(v) Price Earning Ratio:

This ratio indicates the number of times the earnings per share is covered by its market price.

$$\text{Price Earning Ratio} = \frac{\text{Market price per equity share}}{\text{Earnings per share}} \times 100$$

Table 4.7 Price Earning Ratio

(Rs. in Crores)

Year	Market Price	Earning Per Share	Price Earning Ratio
2001	5.58	-1.76	-3.17
2002	4.91	-4.13	-1.19
2003	8.84	-0.74	-11.94
2004	32.28	6.08	5.31
2005	62.87	16.50	3.81

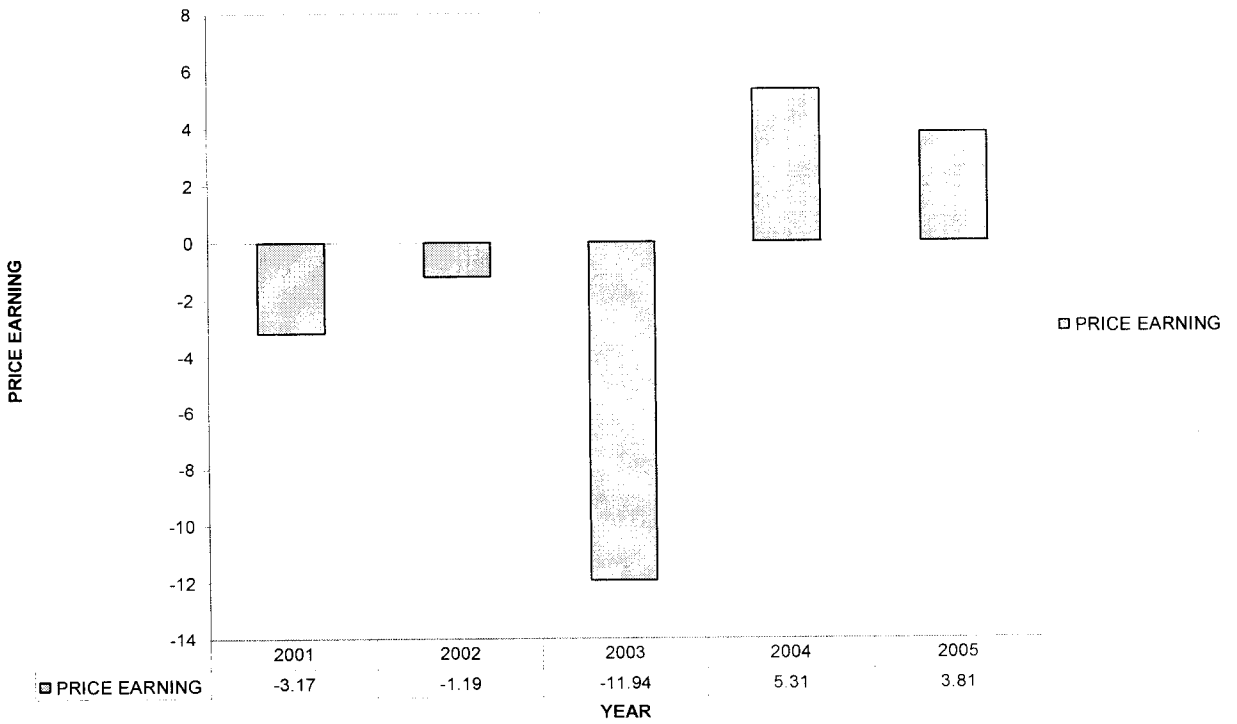
Interpretation:

Price Earning Ratio is the useful tool in evaluating the Efficiency of the business. The market price of the share is lower than Face value during 2001-2003 due to Net loss and Economic conditions.

But in the year 2004 and 2005 shows the positive trend to the company.

Chart 4.5

CHART SHOWING PRICE EARNING



(vi) Net Profit Ratio:

This ratio indicates the Net margin earned on a sale of Rs.100. It is calculated as follows:

$$\text{Net profit ratio} = \frac{\text{Net operating profit}}{\text{Net sales}} \times 100$$

Table 4.8 Net Profit Ratio

(Rs. in Crores)

Year	Operating Profit	Sales	Net Profit Ratio
2001	1023	16233	6.30
2002	-145	15502	-0.94
2003	1018	19207	5.30
2004	3530	24178	14.60
2005	9970	31800	31.35

Interpretation:

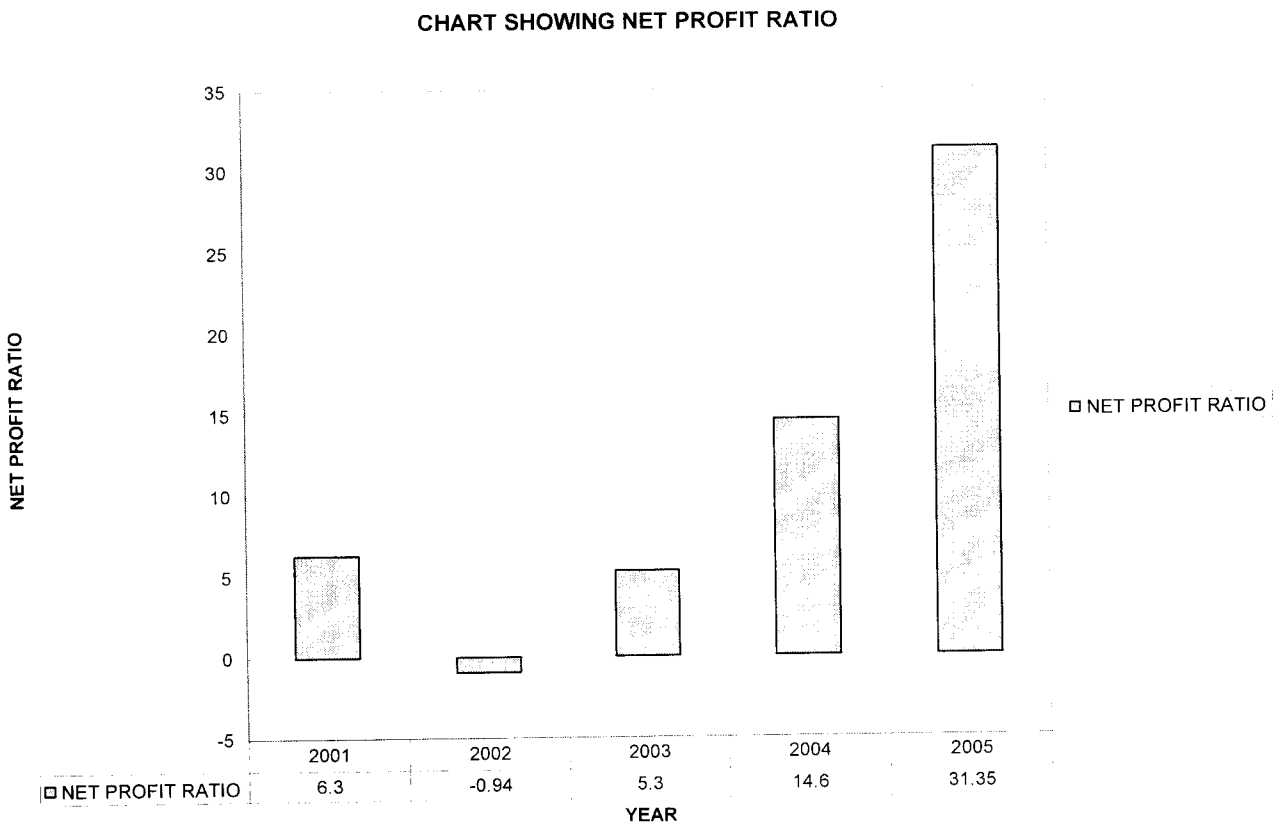
The operating profit and value of sales are the causes for the fluctuations in the Net profit ratio. The Net profit ratio declines more during 2002 but recovers later and managed to move in the favourable direction.

The above said may be to increase in operating profit and increase in selling price of the solvable steel of the company.

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 on effective measure to check the profitability of business.

However, constant increase in the above ratio year after year is a definite indication of improving conditions of the business.

Chart 4.6



(vii) Operating Ratio's:

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

$$\text{Operating Ratio} = \frac{\text{Operating Costs}}{\text{Net sales}} \times 100$$

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

$$\text{Direct material cost to sales} = \frac{\text{Direct material}}{\text{Net sales}} \times 100$$

Table 4.9 Operating Ratio **(Rs. in Crores)**

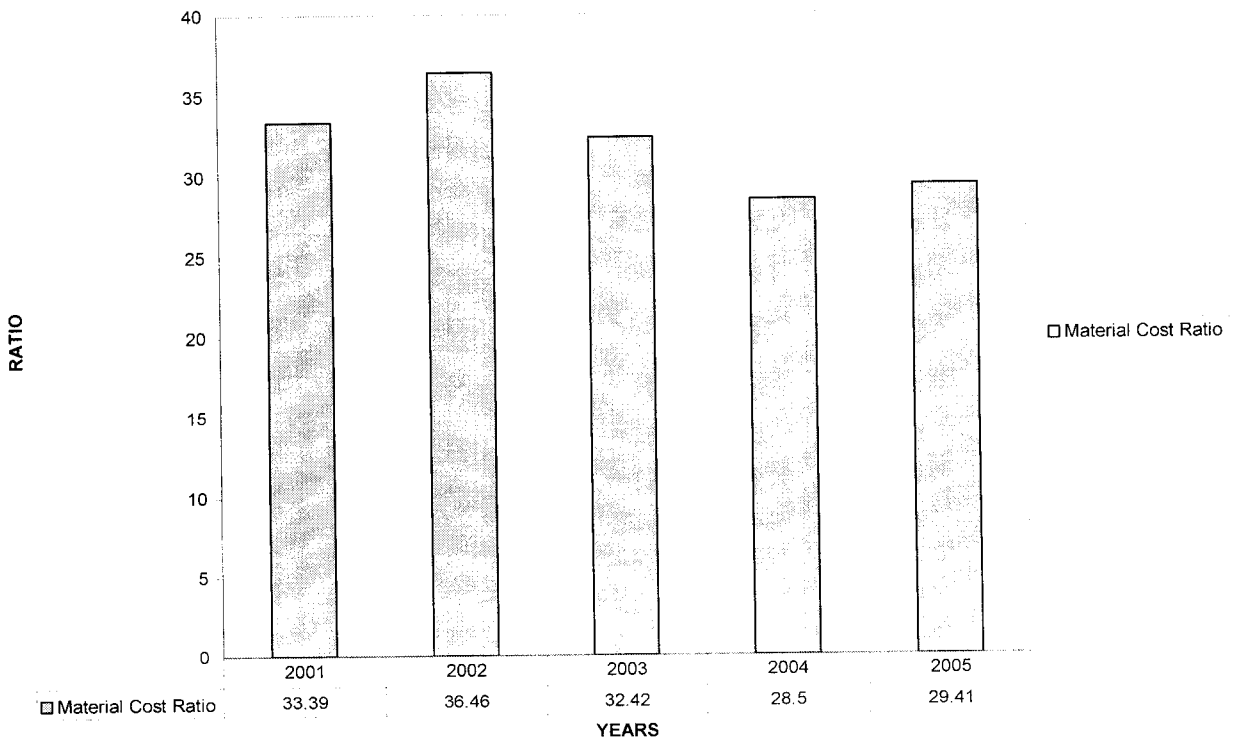
Year	Direct Material	Sales	Material Cost Ratio
2001	5420	16233	33.39
2002	5656	15502	36.46
2003	6226	19207	32.42
2004	6892	24178	28.50
2005	9351	31800	29.41

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.

A comparison of operating ratio (or) expenses ratio will indicate whether the cost component is high or low in the figure of sales. In case the comparison shows that there is increase in this ratio, the reason for such increase should be found out and management be advised to check the increase.

Chart 4.7

CHART SHOWING MATERIAL COST RATIO



(viii) Pay out Ratio:

This ratio indicates what proportion of earning per share has been used for paying dividend.

$$\text{Pay out Ratio} = \frac{\text{Dividend per equity share}}{\text{Earnings per equity share}} \times 100$$

Here, the company had paid dividend only during 2005 in the course of five year period from 2001 to 2005. The company has paid 33% of dividend for the face value of share Rs.10, which comprises Rs.3.3 as dividend for the share holders. So the Payout ratio is

In 2005:

$$\text{Pay out ratio} = \frac{\text{Rs. } 3.3}{\text{Rs.}16.50} \times 100 = 20\ \%$$

The payout ratio for the year 2005 is 20% which implies that remaining 80% of earning per share is kept as retained earning by the company.The payout ratio is the indicator of the amount of earnings that have been ploughed back in the business.

(ix) 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.

$$\textbf{Dividend yield} = \frac{\text{Dividend per share}}{\text{Market price per share}} \times \mathbf{100}$$

Since, company had issued dividend only during 2005 in the last five year period, we can calculate this ratio only for that period as follows:

In the year 2005:

$$= \frac{\text{Rs. } 3.3}{\text{Rs. } 62.87} \times 100 = 5.25\%$$

This percentage implies that 5.25% of market price of the share was issued as dividend in the year 2005.

4.2.2 TURNOVER RATIO

The turnover ratios are 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 indicates the number of times the capital has been rotated in the process of doing business.

(i) Fixed Asset Turnover Ratio:

This ratio indicates the extent to which the investments in fixed assts contribute towards sales. If compared with a previous period, it indicates whether the investment in fixed assets has been judicious or not. The ratio is calculated as follows:

$$\text{Fixed Asset Turnover Ratio} = \frac{\text{Net sales}}{\text{Net fixed assets}}$$

The term Net sales indicate sales after the deduction of sales return and the term Fixed Assets includes all the assets owned by the company after its depreciation value.

Table 4.10 Fixed Asset Turnover Ratio

(Rs. in Crores)

Year	Net Sales	Fixed Assets	Ratio
2001	16233	15177	1.07
2002	15502	14798	1.04
2003	19207	14036	1.37
2004	24178	13168	1.84
2005	31800	12485	2.55

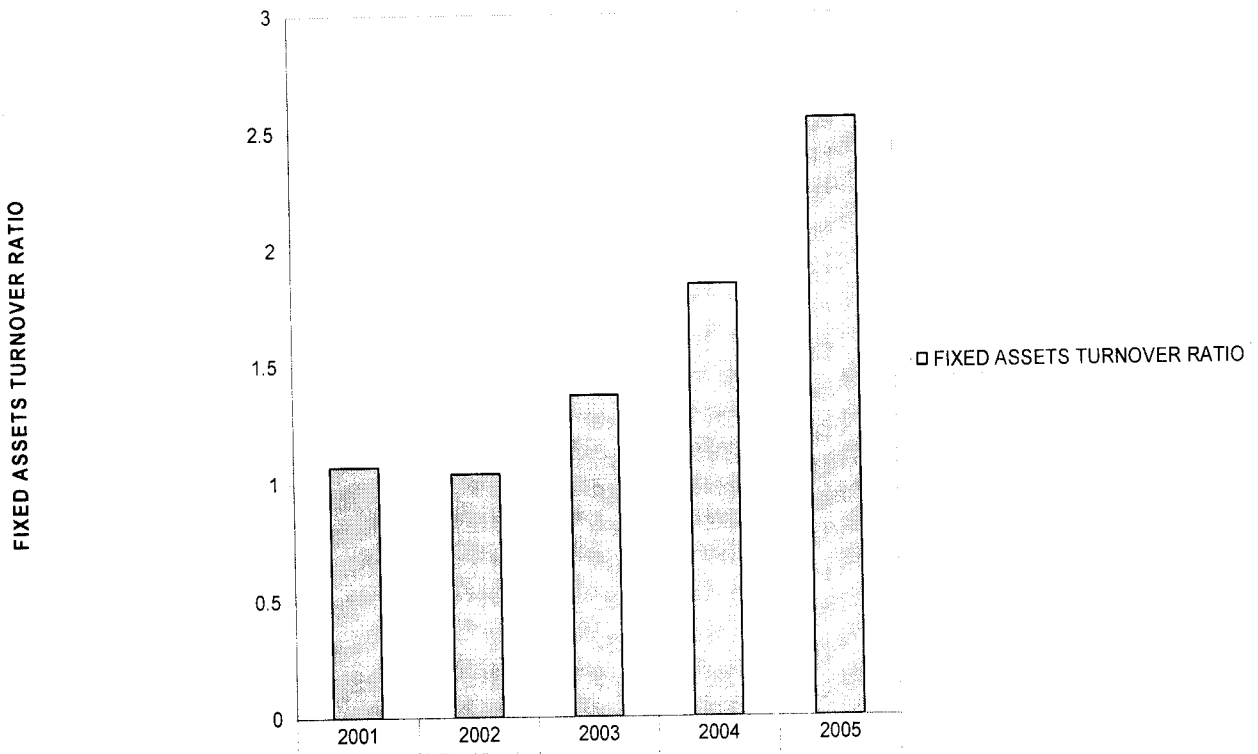
Interpretation:

Here, the value of fixed assets employed in the business shows a reducing trend which implies that company didnt occur any more fixed asset during the period 2002 – 2005. Only the depreciation effect had been given to fixed asset.

There has been a decline in the year 2002 but rising there onwards favourably which indicates that the net fixed assets is used more effectively to increase the sales without additional investment in the period of study.

Chart 4.8

CHART SHOWING FIXED ASSETS TURNOVER RATIO



	2001	2002	2003	2004	2005
FIXED ASSETS TURNOVER RATIO	1.07	1.04	1.37	1.84	2.55

(ii) Working Capital Turnover Ratio:

This is also known as working capital leverage ratio. This ratio indicates whether or not working capital has been effectively utilised in making sales. In case a company can achieve higher volume of sales with relatively small amount of working capital, it is an indication of the operating efficiency of the company.

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 increase in Interest rate. So, the working capital can be depend either as a gross working capital, which includes funds invested capital, which denotes the difference between the current assets and current liabilities of an organization.

$$\text{Working capital turnover ratio} = \frac{\text{Net sales}}{\text{Net working capital}}$$

Table 4.11 Working Capital Turnover Ratio

(Rs. in Crores)

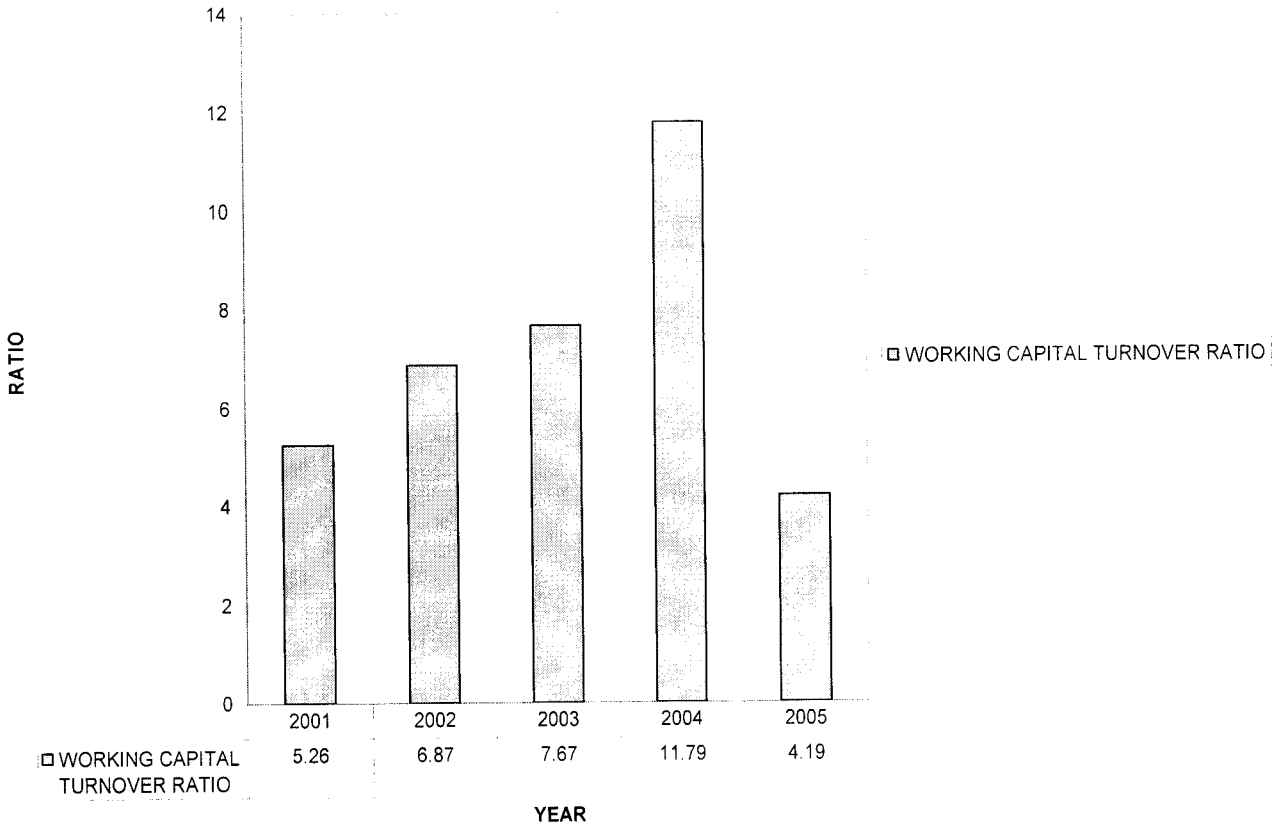
Year	Net Sales	Working Capital	Turnover Ratio
2001	16233	3088	5.26
2002	15502	2258	6.87
2003	19207	2505	7.67
2004	24178	2050	11.79
2005	31800	7579	4.19

Interpretation:

Here, the working capital ratio shows a increasing trend from 2001 to 2004 and then slope downwards due to holding high current assets in the form of cash, bank balances and receivables in the year 2005.

Chart 4.9

CHART SHOWING WORKING CAPITAL TURNOVER RATIO



(iii) Debtor Turnover Ratio:

It is also known as Debtor's velocity and it is an important constitute of current assets and therefore the quality of debtors to a great extent determines a firm liquidity. Two ratios are used by financial analysts to judge the liquidity of a firm. They are

(a) Debtors' turnover ratio

(b) Debt collection period

(a) Debtors' turnover ratio

$$\text{Debtors' turnover ratio} = \frac{\text{Credit sales}}{\text{Average accounts receivable}}$$

Table 4.12 Debtors' turnover ratio

(Rs. in Crores)

Year	Credit sales	Average accounts receivable (Debtors)	Turnover Ratio
2001	16233	1688	9.62
2002	15502	1390	11.16
2003	19207	1660	11.57
2004	24178	1550	15.60
2005	31800	1908	16.66

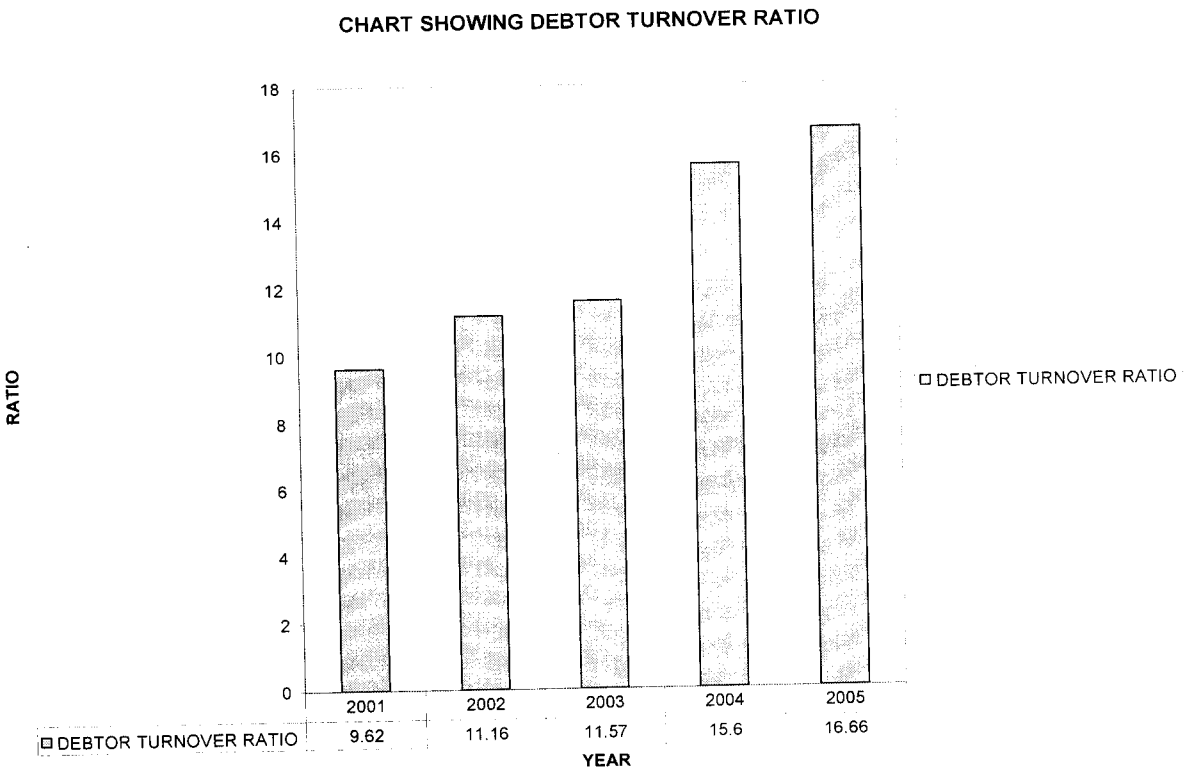
Sales to accounts receivable ratio indicates the efficiency of the staff entrusted with the collection of book debts. The higher the ratio, the better it is, since it would indicate that debts are being collected more promptly. For measuring the efficiency, it is necessary to set up a standard figure, a ratio lower than the standard will indicate inefficiency.

These ratio helps in cash budgeting. Since the flow of cash from customers can be washed out on the basis of sales. Hence, the increasing trend of ratio indicates efficiency in the collection.

Interpretation:

There has been increase in the turnover ratio which shows the efficiency of the collection department.

Chart 4.10



(b) Debt collection period:

The ratio indicates the extent to which the debts have been collected in time. It gives the average debt collection period. The ratio is very helpful to the tenders 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 debters.

$$\text{Debt collection period} = \frac{\text{Months/days in a year}}{\text{Debter's turnover}}$$

Table 4.13 Debt collection period

(In Days)

Year	Collection Period
2001	38
2002	33
2003	32
2004	23
2005	22

Debtors collection period measures the quality of debtors since it measures the rapidity or slowness with which money is collected from them. A shorter collection period implies prompt payment by debtors. It reduces the chances of bad debts. A longer collection performance. However, in order to measure a Firm/s credit and collection efficiency, its average collection period should be compared with the average of the Industry. It should be neither too liberal nor too restrictive. A restrictive policy will result in lower sales which will reduce profits.

It is difficult to provide a standard collection period of debtors. It depends upon the nature of the Industry, seasonable character of the business and credit policies of the firm.

Interpretation:

Here, there has been decreasing trend in the debt collection period which is favourable for the company. Because, the quicker the collection period, then more the utilisation of the cash collected from debtors. It moves from 38 days in 2001 to 22 days in 2005.

(iv) Stock Turnover Ratio:

This ratio indicates whether investment in inventory is efficiently used or not. It, therefore explains whether investment in inventories is within proper limits or not. This ratio is calculated as follows:

$$\text{Stock turnover ratio} = \frac{\text{Net Sales}}{\text{Average Inventory}}$$

Table 4.14 Stock Turnover Ratio

(Rs. in Crores)

Year	Credit sales	Average accounts receivable (Debtors)	Turnover Ratio
2001	16233	4519	3.59
2002	15502	4042	3.84
2003	19207	3745	5.13
2004	24178	3082	7.91
2005	31800	4221	7.53

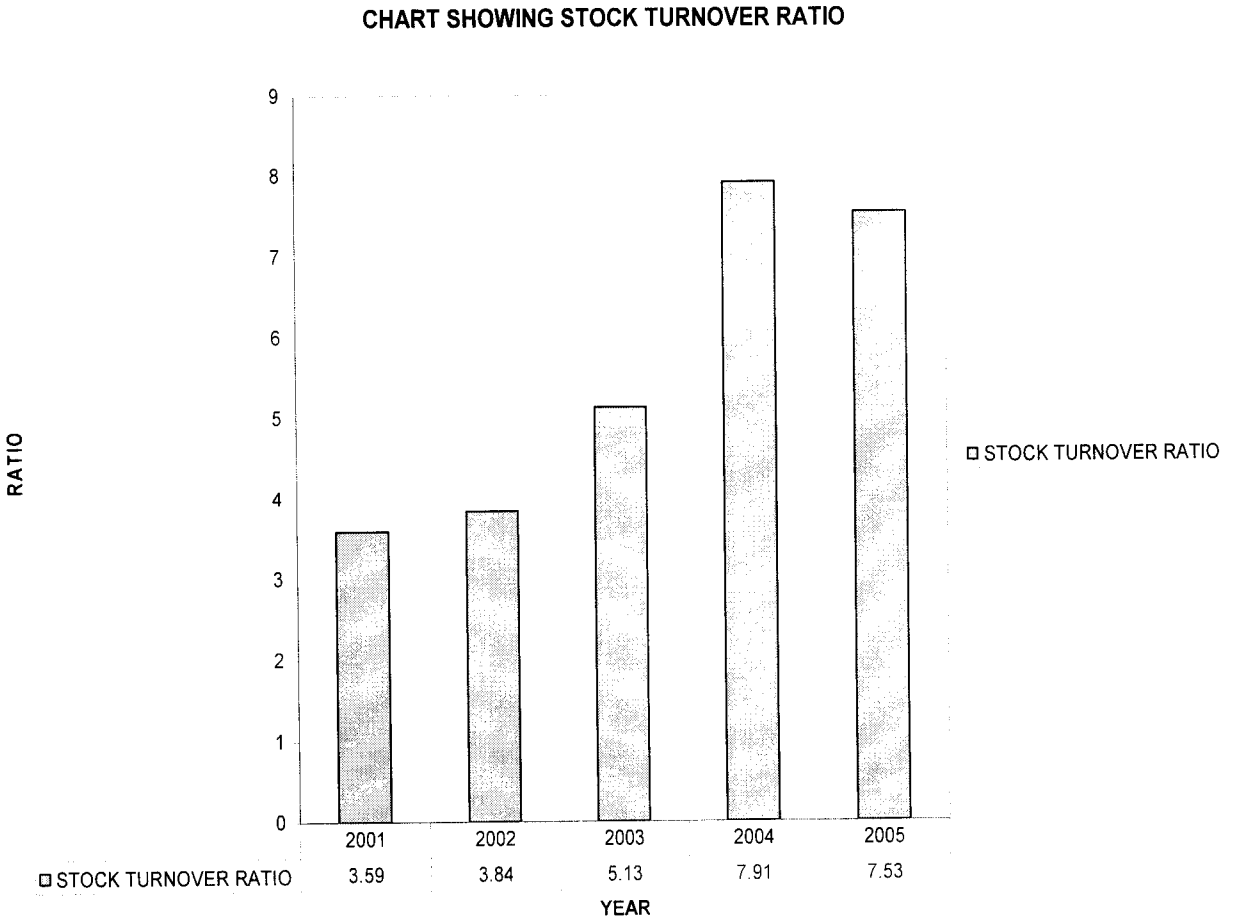
Interpretation:

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 Everstocking or Ever Valuation.

There has been a rising trend in the inventory turnover ratio which implies that the inventories are efficiently managed and utilised which directly contributes to companies productivity.

The Stock Position is known as the graveyard of the balance sheet. If the sales are quick such a position would not arise unless the stocks consist of unsaleable items. A low inventory turnover ratio results in blocking of funds in Inventory which may ultimately result in heavy losses due to inventory becoming obsolete or deteriorate in quality.

Chart 4.11



4.2.3 FINANCIAL RATIO

Financial ratios' indicate about the financial position of the company. A company is deemed to be financially sound if it is in a position to carry on its business smoothly and meet its obligations, both short term as well as long term, without shortage of funds. It is a sound principle of finance that the short term requirements of funds should be met out of short term funds and long term requirements should be met out of long term funds.

(i) Current Ratio:

The relationship between current assets and current liabilities is disturbed on account of a number of factors, some of which are mentioned below:

(a) Seasonal changes in the business

(b) Over trading: Accumulation of stocks and mounting up of debtors' and creditors' balances.

(c) Repayment of long term liability.

(d) A change made in the terms of trade.

This ratio is an indicator of the firms commitment to meet its short term liabilities.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current asset means assets that will either be used up or converted into cash within a year's time or during the normal operating cycle of the business, whichever is longer.

Current liabilitites mean liabilities payable within a year or during the operating cycle, whichever is longer, out of the existing current assets or by creation of current liabilities.

Table 4.15 Current Ratio

(Rs. in Crores)

Year	Current liabilities	Current Ratio
2001	5274	1.59
2002	4849	1.47
2003	4777	1.52
2004	6025	1.34
2005	6608	2.15

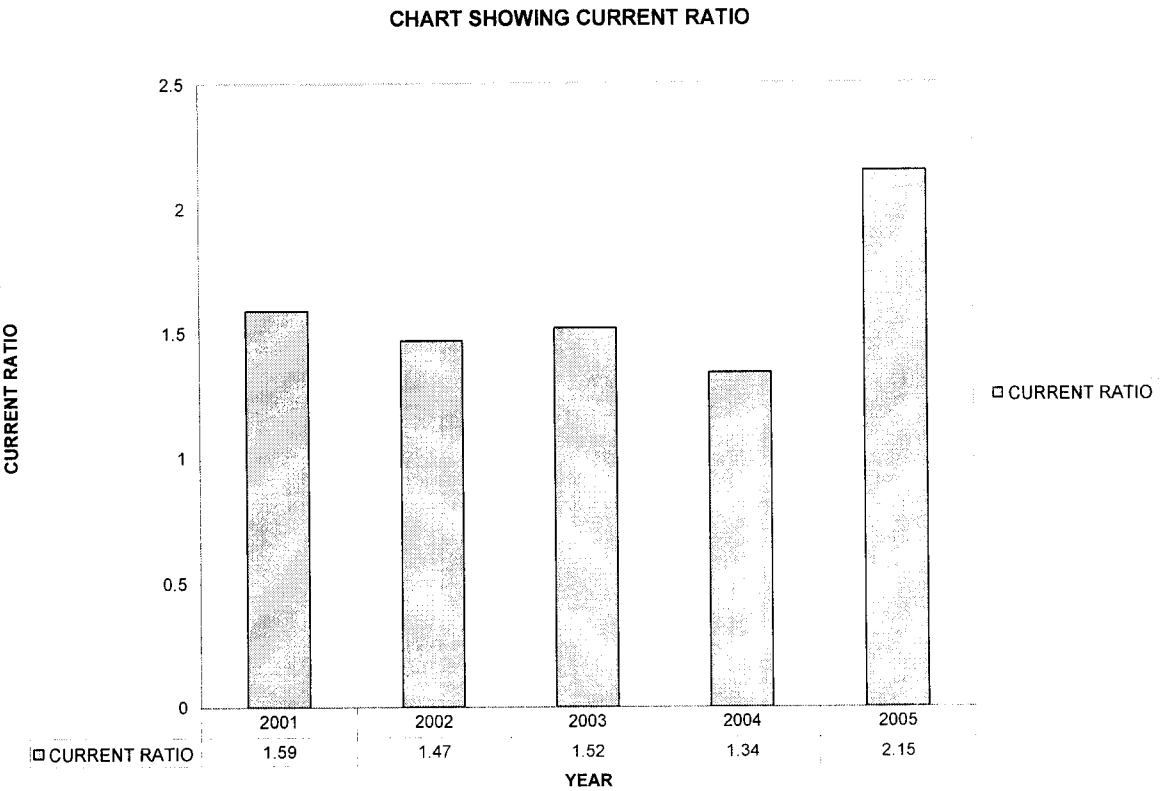
An ideal current ratio is 2. The ratio of 2 is considered as a safe margin of solvency due to the fact that if the current assets are reduced to half (i.e.,) 1 instead of 2, then also the creditors will be able to get their payments in full.

The current ratio is an index of the concern's financial stability since it shows the extent of the working capital which is the amount by which the current asset exceeds the current liabilities. As stated earlier, higher current ratio would indicate inadequate employment of funds while a poor current ratio is a danger signal to the management, it shows that business is trading beyond its resources.

Interpretation:

Here, the current ration fluctuates from year to year below the Ideal ratio of 2. But reaches the Ideal ratio in the year 2005 which is a positive consideration.

Chart 4.12



(ii) Quick Ratio:

This ratio is also termed as acid test ratio or liquidity ratio. This ratio is ascertained by comparing the liquid assets to current liabilities. Prepaid expenses and stock are not taken as liquid assets.

$$\text{Quick Ratio} = \frac{\text{Liquid asset}}{\text{Current Liabilities}}$$

Table 4.16 Quick Ratio

(Rs. in Crores)

Year	Liquid Asset	Current Liabilities	Liquid Ratio
2001	2530	5274	0.48
2002	1900	4849	0.39
2003	2264	4777	0.47
2004	3672	6025	0.61
2005	8183	6608	1.24

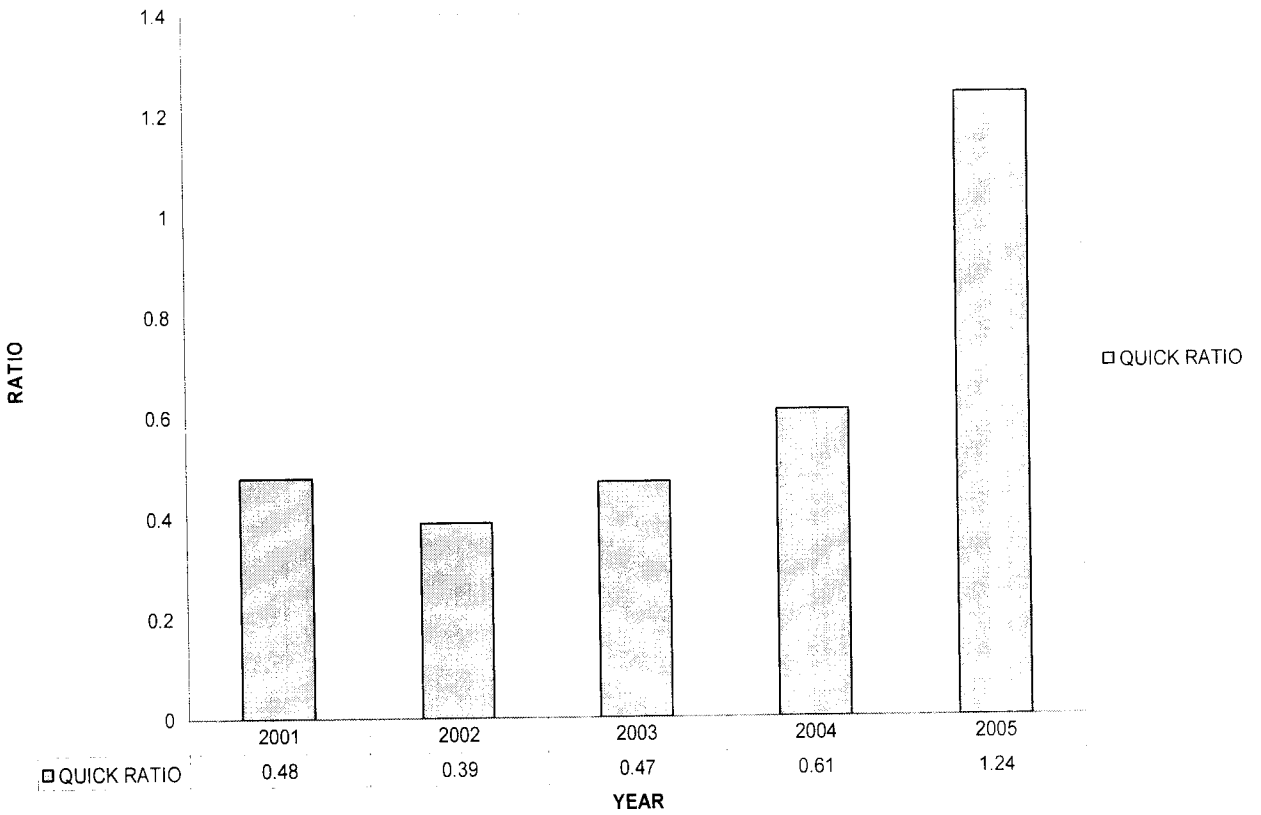
The ideal liquid ratio is 1. It is also an indicator of short term solvency of the company. A comparison of the current ratio with quick ratio shall indicate the inventory hold-ups.

Interpretation:

Here, the liquid assets of the company excludes the inventories, loan and advances to subsidiary companies and others. There has been a upward trend in the liquid ratio of the company except in the year 2002, which enables the company to meet its emergency requirements.

Chart 4.13

CHART SHOWING QUICK RATIO



(iii) Fixed Assets Ratio:

This ratio explains whether the firm has raised adequate long term funds to meet its fixed assets requirements. It is expressed as follows:

$$\text{Fixed Asset Ratio} = \frac{\text{Fixed Assets}}{\text{Long term funds}}$$

The term fixed asset includes "Net fixed assets" and trade investments including shares in subsidiaries.

The term long term funds include share capital, reserves and long term loans.

Table 4.17 Fixed Assets Ratio **(Rs. in Crores)**

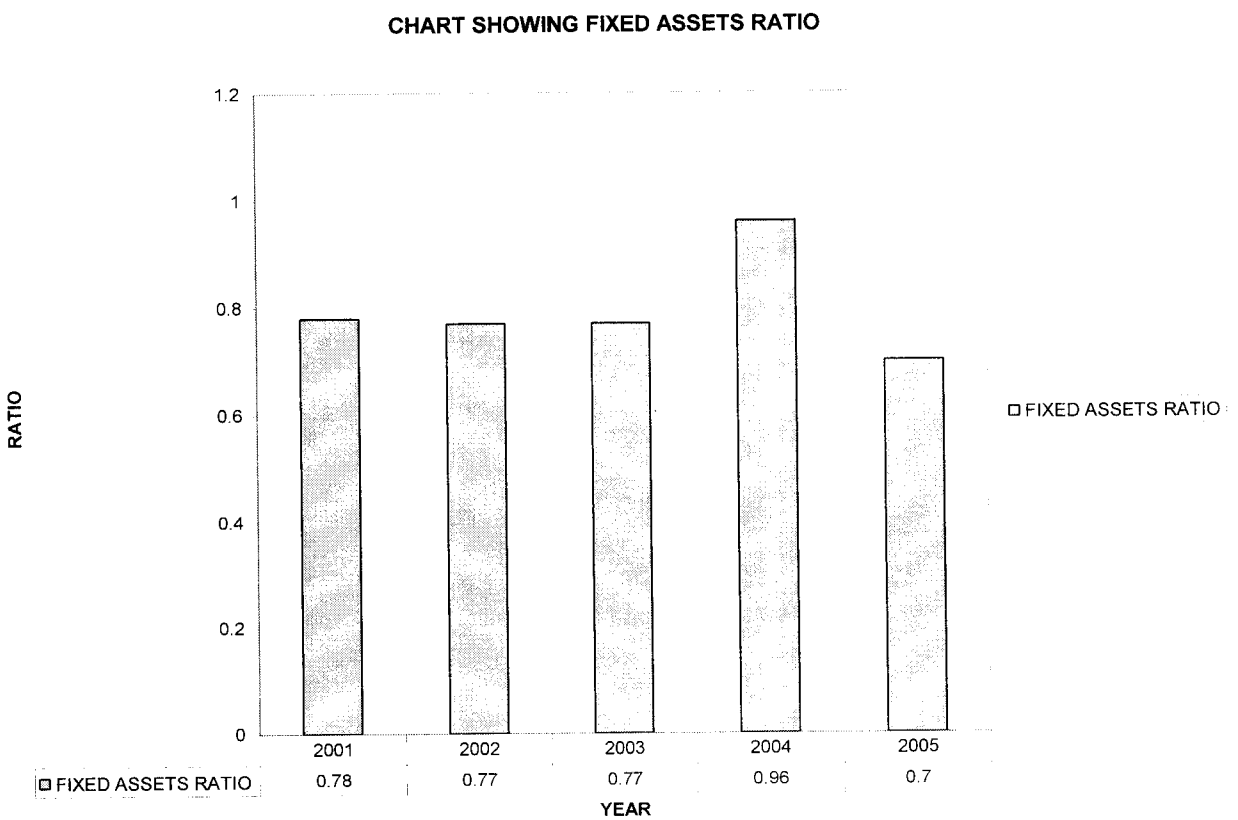
Year	Fixed assets	Long term funds	Ratio
2001	15177	19541	0.78
2002	14798	19302	0.77
2003	14036	18218	0.77
2004	13168	13726	0.96
2005	12485	17921	0.70

The ratio should not be more than 1. If it is less than 1, it shows that a part of working capital has been financed through long-term funds. The ideal ratio is 0.67.

Interpretation:

Here, the ratios are above than the Ideal ratio but fluctuates nearer to the Ideal ratio except in the year 2004. It is very near to the Ideal in the year 2005.

Chart4.14



(iv) Proprietary Ratio:

It is a variant of debt equity ratio. It establishes relationship between proprietor's fund and the total tangible assets. It may be expressed as

$$\text{Proprietary Ratio} = \frac{\text{Shareholders' fund}}{\text{Total tangible assets}}$$

The term shareholders' fund comprises of share capital and reserves and surplus. And the term total tangible asset is a composite of fixed and current asset, it also includes capital work in progress of the firm.

Table 4.18 Proprietary Ratio

(Rs. in Crores)

Year	Shareholder's fund	Total Tangible assets	Proprietary Ratio
2001	5290	24760	0.21
2002	5291	22461	0.24
2003	5290	21679	0.24
2004	5038	21625	0.23
2005	10307	27038	0.38

This ratio focuses the attention on the general financial strength of the business enterprise. The ratio is of particular importance to the creditors who can find out the proportion of shareholders' funds in the total assets employed in the business.

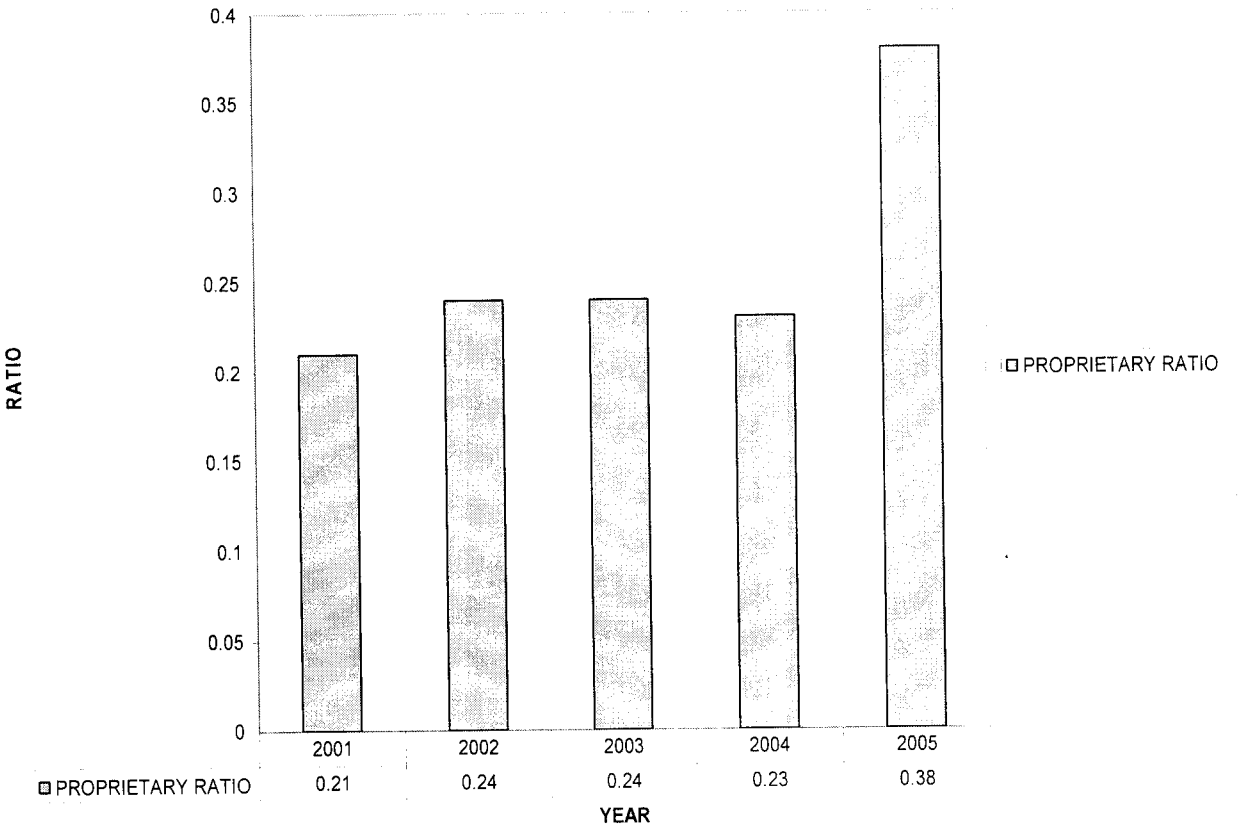
A high proprietary ratio will indicate a relatively little danger to the creditors, etc., in the event of forced re-organization or winding up of the company. A low proprietary ratio indicates greater risk to the creditors since in the event of losses a part of their money may be lost. So higher proprietary ratio is desirable.

Interpretation:

Here the fluctuation in the Shareholders' fund is due to the variations in the reserves and surplus in the corresponding year. The reason for the variations in the total tangible assets is the result of changes in the working capital and depreciation value of the fixed assets.

Chart 4.15

CHART SHOWING PROPRIETARY RATIO



CHAPTER V

FINDINGS, RECOMMENDATION&CONCLUSION

5.1 FINDINGS OF SYUDY

This study is carried out with the objective of analyzing the financial performance of SAIL to examine and understand the role of finance in the growth of the company. This chapter attempts to highlight the findings of the study.

- The comparative statement shows that the sales value of the year 2005 is very high when compared to the past.
- The profit before interest and tax is in positive during the period of study excluding the year 2002 because of low sales value in the corresponding year.
- The sales, PBIT, PBT, PAT all shows the increasing trend during the period under review. It depicts that the company is working with more efficiency.
- The repayment of loan funds which reduces the interest charges and increase in the selling price of the steel contributes the rising trend.
- The interest and finance charges in the year 2005 is one third of 2001. It made a favourable impact towards the company.
- Return on investment fluctuates more due to the changes in the market price of the company's share.
- Net profit ratio shows increasing trend. It depicts that the efficiency is maintained in sales value and operating expenses.
- Payout ratio and dividend yield ratio had been shown only for the year 2005 because dividend was paid only during that year.
- Fixed asset turnover ratio shows the increasing trend. It depicts that the company's fixed assets are utilized properly in relation to the sales.
- Working capital turnover ratio depicts the increasing trend from 2002 to 2004 and then slope downwards due to holding high cash and hence balances in the year 2005.
- Debtor turnover ratio and debt collection period shows increasing trend. It depicts the higher performance of debt collection of the company.

- The ideal current ratio is 2 which the firm obtains only in the years 2005 shows the positive impact.
- The ideal liquid ratio is 1 which is also obtained by the firm only in the year 2005, which enables the company to meet its emergency requirements and
- Proprietary ratio of the company fluctuates during the period of study. It shows the changes in the value of reserves & surplus in the form of shareholder's fund.

5.2 RECOMMENDATIONS

Based on findings of study following recommendations are given to company for improving the financial performance:

- The company may increase the profitability by reducing the loan funds. So that the interest and finance charges will be less.
- The company may increase the sales if it attempts to export more from our company.
- The company may reduce the operating inefficiencies through effective utilization of all the resources.
- The company may balance between the current assets and current liabilities to maintain the solvency situation.
- There is an urgent need to upgrade and modernize the plants for improving the profitability of SAIL on a war footing and
- Optimum utilisation of working capital can be improved in SAIL.

5.3 CONCLUSION

Finance is the life-blood of every business. Without effective financial management a company cannot survive in this competitive world. A President Financial Manager has to measure the working capital policy followed by the company.

SAIL continues to play an important role in the industrial development of the country. There is every possibility that SAIL would establish for itself a permanent and unshakable position in the industrial map of India and also in the emerging international market for steel.

APPENDICES

Balance Sheet AS AT 31ST MARCH, 2002

	Schedule No.	As at 31st March, 2002		As at 31st March, 2001	
					(Rupees as crores)
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1.1	4130.40		4130.40	
Reserves and Surplus	1.2	1159.97	5290.37	1160.21	5290.61
Loan Funds					
Secured Loans	1.3	7051.38		7961.02	
Unsecured Loans	1.4	6960.25	14011.63	6289.66	14250.68
			19302.00		19541.29
APPLICATION OF FUNDS					
Fixed Assets	1.5				
Gross Block		27198.88		26915.59	
Less: Depreciation		12400.73		11738.19	
Net Block		14798.15		15177.40	
Capital Work-in-Progress	1.6	555.94	15354.09	1220.59	16397.99
Investments	1.7		538.62		185.30
Current Assets, Loans & Advances					
Inventories	1.8	4041.83		4518.99	
Sundry Debtors	1.9	1389.41		1687.50	
Cash & Bank Balances	1.10	416.37		667.43	
Interest Receivable/Accrued	1.11	93.52		171.69	
Loans & Advances					
Subsidiary Company	1.12	23.37		14.31	
Others	1.13	1165.42		1311.01	
		7129.92		8370.02	
Less Current Liabilities & Provisions					
Current Liabilities	1.14	4653.58		4838.66	
Provisions	1.15	2105.32		1955.08	
		6758.90		6793.74	
Net Current Assets			371.02		1582.28
Miscellaneous Expenditure	1.16		577.65		371.99
to the extent not written off or adjusted					
Profit & Loss Account Debit Balance			2460.62		758.73
			19302.00		19541.29

Accounting Policies and Notes on Accounts 3

Schedules 1 and 3 annexed hereto form part of the Balance Sheet.

Balance Sheet AS AT 31ST MARCH, 2003

	Schedule No	As at 31st March, 2003		As at 31st March, 2002	
					(Rupees in crores)
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1.1	4130.40		4130.40	
Reserves and Surplus	1.2	1160.77	5291.17	1159.97	5290.37
Loan Funds					
Secured Loans	1.3	5633.84		7051.36	
Unsecured Loans	1.4	7436.81	12969.65	6967.96	14019.32
			18259.82		19309.72
APPLICATION OF FUNDS					
Fixed Assets	1.5				
Gross Block		27834.81		27196.65	
Less: Depreciation		13498.75		12400.73	
Net Block		14336.06		14796.15	
Capital Work-in-Progress	1.6	378.62	14414.48	568.94	15364.89
Investments	1.7		543.17		538.62
Current Assets, Loans & Advances					
Inventories	1.8	3744.37		4041.60	
Sundry Debtors	1.9	1660.09		1569.41	
Cash & Bank Balances	1.10	635.16		416.87	
Interest Receivable/Accrued	1.11	90.59		90.62	
Loans & Advances					
Subsidiary Companies	1.12	8.36		28.07	
Others	1.13	1273.44		1165.42	
		7312.95		7129.92	
Less: Current Liabilities & Provisions					
Current Liabilities	1.14	4476.52		4654.66	
Provisions	1.15	2836.70		2096.29	
		7313.22		6751.17	
Net Current Assets			0.93		378.75
Miscellaneous Expenditure	1.16		536.31		577.85
(to the extent not written off or adjusted)					
Profit & Loss Account Debit Balance			2784.90		2460.82
			18259.82		19309.72

Accounting Policies and Notes on Accounts 3

Schedules 1 and 3 annexed, hereto form part of the Balance Sheet

Balance Sheet AS AT MARCH 2005

	Schedule No	As at 31st March, 2005		As at 31st March, 2004	
				(Rupees in crores)	
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1.1	4130.40		4130.40	
Reserves and Surplus	1.2	6176.25	10306.65	907.27	5037.67
Deferred Tax Liability (Net)			1844.31		—
Loan Funds					
Secured Loans	1.3	1603.98		3400.78	
Unsecured Loans	1.4	4165.81	5769.79	5289.28	8690.06
			17920.75		13727.73
APPLICATION OF FUNDS					
Fixed Assets	1.5				
Gross Block		28043.48		27683.63	
Less: Depreciation		15558.41		14515.73	
Net Block		12485.07		13167.90	
Capital Work-in-Progress	1.6	366.48	12851.55	382.20	13550.10
Investments	1.7		606.71		543.17
Current Assets, Loans & Advances					
Inventories	1.8	**4220.69**		3057.06	
Sundry Debtors	1.9	**1908.45**		1549.96	
Cash & Bank Balances	1.10	**6132.12**		2035.82	
Interest Receivable/Accrued	1.11	**142.18**		66.16	
Loans & Advances					
Subsidiary Companies	1.12	**146.20**		171.06	
Others	1.13	**1783.99**		1346.13	
		14333.63		8246.20	
Less: Current Liabilities & Provisions					
Current Liabilities	1.14	4778.92		4412.32	
Provisions	1.15	5387.15		4577.92	
		10166.07		8990.24	
Net Current Assets			4167.56		-744.04
Miscellaneous Expenditure (to the extent not written off or adjusted)	1.16		294.93		378.50
			17920.75		13727.73

Significant Accounting Policies and Notes on Accounts 3
Schedules 1 and 3 annexed, hereto, form part of the Balance Sheet.

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