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## LEVERAGE ANALYSIS AND IT'S IMPACT ON SHARE PRICE AND EARNING OF THE SELECTED STEEL COMPANIES OF INDIA – AN EMPERICAL STUDY

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**BHAVNAGAR**

### ABSTRACT

*The major objective of this paper is to analyze and understand the impact of leverage on the Market Price of shares of the firm. This paper investigates the relationship between the leverage (financial leverage, operating leverage and combined leverage) and the earning per share and market price of share. In addition, it aims to describe how the earning capacity of the firm is influenced by the fixed operating costs and the fixed financial charges. This study also explains the relationship between the DPS and Earning per Share and how effectively the firm be able debt financing. In this study, selected Steel companies are taken for analysis and hypothesis are examined with the help of one-way ANOVA and t-test.*

### KEYWORDS

Leverage, Financial leverage, DPS, Earnings per share, Steel companies, ANOVA.

### INTRODUCTION OF STEEL INDUSTRY

The Indian steel industry has entered into a new development stage from 2007-08, riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 4th largest producer of crude steel and the largest producer of sponge iron or DRI in the world. As per the report of the Working Group on Steel for the 12th Plan, there exist many factors which carry the potential of raising the per capita steel consumption in the country, currently estimated at 55 kg (provisional). These include among others, an estimated infrastructure investment of nearly a trillion dollars, a projected growth of manufacturing from current 8% to 11-12%, increase in urban population to 600 million by 2030 from the current level of 400 million, emergence of the rural market for steel currently consuming around 10 kg per annum buoyed by projects like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Awaas Yojana among others. At the time of its release, the National Steel Policy 2005 had envisaged steel production to reach 110 million tones by 2019-20. However, based on the assessment of the current ongoing projects, both in Greenfield and brownfield, the Working Group on Steel for the 12th Plan has projected that the crude steel capacity in the county is likely to be 140 mt by 2016-17. Further, based on the status of MOUs signed by the private producers with the various State Governments, it is expected that India's steel capacity would exceed 200 mt by 2020.

### LEVERAGE

The employment of asset or source of funds for which the firm has to pay fixed cost or fixed return is termed as leverage. The asset or source of fund is act as force to boost up the firms ability to increase the profitability. The higher leverage obviously implies higher outside borrowings and hence it is riskier if the firms earning capacity is reduced. In other words, only when the Return on Investment is higher than the cost of outside borrowing, the effect of leverage will be favorable.

### OPERATING LEVERAGE

Operating leverage affects a firm's operating profit (EBIT). The degree of operating leverage (DOL) is defined as the percentage change in the earnings before interest and taxes relative to a given percentage change in sales. EBIT depends on sales. A change in sales will affect EBIT. The variability in EBIT due to a change in sales is affected by the composition of fixed and variable costs. You may recall that the percentage change in EBIT occurring due to a given percentage change in sales is referred to as the degree of operating leverage (DOL)

$$DOL = \frac{\% \text{ Change in EBIT}}{\% \text{ Change in sales}}$$

### FINANCIAL LEVERAGE

The use of the fixed-charges sources of funds, such as debt and preference capital along with the owners' equity in the capital structure, is described as financial leverage, gearing, or trading on equity. The financial leverage employed by a company is intended to earn more return on the fixed-charge funds than their costs. The surplus (or deficit) will increase (or decrease) the return on the owners' equity. The rate of return on the owners' equity is levered above or below the rate of return on total assets. The percentage change in EPS occurring due to a given percentage change in EBIT is referred to as the degree of financial leverage (DFL).

$$DFL = \frac{\% \text{ Change in EPS}}{\% \text{ Change in EBIT OR EBIT/EBT}}$$

### COMBINE LEVERAGE

Operating and financial leverages together cause wide fluctuation in EPS for a given change in sales. It can be done by multiplying the operating leverage and financial leverage. The operating leverage affects the EBIT and the financial leverage affects the EPS. The management has to devise a right combination of the operating and financial leverage. A company whose sales fluctuate widely and erratically should avoid use of high leverage since it will be exposed to a very high degree of risk

### LEVERAGE AND EARNING PER SHAR

There is a close relationship between the financial leverage and Earning per Share of the company. If degree of financial leverage is high and the return on investment is greater than the cost of debt capital, then the impact of leverage on EPS will be favorable. The impact of financial leverage is unfavorable when the earning capacity of the firm is less than what is expected by the lenders (i.e.) the cost of debt

### NEED AND OBJECTIVES OF THE STUDY

Present Situation in capital market is unexpected where investors have to depth research before their rational investment in market. Present study is based on that problem and provides information to investor for their investment decision. Under this research study financial leverage and their impact on earning per share, dividend and market price of the some selected steel companies.

The following are the objectives of the study

- To understand and analyze the leverage effects of the selected Steel companies.
- To analyze the impact of leverage on market price of share
- To assess the relationship between the financing mix and earning per share.

**HYPOTHESIS**

For better understanding of the effect of leverage on the market price of share, the following hypothesis can be framed.

1. There is no significant relationship between DFL and EPS.
2. There is no significant relationship between DOL and EPS.
3. There is no significant relationship between DCL and EPS.
4. There is no significant relationship between MPS and EPS.
5. There is no significant relationship between DPS and EPS.

**METHODOLOGY**

The present study adopts an analytical and descriptive research design. The data of the sample Companies has been collected from the annual reports and the balance sheet published by the Companies and the websites of the companies finite a sample size of five companies' listed on the Bombay stock exchange has been selected for the purpose of the study. The variables used in the analysis are earning per share (EPS) Degree of Operating Leverage (DOL) Degree of Financial Leverage (DFL) Earnings before Interest and Taxes (EBIT) Earnings before Taxes (EBT), Dividend per share and Market price of share, Contribution Margin. While interpreting the results, the statistical tool of one way Analysis of Variance (ANOVA) has been used

**SAMPLING PLAN**

Sizes of the samples are five big bodies of steel companies of India.

**DATA COLLECTION**

Data for analysis have been calculated from varies websites like, Moneycontrol.com, steel.nic.in/overview.htm

**TIME PERIOD OF STUDY**

The study has been conducted during period of ten years (2002 to 2011)

**TOOLS USED FOR ANALYSIS**

- Financial Ratio-Leverage

Stastical Variables

- Mean,
- Standard Deviation,
- Correlation analysis and test of significance.
- Analysis of variance (ANOVA): The statistical tool that is used for testing hypothesis is one- way Analysis of Variance.

**LIMITATIONS OF THE STUDY**

- The study is based on secondary data and only the period of 10 years is taken for analysis.
- The pertaining to the analysis is collected from Websites and corporate databases.
- Some of the external factors affecting the leverage were not taken into account.

**RESULTS & DISCUSSION**

The degree of financial leverage is defined as the percentage change in earning per share (EPS) that results from a given percentage change in earning before interest and taxes (EBIT).

**TABLE 1: DEGREE OF FINANCIAL LEVERAGE (DFL)**

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	-3.06	1.52	-1.7	1.41	3.33
2003	2.22	1.19	-8.5	1.38	-2.19
2004	1.24	1.07	1.39	1.19	1.81
2005	1.06	1.04	1.25	1.11	1.15
2006	1.07	1.03	1.22	1.12	1.14
2007	1.03	1.04	1.16	1.14	1.14
2008	1.02	1.12	1.16	1.12	1.4
2009	1.02	1.18	1.59	1.11	-8.64
2010	1.04	1.22	1.23	1.14	2.02
2011	1.06	1.15	1.21	1.14	2.93
<b>Mean</b>	0.77	1.16	0.001	1.19	0.409
<b>SD</b>	1.40	0.15	3.13	0.11	3.51

(Compiled From Financial Statement)

From Table No-1 it is clear that the DFL shows a fluctuating trend and the calculated mean and standard deviation values of JINDAL and MAHINDRA UGINE STEEL was maximum respectively when compare to other sample companies while MAHINDRA UGINE STEEL has higher standard deviation of 3.51 which is due to the firm's inability to make profit during the year 2003 and 2009. The standard deviation of JINDAL is comparatively low which indicates that the company less risky in terms the financial risk. While other companies have moderate financial risk during the study period.

**HYPOTHESIS TESTING**

**Ho:** The DFL position of the Steel companies does not differ significantly.

**Ha:** The DFL position of the Steel companies differs significantly.

**ANOVA****TABLE 2: DEGREE OF FINANCIAL LEVERAGE**

Source of Variation	SS	Df	MS	F	F critical
Between Groups	10.222	4	2.556	0.530	2.58
Within Groups	216.824	45	4.818		
<b>Total</b>	<b>227.047</b>	<b>49</b>			

Since the critical value at 5 % significant level is 2.58, which is greater than F, calculated 0.530 the null hypothesis is accepted. Hence, it is concluded that the DFL position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL does not differ significantly.



TABLE 3: DEGREE OF OPERATING LEVERAGE (DOL)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	1.09	1.98	2.09	1.12	1.1
2003	1.28	1.64	2.17	1.26	3.86
2004	1.14	1.16	1.01	1.08	1.76
2005	0.98	1.06	1.29	1.24	1.15
2006	0.83	1.08	1.25	1.16	0.94
2007	0.91	1.05	1.22	1.24	1.38
2008	0.88	1.05	1.05	1.19	1.18
2009	0.71	1.04	1.54	1.2	3.68
2010	1.05	1.03	1.07	1.12	1.25
2011	0.83	1.02	1.02	1.05	1.66
<b>Mean</b>	0.97	1.21	1.37	1.17	1.80
<b>SD</b>	0.17	0.33	0.43	0.07	1.07

(Complied From Financial Statement)

Analysis in table 3 shows that the mean DOL of MAHINDRA UGINE STEEL was high as 1.80 and, which is followed by JSW with mean DOL of 1.37. The standard deviation value of JINDAL was lower with 0.07 and is followed by SAIL and TATA STEEL with the standard deviation of 0.17 and 0.33 respectively. The standard deviation of MAHINDRA UGINE STEEL was comparatively high which indicates that it has high variations in its fixed cost expenditures.

#### ANOVA

**Ho:** The DOL position of the Steel companies does not differ significantly.

**Ha:** The DOL position of the Steel companies differs significantly.

TABLE 4: DEGREE OF OPERATING LEVERAGE (DOL)

Source of Variation	SS	Df	MS	F	F critical
Between Groups	3.858	4.000	0.964	3.271	2.58
Within Groups	13.269	45.000	0.295		
Total	17.127	49.000			

Since the critical value at 5 % significant level is 2.58, which is lesser than F, calculated 3.271 the null hypothesis is rejected. Hence, it is concluded that the DOL position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL differ significantly.

TABLE 5: DEGREE OF COMBINE LEVERAGE (DCL)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	-3.34	3.01	-3.55	1.58	3.66
2003	2.84	1.95	-18.45	1.74	-8.45
2004	1.41	1.24	1.40	1.29	3.19
2005	1.04	1.10	1.61	1.38	1.32
2006	0.89	1.11	1.53	1.30	1.07
2007	0.94	1.09	1.42	1.41	1.57
2008	0.90	1.18	1.22	1.33	1.65
2009	0.72	1.23	2.45	1.33	-31.80
2010	1.09	1.26	1.32	1.28	2.53
2011	0.88	1.17	1.23	1.20	4.86
<b>Mean</b>	0.74	1.43	-0.98	1.38	-2.04
<b>SD</b>	1.56	0.61	6.35	0.16	11.07

(Compiled From Financial Statement)

Table 5 indicates that the DCL TATA STEEL and JINDAL were high as 1.43 and 1.38 respectively while JSW and MAHINDRA UGINE STEEL do not have sufficient money during the year 2003, 2002 and 2009 even to cover its fixed expenditure. The standard deviation shows that JINDAL and TATA STEEL have lesser risk as it is indicated the standard deviation value of 0.16 and 0.61 respectively and JSW and MAHINDRA UGINE STEEL have high variation in its DCL.

#### ANOVA

**Ho:** The DOL position of the Steel companies does not differ significantly.

**Ha:** The DOL position of the Steel companies differs significantly.

TABLE 6: DEGREE OF COMBINE LEVERAGE (DCL)

Source of Variation	SS	Df	MS	F	F critical
Between Groups	95.808	4.000	23.952	0.723	2.580
Within Groups	1490.693	45.000	33.127		
Total	1586.501	49.000			

Since the critical value at 5 % significant level is 2.58, which is greater than F, calculated 0.723 the null hypothesis is accepted. Hence, it is concluded that the DCL position of SAIL, Tata Steel, JSW, JINDAL, and MAHINDRA UGINE STEEL does not differ significantly.

TABLE 7: DIVIDEND PER SHARE (DPS)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	NA	4	NA	7	NA
2003	NA	8	NA	12.5	1
2004	NA	10	NA	10	NA
2005	3.3	13	8	15	3
2006	2	13	8	15	4.5
2007	3.1	15.5	12.5	18	4.5
2008	3.7	16	14	4	3
2009	2.6	16	1	5.5	NA
2010	3.3	8	9.5	1.25	NA
2011	2.4	12	12.25	1.5	NA
<b>Mean</b>	2.9	11.6	9.3	9.0	3.2
<b>SD</b>	0.60	4.00	4.35	6.00	1.44

(Complied From Financial Statement)

Table 7 indicates that the DPS of TATA STEEL and JSW were high as 11.6 and 9.3 respectively while SAIL, MAHINDRA UGINE STEEL and JSW do not have distributed profit during the year 2003, 2002, 2004, 2009, 2010 and 2011. The standard deviation shows that JSW and JINDAL have distributed larger amount as dividend it is indicated the standard deviation value of 6 and 4.35 respectively.

#### ANOVA

**Ho:** The DPS position of the Steel companies does not differ significantly.

**Ha:** The DPS position of the Steel companies differs significantly

TABLE 8: DIVIDEND PER SHARE (DPS)

Source of Variation	SS	Df	MS	F	F critical
Between Groups	443.339	4.000	110.835	6.367	2.650
Within Groups	591.819	34.000	17.406		
Total	1035.158	38.000			

Since the critical value at 5 % significant level is 2.65 which is lesser than F calculated 6.367 the null hypothesis is rejected. Hence, it is concluded that the DPS position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL, differ significantly.

TABLE 9: EARNING PER SHARE (EPS)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	-4.11	5.09	-2.72	76.43	-2.01
2003	-0.74	27.53	-0.86	96.59	-5.57
2004	6.08	47.48	4.1	99.15	1.97
2005	16.5	62.77	65.27	167.48	14.95
2006	9.72	63.35	53.28	186.07	19.72
2007	15.02	72.74	77.09	228.3	13.76
2008	18.25	63.85	90.84	80.34	9.08
2009	14.95	69.7	22.96	99.35	-5.8
2010	16.35	56.37	106.59	15.89	1.44
2011	11.87	71.58	88.87	22.09	-1.84
<b>Mean</b>	10.4	54.0	50.5	107.2	4.6
<b>SD</b>	7.69	21.88	41.58	68.32	9.15

(Complied From Financial Statement)

From the table-9 it is inferred that the EPS of JINDAL and TATA STEEL is substantially higher than that of SAIL JSW, and MAHINDRA UGINE STEEL. On an average, JINDAL has generated the EPS of Rs. 107.2, which is highest amongst all, followed by TATA STEEL (54.0), JSW (50.5), SAIL (10.4), MAHINDRA UGINE STEEL (4.6). The analysis reveals that JINDAL is the most efficient company in terms of generating earning per share. Standard deviation value of JINDAL is higher (68.32) which indicates a higher variation in earning per share during the study period which other companies have low Standard deviation values 41.58, 21.88, 9.15 and 7.69 respectively.

#### ANOVA

**Ho:** The EPS position of the Steel companies does not differ significantly.

**Ha:** The EPS position of the Steel companies differs significantly.

TABLE 10: EARNING PER SHARE (EPS)

Source of Variation	SS	Df	MS	F	F critical
Between Groups	68094.46	4	17023.61	12.13	2.58
Within Groups	63162.63	45	1403.61		
Total	131257.1	49			

Since the critical value at 5 % significant level is 2.58 which is lesser than F calculated 12.13 the null hypothesis is rejected. Hence, it is concluded that the EPS position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL differ significantly.

TABLE: 10 MARKET PRICE OF SHARE (MPS)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	10.25	151.5	5.45	348.95	8
2003	51.1	444.05	13.14	619.5	33.9
2004	62.6	385.45	16.93	897.85	97.15
2005	54	380.3	229.3	1579.95	132.8
2006	89.2	482.3	386.9	2267.8	125.55
2007	284.35	934.8	1318.45	15359.25	112.5
2008	77.45	216.85	229.5	911.9	23.9
2009	240.65	617.6	1012.65	703.95	53.45
2010	182.5	678.95	1173	713.2	64.75
2011	81.1	335.25	507.1	453.1	42.7
Mean	113.3	462.7	489.2	2385.5	69.5
SD	90.52	231.10	500.97	4594.56	44.58

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	-0.650	Negative	-2.4115	Rejected
TATA STEEL	-0.960	Negative	-9.6	Rejected
JINDAL	0.610	Positive	2.1716	Rejected
JSW	-0.720	Negative	-2.9376	Rejected
MAHINDRA UGINE STEEL	-0.670	Negative	-2.5527	Rejected

(Complied From Financial Statement)

From the table-11 it is inferred that the MPS of JINDAL and JSW is substantially higher than that of MAHINDRA UGINE STEEL, SAIL, on an average, JINDAL has generated the MPS of Rs. 2385.5 which is highest amongst all, followed by JSW (489.2), TATA STEEL (462.7), SAIL (113.3), and MAHINDRA UGINE STEEL (69.). The analysis of Volatility (SD) indicates that JINDAL has higher variances in share price with highest SD of 4594.56 where other companies are having relatively lower volatility during the study period.

#### ANOVA

**Ho: The MPS position of the Steel companies does not differ significantly.**

**Ha: The MPS position of the Steel companies differs significantly.**

Source of Variation	SS	df	MS	F	F critical
Between Groups	36834690.3	4	9208673	2.15	2.58
Within Groups	192821202.9	45	4284916		
Total	229655893.2	49			

Since the critical value at 5 % significant level is 2.58 which is greater than F calculated 2.15 the null hypothesis is accepted. Hence, it is concluded that the MPS position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL does not differ significantly.

#### TEST OF CORRELATION ANALYSIS

Correlation is a statistical measurement of the relationship between two variables. Possible correlations range from +1 to -1. A zero correlation indicates that there is no relationship between the variables. A correlation of -1 indicates a perfect negative correlation, meaning that as one variable goes up, the other goes down. A correlation of +1 indicates a perfect positive correlation, meaning that both variables move in the same direction together. Formula of t-test is as under.

**Table value of (n-1) i.e. 10 degrees of freedom at 5% level of significance is 1.812 for two tailed test.**

**Hypothesis 1 (H0): There is no significant relationship between financial leverage and EPS.**

TABLE: 11 CORRELATIONS AND T-TEST RESULT FOR FINANCIAL LEVERAGE

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	0.019	Positive	0.05358	Accepted
TATA STEEL	-0.047	Negative	-0.13348	Rejected
JINDAL	-0.690	Negative	-2.7048	Rejected
JSW	-0.579	Negative	-2.01492	Rejected
MAHINDRA UGINE STEEL	-0.011	Negative	-0.02574	Rejected

Table 11 shows that the correlation between the financial leverage and EPS is negative for TATA STEEL, JINDAL, JSW and MAHINDRA UGINE STEEL and it is positive for the SAIL. As per the 't' test results, it is clear that the table value is less than the calculated value of SAIL is less than t critical value hence in case of SAIL there no exits correlation between DFL and EPS. But other companies have strongly correlation between DFL and EPS.

**Hypothesis 2 (H0): There is no significant relationship between operating leverage and EPS.**

TABLE: 12 CORRELATIONS AND T-TEST RESULT FOR OPERATING LEVERAGE.

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	0.362	Positive	1.10	Accepted
TATA STEEL	-0.941	Negative	-7.46	Rejected
JINDAL	0.144	Positive	0.41	Accepted
JSW	0.522	Positive	1.73	Accepted
MAHINDRA UGINE STEEL	0.434	Positive	1.36	Accepted

Table 12 shows that the correlation between the Operating leverage and EPS is negative for TATA STEEL, SAIL, JSW and MAHINDRA UGINE STEEL and it is positive for the JINDAL. As per the 't' test results, it is clear that the table value is less than the calculated value of all companies. So null hypothesis is rejected therefore there exits strong correlation between DOL and EPS of all companies.

**Hypothesis 3 (H0): There is no significant relationship between combined leverage and EPS.**

TABLE: 13 CORRELATIONS AND T-TEST RESULT FOR COMBINE LEVERAGE

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	0.56	Positive	1.92	Rejected
TATA STEEL	0.50	Positive	1.64	Accepted
JINDAL	0.70	Positive	2.77	Rejected
JSW	0.55	Positive	1.86	Rejected
MAHINDRA UGINE STEEL	0.75	Positive	3.20	Rejected

Table-13 shows a correlation between Combine leverage and Earning per share of steel companies. Where as a positive correlation found in all companies except TATA STEEL which is negatively related with earning per share hence in this case null hypothesis is rejected. But there exists correlation between DCL and EPS. While other companies hypothesis are accepted however there no exists correction between DCL and EPS.

**Hypothesis 4(H0):** There is no significant relationship between MPS and EPS

TABLE: 14 CORRELATIONS AND T-TEST RESULT FOR DIVIDEND PER SHARE

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	0.96	Positive	10.26	Rejected
TATA STEEL	0.87	Positive	5.01	Rejected
JINDAL	0.94	Positive	8.01	Rejected
JSW	0.83	Positive	4.22	Rejected
MAHINDRA UGINE STEEL	0.91	Positive	6.25	Rejected

Table 14 reveals that the correlation between the MPS and EPS is positive for SAIL, TATA STEEL, JINDAL, JSW, and MAHINDRA UGINE STEEL. As per the 't' test results, it is clear that the table value is more than the calculated value for SAIL, JINDAL, JSW, MAHINDRA UGINE STEEL. Hence, null hypothesis is rejected. Therefore, there exists correlation between MPS and EPS in SAIL, JINDAL, JSW, and MAHINDRA UGINE STEEL but in case of TATA STEEL null hypothesis is accepted but there exists no correlation between MPS and EPS.

**Hypothesis 5(H0):** There is no significant relationship between DPS and EPS.

Table 14 reveals that the correlation between the DPS and EPS is Positive for all SAIL, TATA STEEL, JINDAL, MAHINDRA UGINE STEEL and JSW and it is positive for the remaining sample companies. As per the 't' test results, it is clear that the table value is more than the calculated value for SAIL, TATA STEEL, JINDAL, MAHINDRA UGINE STEEL and JSW Therefore, so null hypothesis is rejected. Therefore there exists correlation between DPS and EPS in case of all companies.

## MAJOR FINDINGS

### FINANCIAL LEVERAGE

- Standard deviation of DFL of MAHINDRA UGINE STEEL is highest among the sample companies. It reveals that MAHINDRA UGINE STEEL is exposed with more risk of paying interest but at the same time returns of owners can be maximized. SAIL, JSW, MAHINDRA UGINE STEEL during the period 2002, 2003 and 2009, did not have sufficient profit even to meet the interest expenses
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the DFL position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL does not differ significantly.
- Correlation T test is used to measure association between DFL and EPS where as strongly correlation found in all companies except SAIL during the study period.

### OPERATING LEVERAGE

- Mean and Standard deviation of DOL of MAHINDRA UGINE STEEL is highest among the sample companies. It reveals that MAHINDRA UGINE STEEL is exposed with more risk of business but at the same they are unable to pay fixed operating expenses.
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the DOL position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL differ significantly.
- Correlation T test is used to measure association between DCL and EPS where as strongly correlation found in all companies during the study period.

### COMBINE LEVERAGE

- It is found that the mean values of DCL of Tata Steel and JINDAL are higher as it was 1.43 and 1.38 respectively. They are exposed with high risk of paying fixed operating expenses and increased financial risk.
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the DCL position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL does not differ significantly.
- Correlation T test is used to measure association between DCL and EPS where as strongly correlation found in Tata Steel, but other companies do not have correlation during the study period.

### DIVIDEND PER SHARE

- It is found that the mean and SD values of DPS of Tata Steel, JINDAL and are higher as it was 11.03 and 6 respectively. They have higher distribution of profit so their DPS is high.
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the DCL position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL does not differ significantly.
- Correlation T test is used to measure association between DPS and EPS where as strongly correlation found in all companies correlation during the study period.

### EARNING PER SHARE

It is found that the mean values of EPS of JINDAL, TATA STEEL are higher as they are 107.2 and 54 respectively. It is an indication of higher earning per share of the company. The standard deviation of EPS of JINDAL, JSW are higher that there is a high variation in its EPS during the study period.

One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the EPS position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL differ significantly.

### MARKET PRICE OF SHARE

- It is found that the mean values of MPS of JINDAL, JSW, are higher as they are 2385.5 and 489.2 respectively. It is an indication of higher market price of share of the company. The standard deviation of MPS of JINDAL, JSW are higher that there is a high variation (Volatility) in its MPS during the study period.
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the MPS position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL does not differ significantly.
- Correlation T test is used to measure association between MPS and EPS where as strongly correlation found in all companies expect TATA STEEL correlation during the study period

**CONCLUSIONS**

From the study it is found that there is a significant relationship between DFL and EPS, DCL and EPS, and DOL and EPS, DPS and EPS, MPS and EPS. Thus, fixed operating expenses and the financing mix decisions of the firm are significantly influencing the earning capacity of the firm. The leverage effect is positive when the earnings of the firm are higher than the fixed financial charges to be paid for the lenders. The leverage is an important factor which is having impact on Market Price of shares the of the firm and the wealth of the shareholders can be maximized when the firm is able to employ more debt.

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