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INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
REFERENCES
APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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WEBSITES

- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

ANALYSIS OF FINANCIAL STATEMENT OF ROURKELA STEEL PLANT BY USING THE TECHNIQUE OF RATIO ANALYSIS

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ABSTRACT

The present study is an attempt to find out soundness of the financial ratios from financial statement at Rourkela steel plant. The liquidity position has increased in the year 2013-14 and profitability and sales of the company have shown a rise. Higher turnovers of assets and working capital in the year 2014-15 give a good sign of firm's liquidity and profitability position.

KEYWORDS
rourkela steel plant, analysis of financial statements.

INTRODUCTION
Financial statements are summaries of the operating, financing, and investment activities of a business. Existence and growth of a firm depends upon the financial position. Before raising capital, it is essential to make estimates for long term and short term financial needs. In absence of correct estimates, the business may suffer either from inadequate or excess capital. It continues to struggle for existence if the capital is inadequate. on the other hand, if capital is in excess of needs, it will remain idle due to non-utilization of money and may reduce earnings in comparison to investment.

OBJECTIVES OF THE STUDY
1. To assess the Financial position of the company through the ratios.
2. To know the efficiency of financial performance of RSP by using ratios as a yardstick to measure the efficiency of the company.
3. To understand the liquidity, profitability and efficiency positions of the company during the study period.
4. To evaluate the financial performance through ratio analysis between debtors and working capital.

REVIEW OF LITERATURE
The review of literature guides the researchers for getting better understanding of methodology used, limitations of various available estimation procedures and data base and lucid interpretation and reconciliation of the conflicting results. A review of these analyses is important in order to develop an approach that can be employed in the context of the study of selected Indian Public Sector Manufacturing Enterprises viz. Steel, Minerals and Metals, Coal and Lignite, Power, Petroleum and Chemicals and Pharmaceuticals.
1- **Sankar. T. L & et.al (2010)** in their study entitled, "Financial Performance of State Level Public Enterprises" suffers from staggering investment, poor profitability, unnecessary investment, poor project planning and inadequate financial control.
2- **Kim & et.al (2011)** in Profitability, growth and risk (optimization), an attempt was made to understand the profitability differentials in terms of simultaneously determined inter-relational among profitability, growth and risk. The variables are endogenous in firm profit maximization.
3- **Pandey.I.M & et.al (2012)** in their study, "Financial Ratio Pattern In Indian Manufacturing Companies" they observed a declining trend in profitability relation to shareholders equity and total investment, whose impact had been deepened by the increasing interest burden. The Statistical techniques used are correlation, t-test, and Multiple Regression analysis to find out the relationship between the variable and to identify the factor influencing the profitability. Based on the analysis net sales and net profit have some relationship and working capital management was a highly influencing factor to find out profitability of selected textile companies in Coimbatore district. Companies must concentrate with other influencing factor for better profit of the company.

COMPANY PROFILE
RSP was the first of the three steel plants taken up in the Public Sector. On December 31, 1953, an agreement was made between the Government of India and a Consortium consisting of Thyssen & Demag, Aktiengeselischaft, Duisburg to set up a steel plant of initial capacity of 0.5 MT subsequently a supplementary agreement was signed in July 1955 to set up a 1 MT plant. The Coke Oven Battery No.1 was commissioned on 3rd December, 1958 and the first of the three Blast Furnaces was commissioned on 3rd February, 1959. A major producer of diversified range of sophisticated steel products, RSP is an integral part of the Steel Authority of India Limited (SAIL) and is among India's few Plants producing 100% of the steel through the globally profuse Continuous Casting route since 1998. RSP is the only Plant having Pipe Plants. The Plant has recently undergone modernization upgradation in two phase involving around Rs.500 crores. The modernization process of RSP started in 1988. The Phase-I of modernization completed in 1994 and Phase-II modernization completed in 1997-98. After modernization, the capacity got augmented to 2 MTs of hot metal and 1.9 MTs of crude steel. Modernized units include; Ore bedding and Blending Plant, Sintering Plant-II, Steel Melting Shop-II, Tonnage Oxygen Plant-II etc.RSP is geared up producing defence and space quality plates through a Special Plate Plant.

RESEARCH METHODOLOGY
RESEARCH FRAMEWORK
This study is based on the data about of Rourkela Steel plant for a detailed study of its financial statements, documents and system ratios and finally to recognize and determine the position of the company.
PERIOD OF THE STUDY
Financial Statement Analysis of Rourkela Steel Plant (RSP) Rourkela for the past five years from 2010-2011 to 2014-15.
SOURCES OF INFORMATION
Mainly the study was based on two types of data as follows:
- Primary Data
- Secondary Data
PRIMARY DATA
Primary data are those which are collected afresh & for the first time, & thus happens to be original character. These data are collected through discussion with the management, observation & briefing with the concerned officers. Collection of those data is time consuming but these are most important & reliable.
SECONDARY DATA
Secondary data are those which have already been collected by someone else & which have already been passed through statistical process. These data may either be published data or unpublished.
For collections of secondary data following are considered:

1) Book on subject
2) Published report relevant to the subject
3) Commercial data
4) Published records of the plant which includes:
    a) Annual Report of the Rourkela Steel Plant.
    b) Periodicals, Journals& magazines of RSP.
    c) Financial statements & other related documents.
5) The unpublished source includes:
    a) Data available in the system.
    b) Financial Ledgers, Journals.
    c) Document received along with Scholars.

DATA ANALYSIS AND INTERPRETATION

1. Liquidity ratio:

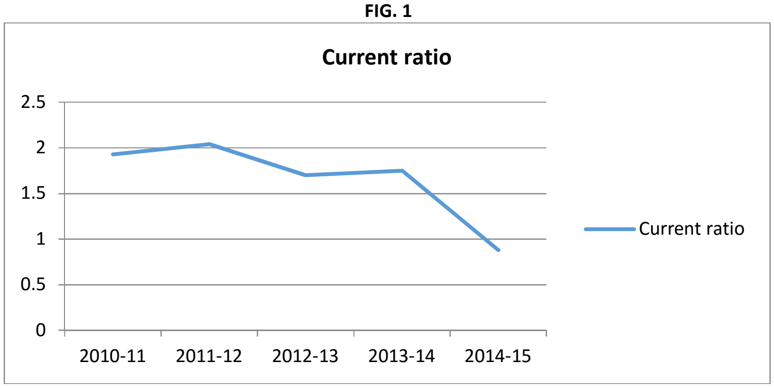
A. Current Ratio = Current assets/ Current liabilities

TABLE 1: CALCULATION OF CURRENT RATIO FOR 5 YEARS

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Current assets	965.12	1142.08	1147.18	1522.97	1341.59
Current liabilities	499.45	557.26	672.33	866.44	1522.52
Current ratio	1.93	2.04	1.70	1.75	0.88

(Sources: Annual Report of Rourkela Steel plant)

FIG. 1



INTERPRETATION

The current ratio of RSP of the year i.e. F.Y 2011-12 in above chart is above the standard ratio which indicates that RSP has very good liquidity position and has the ability to pay its current obligations in time when it is required. There is continuous decreasing and increasing trend in its financial health in subsequent years from F.Y. 2011-15 shows under utilization of current assets of the organization.

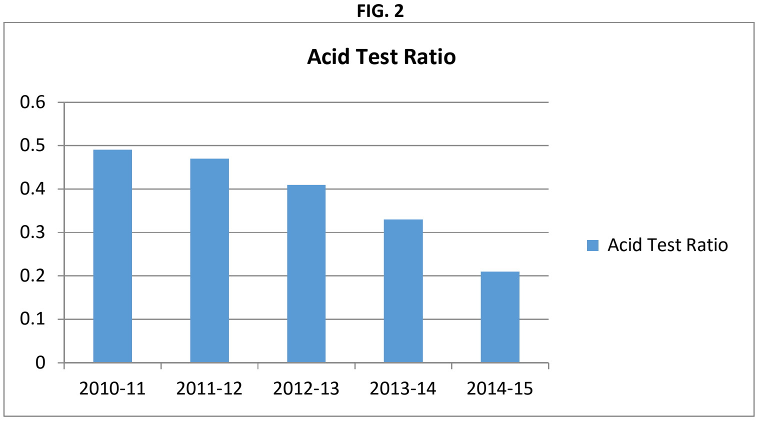
B. Quick or Acid-Test Ratio: Quick assets/Current Liabilities

TABLE 2: CALCULATION OF QUICK RATIO FOR FIVE YEARS

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Current assets	965.12	1142.08	1147.18	1522.97	1341.59
Inventories	718.11	877.56	870.13	1228.56	1016.69
Quick Assets	247.01	264.52	277.05	294.41	324.9
Current Liabilities	499.45	557.26	672.33	866.44	1522.52
Acid Test Ratio	0.49	0.47	0.41	0.33	0.21

(Sources: Annual Report of Rourkela Steel plant)

FIG. 2



INTERPRETATION

The quick ratio for the F.Y. 2010-11 was 0.49 and it was decreased by 0.02 and it was 0.47 in the F.Y. 2011-12 then the quick ratio was decreased by 0.06 i.e. 0.41 in FY 2012-13. The quick ratio was 0.33 in the year 2013-14 and it is decreased by 0.08 and in the F.Y. 2014-15 there was slight decline in ratio i.e. 0.21 and it was decreased by 0.12 and all Quick ratio from F.Y. 2011- 15 are decreased because of large part of current asset of the firm is tie up in slow moving and unsellable investment of Finish goods and also slow moving of debts, but, the overall trend shows declining which is not a positive sign for RSP.

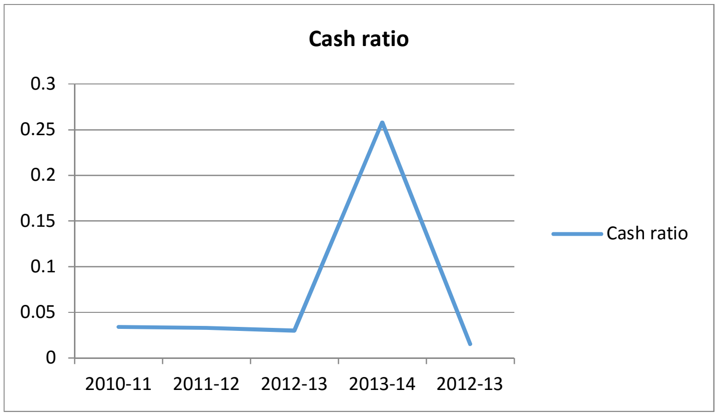
C. Absolute liquid ratio: Absolute liquid assets/ Current liabilities

TABLE 3: CALCULATION OF ABSOLUTE LIQUID RATIO FOR 5 YEARS

Particulars	2010-11	2011-12	2012-13	2013-14	2012-13
Absolute liquid assets	17.22	18.79	20.66	22.44	24.00
Current liabilities	499.45	557.26	672.33	866.44	1522.52
Cash ratio	0.034	0.033	0.030	0.258	0.015

(Sources: Annual Report of Rourkela Steel plant)

FIG. 3



INTERPRETATION

The cash ratios of RSP for the preceding five years are below the standard norm 0.5:1 which is not satisfactory. However, a declining liquid position does not always mean bad liquidity position as the RSP is with fast moving inventories is sufficient enough to meet the current obligation**.**

2) CURRENT ASSETS MOVEMENTS OR EFFICIENCY/ACTIVITY RATIO

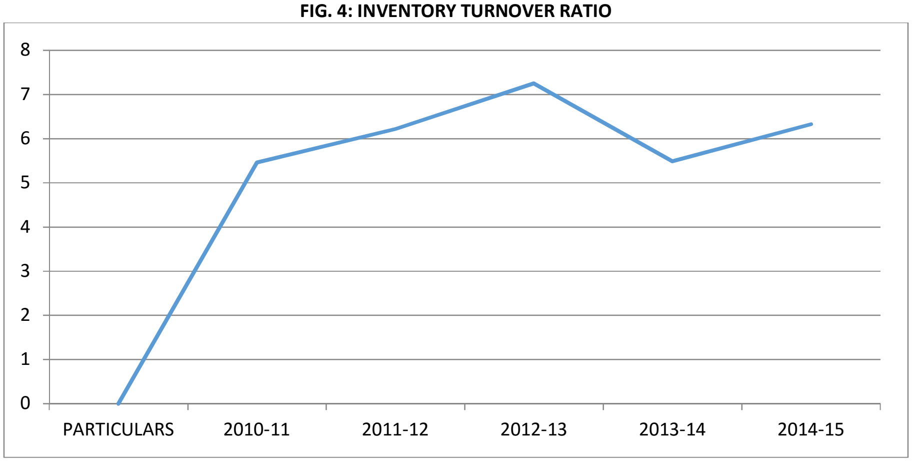
A. Inventory turnover or stock turnover ratio: Net Sale/Inventory

TABLE 4: CALCULATION OF INVENTORY TURNOVER RATIO FOR 5 YEARS

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
NET SALES	3924.63	5461.91	6309.65	6753.96	6436.93
Inventories	718.11	877.56	870.13	1228.56	1016.69
Inventory turnover ratio	5.46 times	6.22 times	7.25 times	5.49 times	6.33 times

(Sources: Annual Report of Rourkela Steel plant)

FIG. 4: INVENTORY TURNOVER RATIO



INTERPRETATION

The above chart shows that the stock gets converted into cash was 5.46 times,6.22 times, 7.25 times, 5,49 times, 6.33 times in the FY 20010-15 respectively. The inventory turnover ratio of the FY 2012-13 is highest amongst the 5 FY. But there is increasing and decreasing trend which is due to the improper utilization of resources for operations.

B. Inventory Conversion Period: Day's in a year/Inventory turnover ratio

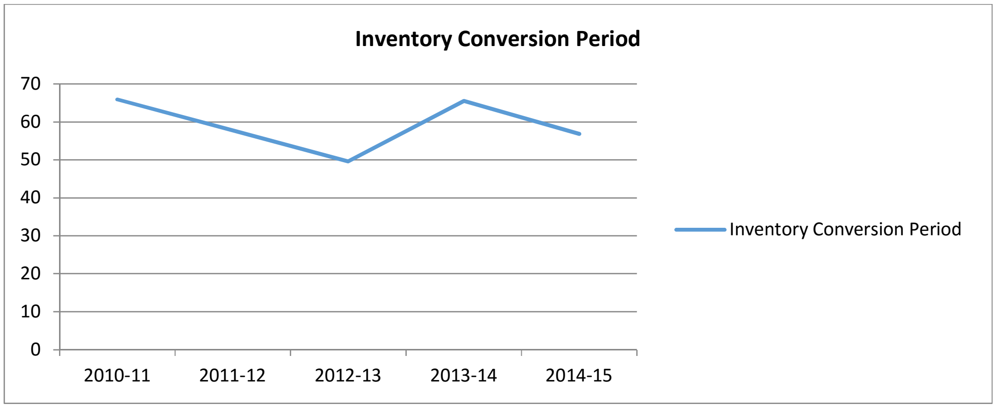
It may also be interest to see the avg. time taken for clearing the stock. This can be possible by calculating inventory conversion period.

TABLE 5: CALCULATION OF INVENTORY CONVERSION PERIOD FOR 5 YEARS

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Day's in a year	360	360	360	360	360
Inventory turnover ratio	5.46 times	6.22 times	7.25 times	5.49 times	6.33 times
Inventory Conversion Period	65.93 days	57.87 days	49.65 days	65.57 days	56.87 days

(Sources: Annual Report of Rourkela Steel plant)

FIG. 5



INTERPRETATION

The above chart shows that the conversion period was high in FY 2010-11 i.e. 65.93 days. This means, a very long conversion period would imply improper utilization of raw materials in conversion into finished good. The average collection period short in FY 2012-13 i.e. 50 days which mean that better is a credit management and the raw materials will be converted into finished goods within this time.

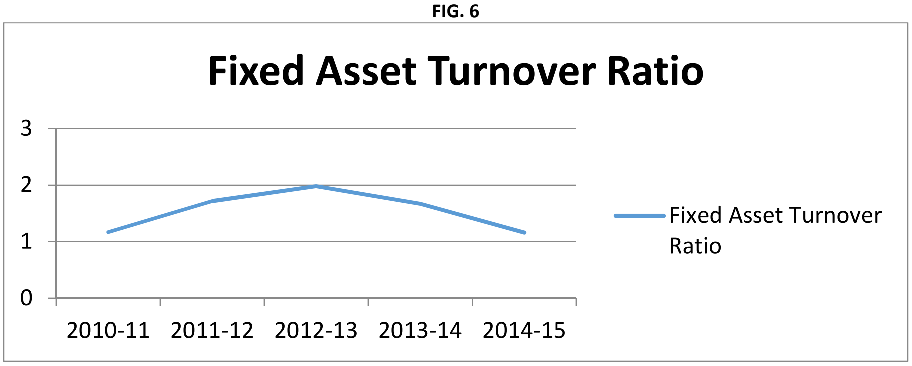
C. Fixed Assets Turn Over Ratio: Net sales / Net Fixed Assets

TABLE 6: CALCULATION OF FIXED ASSETS TURNOVER RATIO

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Net Sales	3924.63	5461.91	6309.65	6753.96	6436.93
Net Fixed Assets	3334.77	3161.21	3181.24	4033.21	5507.98
Fixed Asset Turnover Ratio	1.17 times	1.72 times	1.98 times	1.67 times	1.16 times

(Sources: Annual Report of Rourkela Steel plant)

FIG. 6



INTERPRETATION

As we can see that in the above the fixed turnover ratio is in increasing and decreasing trend in these five years. As it is shown in above the Company is using its assets specially fixed assets more efficiently each year although it had a decrease in its efficiency in FY 2013-14 and FY2014-15 compared to FY 2012-13. We can see the ratio was maximum in the year 2010-11 and minimum in the year 2014-15.

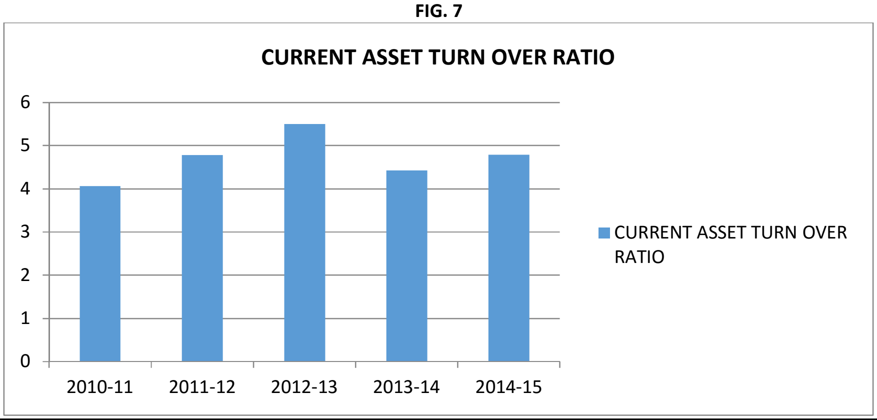
D. Current Assets Turn Over Ratio: NET SALES / CURRENT ASSETS ASSETS

TABLE 7: COMPARATIVE CALCULATION OF CURRENT ASSET TURNOVER RATIO FOR 5 YEARS

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Net Sales	3924.63	5461.91	6309.65	6753.96	6436.93
Current Assets	965.12	1142.08	1147.18	1522.97	1341.59
CURRENT ASSET TURN OVER RATIO	4.06 times	4.78 times	5.50 times	4.43times	4.79 times

(Sources: Annual Report of Rourkela Steel plant)

FIG. 7



INTERPRETATION

A higher current assets turnover ratio is more desirable since it shows the better financial position of company and better usage of these current assets. It can be seen from above figure that the company has fluctuating figures regarding current assets turnover ratio. It means the company is using its current assets less efficiently.

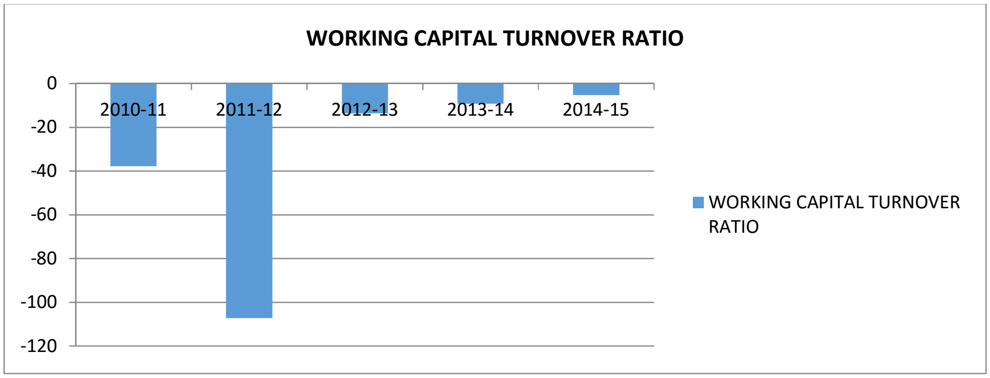
E. Working Capital Turnover Ratio: Net sales / working capital

TABLE 8: THE FOLLOWING ARE THE WORKING CAPITAL TURNOVER RATIO OF THE LAST FIVE YEARS

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Net sales	3924.63	5461.91	6309.65	6753.96	6436.93
Working capital	-103.81	-50.93	-464.82	-727.19	-1251.23
WORKING CAPITAL TURNOVER RATIO	-37.80	-107.24	-13.57	-9.28	-5.144

(Sources: Annual Report of Rourkela Steel plant)

FIG. 8



INTERPRETATION

Here, in the above Graph Working capital turnover ratio is in continuous decreasing trend which is negative. Negative working capital means that a company currently is unable to meet its short-term liabilities with its current assets. That is a bad sign for the company for carrying their operations.

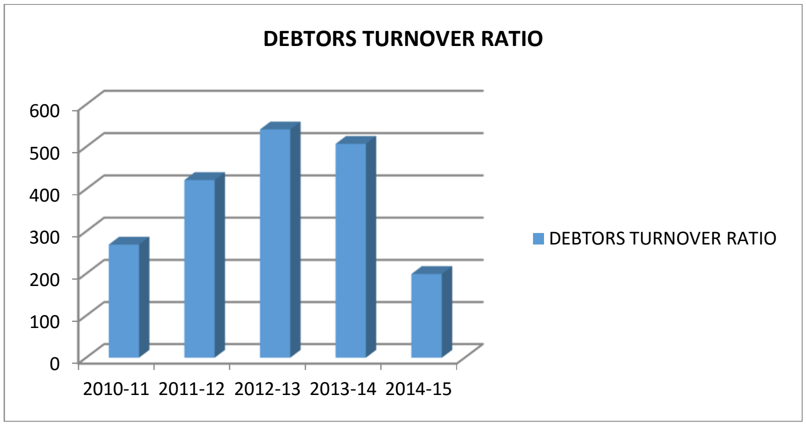
F. Debtors Turnover Ratio: Net credit sales/Average debtors

TABLE 1: CALCULATION OF DEBTOR'S CAPITAL RATIO FOR LAST FIVE YEARS

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Net Sales	3924.63	5461.91	6309.65	6753.96	6436.93
Sundry Debtors	14.60	12.96	11.66	13.32	32.31
DEBTORS TURNOVER RATIO	268.8 times	421.4 times	541.1 times	507.0 times	199.2 times

(Sources: Annual Report of Rourkela Steel plant)

FIG. 13



INTERPRETATION

The above chart shows the ratio is in increasing and decreasing trend. The debtor's turnover for the year 2010-11 was 268.8 and the year 2011-12 was 421.4. The year 2012-13 shows highest ratio 541.1 which is due to change in the economic conditions and lack in managing receivables and there was continuous decline in the ratios and it reached to the minimal point among 5 FYs i.e. 199.2.

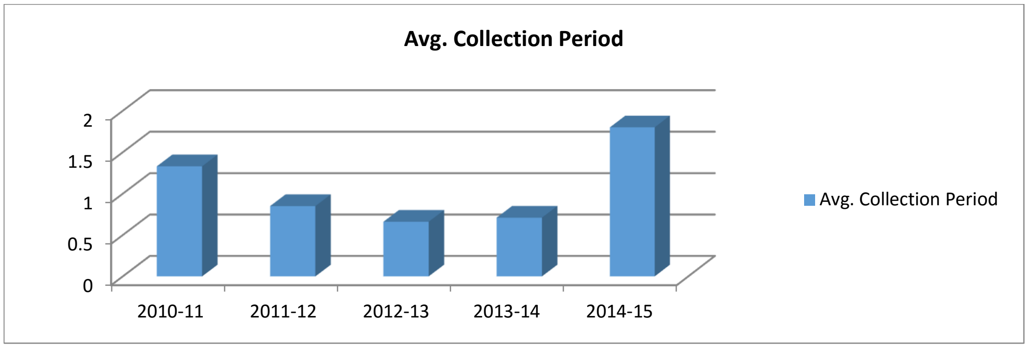
G. Average Collection Period: NO. OF DAYS IN A YEARS / DEBTORS TURNOVER RATIO

TABLE 2: CALCULATION OF AVERAGE COLLECTION PERIOD FOR FIVE YEARS

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Day's in a year	360	360	360	360	360
DEBTORS TURNOVER RATIO	268.8 times	421.4 times	541.1 times	507.0 times	199.2 times
Avg. Collection Period	1.33	0.85	0.66	0.71	1.80

(Sources: Annual Report of Rourkela Steel plant)

FIG. 14



INTERPRETATION

The above chart shows that the collection period which is high This means, a very long collection period would imply either for credit selection or an inadequate collection. The average collection period which is short which means that better is a credit management and prompt payment on the part of debtor.

3. PROFITABILITY RATIO

A. GROSS PROFIT RATIO

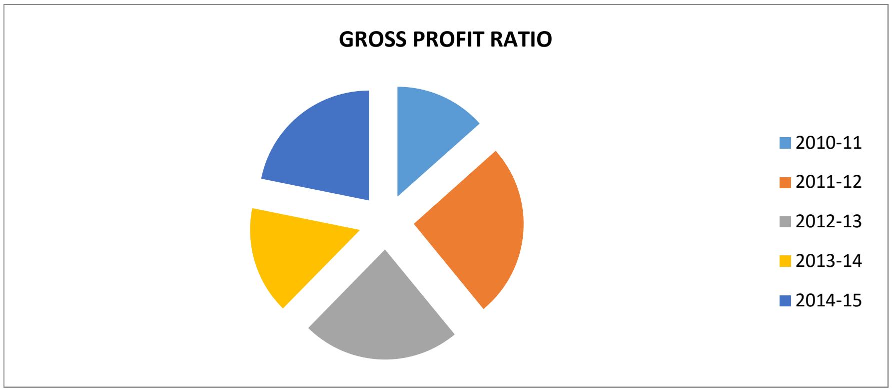
$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

TABLE 3: CALCULATION OF GROSS PROFIT RATIO FOR 5 YEARS

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
NET SALES	3924.63	5461.91	6309.65	6753.96	6436.93
GROSS PROFIT	502.09	1334.80	1401.13	1018.62	1339.05
GROSS PROFIT RATIO	12.79	24.43	22.20	15.08	20.80

(Sources: Annual Report of Rourkela Steel plant)

FIG. 15



INTERPRETATION

High Gross profit ratio will help the firm service in the fall of income from services, rise in cost of production or declining demand. In 2010-11 the Gross profits is decreasing in compare to the year 2011-12 by 11.64 and compare to F. Y. 2012-13, 2013-14.and 2014-15 are decreasing by 2.23, 9.35, 3.68 respectively. Here company has achieved good efficiency in 2011-12 i.e. 24.43 compared to other financial years.

B. NET PROFIT RATIO

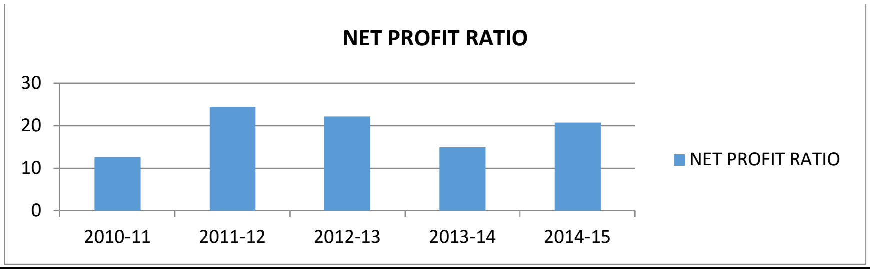
$$\text{Net Profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Net Sales}} \times 100$$

TABLE 4: CALCULATION OF NET PROFIT RATIO FOR 5 YEARS

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
NET SALES	3924.63	5461.91	6309.65	6753.96	6436.93
NET PROFIT	496.51	1336.40	1401.33	1011.20	1339.79
NET PROFIT RATIO	12.65	24.46	22.20	14.97	20.81

(Sources: Annual Report of Rourkela Steel plant)

FIG. 16



INTERPRETATION

The above chart indicates the Net Profit Ratio in 2010-11 was 12.56 %which further increases to 24.46 % in FY 2011-12. Further it had fallen to 22.2% in FY 2012-13. That means company suffers the losses after the FY 2010-12. In FY 2011-12 the net profit was high to increase in the sales of the company. After the FY 2012-13 the net profit ratio of FY 2012-13 decreased by 7.23 % and there was slight increment in the FY 2014-15 i.e. 20.81 %. The net profit is increased because the income from services is increased.

4. SOLVENCY OR GEARING RATIOS

A. Debt Equity ratio

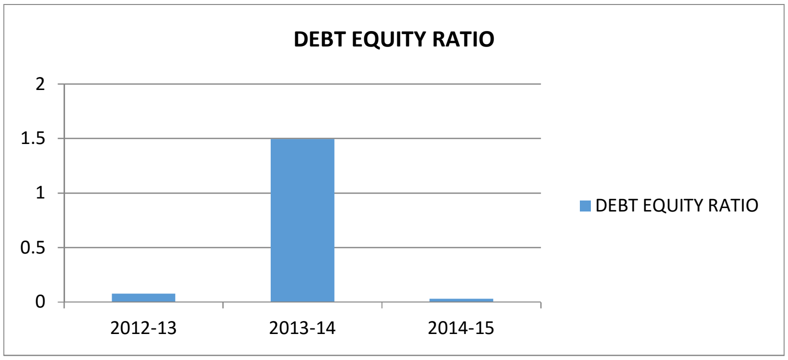
The ratio indicates the relative proportions of debt and equity in financing the assets of the firm. Debt equity ratio= debt / shareholders fund

TABLE 5: CALCULATION OF DEBT EQUITY RATIO FOR 5 YEARS

PARTICULARS	2012-13	2013-14	2014-15
DEBT	16.94	1.84	75.37
SHAREHOLDERS' FUND	218.08	1229.28	2569.28
DEBT EQUITY RATIO	0.077	1.496	0.029

(Sources: Annual Report of Rourkela Steel plant)

FIG. 17



INTERPRETATION

In this ratio shareholders 'fund is the share capital plus reserve and surpluses. In case of high debt equity it would be obvious that the investment of creditors is more than owners. And if it is so high then it brings the firm in a risky position. The thumb rule is 1:1. A comparison of ratios signifies that the ratio has highest peak in the FY 2013-14 i.e. 1.496 which is above from rule of thumb. Before the beginning and after The FY 2013-14 the company is not in favorable position to increase in the debt position.

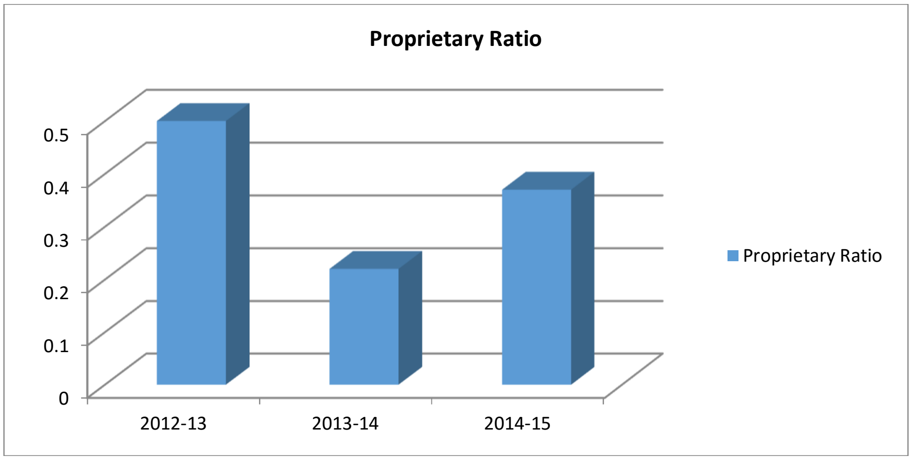
B. Proprietary Ratio: = Proprietors Funds /Total Assets

TABLE 6: CALCULATION OF PROPRIETARY RATIO FOR 5 YEARS

PARTICULARS	2012-13	2013-14	2014-15
Owner's fund	218.08	1229.28	2569.28
Total Asset	4328.42	5556.18	6849.57
Proprietary Ratio	0.50	0.22	0.37

(Sources: Annual Report of Rourkela Steel plant)

FIG. 18



INTERPRETATION

This ratio indicates the proportion of proprietor 's funds used for financing the total assets. As a very rough measure, it is suggested that 2/3rd to 3/4th of the total assets should be financed through borrowings. A high ratio will indicate high financial strength but a very high ratio will indicate that the firm is not using external funds adequately. In case of RSP there is slight increase in equity ratios. It is 0.50 %, 0.22%,0.37% in the years 2012-13, 2013-14 & 2014-15 respectively.

OBSERVATION AND FINDINGS

Based on the ratios and calculations made on my project the findings are as follows:

1. Current ratios show that the firm has been facing some problems regarding paying short term liabilities for last 3 years, but it is trying to improve the situation but in the FY 2011 -12 the current ratios are above the standard ratio 2:1which is considered satisfactory. It covers the risk of under utilization or improper utilization of resources.

2. The company has good profitability ratios in the FY 2011-12 which shows the good financial health and performance of the firm among five years of RSP. The net profit ratio which is 24.46 and gross profit ratio which is 24.43 shows the profitability and efficiency and utilization of resources employed in business.
3. Higher turnover of fixed assets, working capital, debtors, current assets is good sign and implies efficient utilization of resources. However higher turnover reflects efficient utilization resulting in higher liquidity and profitability in the business. The fixed turnover ratio and current asset turnover ratio in FY 2012-13 is 5.50 and 1.98 times respectively and here during five years the working capital turnover ratio is in negative trend because of increase in the provisions. Poor working capital leads to financial pressure on a company, increased borrowing, and late payments to creditor - all of which result in a lower credit rating. A lower credit rating means banks charge a higher interest rate, which can cost a corporation a lot of money over time. The firm's current profitability position is not good.
4. The debtor's turnover ratio of FY 2012-13 shows good sign for the liquidity position which depends on the speed with which debtors are realized in an accounting year and generally the higher the value of debtor's turnover, the more the efficient is the management of credit.
5. The debt equity ratio is high in the FY 2013-14 compared to other two years i.e. 1.496. This indicates that the company is very good in raising outside resources. It definitely increases the financial risks of the firm, but it may be easier to raise funds in future. If the firm is unable to perform well, then it may face difficulty with regards to the repayment of principal and interest.
6. The proprietary ratio is also high in the FY 2013-14 compared to other two years i.e. 0.22. If the ratio is high, this indicates that a company has a sufficient amount of equity to support the functions of the business, and probably has room in its financial structure to take on additional debt, if necessary. Conversely, a low ratio indicates that the business may be making use of too much debt or trade payables, rather than equity, to support operations (which may place the company at risk of bankruptcy). thus, the ratio is a general indicator of financial stability

SUGGESTIONS AND RECOMMENDATION

The functioning and management of Rourkela steel plant is very good. Being a student just standing on the threshold of studies of management as discipline. But considering this as an initiative give out my view mention some of the suggestion as per my knowledge.

1. The Company is enjoying a good liquidity position. It should take steps to further improve its position by repositioning the composition of current assets as large amount has been block in inventories
2. Maintenance of cash and bank balance is improving to a large extend. Hence the fluctuation in Net working capital is reducing.
3. The difference in current asset and current liabilities is decreasing hence this is an indication of improper utilization of assets. Hence proper utilization of assets needs to be done.
4. Company should reduce its debtors so that the blocked Capital is properly utilized.
5. Company should use its own funds in financing its assets to minimize the Interest as well liability burden.
6. The firm must consider the capital structure with the prescribed ratio of 2:1 for the debt and the equity.

CONCLUSIONS

The success of an organization primarily depends on its ability to sustain its comparative advantage irrespective of the strategy it adopts. Rourkela Steel Plant is a profitable organization. Its liquidity position has increased in the year 2011-12 and profitability and sales of the company have shown a rise. Higher turnovers of assets and working capital in the year 2012-13 give a good sign of firm's liquidity and profitability position. But continuous decline trend in the working capital ratio shows negative sign.

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