Chapter 7

Summary of Findings, Conclusion & Suggestions

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Summary of Findings, Conclusion and Suggestions

7.0 INTRODUCTION

In the present study an attempt has been made to analyze the financial performance of one of the most important public sector company in steel industry i.e. Steel Authority of India Limited for a period of ten years ranging from 2005-06 to 2014-15. In the previous chapter of the thesis, data analysis and hypotheses testing has been done with the help of appropriate tools and techniques. Trend of various financial ratios under profitability, liquidity, solvency, management efficiency and market valuation, has been analyzed, over the period of study. Industry averages for different financial ratios were used as standard ratios and one sample t test was applied to analyze if significant difference exist between financial ratios of SAIL and Industry average for that ratio. In the present study both Traditional as well as Advanced measures of financial performance were used to analyze the financial performance of SAIL. Profitability ratios proxied by Return on Capital employed (ROCE) & Return on Assets (ROA) were used as conventional performance measures while Economic Value Added (EVA) and Market Value added (MVA) were used as advance performance measures. Pearson coefficient of correlation was used to analyze the extent of relationship between traditional measures and advanced measure (EVA) of financial performance. Furthermore, multiple linear regression technique was applied to find the impact of Liquidity, Solvency and Management efficiency on traditional measures of performance (ROCE & ROA) as well as advanced performance measure (EVA). Lastly, multiple linear regression technique was applied to find the impact of profitability, Economic Value Added and market valuation on Market Value Added of SAIL during the study period.

The present chapter gives a summary of findings based on data analysis and hypothesis testing, discusses conclusions drawn on the basis of findings and offers suggestions for the improvement of financial performance of Steel Authority of India Limited.
7.1 FINDINGS OF THE STUDY

7.1.1 Findings on the Basis of trend of financial ratios

1. The gross profit ratio of the SAIL has been in fluctuating trend during study period. The GPR was highest in the year 2007-08 (45.29%) and was lowest in the year 2005-06 (36.37%). The gross profit ratio has been satisfactory during study period.

2. The Operating Profit Ratio was highest in the year 2007-08 (18.53%) and was lowest in the year 2013-14 (4.94%). There was a considerable declined in the operating ratio in the year 2008-09 (10.37%). It indicates decline in the operating efficiency of the company during study period.

3. The Net Profit Ratio of the company decreased considerably during study period. NPR has been in decreasing trend from 2010-11(11.17%) to 2014-15 (4.60%) except in the year 2013-14 (5.55%). It indicates decline in the management’s efficiency of the company in operating the business successfully during the study period.

4. Return on assets ratio (ROA) of the company during the study period was maximum (17.41%) in 2006-2007 and it was minimum (2.21%) in 2014-15. Average return on assets during study period was 8.8%. It indicates that the company has not utilized the assets efficiently during the study period.

5. Return on Shareholders’ Equity Ratio has been in decreasing trend from the year 2007-08 (37.27%) to the year 2014-15 (4.93%) except in the year 2013-14 (6.25%). It can be noted that the ratio showed a very sharp decline in last years of study. It indicates very low return on shareholders’ equity during the study period.

6. Return on Capital employed has been in decreasing trend from 2005-06 (34.51%) to 2014-2015 (6.08%) except the year 2006-2007 (41.48%). The ROCE of the company was much lower (6.08%) in the final year 2014-2015 indicating low return on capital employed in the business.
7. SAIL has shown maintenance of low Current Ratio during the study period except in the years 2006-2007 to 2009-2010. The average current ratio of SAIL during the period of the study was 1.57 times while the standard for current ratio is 2:1. Hence, the liquidity position of the company was not satisfactory during the study period.

8. The liquid ratio has been in decreasing trend during the period of study with highest value (1.75 times) in the year 2009-10 and least value (0.32 times) in 2014-15. Average value of liquid ratio over the period of study has been satisfactory (1.01 times) but the company has to revise its liquidity policy to enhance the liquidity position.

9. Cash Ratio has also shown decreasing trend over the period of study except in the year 2009-10 (1.28 times).

10. Debt to equity ratio of SAIL has been more than 1:1 for all the years during the study period except for two years, 2008-09 (0.97 times) & 2011-12 (0.95 times). The average debt to equity ratio of the company (1.18 times) indicates that the company has been financially leveraged during the study period.

11. The Interest Coverage Ratio of the company was satisfactory during the initial years of the study. However, ICR has been in decreasing trend from the year 2008-09 (37.15 times) to 2014-15 (2.61 times), indicating decreasing earning capacity of SAIL and excessive use of debt during these years.

12. Solvency ratio of SAIL has been in a fluctuating trend during the period of the study. The solvency ratio shows the proportion of assets needs to repay the debts. The lower ratio indicates lower risk and greater safety to the owners.

13. Capital gearing ratio of SAIL has been in a fluctuating trend during the period of the study. The average value CGR (3.38 times) indicates that long term debt of the company were lower than its equity during the period of study.

14. Working capital turnover ratio has been in fluctuating trend during the study period. WTR was exceptionally very high (24.0 times) in 2013-14 and was
negative in 2014-15 (-13.17 times), indicating a very low maintenance of working capital in during last years of the study.

15. Total assets turnover ratio of SAIL was in declining trend from 2005-06 to 2014-15. It indicates decline in the management efficiency during the study period. The company has not been able to increase the sale with increase in the assets.

16. The inventory turnover ratio of SAIL has been in decreasing trend from 2008-09 (5.38 times) to 2014-15 (2.82 times) indicating company has not been able to efficiently used the increase in inventory stock over the period of the study.

17. The Account receivable turnover ratio indicates the efficiency of credit collection and effective credit policy. The ratio has been in decreasing trend from 2007-08 (15.48 times) to 2013-14 (9.51 times). However, the ratio rose to 10.78 times in the final year of the study i.e. 2014-15.

18. The Operating Ratio of the company has been in fluctuating trend from the year 2005-06 (78.64 %) to 2009-10 (72.69%). The operating expense ratio of SAIL has been in decreasing trend from the year 2010-11 (78.68%) to 2014-15 (87.28%) indicating operational expenses have increased during the period of study.

19. Earnings per share has been in increasing trends in the initial years from 2005-06 (Rs. 9.87) to 2007-08 (Rs. 18.39) but the ratio was in decreasing trend from the year 2009 (Rs. 16.59) to the year 2014-15 (Rs. 5.22) except the year 2013-14 (Rs. 6.42). Lower EPS is the indication of the lower capacity of the concern to pay dividend to its equity shareholders.

20. Dividend payout ratio of SAIL has been in decreasing trend during initial years of the study. However, the ratio has been in increasing trend from the year 2009-10 (20%) to 2014-15 (39%) except the year 2013-14 (32%). In the last year of the study 2014-15, the payout ratio was maximum (39%) and in 2008-09 the payout ratio was minimum (17%).
21. The Price-Earnings ratio of SAIL was maximum in the year 2009-10 (15.18 times) showing strong market position of SAIL in 2009-10. However, PER has been in decreasing trend from 2010-11 (13.98 times) to 2013-14 (11.12 times) indicating negative future expectations of investors during this period.

22. The Market Value to Book value Ratio was higher in the initial years of the study indicating that the investors were ready to pay more than equity per share or book value per share. However, the figure of MBR has been less than 1.0 from 2012-13 (0.64 times) to 2014-15 (0.64 times) indicating market willing to pay less than book value per share.

23. Economic Value Added of SAIL has been positive during first five years of the study. It was Rs.2080.70 crores, Rs.3206.97 crores, Rs.3258.16 crores, Rs.1463.75 crores and Rs.1053.04 crores for the years 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10, respectively. EVA was negative for the other five years, it was Rs.(-)1575.91 crores, Rs.(-)4339.63 crores, Rs.(-)5647.02 crores, Rs.(-)4084.33 crores and Rs.(-)5747.90 crores for the years 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, respectively.

24. Market Value Added of Steel Authority of India Limited has been positive during first six years of the study while it has been negative for last four years. The figures of MVA were Rs. 21698.55 crores, Rs. 29648.85 crores, Rs. 53021.18 crores, Rs. 11392.69 crores, Rs. 70260.01 crores, and Rs. 32512.66 crores for the years 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11, respectively while the figures of MVA were Rs.(-) 1383.03 crores, Rs.(-) 15857.79 crores, Rs.(-) 13758.54 crores and Rs.(-) 16331.02 crores for the years 2011-12, 2012-13, 2013-14, 2014-15, respectively.

7.1.2 Findings on the basis of comparison of financial ratios with the Industry Average ratios & one sample t test

1. Return on Assets of SAIL has been greater than industry average during the study period by 1.84% in 2005-06, 3.85% in 2006-07, 2.55% 2007-08, 4.09% in 2008-09, 3.36% in 2009-10, 0.9% in 2010-11, 0.16% in 2011-12, 0.65% in 2012-13 and 0.75% in 2013-14. Average, ROA of SAIL (9.56%) has been
greater than ROA of industry average (7.54 %) during the period under the study. However, the higher value of significance (Sig. > 0.05) in table 6.26 shows that mean ROA of SAIL is not significantly different from its Industry mean.

2. That Return on Equity of SAIL has been greater than industry average during the years under the study. The difference was higher in initial years of study which decreased considerably during later years. Average ROE of the SAIL (21.88%) was higher than industry average ROA (16.26%). However, the higher value of significance (Sig. > 0.05) in table 6.26 shows that mean ROE of SAIL is not significantly different from Industry mean.

3. Lower Current ratio of SAIL during 2005-2008 indicates that SAIL has been comparatively lesser liquid during these years. However, CR of SAIL has been reasonably higher during 2009-2012, indicating SAIL was in better liquidity position than industry average during these years. The Mean CR of SAIL (1.66 times) has been lower than industry average CR (1.88 times) indicating that SAIL has been lesser liquid as compared to industry average. However, the higher value of significance (Sig. > 0.05) in table 6.26 shows that mean CR of SAIL is not significantly different from Industry mean.

4. Lower LR of SAIL compared to industry average during 2005-2008 indicates that SAIL has been comparatively lesser liquid during these. However, compared to industry average, LR of SAIL has been reasonably higher during 2009-2011. The Mean LR of SAIL (1.09 times) has been lower than that of industry average (1.26 times) indicating that SAIL has been lesser liquid as compared to industry average. However, the higher value of significance (Sig. > 0.05) in table 6.26 shows that mean LR of SAIL is not significantly different from Industry mean.

5. Total assets Turnover Ratio of SAIL has been lower than the industry average during study period. Hence, SAIL has been comparatively lesser efficient in utilization of its assets in generating Sales than industry. The lower value of significance (Sig. > 0.05) in table 6.26 shows that mean TATR of SAIL is significantly different from Industry mean.
6. The working capital turnover ratio of SAIL has been higher than industry average during 2005-2007 indicating SAIL has utilized its working capital more efficiently than industry. During 2008-09 and 2009-10, SAIL has been lesser efficient in using its working capital compared to industry. Very high and Negative WTR indicates very low or negative working capital during this period. The higher value of significance (Sig. > 0.05) in table 6.26 shows that mean WTR of SAIL is not significantly different from Industry mean.

7. Debt to equity ratio of SAIL has been higher than industry average Debt to Equity Ratio during the study period. Average DER of SAIL (1.16 times) has been higher as compared to the industry average DER (0.89 times). The lower value of significance (Sig. > 0.05) in table 6.26 shows that mean DER of SAIL is significantly different from Industry mean.

8. The interest coverage ratio of SAIL has been higher than industry average during the study period. Mean ICR of SAIL (19.77 times) has been much higher than mean industry average ICR (3.79 times) indicating better financial health of SAIL. The lower value of significance (Sig. > 0.05) in table 6.26 shows that mean ICR of SAIL is not significantly different from Industry mean.

7.1.3 Findings on the basis of multiple regressions Analysis

1. It can be seen from table 6.21 that three variables are individually contributing to the variations in return on capital employed when influence of other variables are kept constant. The t statistics and significance (p) values give a rough indication of the impact of each predictor variable namely, Current ratio, Debt to equity Ratio and Inventory turnover ratio, on predicted variable Return on Capital Employed. However, it can be observed that Regression coefficient of CR is statistically insignificant at 5% level of significance (Sig. > 0.05) while Regression coefficients of DER and ITR are statistically significant (Sig. > 0.05). The R square value in terms of these variables is 94.4%. Overall ANOVA results and P value is less than 0.05 (p < 0.05). Hence, the model is statistically significant.
2. It can be seen from table 6.22 that three variables are individually contributing significantly to the variations in return on Assets, when influence of other variables is kept constant. The t statistics and significance (p) values give a rough indication of the impact of each predictor variable, namely Current ratio, Debt to equity Ratio and Inventory turnover ratio, on predicted variable Return on Assets. Regression coefficients of CR, DER and ITR are statistically significant (Sig. > 0.05). The R square value in terms of these variables is 96.3%. Overall ANOVA results and P value is less than 0.05 (p < 0.05). Hence, the model is statistically significant.

3. It is revealed from table 6.23 that three variables are individually contributing to the variations in the Economic Value Added of SAIL when influence of other variables is kept constant. The t statistics and significance (p) values give a rough indication of the impact of each predictor variable, namely Current ratio, Debt to equity Ratio and Inventory turnover ratio, on Predicted variable EVA. However, it can be observed that Regression coefficient of DER is statistically insignificant at 5% level of significance (Sig. > 0.05) while Regression coefficients of CR and ITR are statistically significant (Sig. < 0.05). The R square value in terms of these variables is 96.9%. Overall ANOVA results and P value is less than 0.05 (p < 0.05). Hence, the model is statistically significant.

4. It is found from table 6.24 that three variables are individually contributing significantly to the variations in the Market Value Added of SAIL when influence of other variables are kept constant. The t statistics and significance (p) values give a rough indication of the impact of each predictor variable, namely Return on Capital Employed, Economic Value Added and Market to book Value Ratio on predicted variable. It can be observed that Regression coefficient of ROCE, EVA and MBR are statistically significant (Sig. > 0.05). The R square value in terms of these variables is 93.8%. Overall ANOVA results and P value is less than 0.05 (p < 0.05). Hence, this model is statistically significant.
7.1.4 Findings on the basis of Correlation analysis

1. It is evident from table 6.25 that the value of Pearson coefficient of correlation between Economic value added and Return on Capital employed is 0.946, indicating high degree of correlation between EVA and ROCE. The coefficient of correlation between EVA and ROCE is significant at 1% level of significance.

2. It can be seen from table 6.25 that the value of Pearson coefficient of correlation between Economic value added and Return on Equity is 0.946, indicating high degree of correlation between EVA and ROE. The coefficient of correlation between EVA and ROE is significant at 1% level of significance.

3. Table 6.25 depicts the value of Pearson coefficient of correlation between Economic Value Added and Return on Assets as 0.971, indicating high degree of correlation between EVA and ROA. The coefficient of correlation between EVA and ROA is significant at 1% level of significance.

4. As depicted in table 6.25, the value of Pearson coefficient of correlation between Economic value added and Earning Per Share is 0.948, indicating high degree of correlation between EVA and EPS. The coefficient of correlation between EVA and EPS is significant at 1% level of significance.

7.1.5 General findings

1. India has become the world’s fourth largest producer of crude steel in 2014, preceded only by China, Japan and USA. However, in 2014 India accounted for only 5% of total world crude steel production while China accounted for 49% of total world crude steel production followed by Japan (6.7%) and US (5.3%).

2. In 2014, per capita consumption of steel in India was only 59.4 kg as against the world average of 216.6 kg showing that despite of being fourth largest producers of crude steel in the world, India is lagging behind other major steel producing countries in terms of per capita consumption of steel.
3. The private sector of steel industry is currently playing an important role in production and growth of steel industry in India. It can be concluded that the trend percentage of public sector is in declining stage when compared to private sector. Share of public sector has declined from 41% in 2003-04 to 21% in 2013-14.

4. The production of crude steel in India showing a constant rise with the rise in installed capacity of production but capacity utilization has decline from 91% in 2005-06 to 81% in 2013-14.

5. India has been net importer of steel in most of the years during last decade. In 2014-15, India imported 9.3 Mt of steel, an increase of 71% in comparison to 2013-14 while it exported a mere 5.5 Mt steel, a decrease of 6.5% in comparison to 2013-14.

6. Currently, Global Steel Industry is facing challenge of surplus steel production capacity and slow demand growth which have led to decline in steel prices and have impacted steel industries of many countries by oversupply of steel in global market.

7. Currently, Indian steel industry is facing challenge of cheap imports from China, Japan, South Korea & Russia. Because of these cheap imports, price of steel has declined and the domestic steel industry, with higher borrowing and raw material cost and lower productivity, is at a comparative disadvantage.

7.2. CONCLUSION BASED ON FINDINGS OF THE STUDY

The profitability ratios show that overall profitability of SAIL has been positive during study period. However, the profitability of SAIL has declined over the period of study. The gross profit margin of SAIL has been in fluctuating trend because of changes in prices of raw material which leads to fluctuations in cost of goods sold while the operating profit margin is much lower than the gross profit margin indicating increase in operating expenses over the study period. The current ratio and quick ratio of SAIL represents the ability of the company to pay the short-term liabilities. The short term solvency position or liquidity position of SAIL was not
good during study period as current ratio and quick ratio were lower than standard norms. Negative working capital in last year of study indicates more current liabilities than current assets. Therefore, it can be concluded that liquidity position of SAIL deteriorated during study period and it may become worst in near future where SAIL may not be able to honour its short term obligations, so liquidity is the area where sincere attention is required. Long term solvency position of SAIL has been satisfactory during study period. The overall debt equity ratio indicates that company has more debt capital than equity capital indicating that SAIL is exploring the trading on equity advantages but because of declining profit and increase in interest charges, interest coverage of SAIL has decline. Although, SAIL is earning enough profit to cover its financial charges but proper attention is required in this area.

From the Findings of the study it is concluded that the management efficiency of SAIL has declined over the study period. Asset turnover ratio of SAIL has declined indicating that SAIL has not been able to utilize the resources effectively. Asset turnover of SAIL has been lower than industry average. Decline in inventory turnover ratio indicated that increased stock could not be used to increase the sale. Decline in account receivable turnover ratio brought the conclusion that debtors management of SAIL has weaken over the study period.

On the basis of findings, researcher also concluded that Market valuation of SAIL has decline over the period of study. Further, the financial performance measures used in the study, i.e. Return on capital employed, Economic Value Added and Market Value Added, have been in declining trend during study period which brought the conclusion that overall financial performance of SAIL was satisfactory during initial years of the study but deteriorated in subsequent years.

It is also concluded that global economic recession of 2008 has impacted financial performance of Indian steel industry including SAIL. Also the current problem of global surplus steel production capacity and slow demand growth have impacted steel industries of many countries by oversupply of steel in global market. Currently, Indian steel industry is facing challenge of cheap imports from China, Japan, South Korea & Russia. Because of these cheap imports, price of steel has declined and the domestic steel industry, with higher borrowing and raw material cost and lower productivity, is at a comparative disadvantage.
7.3 SUGGESTIONS

On the basis of the findings of study, following suggestions may be offered in order to improve financial performance of Steel Authority of India Limited.

7.3.1 Suggestions for improving the Liquidity position of SAIL.

1. Liquidity is an area which needs sincere attention in the case of SAIL. Current ratio of SAIL indicates poor liquidity position especially during last years of the study. Current ratio of SAIL was below the industry average and standard norm. It may be suggested that the company must reduce the amount of current liabilities and/or increase the amount of current assets up to a reasonable level.

2. The liquid assets of SAIL were insufficient. Liquid ratio of SAIL was below the industry average. The company must maintain adequate amount of liquid assets in order to meet short-term commitments and emergency requirements.

3. Liquidity management is an area which needs serious attention for the companies having negative net working capital. The management of SAIL should take every possible effort to resolve their present working capital crisis. The management should maintain a reasonable level of current assets and current liabilities to improve the overall liquidity position of the company. It can be done by reducing excessive burden of current liabilities and or by increasing the level of current assets depending upon the requirements.

7.3.2 Suggestions for improving the Leverage/solvency position of SAIL.

1. The debt-equity ratio of SAIL has been a little higher as compared to the standard norm and industry average during the study period. The Debt to equity position of the company has been satisfactory as this proportion is acceptable for a manufacturing company. It may be suggested that SAIL may maintain its capital structure but SAIL should avoid using more long term debt.
2. The Interest Coverage Ratio of the company was highly satisfactory during the initial years of the study but it declined during the last years of the study due to decline in the earning capacity of SAIL. Higher debt in capital structure and decline in profitability exposed the SAIL to higher financial risk. Therefore, it is suggested that SAIL should take caution in using long term debt fund and SAIL is advised to reduce debt burden in order to avoid financial distress.

7.3.3 Suggestions for improving the management efficiency of SAIL.

1. Profitability of any business depends on the effective utilization of its assets. SAIL need to maintain the assets turnover at a healthy level. TATR of SAIL has been lower than the industry average during study period. SAIL suffers from under-utilization of its assets. It may be due to shortage of working capital, shortage of raw material and other inputs, labour problem, product obsolescence, failure in marketing function, defective pricing policy etc. On the basis of findings related to Asset management of SAIL, the management of the company is advised to detect the reasons and make possible effort to solve them as far as practicable.

2. Inventory Turnover Ratio of SAIL have declined over the period of study indicating that SAIL has not been able to efficiently use the increase in inventory stock over the period of the study. On the basis of findings related to Inventory management of SAIL, it is suggested that the level of inventory should be fixed up scientifically in order to avoid the problem of understocking and over-stocking. Marketing functionary should be strengthened to improve the sales, demand should be forecasted scientifically, inventory for slow moving items should be reduced accordingly and inventory control techniques should be used to avoid over accumulation of inventory.

3. Account Receivable Turnover Ratio indicates the efficiency of credit collection and effective credit policy. Study revealed that debt management efficiency of SAIL has declined over the period of study. Therefore, receivable management of SAIL needs serious attention by the management. On the basis of findings related to Debtors management of SAIL, the management of SAIL is advised to review their credit and collection policy.
Further, it is suggested that management should reduce the credit period, should review the over dues periodically and should strengthen the debt collection efforts.

4. Study revealed that the operating expense ratio of SAIL increased over the period of study indicating decline in the operational efficiency of management and rise in the operational expenses over the period of study, particularly increase in raw material prices, power & fuel cost and higher provisions for pay hikes & revision in actuarial liability pertaining to gratuity and leave encashment benefits. It is advised that SAIL should reduce its operating expenses by focusing on cost management and improving operational efficiency.

5. It was found from the analysis that working capital turnover ratio of SAIL was exceptionally very high or negative during last years of study, indicating a very low maintenance of working capital or negative working capital in the last years of the study. Therefore, on the basis of findings related to working capital management of SAIL it is suggested that management should maintain a reasonable level of current assets and current liabilities and should utilize its working capital efficiently to generate the sale.

7.3.4 Suggestions for improving the profitability of SAIL

1. Gross profit ratio of SAIL has been in fluctuating trend during study period. In some years GPR decreased due to increase in cost of goods sold particularly increase in the prices of raw materials. Therefore, effective cost management is advised to improve profitability of SAIL.

2. The Operating profit margin & net profit margin of SAIL have been much lesser than gross profit margin indicating higher operating cost. SAIL is suggested to reduce operating expenses to improve the profitability.

3. Multiple regression analysis revealed that liquidity, solvency and management efficiency have significantly impacted profitability of SAIL. Therefore, SAIL
is suggested to improve in these areas as suggested above to improve
profitability of business.

7.3.5 Suggestions for improving the market valuation of SAIL

1. Dividend payout ratio of SAIL declined over the period of study. Decline in dividends paid discourage the investors, and the stock price usually depreciates as investors seek other dividend-paying stocks. It is suggested that SAIL should maintain a stable dividend payout ratio to indicate a stable dividend policy in order to appreciate the stock prices and ultimately the market valuation of SAIL.

2. The Earning Per Share of SAIL has been higher during the initial years of the study but declined during subsequent years. It is an indication of low return per share of the company. A lower ratio is the indication of the lower capacity of the concern to pay dividend to its equity share holders, which in turn results in declining of market price of SAIL’s share. Therefore, SAIL is suggested to increase its earnings to improve its market valuation.

3. Price Earnings Ratio shows investors expectation for future earnings. Higher P/E ratio indicates higher expectation of investors for future growth in earnings. P/E ratio of SAIL showed a mixed trend during study period, it declined during the last years of study indicating negative future expectation for earnings by the investors. Market to Book value Ratio of SAIL was less than one during last two years of study indicating market was willing to pay less than book value per share. SAIL is advised to improve its financial performance in order to improve its market valuation.

4. Market valuation of a company may be increased with the help of innovation. Innovation may be in the form of new product, development in existing product, new technology of production to reduce cost, new market to sell the product or new supplier of raw material for regular supply at reduced price. SAIL has Research & Development Centre for Iron & Steel (RDCIS) at Ranchi for development of improve processes and products. It is suggested
that SAIL should enhance its R&D activities and increase its R&D expenditure.

5. Capital structure of a company may impact its market valuation. SAIL is suggested to maintain typical debt to equity ratio for steel industry as investors may compare capital structure of SAIL with best practices in the industry.

6. Strong customer relationship helps the companies to protect existing market share and to expand it further. SAIL is advised to maintain strong customer relationship as a satisfied customer helps in gaining market share through words of mouth without any marketing expense.

7. SAIL is suggested to hire skilled and dedicated employees as it reduces turnover and training expenses.

7.3.6 Suggestions for improving the Economic Value added and Market Value added of SAIL

1. Economic Value added is correlated with the traditional performance measures and it is used as a measure of financial performance. It is clear from the result of multiple linear regression analysis that liquidity, solvency and management efficiency have significantly impacted Economic Value Added of SAIL. Therefore, SAIL is suggested to improve in these areas as suggested above to improve EVA of business.

2. Multiple regression analysis revealed that profitability, Economic Value Added and market valuations have significantly impacted Market Value Added of SAIL. Therefore, SAIL is suggested to improve in these areas as suggested above to improve profitability of business.

7.3.7 General Suggestions

1. Despite the global over capacity of steel production, domestic demand for steel will continue to grow. Therefore, efforts are needed from all stakeholders to make use of this demand side opportunity.
2. Imposing provisional safeguard duty, tariffs and minimum import price are not enough. Government of India should take more measures to stall cheap imports of steel.

3. Competitiveness is important for survival and success of steel companies. Therefore, Steel companies should themselves identify ways to adapt to the changing market conditions.

4. The Indian Government should provide an enabling environment for industry to meet the challenges of land acquisition, regulatory approvals and infrastructure access. Land acquisition is needed to be smooth, railways should be upgraded to deal with increased volumes and port efficiency & capacity should be enhanced.

5. Because of declining profitability and stressed balance sheets, availability of capital at reasonable costs is a challenge for steel companies in India. The Government should create a supportive environment for investors, lenders so that the steelmakers can raise the capital at reasonable costs.

6. Government should ensure availability of raw materials for steel industry at competitive price. This Required diversifying sources of raw material like joint ventures with global miners, vertical integration etc. Infrastructure should be improved to facilitate imports of raw materials. Further, to manage the volatility, financial derivatives market for steel and raw materials should be developed.

7. Government should take more steps to attract investment in sectors such as infrastructure & automobiles to increase steel consumption in the country.

8. Make in India campaign is expected to encourage steel consumption, now as steel industry is a capital intensive industry, Government of India should promotes investment to meet growing domestic demand.

9. Steel Industry should find ways to attract and retain talent, investment should be done in leadership and competency development and knowledge management should be strengthened to provide human capital to the sector.
7.4 SCOPE OF FURTHER RESEARCH

There is no such particular set of determinants that could influence financial performance of firms uniformly in any country, industry and institutional setup. Although, the present study has contributed significantly, there are various research issues, which have not been addressed in this study and need further investigation. In the present area of study, there is a scope for further research. The researcher suggests the following areas for further research:

1. The present study is restricted to Steel Authority of India Limited in steel industry alone. Hence, studies can be undertaken in other steel companies and a comparative study across companies can also be attempted.

2. For further studies, other financial performance measures can also be considered other than the measures considered in this study.

3. In this study, the impact of functional ratios were found on financial performance of SAIL, further studies may be undertaken to find impact of firm specific variables and macroeconomic variables on financial performance of firms.

4. Present study analyze financial performance of one public sector company in steel industry, further studies can be undertaken to compare financial performance of private and public sector enterprises in steel industry.