IMPACT AND ANALYSIS OF STEEL EXPORT WITH ITS IMPLICIT IN FOREX MANAGEMENT

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ABSTRACT

Steel industry was in the vanguard in the liberalization of the industrial Sector and has made rapid strides since then. The new Greenfield plants represent the latest in technology. Steel was discovered by the Chinese under the reign of Han dynasty in 202 BC till 220 AD. Prior to steel, iron was a very popular metal and it was used all over the globe. Even the time period of around 2 to 3 thousand years before Christ is termed as Iron Age as iron was vastly used in that period in each and every part of life. payout ratio, turnover ratio etc were used for financial analysis. Finally the study revealed that despite of the price drops in various products, the company has been able to maintain and grow its market share contributing to the strong financial position of the bank.

Keywords: *Industrial sector, technology, financial bank*

CHAPTER-1

1.1 INTRODUCTION OF THE DESIGN

Steel is crucial to the development of any modern economy and is considered to be the backbone of human civilization. The level of per capita consumption of steel is treated as an important index of the level of socioeconomic development and living standards of the people in any country. It is a product of a large and technologically complex industry having strong forward and backward linkages in terms of material flows and income generation. All major industrial economies are characterized by the existence of a strong steel industry and the growth of many of these economies has been largely shaped by the strength of their steel industries in their initial stages of development. Steel industry was in the vanguard in the liberalization of the industrial Sector and has made rapid strides since then. The new Greenfield plants represent the latest in technology. Output has increased, the industry has moved up i n the value chain and exports have raised consequent to a greater integration with the global economy. The new plants have also brought about a greater regional dispersion easing the domestic supply position notably in the western region. At the same time, the domestic steel industry faces new challenges. Some of these relate to the trade barriers in developed markets and certain structural problems of the domestic industry notably due to the high cost of commissioning of new projects. The domestic demand too has not improved to significant levels. The litmus test of the steel industry will be to surmount these difficulties and remain globally competitive.

Steel was discovered by the Chinese under the reign of Han dynasty in 202 BC till 220 AD. Prior to steel, iron was a very popular metal and it was used all over the globe. Even the time period of around 2 to 3 thousand years before Christ is termed as Iron Age as iron was vastly used in that period in each and every part of life. But, with the change in time and technology, people were able to find an even stronger and harder material than iron that was steel. Using iron had some disadvantages but this alloy of iron and carbon fulfilled all that iron couldn‘t do. The Chinese people invented steel as it was harder than iron and it could serve better if it is used in making weapons. One legend says that the sword of the first Han emperor was made of steel only. From China,

the process of making steel from iron spread to its south and reached India. High quality steel was being produced in southern India in as early as 300 BC. Most of the steel then was exported from Asia only. Around 9th century
AD, the smiths in the Middle East developed techniques to produce sharp and flexible steel blades. In the 17th century, smiths in Europe came to know about a new process of cementation to produce steel. Also, other new and improved technologies were gradually developed and steel soon became the key factor on which most of the economies of the world started depending.

1.2 STATEMENT OF THE PROBLEM

Indian steel industry was characterised by a high degree of technological efficiency. This technology was mainly from abroad. But during the following to decades after the oil,cris,costs of other inputs, reduced the margin of profit of the steel plants.

Lack of modern technological and capital inputs leads to a process of steel making variety of goods such a situation forces as to import better quality steel from aboard. Thus there is urgent need to improve the situation and take the country out of desperate position enhanced has been **"IMPACT AND ANALYSIS OF STEEL EXPORT WITH ITS IMPLICIT IN FOREX MANAGEMENT" .**

1.3.OBJECTIVE OF THE STUDY

- To identify the growth of the forex in Indian steel industry.
- To find and the stability of exchange rate in steel industry .
- To study the problems faced by Indian industry in Forex management.
- To earn revenue in the form of difference between selling and purchasing rates of rate of foreign exchange.

1.4 SCOPE OF THE STUDY

This research helps to understand the concept of steel industry on forex management and the problems that faced by the fullest extend it also helps in understanding the factors that reasonable for the smooth implementation on the system

1.5 LIMITATIONS OF THE STUDY

- Steel industry requires large capital investment which a developing country like India cannot afford.
- Indian steel industry was characterised by a high degree of technological efficiency.

1.6 RESEARCH METHODALOGY

1.6.1 RESEARCH OF THE STUDY

The research was undertaken with the title of "IMPACT AND ANALYSIS OF STEEL EXPORT WITH ITS IMPLICIT IN FOREX MANAGEMENT "

1.6.2 AREA OF THE STUDY

The research was conducted only on steel industry.

1.6.3 PERIOD OF STUDY

The steel industry performance has been collected and analysed for the purpose of analysing the performance of the market potential of steel industry and forex management.

1.6.4 SOURCE OF DATA

This piece of research depends entirely on the primary data collected for studying the above mentioned objective at various steel industry firms in India. However the secondary data were also collected from the information provided by the company

1.6.5PRIMARY DATA

Primary data is the first hand information that is obtained through experimentsurveys,etc. in this study the primary source data is obtained by issuing questionnaire. In various steel industry in Coimbatore.in questionnaire method the respondents are given questionnaire with a request to turn after completing the questionnaire.

CHAPTER – 2

REVIEW OF LITERATURE

INTRODUCTION

The objective of this chapter is to review the published literature in the relevant topics of financial performance analysis and to identify the gaps. It is necessary to review the existing relevant literature to investigate and study the problem at hand in a better way. Various studies relating to financial performance have been conducted in the past in India and abroad. However, it is neither possible nor useful to make reference to all such studies.

A brief review of some of the studies conducted in past is given below.

2.1 REVIEW OF LITERATURE BASED ON STEEL INDUSTRY

1.Arab, Masoumi&Barati (2015)[1] examined the financial performance of identified units in the steel industry in India in terms of financial ratios under Liquidity, Solvency, Activity and Profitability. A group of companies listed in the stock exchanges in India namely, Tata Steel Ltd., Jindal Steel & Power Ltd., JSW Steel Ltd., Bhushan Steel Ltd. and Steel Authority of India Ltd. were selected for the study. ANOVA was used to evaluate the impact of selected variables on the financial performance of identified units in the steel industry.

2.**Takeh&Navaprabha (2015)** to analyze the impact of capital structure on financial performance of selected Indian steel companies for a period from 2007 to 2012. Multiple regression model, correlation matrix, ANOVA and descriptive statistics were used for data analysis. OPM, ROA, ROE and ROCE were used as indicators of financial performance (dependent variables) while TDER, TADR, ICR and FDR were used as indicators of capital structure (independent variables). The result indicated that capital structure had significantly impacted financial performance of Indian steel Industry. Correlation results confirmed negative relationship between capital structure and financial performance measures.

3.Sinku& Kumar (2014) attempted to review the financial performance of Steel Authority of India Limited (SAIL). The study was purely based on secondary data conducted for a period of five years from 2005-06 to 2009-10. The data were tabulated, analyzed and interpreted with the help of various financial ratios and Multivariate Discriminate Analysis (MDA) developed by Prof. Edward I. Altman (1968). It was observed from the analysis of various ratios that the profit earning capacity, liquidity position and long-term solvency position of SAIL was quite good during the study period and the level of bankruptcy position was also very low.

payout ratio, turnover ratio etc were used for financial analysis. Finally the study revealed that despite of the price drops in various products, the company has been able to maintain and grow its market share contributing to the strong financial position of the bank.

1.Arab, Masoumi&Barati (2015)[1]

11.**Chandrashekaran, Manimannan&Priya (2013)** made an attempt to analyze financial performance of private and public sector companies from five major industries in India over a period of ten years from 2001 to 2010. Factor analysis, k-means clustering, discriminate analysis and perceptual techniques were used for data analysis. The selected companies were divided into three categories i.e. H-class (high performance), M-class (moderate performance) and L-class (lower performance). Results of analysis revealed that financial analyst can make use of these techniques and companies can project their performance on the basis of financial ratios that were considered in the study.

Figure 2: Procedure followed for development of safety index

CHAPTER -3

OVEREVIEW OF THE STEEL INDUSTRY

3.1 THE GLOBAL STEEL INDUSTRY:

The current global steel industry is in its best position in comparing to last decades. The price has been rising continuously. The demand expectations for steel products are rapidly growing for coming years. The shares of steel industries are also in a high pace. The steel industry is enjoying its 6th consecutive years of growth in supply and demand. And there is many more merger and acquisitions which overall buoyed the industry and showed some good results. The supreme crisis has lead to the recession in economy of different countries, which may lead to have a negative effect on whole steel industry in coming years. However steel production and consumption will be supported by continuous economic growth.

3.2 CONTRIBUTION OF COUNTRIES TO GLOBAL STEEL INDUSTRY:

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

Steel has been the key material with which the world has reached to a developed position. All the engineering machines, mechanical tools and most importantly building and construction structures like bars, rods, channels, wires, angles etc are made of steel for its feature being hard and adaptable. Earlier when the alloy of steel was not discovered, iron was used for the said purposes but iron is usually prone to rust and is not so strong. Steel is a highly wanted alloy over the world. All the countries need steel for the infrastructural development and overall growth. Steel has a variety of grades i.e. above 2000 but is mainly categorized in divisions – steel flat and steel long, depending on the shape of steel manufactured. Steel flat includes steel products in flat, plate, sheet or strip shapes. The plate shaped steel products are usually 10 to 200 mm and thin rolled strip products are of 1 to 10 mm in dimension. Steel flat is mostly used in construction, shipbuilding, pipes and boiler applications. Steel long Category includes steel products in long, bar or rod shape like

3.3 DEMAND OF STEEL IN INDIA:

Driven a booming economy and concomitant demand levels, consumption of steel has grown by 12.5 per cent during the last three years, well above the 6.9 percent envisaged in the National Steel Policy.Steel consumption amounted to 58.45 mt in 2006-07 compared to 50.27 mt in 2005-06, recording a growth rate of 16.3 per cent, which is higher than the world average. During the first half of the current year, steel consumption has grown by 16 per cent. A study done by the Credit Suisse Group says that India's steel consumption will continue to grow by 17 per cent annually till 2012, fuelled by demand for construction projects worth US$ 1 trillion.

3.4 SUPPLY OF STEEL IN THE INDIAN MARKET:

Over the past ten years India‘s crude steel output rose nearly 7%per year to 55.3 million tons , while global crude steel output increased by 4% (Germany managed an increase of just under 1%p.a.) Although India is the world‘s eighth largest steel producer, its3%-plus share of global steel output is still very low; it is roughly the same as Ukraine‘s share of world steel production. China, the world‘s biggest steelmaker, produces nearly ten times as much as India. In 2005 India‘s crude steel output of 46.5 million tons was 8%higher than in 2004; only in China was the growth rate considerably higher at 15%. By contrast, production volumes fell in the US and the EU-25 by nearly 5% and roughly 4% respectively.

3.5 RISK FACTORS :

Even though India is now one of the world‘s top ten steelmakers its domestic output is insufficient to meet the demand in all segments. In 2005, some 4.7 million tons of steel were imported, compared with only 2.2 million ten years earlier (an annual increase of 8%). The growth in Indian import demand in 2005 of around 2 million tons is roughly equivalent to the total annual output of Hungary. Low steel prices smooth the way for imports from Russia, Ukraine and Kazakhstan. The geographical proximity of Japan, South Korea and China makes them important suppliers as well. We do not expect India to be self-sufficient in many segments over the medium term. There are several reasons for this: firstly, steel consumption is rising very fast as a consequence of the prospective dynamic economic growth. Secondly, there is demand for high-quality products which India will not be able to supply in sufficient quantities for the foreseeable future. These include products with surface finishing that helps them to be more durable and retain their value for longer. In general, the trend towards weight-optimized components persists; this improves the prospects for Western European exporters in the Indian market. As a member of the WTO (since 1995) India is obliged to gradually abolish import restrictions, so importing steel should be far less problematic in future.

3.6 STEEL PRODUCTION IN INDIA:

India is one of the few countries where the steel industry is poised for rapid growth.

India‘s share in world production of crude steel increased from 1.5% in 1981 to around 3.5 % in 2004. While plant closures and privatization are rare in India, the private sector is considered to be the engine of growth in the steel industry and technological changes and modernization are taking place in both the public and the private sector integrated steel plants in India. Steel production of India accounted for 14.33 million tons in 1990-91, which gradually increased to 36.12 million tonnes in 2003-04, as shown in Table III. The Indian steel industry got a giant importance in the recent past when the Tata Steel purchased the Corus steel. Today India plays a significant role in the production of steel in the world. The Indian steel industry is growing at 8.74 % of CAGR. Steel demand continued to remain upbeat in 2008-2009 with consumption of finished steel growing by a decent 6.8% during April-may 2008. During a same period import surged by a healthy 10 % to 0.7 million tonnes.While export reported a 33% decline to 0.6 million tonnes. While imports and consumption of finished steel reported a healthy rise, production of the steel continued to rise at a tepid pace.

3.12 ECONOMIES OF SCALE AND INTERNATIONAL TRADE:

Participating in foreign trade is considered an important way to reap advantages of unrealized potential of economies of scale. Usually, foreign trade is based on specialization— each country specializing in production of goods and services in which it has the comparative advantage. With the possibility of the benefits from economies of scale, there are advantages in engaging in specialization and foreign trade even if there is no difference among countries with respect to the economic efficiency with which they produce goods and services. As an example, suppose that a country may experience economies of scale in producing a particular commodity (for instance, steel). However, this country is producing this commodity at such a low output level that the

average cost per unit of the output is high. Due to the high average cost it does not have the comparative advantage in exporting this product to foreign countries.

3.13 EXPORT AND IMPORT OF STEEL FROM INDIA

The steel exports of India over the decade have the compounded annual growth rate (CAGR) of 22.27% against CAGR of imports of steel, which accounted 14.20% in the respective period. In 1991-92, very inception of the Liberalization, the steel exports amounted to 368 thousand tons, which increased year-by-year and reached to 5221 thousand tonnes in 200304. It accounted for thirteen-fold increase over the period. The Annual growth rates of exports of steel for the period showed the fluctuating trend, which ranged between – 14.41% in 1994-95 and 101.36 in 1992-93. In 2003-04, the growth rate was 15.87 %.

3.14 EXPORTS OF IRON & STEEL

- Iron & Steel are freely exportable.
- Advance Licensing Scheme allows duty free import of raw materials for exports.
- Duty Entitlement Pass Book Scheme (DEPB) introduced to facilitate exports. Under this scheme exporters on the basis of notified entitlement rates, are granted due credits which would entitle them to import duty free goods. The DEPB benefit on export of various categories of steel items scheme has been temporarily withdrawn from 27th March 2008, to increase availability in the domestic market.
- Exports of finished carbon steel and pig iron during the last four years and the current year is as :

3.14 MAJOR PLAYERS OF STEEL IN INDIA:

1.Public Sector

Steel Authority of India Limited (SAIL)

Steel Authority of India Limited (SAIL) is a company registered under the Indian Companies

Act, 1956 and is an enterprise of the Government of India. It has five integrated steel plants at Bhilai (Chattisgarh), Rourkela (Orissa), Durgapur (West Bengal), Bokaro (Jharkhand) and Burnpur (West Bengal). SAIL has three special and alloy steel plants viz. Alloy Steels Plant at Durgapur (West Bengal), Salem Steel Plant at Salem (Tamilnadu) and Visvesvaraya Iron & Steel Plant at Bhadravati (Karnataka). In addition, a Ferro Alloy producing plant Maharashtra Elektrosmelt Ltd. at Chandrapur, is a subsidiary of SAIL. SAIL has Research & Development Centre for Iron & Steel (RDCIS), Centre for Engineering & Technology (CET), SAIL Safety Organisation (SSO) and Management Training Institute (MTI) all located at Ranchi; Central Coal Supply Organisation (CCSO) at Dhanbad; Raw Materials Division (RMD), Environment Management Division (EMD) and Growth Division (GD) at Kolkata. The Central Marketing Organisation (CMO), with its head quarters at Kolkata, coordinates the country-wide marketing and distribution network.

Hindustan Steelworks Construction Ltd. (HSCL)

HSCL was incorporated in June 1964 with the primary objective of creating in the Public

Sector an organization capable of undertaking complete construction of modern integrated Steel Plants. HSCL had done the construction work of Bokaro Steel Plant, Vizag Steel Plant and Salem Steel Plant from the inception till commissioning and was associated with the expansion and modernization of Bhilai Steel Plant, Durgapur Steel Plant, IISCO (Burnpur) and also Bhadravati Steel Plant. With the tapering of construction activities in Steel Plants, the company intensified its activities in other sectors like Power, Coal, Oil and Gas. Besides this, HSCL diversified in Infrastructure Sectors like Roads/Highways, Bridges, Dams, Underground Communication and Transport system and Industrial and Township Complexes involving high degree of planning, co-ordination and modern sophisticated techniques

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MECON is one of the leading multi-disciplinary design, engineering, consultancy and contracting organization in the field of iron & steel, chemicals, refineries & petrochemicals, power, roads & highways, railways, water management, ports &harbors, gas & oil, pipelines, non ferrous, mining, general engineering, environmental engineering and other related/ diversified areas with extensive overseas experience. MECON, an ISO: 9001- 2000 accredited company, registered with World Bank (WB), Asian Development Bank (ADB),

European Bank for Reconstruction and Development (EBRD), African Development Bank (AFDB), and United Nations Industrial Development Organization (UNIDO), has wide exposure and infrastructure for carrying out engineering, consultancy and project management services for mega projects encompassing architecture & town planning, civil works, structural works, electric, air conditioning & refrigeration, instrumentation, utilities, material handling & storage, computerization etc. MECON has collaboration agreements with leading firms from the USA, Germany, France, Italy, Russia, etc. in various fields. The authorized share capital of the company is Rs. 10,400 lakh (previous year Rs. 4,100 lakh) against which the paid up capital is Rs. 10,313.84 lakh (previous year Rs. 4,013.84 lakh). All the shares are held by the Government of India.

2.Private Sector

The private sector of the Steel Industry is currently playing an important and dominant role in production and growth of steel industry in the country. Private sector steel players have contributed nearly 67% of total steel production of 38.08 million tonnes to the country during the period April-December, 2007. The private sector units consist of both major steel producers on one hand and relatively smaller and medium units such as Sponge iron plants, Mini Blast Furnace units, Electric Arc Furnaces, Induction Furnaces, Rerolling Mills, Coldrolling Mills and Coating units on the other. They not only play an important role in production of primary and secondary steel, but also contribute substantial value addition in terms of quality, innovation and cost effective.

(A)TATA STEEL LTD.

Tata Steel has an integrated steel plant, with an annual crude steel making capacity of 5 million tonnes located at Jamshedpur, Jharkhand. Tata Steel has completed the first six months of fiscal 2007-08 with impressive increase in its hot metal production. The hot metal production at 2.76 million tonnes is 4.6%more compared to the corresponding period of the previous year. The crude steel production during the period was 2.43 million tonnes which is marginally lower than the production of 2.45 million tonnes last year. The saleable steel production was at a lower level during the period April September, 2007 (2.34 million tonnes) compared to the corresponding period of last year (2.36 million tonnes).

Tata Steel is continuing with its programme of expansion of steel making capacity by 1.8 million tonnes to reach a rated capacity of 6.8 million tonnes. The Project is reported to be moving ahead of schedule and is likely to be commissioned by May 2008 against the original schedule of June 2008. The Company has planned to take the capacity to 10 million tonnes by the fiscal year 2010. Tata Steel‘s Greenfield projects in Orissa and Chattisgarh are progressing on schedule with placement of equipment order for Kalinganagar Project in Orissa and commencement of the land acquisition process. Jharkhand Project is awaiting announcement of Relief & Rehabilitation policy of the State Government.

(B)ESSAR STEEL LTD.

Essar Steel Holdings Ltd. (ESHL) is a global producer of steel with a footprint covering India, Canada, USA, the Middle East and Asia. It is a fully integrated flat carbon steel manufacturer—from iron ore to ready-to-market products. ESHL has a current global capacity of 8 million tonnes per annum (MTPA). With its aggressive expansion plans in India and other parts of Asia and North America, its capacity is likely to go up to 25 MTPA by 2012. Its products find wide acceptance in highly discerning consumer sectors, such as automotive, white goods, construction, engineering and shipbuilding. Essar Steel Ltd., the Indian Company of Essar Steel Holdings Limited, is the largest steel producer in western India, with a current capacity of 4.6 MTPA at Hazira, Gujarat, and plans to increase this to 8.5 MTPA. The Indian operations also include an 8 MTPA beneficiation plant at Bailadilla,

Chattisgarh which has world‘s largest slurry pipeline of 267 km to transport beneficiated Iron Slurry to the pellet plant, and an 8 MTPA pellet complex at Visakhapatnam. The Essar Steel

Complex at Hazira in Gujarat, India, houses the world‘s largest gas-based single location sponge iron plant, with a capacity of 4.6 MTPA. **JSW STEEL LTD.**

(C) JINDAL STEEL & POWER LTD. (JSPL)

Jindal Steel & Power Limited is one of the fast growing major steel units in the country. The Raigarh plant of JSPL has a present capacity of 1.37 million tonne per annum (MTPA) sponge iron plant, 2.40 MTPA Steel Melting Shop (SMS), 1.0 MTPA plant Mill, 2.30 sinter plant, 0.8 MTPA coke oven and a 330 Meg

SWOT ANALYSIS OF THE INDUSTRY:

Strengths

1. Availability of iron ore and coal
2. Low labour wage rates
3. Abundance of quality manpower
4. Mature production base

Weaknesses

1. Unscientific mining
2. Low productivity
3. Coking coal import dependence
4. Low R&D investments
5. High cost of debt
6. Inadequate infrastructure

Opportunities

1. Unexplored rural market
2. Growing domestic demand
3. Exports
4. Consolidation

Threats

1. China becoming net exporter
2. Protectionism in the West
3. Dumping by competitors.

CHAPTER –IV
ANALYSIS AND INTERPRETATION

TABLE4.2. SHOWING THEGENDER OF THE RESPONSE

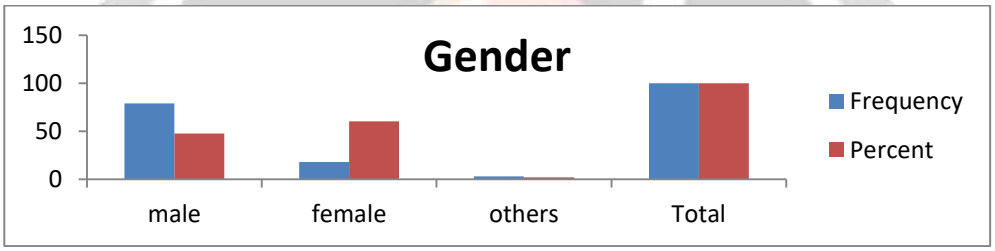
Gender	Frequency	Percentage
male	79	60.2
female	18	49.8
others	3	1.8
Total	100	100.0

INTERPRETATION

Table 4.1 reveals that 47.6 of the respondents were in the male group of the female 60.2.% of the respondents were gender group of the others 1.8.% of the respondents

.Thus it can be conclude that Majorityof the respondents belongs to above male group of the gender.

CHART4.1 SHOWING THE AGE RESPONSE



CONCLUSION

In the above study it is been seen that the overproduction in china is affecting most of the companies in India due to its heavy export of any surplus it produces, China producing more than half of the world steel form 15% in 2003 has grown mostly because of selling steel at a lower price as it is seen in the regression table that the overproduction in china is heavy indicator of steel prices of exports from china.