

GROWTH OF SELECTED INDIAN STEEL COMPANIES

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Received: February 18, 2019

Accepted: March 31, 2019

ABSTRACT: : In the present study we have found that the growth rate of Indian steel industry observed that there is a high rate of growth of capital (9.58 per cent) along with labour (3.97 per cent) across companies in 2000 to 2016, but then this is by no means dramatic. As we would have expected, there is also a rise in output (-3.53 per cent). The growth rate of these indicators suggested that there will not be an increasing employment opportunities in the capital intensive industry like steel.

Key Words:

INTRODUCTION

The iron and steel industry is one of the most important industries in India. During 2014 through 2016, India was the third largest producer of raw steel and the largest producer of sponge iron in the world. The industry produced 91.46 million tonnes of total finished steel and 9.7 million tons of raw iron. Most iron and steel in India is produced from iron ore. The Indian Ministry of Steel is concerned with: the coordination and planning of the growth and development of the iron and steel industry in the country, both in the public and private sectors; formulation of policies with respect to production, pricing, distribution, import and export of iron and steel, ferro alloys and refractories; and the development of input industries relating to iron ore, manganese ore, chrome ore and refractories etc., required mainly by the steel industry.

REVIEW OF EARLIER STUDIES

Neogi and Ghosh (1998) observed the impact of liberalisation on the performance of selected Indian industries at the firm level. The performance indicators chosen for this analysis are growth of value added, capital intensity, partial productivity indicator and total factor productivity. This study also found the performance of these industries in terms of inter-temporal changes in efficiency from 1989 to 1994. The study concluded that productivity growth and efficiency level have not improved as per expectation during the post-reform period and the distribution of efficiency is skewed. However, the time period is not long enough to reach any final conclusion.

Kandasamy and Mahesh (2011) revealed that the steel authority of India limited maintain overall control the liquidity position of current assets and all the relevant techniques of liquidity management are satisfied during the study period. The study has been covered period from 2000-01 to 2009-10. The spearman's rank correlation analysis between liquidity and profitability and concluded that the computed 't' value of 2.844 was more than the table value of 't' 2.306. Hence, the null hypothesis was rejected which means that there was a significant correlation between liquidity and profitability of steel authority of India limited.

Venkatesan and Nagarajan (2012) observed the profitability level should maintain at increasing level in order to overcome this problem. The data was purely based on secondary profitability position is major determined by the direct and indirect expenses and two away ANOVAs of ROI of selected steel company. Visa's financial position has a negative result of the study period, it was the drawback to get lost position in their analysis.

Nripinder Kaur and Harpreet Kaur (2018) studied the growth of Indian steel industry covers 13 financial years started from 2004-05 to 2016-17. The total production for sale of finished steel showed an increasing trend except in 2015-16. Compound growth rate of total finished steel was 7.39 per cent. The study concluded that private sector performed better than the public sector in the case of production of finished steel.

DATA AND METHODOLOGY**DATA**

The study is based on the secondary data collected from the electronic data base “PROWESS” compiled by the Centre for Monitoring Indian Economy (CMEI). The data base consists of data on various aspects of Indian manufacturing and is compiled from the annual reports submitted by the firms. The sample consists of 27 Indian steel companies between 2000 and 2016, with a total of 690 observations¹ and the market share of 55 per cent of the total industry sales.

PERIOD OF THE STUDY

The required data was collected for the period 2000 to 2016; the latest year for which the complete set of data available and thus the study covers a period of 17 years.

METHODOLOGY**GROWTH MODEL**

Growth is studied with reference to annual growth rates computed based on the compound interest rate formula adopted by the World Bank using the least square methods.

The least squares growth rate ‘r’ is estimated by fitting a least squares linear regression trend line to the logarithmic annual values of the variable in the relevant period. More specifically, the regression equation takes the form

$$\text{Log } X_t = a + bt + e_t$$

where this is equivalent to the logarithmic transformation of the compound growth rate equation

$$X_t = X_0 (1+r)^t$$

In these equations, ‘X’ is the variable, ‘t’ is time period and $a = \log X_0$ and $b = \log (1+r)$ are the parameters to be estimated, ‘e’ is the error term. If b^* is the least squares estimates of ‘b’ then the average annual percentage growth rate ‘r’ is obtained as $(\text{antilog } b^*) - 1$ and multiplied by 100 to express it as percentage.

RESULTS AND DISCUSSION

The table 1 presents the growth rate of Indian steel industry during the period 2000 to 2016. The growth rate of capital was higher at 9.58 per cent followed by labour at 3.97 per cent and output observed negative value at 3.53 per cent in the Indian steel industry. The output growth mainly has driven by the growth of capital rather than the capital. The steel industry observed in the reform process is using more labour saving bias in other wards the industry shifted to capital intensive technology during the period under review. In output, the growth rate was high in J S W Steel Limited at 16.95 per cent thus recorded high growth of 27.81 per cent in labour than that of lower in 20.57 per cent of capital.

Table 1
Growth Rate of Indian Steel Industry during 2000 to 2016

Companies	Output	Labour	Capital
Avon Ispat & Power Ltd.	-7.91	-5.62	-1.45
Beekay Steel Inds. Ltd.	5.87	18.11	22.48
Bhushan Steel Ltd.	8.11	18.59	29.18
Gontermann-Peipers (India) Ltd.	-14.96	-4.17	-7.42
India Steel Works Ltd.	5.13	11.53	17.21
J S W Steel Ltd.	16.95	27.81	20.57
Mahindra Steel Service Centre Ltd.	-1.20	14.57	10.84
Modern Steels Ltd.	-3.34	5.28	9.32
Mukand Ltd.	-2.00	0.24	8.30
National General Inds. Ltd.	-11.43	-0.33	11.73
Panchmahal Steel Ltd.	-9.13	-1.59	6.04
Pennar Industries Ltd.	1.97	-10.59	20.53
Prakash Industries Ltd.	-0.76	8.49	6.03
Rashtriya Ispat Nigam Ltd.	-3.36	5.42	2.16

¹ Firms for which unacceptable values were recorded for certain variables, such as negative or zero values for fixed assets, and those for which a continuous time series was unavailable were subsequently excluded from the sample.

Rathi Bars Ltd.	-1.75	20.55	12.95
Rathi Steel & Power Ltd.	-16.16	5.03	23.35
Real Strips Ltd.	0.89	12.74	13.96
Shah Alloys Ltd.	-17.80	0.31	9.52
Sharda Ispat Ltd.	-14.49	-7.96	-7.37
Shivalik Bimetal Controls Ltd.	-2.46	6.79	10.07
Shri Bajrang Alloys Ltd.	-9.89	-6.55	3.62
Steel Authority Of India Ltd.	-1.44	0.88	3.08
Steelco Gujarat Ltd.	-11.94	-1.93	-0.51
Sunflag Iron & Steel Co. Ltd.	-0.73	6.17	4.61
Tata Steel Ltd.	6.03	0.64	7.36
Tulsyan N E C Ltd.	1.17	5.52	14.35
Vardhman Industries Ltd.	-10.80	-22.74	8.17
Steel Industry	-3.53	3.97	9.58
Note:-Compound Growth Rates are presented in the table.			
Source: CMIE: Centre for Monitoring Indian Economy PROWESS database.			

Among the companies the maximum growth rate of labour was found in JSW Steel Limited at 3.97 per cent followed by 20.55 per cent in Rathi Bars Limited and 18.59 per cent in Bhushan Steel Limited during the study period. The minimum growth rate of labour was evidenced by Mukand Limited at 0.24 per cent.

In case of capital, the highest growth rate was found in Bhushan Steel Limited at 29.18 per cent followed by Rathi Steel and Power Limited at 23.35 per cent and by Beekay Steel Industries Limited at 22.48 per cent. The lowest capital growth rate was reported in Rashtriya Ispat Nigam Limited at 2.16 per cent. The highest de-growth was observed in Gontermann-Peipers (India) Limited at (-) 7.42 per cent during the year 2000 to 2016.

There are 19 companies registered de-growth in output, in case of labour the number has decreased to nine companies, evidenced jobless growth of the industry while 4 companies were de-growth of the capital in the Indian steel industry during the study period. The growth rate was higher in 14 companies in labour and 12 companies in capital whereas 17 companies in output of industry average during the study period.

CONCLUSION

In the present study we have found that there is a high rate of growth of capital (9.58 per cent) along with labour (3.97 per cent) across companies in 2000 to 2016, but then this is by no means dramatic. As we would have expected, there is also a rise in output (-3.53 per cent). The growth rate of these indicators suggested that there will not be an increasing employment opportunities in the capital intensive industry like steel.

We also observed the result that 9 out of 27 steel companies found negative or slow growth in labour, which can be observed in Indian manufacturing in the 1990s, is frequently described as 'jobless growth'. Further, the negative growth of labour is the consequence of labour-saving technological advancements in Indian manufacturing, as evidenced by impressive accumulations of capital.

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