



DEBT-EQUITY RATIO AND BUSINESS PERFORMANCE AT JSW STEEL

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ABSTRACT: The Debt-Equity Ratios and Business Performance research aims to investigate how JSW Steel's capital structure and financial leverage impacted the company's operational performance and profitability. An essential component of any comprehensive financial analysis is looking at a company's debt-to-equity ratio. One indicator of how a business finances its assets is the debt-to-equity ratio. The primary objective of this investigation is to look at the connection between JSW Steel's debt-to-equity ratio and important performance metrics including return on equity, net profit margin, and earnings per share. The research also examines JSW Steel's performance throughout time. Finding out how the company maximizes shareholder value, reduces debt, maintains growth, and manages risk and return is the main objective of the research. The research demonstrates how debt impacts business performance using financial ratio analysis and performance evaluation techniques. This has improved our understanding of JSW Steel's financial strategy and long-term sustainability objectives. The findings could be helpful to managers, investors, and anybody else who is worried about the company's financial stability and success in the fiercely competitive steel industry.

Keywords: *Capital Structure, Financial Leverage, Risk-Return Trade-off, Cost of Capital, Profitability Analysis, Shareholder Value*

1. INTRODUCTION

The debt-to-equity ratio, or D/E ratio, is one approach to gauge how much debt a company has compared to its equity. To put it another way, it's a gauge of how much stock investors have contributed to a business in relation to its overall debt. This makes it simple to determine if the business uses its own resources or looks to borrow money. When a company dissolves, it is customary to pay off creditors like banks and bondholders before shareholders. The debt-to-equity ratio is a crucial financial indicator since it affects investors' confidence in a company and its capacity to repay debts. The "ideal" debt-to-equity ratio is a matter of personal

opinion. Everyone agrees that a business is safe and profitable when its debt-to-equity ratio is less than 1%. Unless they are common in the industry, most people believe that ratios greater than two are hazardous.

Technology Sector: Technology companies often maintain debt-to-equity ratios below 0.5. **Manufacturing/Infrastructure:** The industrial and infrastructure sectors can maintain two or more percentages. Analysts will occasionally use industry averages rather than the organization's norm.

The debt-to-equity ratio, one of the most significant financial ratios, illustrates how much of a company's capital is derived from debt and how much from equity. This



section explores a company's financing strategies, covering subjects like debt risks and how the business finances its growth and operations. A rising debt-to-equity ratio suggests that the business intends to incur additional debt. During economic downturns, a rise in profits is correlated with an increase in financial risk. Conversely, the decrease in proportion suggests a more conservative approach to financing that prioritizes shareholder capital. This might increase safety, but it might also impede advancement. When evaluating the organization's long-term financial viability, creditors, investors, and management must comprehend this balance. The debt-to-equity ratio and its impact on a company's performance have been the subject of numerous studies. This is due to the possibility that leverage will lower profitability, liquidity, and operational efficiency. By using debt responsibly, it is possible to finance significant projects and increase equity returns. Excessive borrowing strains resources, raises interest rates, and lowers profitability. This ratio can be applied to analyze the effectiveness with which a firm manages its capital structure when this ratio is used in conjunction with other measurements that quantify the performance of a business. Companies that want to grow their operations in highly competitive industries should prioritize the acquisition of financial resources and the reduction of financial risk as two of the most significant criteria in their expansion strategy. Providing that they collaborate with one another, there is a chance that they will be able to accomplish what they have set out to do.

2. DEBT TO EQUITY RATIO – TYPES OF DEBT

Several factors determine which types of debt are taken into account when calculating the debt-to-equity ratio. These features include the company's potential, industry standards, and required capital. We'll examine the most prevalent forms of debt in detail in the sections that follow.

Short-term Liabilities

A short-term liability is a loan from banks or other lending institutions for a predetermined amount of time. In general, repayment guidelines are more lenient.

Long-term Liabilities

These loans are typically given out by ordinary individuals. When businesses need to manufacture or produce things, they could have trouble getting financing.

Accounts Payable

A corporation generates an asserted accounts payable when it uses credit to purchase items from suppliers and then pays for those items within a set time frame, usually a year.

Accrued expenses

Even if a bill or receipt is not available for every item incurred by the business, these documents will still be included in the balance sheet. They will return the money that was granted to them in less than a year.

3. LITERATURE SURVEY

Dsouza, S. (2025) Leverage and corporate performance were examined by Dsouza, S. (2025), with a focus on the potential nonlinear consequences of inverted U-shaped debt. 1,548 firm-year data from 183 publicly traded South African companies were analyzed between 2013 and 2022. To account for dynamic changes in capital structure and mitigate the effects



of endogeneity, we employ the Fixed Consequences (FE) and System Generalized Method of Moments (System-GMM) approaches. The results show that a company can increase its profitability by taking on a manageable level of debt, which enables more investment and expansion. The amount of money you anticipate earning may be lower due to the higher financial risk associated with having a large debt load.

Lambey, R. (2025). The main objective of this research is to determine how various forms of financing and debt impact firm valuation, with a focus on the consequences of both short- and long-term loans. It examines how market value is impacted by covenants, interest payments, and debt structure. The research's conclusions indicate that the selection of strategic loan categories influences investors' perceptions of and exposure to risk. Businesses that prioritize both the immediate and long term typically have extremely high market values. According to the research, businesses with ineffective debt management were more vulnerable financially and had lower profits.

Fitrilia, A. D. (2025). The current ratio and debt-to-equity ratio are the primary metrics examined in this investigation, which examines the net profit margins of plastic and packaging companies listed on the Indonesia Stock Exchange in relation to liquidity and leverage. This research shows that both short-term capital flow decisions and long-term finance decisions can affect a company's profitability. Through statistical and regression analysis, researchers discovered that leverage and liquidity ratios are powerful drivers of net profit margins. A company's financial health and operational expense

management both benefit from having a balanced current ratio. Businesses can lower their financial risk and simultaneously accomplish their growth objectives by using appropriate debt-to-equity ratios. Thi Mai, N. (2025). The purpose of this research is to investigate the relationship between financial results and debt, equity, and equity in order to acquire a better knowledge of how capital arrangements influence the performance of Egyptian businesses. When determining profitability, return on assets (ROA), and shareholder value, statistical models consider leverage and stock composition. Businesses with carefully thought-out capital structures fare better than those with more debt.

Priatna, H. N. (2024) This paper examines how financial ratio analysis has changed over the past few years in a number of industries, including banking, manufacturing, and telecommunications. Recent research indicates that financial ratios are growing in popularity as instruments for benchmarking, performance evaluation, and decision-making. According to the research, every business should update its present ratio structure to match the particular challenges it faces. Combining ESG criteria, utilizing real-time data displays, and doing dynamic analysis can provide a more comprehensive view of performance.

4. DATA ANALYSIS INDUSTRY BENCHMARKS AND STANDARDS

Here's a look at typical D/E ranges across industries, based on 2025 data from FullRatio:



Balance Sheet of JS

Industry	Typical D/E ratio range	Group average	What it means
Technology (semis, software, IT services, consumer electronics, etc.)	0.2–0.6	0.36	Most firms fund through equity and generate strong free cash flow, so they don't need much leverage.
Retail and ecommerce (apparel, grocery, discount, specialty, internet retail, restaurants)	0.5–1.3	0.96	Merchants typically carry moderate debt for inventory, logistics, and expansion.
Manufacturing (auto, chemicals, industrial machinery, packaging, building products, apparel mfg.)	0.3–1.5	0.67	High equipment and production costs lead to more borrowing.
Utilities (regulated electric, gas, water, renewable, diversified utilities)	0.9–1.6	1.21	These capital-intensive businesses often have higher, stable debt loads.
Financial services (banks, insurers, asset managers, capital markets, REITs)	0.6–1.3	0.92	Higher leverage is common due to the nature of the business.

W Steel (in Rs. Cr.)

Balance Sheet of JSW Steel (in Rs. Cr.)	2025-2024	2024-2023	2023-2022	2022-2021	2021-2020
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	305	305	301	301	302
Total Share Capital	305	305	301	301	302
Reserves and Surplus	79,534.00	74,978.00	63,358.00	63,200.00	46,675.00
Total Reserves and Surplus	79,534.00	74,978.00	63,358.00	63,200.00	46,675.00
Total Shareholders Funds	79,839.00	75,283.00	63,659.00	63,501.00	46,977.00
NON-CURRENT LIABILITIES					
Long Term Borrowings	55,919.00	47,241.00	48,346.00	41,176.00	39,551.00
Deferred Tax Liabilities [Net]	8,528.00	9,320.00	7,460.00	6,935.00	3,095.00
Other Long Term Liabilities	3,171.00	2,852.00	2,791.00	3,832.00	5,816.00
Long Term Provisions	1,196.00	1,288.00	1,250.00	1,292.00	753
Total Non-Current Liabilities	68,814.00	60,701.00	59,847.00	53,235.00	49,215.00

CURRENT LIABILITIES

Short Term Borrowings	9,576.00	11,582.00	6,825.00	9,259.00	1,285.00
Trade Payables	8,913.00	12,742.00	30,705.00	24,328.00	12,150.00
Other Current Liabilities	24,910.00	24,754.00	11,570.00	12,320.00	23,362.00
Short Term Provisions	209	376	235	227	243
Total Current Liabilities	43,608.00	49,454.00	49,335.00	46,134.00	37,040.00
Total Capital And Liabilities	1,92,261.00	1,85,438.00	1,72,841.00	1,62,870.00	1,33,232.00

ASSETS

NON-CURRENT ASSETS

Tangible Assets	76,253.00	77,243.00	73,255.00	69,767.00	50,328.00
Intangible Assets	2,256.00	2,343.00	1,801.00	1,879.00	1,614.00
Capital Work-In-Progress	10,538.00	10,504.00	10,271.00	12,459.00	28,914.00
Other Assets	0	0	0	0	0
Fixed Assets	89,424.00	90,442.00	85,562.00	84,245.00	80,984.00
Non-Current Investments	33,523.00	30,141.00	24,320.00	18,028.00	12,458.00
Deferred Tax Assets [Net]	0	0	0	0	0
Long Term Loans And Advances	9,710.00	11,501.00	5,346.00	5,763.00	5,382.00
Other Non-Current Assets	13,260.00	10,260.00	8,469.00	7,349.00	4,705.00
Total Non-Current Assets	1,45,917.00	1,42,344.00	1,23,697.00	1,15,385.00	1,03,529.00
CURRENT ASSETS					
Current Investments	5,816.00	0	0	0	0
Inventories	19,819.00	23,234.00	19,517.00	21,028.00	10,692.00
Trade Receivables	5,672.00	6,498.00	6,000.00	6,146.00	3,333.00
Cash And Cash Equivalents	10,261.00	8,129.00	18,716.00	15,527.00	11,746.00
Short Term Loans And Advances	0	4	93	265	733
Other Current Assets	4,776.00	5,229.00	4,818.00	4,519.00	3,199.00
Total Current Assets	46,344.00	43,094.00	49,144.00	47,485.00	29,703.00
Total Assets	1,92,261.00	1,85,438.00	1,72,841.00	1,62,870.00	1,33,232.00

KEY FINANCIAL RATIOS OF JSW STEEL

Key Financial Ratios	2025-2024	2024-2023	2023-2022	2022-2021	2021-2020
Investment Valuation Ratios					
Face Value	1	1	1	1	1
Dividend Per Share	2.8	7.3	3.4	17.35	6.5
Operating Profit Per Share (Rs)	75.32	90.21	63.59	131.84	79.67
Net Operating Profit Per Share (Rs)	523.27	554.81	544.79	491.56	292.6
Free Reserves Per Share (Rs)	0	0	0	0	0
Bonus in Equity Capital	0	0	0	0	0
Profitability Ratios					
Operating Profit Margin(%)	14.39	16.25	11.67	26.82	27.23
Profit Before Interest And Tax Margin(%)	9.62	12.08	7.81	22.65	21.67
Gross Profit Margin(%)	9.76	12.23	7.91	23.02	21.88
Cash Profit Margin(%)	10.07	9.87	7.42	18.16	17.59
Adjusted Cash Margin(%)	10.07	9.87	7.42	18.16	17.59
Net Profit Margin(%)	4.57	5.94	3.74	14.05	11.86
Adjusted Net Profit Margin(%)	4.5	5.87	3.7	13.83	11.75
Return On Capital Employed(%)	9.86	13.6	10.09	25.7	18.38
Return On Net Worth(%)	7.31	10.68	7.75	26.3	17.86
Adjusted Return on Net Worth(%)	8.94	10.73	7.75	27.43	18.68
Return on Assets Excluding Revaluations	327.14	308.98	263.36	262.7	194.34
Return on Assets Including Revaluations	327.14	308.98	263.36	262.7	194.34
Return on Long Term Funds(%)	10.55	14.89	10.7	27.97	18.66



Liquidity And Solvency Ratios

Current Ratio	0.96	0.87	0.93	0.9	0.83
Quick Ratio	0.93	0.81	0.8	0.81	0.64
Debt Equity Ratio	0.82	0.78	0.87	0.79	0.87
Long Term Debt Equity Ratio	0.7	0.63	0.76	0.65	0.84
Debt Coverage Ratios					
Interest Cover	2.21	2.99	2.39	7.61	4.53
Total Debt to Owners Fund	0.82	0.78	0.87	0.79	0.87
Financial Charges Coverage Ratio	3.12	3.88	3.37	8.78	5.59
Financial Charges Coverage Ratio Post Tax	2.81	3.21	2.97	6.51	4.41
Management Efficiency Ratios					
Inventory Turnover Ratio	6.44	5.82	6.75	5.65	6.61
Debtors Turnover Ratio	20.99	21.63	21.68	25.07	21.77
Investments Turnover Ratio	0.88	1.01	1.11	1.04	0.81
Fixed Assets Turnover Ratio	1.17	1.75	1.35	1.32	1.05
Total Assets Turnover Ratio	0.89	1.03	1.13	1.06	0.82
Asset Turnover Ratio	0.91	1.07	1.13	1.18	0.82
Number of Days In Working Capital	20.18	19.86	8.65	20.66	-53.84

Management Efficiency Ratios					
Inventory Turnover Ratio	6.44	5.82	6.75	5.65	6.61
Debtors Turnover Ratio	20.99	21.63	21.68	25.07	21.77
Investments Turnover Ratio	0.88	1.01	1.11	1.04	0.81
Fixed Assets Turnover Ratio	1.17	1.75	1.35	1.32	1.05
Total Assets Turnover Ratio	0.89	1.03	1.13	1.06	0.82
Asset Turnover Ratio	0.91	1.07	1.13	1.18	0.82
Number of Days In Working Capital	20.18	19.86	8.65	20.66	-53.84

Profit & Loss Account Ratios					
Material Cost Composition	56.31	57.55	61.56	46.38	44.6
Imported Composition of Raw Materials Consumed	0	0	0	0	0
Selling Distribution Cost Composition	0	0	0	0	0
Expenses as Composition of Total Sales	6.28	11.23	8.6	19.81	20.25

Cash Flow Indicator Ratios					
Dividend Payout Ratio Net Profit	30.58	10.22	84.95	9.4	5.75
Dividend Payout Ratio Cash Profit	15.19	6.09	42.41	7.4	3.96
Earning Retention Ratio	75.01	89.83	15.05	90.99	94.5
Cash Earning Retention Ratio	86.33	93.92	57.59	92.84	96.16
AdjustedCash Flow Times	5.02	4.35	5.58	2.3	3.25
Earnings Per Share	23.92	33	20.42	69.1	34.72
Book Value	327.14	308.98	263.36	262.7	194.34

5. CONCLUSION

The ability to manage risk and build for the future depends on a debt-to-equity ratio that is both acceptable and prudent. Insufficient leverage may limit development opportunities, while excessive debt may deter investors and make it more difficult to acquire liquidity. A company's ability to sustain financial stability and growth is influenced by prudent debt management, funding diversification, and matching borrowing with long-term business goals. A company's success is based on key performance measure monitoring, cost control, operational efficiency, and customer happiness. A corporation may consistently exceed stakeholder expectations, take advantage of development possibilities, and withstand market volatility when proactive performance management is combined with a properly managed debt-equity structure. To maintain the company's competitiveness, sustainability, and long-term performance, a thorough assessment of operational excellence and financial leverage is required.

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