

DEBT-EQUITY RATIOS AND BUSINESS PERFORMANCE AT JSW STEEL

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ABSTRACT: The primary objective of the Debt-Equity Ratios and Business Performance review is to evaluate the impact of financial leverage and JSW Steel's capital structure on operational profitability and efficiency. The ratio of a company's total debt to its total equity is a critical metric for assessing its financial health, as it indicates the percentage of total assets that are funded by debt in comparison to equity. This paper examines the most recent fluctuations in JSW Steel's debt-to-equity ratio by employing key performance metrics such as return on equity, net profit margin, and earnings per share as benchmarks. Examining the company's strategies for managing debt commitments, maintaining growth while maximizing shareholder value, and achieving a balance between risk and return are all components of the examination. The paper emphasizes the relationship between leverage and business success, providing insights into JSW Steel's long-term viability and strategic financial decisions through the use of financial ratio analysis and performance evaluation tools.

Keywords: Debt-Equity Ratio, Financial Leverage, Capital Structure, JSW Steel, Business Performance, Return on Equity (ROE), Net Profit Margin, Earnings per Share (EPS),

1. INTRODUCTION

A financial statistic known as the debt-to-equity ratio (D/E ratio) contrasts the total debt of a company to its shareholder equity. It illustrates the ratio of a company's debt to the investment made by its proprietors. Whether the preponderance of the company's operating capital is derived from internal resources or external borrowing is clarified.

In the event of a company's dissolution, creditors, including banks and bondholders, are typically compensated prior to shareholders. The debt-to-equity ratio is crucial because it influences the creditworthiness of the business and the trust of investors.

There is no such thing as a "ideal" D/E ratio. Conversely, a debt-to-equity ratio that is less than one is generally perceived as financially responsible and prudent. It is

generally considered to be excessively high and potentially detrimental if the ratio is not the industry standard.

For instance, contemplate the following:

Technology Sector: Consistently sustains D/E ratios that are less than 0.5.

Manufacturing/Infrastructure: may maintain ratios of two to one or greater.

Rather than instituting a general standard, analysts frequently evaluate a company's ratio in relation to industry averages.

The debt-to-equity ratio is a critical metric for assessing a company's financial health, as it indicates the percentage of capital that is derived from debt in comparison to equity. It demonstrates the manner in which a business finances its operations and growth by measuring financial leverage and risk. A higher debt-to-equity ratio indicates that a company is more

dependent on borrowing money, which increases the likelihood of financial risk but also increases the potential for future benefits, particularly during challenging economic periods. Conversely, a lower percentage suggests a more conservative financing strategy that is more dependent on the equity of the proprietors. This method has the potential to mitigate risk, but it may also restrict opportunities for growth. In order to evaluate the company's long-term sustainability and financial stability, creditors, investors, and management are all stakeholders who must comprehend this equilibrium.

2. LITERATURE SURVEY

Sodik, F. J., & Manda, G. S. (2025): This investigation examines the correlation between the Return on Assets (ROA), Debt to Equity Ratio (DER), and Sales Growth of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. The quantitative approach and comparative causal research design employed in this paper are employed to ascertain the relationships between profitability and financial ratios.

Alfarizzi, A. N., & Sasongko, N. (2025): In this paper, the current ratio, debt-to-equity ratio (DER), return on asset (ROA), and return on equity (ROE) are analyzed in conjunction with the profit growth of businesses during the COVID-19 outbreak. The primary concentration is on companies listed on Indonesian stock exchanges in the chemical and basic industrial sectors for manufacturing between 2019 and 2022.

Dsouza, S. (2025): This paper investigates the potential non-linear, inverse U-shaped effect of debt on profitability, with a particular emphasis on the relationship

between corporate leverage and firm performance. This paper examines 1,548 firm-year observations from 183 publicly listed South African companies during that period. The endogeneity is accounted for and dynamic changes in capital structure are captured by combining the System Generalized Method of Moments (System-GMM) and Fixed Effects (FE) techniques. Priatna, H. N. (2024): This research examines the impact of critical financial metrics on the profitability of textile and apparel companies that are publicly traded on the Indonesia Stock Exchange (IDX) between 2016 and 2020. The debt-to-equity ratio (DER), the current ratio, the total asset turnover (TAT), the net profit margin (NPM), and the gross profit margin (GPM) are among the measurements that are considered. In order to determine the correlation between these ratios and the increase in profits, we implement multiple linear regression analysis. The results indicate that Gross Profit Margin has a significant impact on profit growth, whereas other ratios such as DER, Current Ratio, TAT, and NPM do not.

Ahmed, F. (2024): This paper examines the correlation between corporate capital structure and finance-related financial performance by analyzing data from 78 publicly traded businesses. In relation to financial decisions, leverage, and ownership structure, profitability, liquidity, and overall company efficiency are assessed. The paper implemented regression analysis, a quantitative methodology, to evaluate the impact of various components of the capital structure on critical financial metrics. The data indicates that the majority of organizations exhibit superior financial performance when they maintain optimal debt-to-equity ratios.

3. LONG-TERM DEBT-TO-EQUITY RATIO

An alternative metric to the conventional debt-to-equity ratio is the long-term debt-to-equity ratio. It disregards short-term obligations, such as accounts payable and operating lines of credit, in favor of the company's long-term debt. The equation is as follows:

Long-Term Debt to Equity Ratio = $\frac{\text{Equity}}{\text{Long-Term Debt}}$

This ratio underscores the extent to which the organization is reliant on substantial, long-term financial obligations. It emphasizes the following:

True Debt Burden:

This ratio demonstrates the extent to which a corporation has long-term obligations, such as bonds or loans, by excluding current liabilities. A company with ₹25 crore in shareholder equity and ₹50 crore in long-term debt would have a long-term debt-to-equity ratio of 2. This suggests that the company has ₹2 in long-term debt for every ₹1 in equity.

Risk Assessment:

Debt with a prolonged repayment period is generally considered to be more risky than debt with a shorter maturity date due to the possibility of refinancing issues and fluctuations in interest rates. A business's capacity to pay its bills may be substantially impacted by an increase in interest rates, as it may become more expensive to refinance long-term debt.

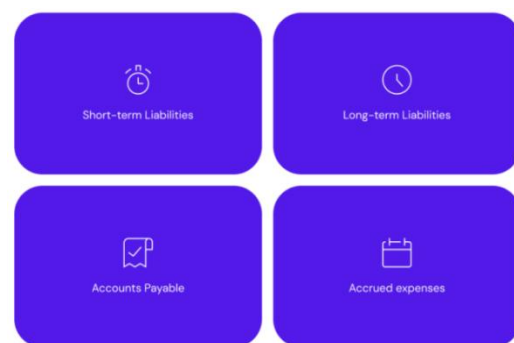
Industry Context:

The construction of infrastructure and real estate are among the sectors that significantly rely on long-term debt. For instance, a real estate developer may obtain substantial, long-term loans to construct ventures that will not yield returns for years.

Financial Stability:

In general, investors perceive companies with a lower Long-Term Debt-to-Equity Ratio as more financially stable due to the fact that they are not burdened with as many long-term obligations. The financial risk is reduced (ratio of 0.5) if the company's long-term debt is only ₹0.50 times its equity.

4. DEBT TO EQUITY RATIO - TYPES OF DEBT



The debt-to-equity ratio is susceptible to fluctuations in the categories of debt that are included, which can be influenced by industry, financial requirements, and company potential.. A few examples of the most prevalent types of debt are provided below.

Short-term Liabilities : Short-term obligations refer to funds that are borrowed from a lender, bank, or other financial institution for a brief period. Repayment periods are generally shorter.

Long-term Liabilities: The objective of these loans is to extend the duration of borrowing. Businesses frequently obtain long-term loans to finance production or construction.

Accounts Payable: A company is eligible to claim an AP when it utilizes its accounts receivable to purchase goods from its suppliers and remits the funds within a year or other specified window.

Accrued expenses: Despite the absence of an invoice or record for certain company expenses, they are nevertheless recorded on the balance sheet. Additionally, they will repay the loan over the course of one year.

5. DEBT-EQUITY AND BUSINESS SUSTAINABILITY

Financial Stability and Risk Management

Firms are able to maintain their financial stability by maintaining a balanced debt-to-equity ratio, which prevents them from incurring excessive debt, which can result in bankruptcy during periods of economic downturn. Insufficient debt may impede progress, while excessive debt establishes fixed obligations. It is imperative to make decisions that will establish controllable hazards in order to guarantee long-term survival.

Cost of Capital Optimization

Debt may occasionally be more cost-effective than equity as a result of tax incentives for interest payments; however, excessive dependence on it may result in financial disaster. An optimal combination enhances the profitability of investments by decreasing the weighted average cost of capital (WACC).

Growth and Expansion Potential

Debt financing enables businesses to swiftly and effortlessly acquire substantial quantities of money, which is advantageous for market entry, diversification, or expansion. In contrast to stock financing, which dilutes ownership, debt financing enables current proprietors to retain all ownership and decision-making rights.

However, there is a caveat: if the company incurs an excessive amount of debt, it will

be required to make fixed interest and principal payments, which could potentially deplete its cash flow if sales growth fails to meet expectations. In markets that are highly competitive or unpredictable, financial duress can result in insolvency or default.

Investor Confidence and Market Reputation

Equity investors and financiers closely monitor the debt-to-equity ratio as a metric of prudent financial management. Stakeholders are assured that the organization is neither overleveraged nor undercapitalized by balanced assessments. Long-term access to financial markets necessitates substantial credibility.

Profitability and Return on Equity (ROE)

The prudent utilization of borrowed funds can improve the return on equity, thereby enabling more favorable returns. However, the net profitability is diminished as a result of interest payments when there is an excessive amount of debt. Prolonged debt-equity frameworks ensure ongoing success without compromising future profits.

Flexibility in Financial Planning

With a sturdy debt-to-equity ratio, it is feasible to remain adaptable in response to unexpected market fluctuations, recessions, or new opportunities. Companies with an excessive amount of debt are less adaptable as a result of the stringent payback requirements. Wise decision-making is the means by which long-term adaptability and resilience are preserved.

Long-Term Survival and Competitive Advantage

The competency of a business in managing debt and equity matters significantly influences its competitiveness and

resilience to market fluctuations. Businesses are able to invest in innovation, maintain cash reserves, and withstand economic storms by utilizing sustainable

structures. As a result, they will be able to maintain their position at the forefront of their industry for an extended period.

6. RESULTS

INDUSTRY BENCHMARKS AND STANDARDS

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

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.

Debt-to-Equity (D/E) ratio

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debt (Long-term + Short-term)}}{\text{Shareholders' Funds}}$$

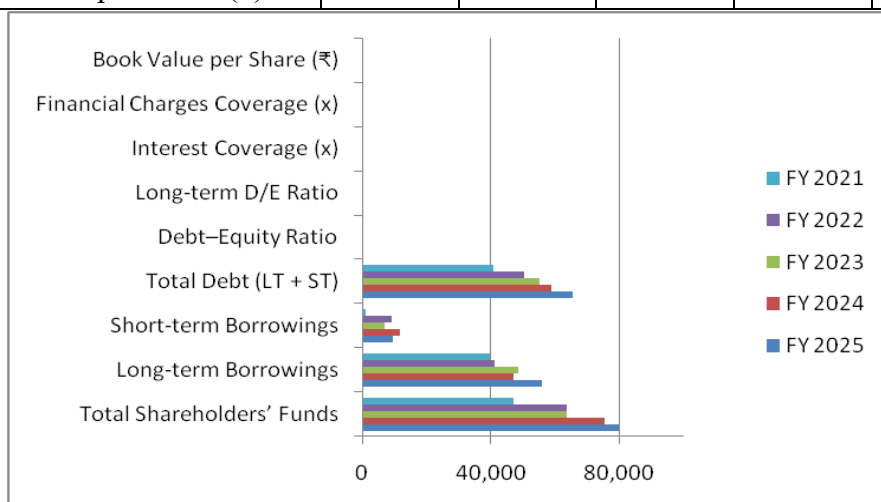
Year	Long-term Borrowings (₹ Cr)	Short-term Borrowings (₹ Cr)	Total Debt (₹ Cr)	Shareholders' Funds (₹ Cr)	Debt-to-Equity Ratio (x)
2025	55,919	9,576	65,495	79,839	0.82
2024	47,241	11,582	58,823	75,283	0.78
2023	48,346	6,825	55,171	63,659	0.87
2022	41,176	9,259	50,435	63,501	0.79
2021	39,551	1,285	40,836	46,977	0.87

JSW Steel is in a somewhat leveraged position, with a debt-to-equity ratio ranging from 0.78 to 0.87. The financial risk is under control, and the capital structure is balanced. The D/E

ratio has remained manageable over the years as a result of the growth of shareholder cash and total debt

Leverage & Capital-Structure Snapshot

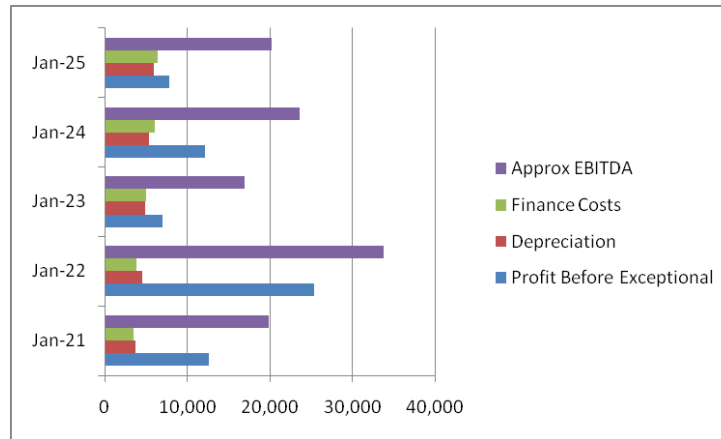
Metric	FY 2025	FY 2024	FY 2023	FY 2022	FY 2021
Total Shareholders' Funds	79,839	75,283	63,659	63,501	46,977
Long-term Borrowings	55,919	47,241	48,346	41,176	39,551
Short-term Borrowings	9,576	11,582	6,825	9,259	1,285
Total Debt (LT + ST)	65,495	58,823	55,171	50,435	40,836
Debt–Equity Ratio	0.82	0.78	0.87	0.79	0.87
Long-term D/E Ratio	0.7	0.63	0.76	0.65	0.84
Interest Coverage (x)	2.21	2.99	2.39	7.61	4.53
Financial Charges Coverage (x)	3.12	3.88	3.37	8.78	5.59
Book Value per Share (₹)	327.14	308.98	263.36	262.7	194.34



INTERPRETATION: JSW Steel's capital structure demonstrates that shareholders' funds have consistently increased from ₹46,977 Cr in 2021 to ₹79,839 Cr in 2025, a result of retained earnings. During the same period, the total debt increased from ₹40,836 Cr to ₹65,495 Cr. The debt-to-equity ratio's persistence below 1 was indicative of mild leverage. The long-term D/E ratio, which increased from 0.65 to 0.70, suggested a consistent increase in long-term debt. The coverage ratios for interest and financial charges are declining, indicating a diminished ability to repay debt.

EBITDA Approximation Components (₹ Cr)

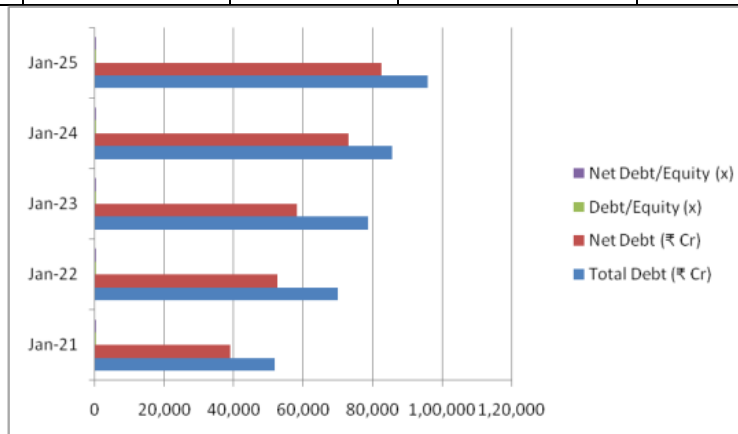
Metric	Mar-25	Mar-24	Mar-23	Mar-22	Mar-21
Profit Before Exceptional	7,847	12,141	6,968	25,437	12,582
Depreciation	5,913	5,435	4,952	4,511	3,781
Finance Costs	6,486	6,108	5,023	3,849	3,565
Approx EBITDA	20,246	23,684	16,943	33,797	19,928



INTERPRETATION: JSW Steel's EBITDA peaked at ₹33,797 Cr in 2022; however, it plummeted to ₹20,246 Cr by 2025, indicating significant fluctuations over the course of five years. The variations are predominantly caused by changes in profit before exceptional items, depreciation, and finance expenses; they reveal the impact of operational performance, capital expenditures, and debt payments on overall earnings. The company's robust capacity to generate cash for both operations and debt payments is demonstrated by its respectable EBITDA, despite the decline in 2025.

Debt & Ratios

Year	Total Debt (₹ Cr)	Net Debt (₹ Cr)	Debt/Equity (x)	Net Debt/Equity (x)
Mar-25	95,893	82,608	1.21	1.04
Mar-24	85,539	73,191	1.1	0.94
Mar-23	78,809	58,095	1.2	0.88
Mar-22	69,975	52,592	1.04	0.78
Mar-21	51,730	38,917	1.11	0.83



INTERPRETATION: JSW Steel's increasing reliance on both short-term and long-term borrowings to finance operations and expansion is evidenced by the substantial increase in its total debt from ₹51,730 Cr in 2021 to ₹95,893 Cr in 2025. The Net Debt-to-Equity ratio is exhibiting a downward trend, indicating that a portion of the debt is being covered by cash and equivalents. Conversely, the Debt-to-Equity ratio has been slightly unpredictable, consistently exceeding 1 for the majority of years. This indicates that there is a significant amount of leverage available.

7. CONCLUSION

Maintaining an appropriate debt-to-equity ratio is essential for achieving a balanced financial structure that promotes sustainable growth and mitigates risk. Unused leverage can restrict expansion potential, while excessive debt can erode investor trust and strain liquidity. Companies can fortify their financial stability and improve their ability to participate in development initiatives by actively managing debt, diversifying funding sources, and aligning borrowing with long-term corporate objectives. Simultaneously with your emphasis on customer satisfaction, it is imperative to monitor critical performance metrics, optimize operational efficiency, and reduce expenses. This will result in the company's effective performance. By integrating proactive performance management with a well-managed debt-equity structure, a robust organization can withstand market fluctuations, capitalize on growth opportunities, and consistently ensure the satisfaction of stakeholders. Ultimately, the company's long-term success, sustainability, and continued competitiveness are guaranteed by a meticulous approach to operational excellence and financial leverage.

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