

A STUDY OF RELATIONSHIP BETWEEN FINANCIAL LEVERAGE AND PROFITABILITY IN INDIAN STEEL INDUSTRY

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ABSTRACT

Financial leverage refers to the use of debt capital in the total capital structure of a business concern. This study examined the relationship between financial leverage and profitability in Indian Steel Industry. Two leading steel manufacturing companies- Steel Authority of India Limited (SAIL) and Tata Steel Limited- were selected for the study purpose. This study used secondary sources of information such as Annual Reports of selected companies. It was found in this study that there was a highly negative correlation between financial leverage and profitability in Indian Steel Industry. Hence, Indian Steel Industry needs to reduce its debt capital in order to increase its profitability.

KEYWORDS: *Financial Leverage, Profitability, Debt-Equity Ratio, Earnings per Share*