

Example of us steel and sdi term paper

[Business](#), [Company](#)



Because of the vibrant construction industry, companies that deal with steel production have healthy financial records. The two companies that I will analyze are; the United States steel company and the second company is steel dynamics Inc. this are among biggest producers of steel and other carbon products in the United States and are considered as high performers by all means. United States Steel Corporation was established in 1901 by four people, and they were Elbert Gary, Carnegie andrew, J. P Morgan and Schwab Charles. The corporation implemented its diversification strategy in other activities and has gone into various industries including gas and oil through the acquisition of Texas Oil and gas Corp in the year 1986.

In addition to these investments, The Corporation has also expanded in the mining, construction, chemicals, transportation and the real estate. By investing in different industries United States Steel Corporation, has managed to bring in revenues in billions of dollars. However, in 2002, the United States steel corporation spun off into an independent group that was to be publicly traded independently under its original name having acquired all the steel related businesses of national Steel Corporation.

Steel dynamics Inc. is one of the top five largest producer of steel and carbon products based in Fort Wayne, Indiana. Its profitability has been very significant compared to other steel construction companies in the United States. SDI was founded in 1993 and has been categorized as the best performing company in terms of operating profits per ton. To improve its revenues, Steel Dynamics Inc. received three galvanizing plants based in Pittsburg in the year 2007. When analyzing a company's performance it is important to calculate ratios of the company and compare them with

industry averages as well as other compare the ratios to other companies in the industry. Answer 1

There are several different ratios used to calculate the ability or adeptness of a company to repay current liabilities. These ratios are acid test ratios, cash ratio, current ratio, net working capital, working capital and quick ratio.

Liquidity ratios measure the ability or capability of a company to meet or be able to repay its short term debt. The ratios are given by dividing liquid assets of the company plus cash with current liabilities and short term borrowing.

Acid test ratio

The formulae for acid test ratio are $(\text{current assets} - \text{inventory}) / \text{current liabilities}$. If the result of the acid test ratio is less than 1, then the company may have difficulty in paying up its short term debt. As a result, many companies are forced to sell or put on sale their assets in order to repay for this debts.

U. S Steel Corporation
 Current asset = 6078 million
 Inventory = 2688 million
 Current liabilities = 3245 million
 $(6078 - 2688) \text{ million} / 3245 \text{ million} = 1.04$

Steel Dynamic Inc
 Current assets = 2473634 thousands
 Inventory = 1314747 thousands
 Current liabilities = 2107589 thousands
 $(2473634 - 1314747) \text{ thousand} / 2107589 \text{ thousand} = 0.55$
 The ratio of Steel Dynamic Inc. is less than 1.

Current ratio

This type of ratio is used to gauge a company's ability or capacity to pay its short term debt in a period of less than 12 months. It is calculated using the formulae (current assets/ current liabilities). For a company to be considered able to pay its short term debt the current ratio should be 2 and above.

United states Steel Corporation
 Current asset = 6078 million
 Current liabilities = 3245 million
 $6078 \text{ million} / 3245 \text{ million} = 1.8$
 Steel Dynamic Inc
 Current assets = 2473634 thousands
 Current liabilities = 2107589 thousands
 $(2473634 / 2107589) \text{ thousands} = 1.17$

Answer 2

There are several ratios that measure the ability of a company to sell inventory and collect receivables that are also known as efficiency ratios. They include accounts receivable turnover ratio, fixed asset turnover ratio, inventory turnover ratio, sales to working capital ratio, working capital turnover ratio and accounts payable turnover ratio.

Accounts payable turnover ratio

Accounts payable turnover ratio is a ratio used to measure the speed in which the company can pay the people who supply the organization with the raw materials it requires. The formulae for this ratio are (total purchases) / (opening accounts payable + closing accounts payable) / 2. U. S Steel Corporation
 Total purchases = 16016 million
 Opening accounts payable = 1862 million
 Closing accounts payable = 1818 million
 $16016 \text{ million} / (1862 + 1818) / 2 \text{ million} = 9.79$
 Steel Dynamic Inc. Total purchases =

6653780 Opening accounts payable = 74132 million Closing accounts payable = 73267 million

$$\frac{665378 \text{ million} + 74132 \text{ million} + 73267 \text{ million}}{2} = 9.02$$

Fixed asset turnover ratio

Fixed asset turnover ratio measures ability of a company to generate sales from a particular base of fixed assets. The formulae for calculating this ratio is (net annual sales)/gross fixed assets -depreciation. United states steel company
 Net annual sales = 17,424 million
 Gross fixed assets = 5922 million
 Depreciation = 684 million

$$\frac{17,424 \text{ million}}{(5922 - 684) \text{ million}} = 3.326$$

 Steel dynamic Inc. Net annual sales = 346691 thousands
 Gross fixed assets = 115083 thousands
 Depreciation = 22,607 thousand

$$\frac{346691 \text{ thousand}}{(115083 - 22607) \text{ thousand}} = 3.74$$

Answer 3

The ratios used to calculate the ability of a company to pay its long term debt they are also known as leverage ratios. The ratios include debt to equity ratio, debt service coverage ratio, fixed charge coverage, debt to asset ratio and debt to equity ratio. The debt to asset ratio is calculated using the formula debt/asset. (Current liabilities + long term debt)/(current assets + fixed assets)
 United states Steel Corporation
 Debt = 3616 million
 Asset = 13143 million

$$\frac{3616}{13143} * 100 = 27.5\%$$

 Steel Dynamic Inc.
 Debt = 2349.5 million
 Asset = 5933 million

$$\frac{2349.5}{5933} * 100 = 44\%$$

Debt to equity ratio

The second ratio is debt/equity ratio that is calculated by the formula total debt/shareholders equity. If the company is in a debt of more than 40-50%, the company may be in a financial difficulty. United states steel Corp
 Debt =

$3616 \text{ million Equity} = 13143 \text{ Million} (3616/13143) * 100\% = 27.5\%$ Steel

Dynamic Inc. Debt = 2349.5 million Equity = 2494.5 million $(2349.5/2494.5) * 100\% = 94\%$

Answer 4

Ratios that calculate profitability include break-even point, contribution margin ratio, net profit ratio, return on equity that is measure a company's revenue against its equity, return on net assets and return on operating assets. These ratio measures how well a company is performing.

Net profit ratio is calculated using the formula $(\text{net profit}/\text{net sales}) * 100$

United states Steel Corporation Net profit = (1672 million)

Net sales = 16,269 million $(1672/16269) * 100 = 10.2\%$ Steel Dynamic Inc. Net profit = 391165 million Net Sales = 6851365 million $(391165/6851365) * 100\% = 5\%$

The second ratio we are going to look at is the return on equity that is calculated using the formula $(\text{net income}/\text{equity})$.

United states steel corporation Net income = 338 million Equity = 3348 million $(338/3348) \text{ million} = 0.1$ Steel Dynamic Inc. Net income = 584 million Equity = 2495.5 million $(584/2495.5) = 23.4$

Answer 5

Ratios that analyze stock as an investment include dividend yield ratio, dividend payout ratio, PEG ratio that is also known as price/earnings ratio.

Dividend yield

A company pays its shareholders in form of dividends hence a well performing company has a higher dividend yield. it is calculated using

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(dividend for the period/initial price for the period)U. S steeldividend

Price3Initial price for the period= $\frac{\$13}{\$13} \times 100 = 23\%$ Steel Dynamic Inc.

Dividend= $\frac{\$1.2}{\$14.2} \times 100 = 8\%$

According to this analysis, United States Steel Corporation is doing better than steel dynamic on all fronts. The company is more profitable, able to pay higher dividends and in a better position to meet the obligations on its debts both in the long term and short term.

References

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