Journal of Contemporary Research in Business Administration and Economic Sciences

(JCR-BAES)

ISSN: 2777-7391

The Financial Impact of COVID-19 On Steel Sector

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ABSTRACT

The goal of this research is to investigate the financial effects of the COVID-19 epidemic on steel sector by using the case of a company that operates in the steel sector. This study used financial factors such as solvency, liquidity, activity, and profitability based on financial ratios from 2017 to 2020. These financial measures showed how the pandemic affected the company that was one of the largest steel traders in Lebanon's North. The results show that the pandemic had a significant impact on the corporation, resulting in significant losses.

Keywords: COVID-19, financial performance, steel sector.

1. Introduction

On January 11, 2020, the World Health Organization declared COVID-19 as a pandemic that has begun in China 2019. For sure, the world was not ready for the big damage that COVID-19 would cause, with serious effects on business activities. COVID-19 is shaking the global economy, and it is a pandemic that is causing a massive distraction to people's lives and livelihoods, as well as the world's social and economic systems According to many sources, the current global crisis is by far the worst since World War II... This virus is highly transmissible and has spread to every corner of the world with consistent progress. COVID-19 is a serious public health crisis, but it is also much more. This is a systemic shock with far-reaching short and medium-to-long-term effects. This virus has caused a significant short-term economic catastrophe, the closure of many large and small businesses, the layoff of millions around the world, and other impacts on business activities.

An enormous number of SMEs worldwide have been affected by the economic impact of COVID-19. Despite remarkable government plans, COVID-19 economic harm is the greatest the world has seen in recent years. As a result, in both Europe and the United States, COVID-19 strongly affected self-employed individuals more than employed individuals and small businesses more than large businesses. The pandemic in Lebanon has been very destructive to many SMEs in Lebanon in 2019. In consideration of COVID-19's far-reaching effects on all aspects of life, particularly the economy and the business sector, the goal of this review was to study the pandemic's impact on the scope of operations and revenues of small businesses. In this study, we will investigate the impact of COVID-19 on a company that function in the steel sector, and has been trading steel, especially iron ore, for more than 50 years. It is one of the leading companies in trading iron ore, or what we call industrial iron, in north Lebanon, to examine how COVID-19 affect the steel sector . In light of COVID-19's reaching impact on all aspects of life, especially the economy and the business sector, the goal of this review was to look into the pandemic's impact on the scope of operations and revenues of small businesses in industrial sectors, as well as the extent to which adjustments or changes were made to business activities in order to deal with the new challenges of this period.

2. Literature Review

2.1. Covid-19 global impact on various SME types

COVID-19, which was declared a worldwide pandemic by the WHO, has infected about 464 million people and killed over 6.06 million by the end of March 17th, 2022. This has resulted in the forced lockdown of businesses because of the spread of COVID-19 from human-to-human, which has resulted in a business lockdown. Most businesses were stopped, different activities were postponed, travel restrictions were implemented, and a 14-day quarantine was imposed on people entering the country. These strict regulations caused severe delays in the transportation, services, and manufacturing industries, resulting in lower economic growth and income for businesses, as well as a significant increase in unemployment and financial difficulty levels. A high level of economic worry, in general, implies concerns of economic uncertainty or insecurity. Individuals, businesses, and even governments are experiencing a significant level of psychological concern about the economic circumstances, and actions during the pandemic.

Following this global pandemic, companies have begun to attempt to keep their work to limit and prevent the losses caused by COVID-19. They have begun to use recent technologies like virtual meetings (zoom, Microsoft teams, and so on), which has resulted in the avoidance of a complete

shutdown of the world economy by conducting business meetings without touch. During the lockdown, this technology was one of the most crucial survival strategies for the global economy, and governments used it to manage operations and project distantly.

Some businesses were permitted to continue operating by the government since they were necessary to people due to the needs of living, but they did, and with the restrictions of maintaining distance between employees and trying to minimize contact between them by using tools such as sanitizing

Manufacturing and production, for example, were stopped because of the Covid-19 restrictions. At the same time, the pandemic turned demand on its head. Unexpectedly, no one was purchasing plane tickets, but everyone needed a new office or computer.

Individual economies have several types of inflation based on how strong the demand is in specific places or how strong or weak the supply is, according to experts.

Consider the United States of America. Even if the public does not agree, the US economy is in good health. All the stimulus cheques that were sent in the United States offered citizens money to spend. This has accelerated the US recovery, but the supply chain, from materials to manufacturers to shipping ports, is struggling to keep up with the demand for new computers and vehicles among US consumers.

It is a slightly different story in Europe and elsewhere. The cost of items is also rising in those locations. The CPI in the United Kingdom increased by 4.2 percent in October compared to the previous year, the highest rate in ten years. The CPI in Germany increased by 4.5 percent in October compared to the same month last year, the highest rate since August 1993. According to experts, demand is a factor, but Europe also has supply concerns. They must manage with supply chain problems as well as high energy and fuel expenses, which might be passed on to customers. In the U.K, for example, rising energy costs are rising prices. Energy price rises, which are unlikely to be reduced anytime soon, are also driving up costs in Germany.

Due to increased demand elsewhere in the world, energy and raw material costs are also rising in Asia. Producers are under pressure as a result. China's CPI increased by 1.5 percent year on year, due in large part to the country's recent power cut. Consumers in areas like Japan, on the other hand, are not facing significant price rises.

Other countries are feeling the squeeze, and some emerging economies may feel it even harder. Food and fuel prices are driving inflation in South Africa. In September, Brazil experienced double-digit inflation, up more than 10% from the previous year.

Other countries are struggling financially, and some emerging economies may be experiencing it even more strongly. Inflation in South Africa is caused by food and fuel prices. Brazil saw double-digit inflation in September, jumping more than 10% over the previous year.

2.2.Covid-19's effect on iron and steel SMES

Now we will take a closer look at COVID-19's influence on iron and steel SMES. First, the price of steel, specifically iron ore has increased or been hit hard due to the low level of economic activity. The price of iron ore has reached its highest level in the last 5 years, with a significant increase in its price since the start of the COVID-19 pandemic in March 2020. When a large number of countries began to apply the COVID-19 regulations where there was no flight movement between countries, most of the organizations globally have closed its doors due to the pandemic. This led low level of economic activities, to hit *250 dollars* in July 2021 and started to decrease because the countries have lowered corona restrictions on their people. Therefore, restaurants, cinemas, factories, workshops, etc. have gone back to work but under some restrictions like social distancing between employees. The most affected economic sectors have been construction, as well as services and commerce (including accommodation and tourism, restaurants, and food services). The major cause of the disruption of work activities was that employers were obliged to close firms or reduce workers. As a result, work activity has dramatically decreased, resulting in a drop in demand for iron ore globally.

Real GDP is expected to fall by 20.3 percent in 2020, another 9.5 percent in 2021. Inflation is in the triple digits, and poverty is set to rise to 45 percent, with severe poverty reaching 22 percent. Approximately 1.7 million individuals are expected to be in need, with 841,000 of them suffering from poverty (According to World Bank). Households' capacity to obtain food was affected by inflation. 41% of Lebanese respondents said they did not store food because they could not afford it, while 15% said they did not because prices fluctuated too much. As a result of the fall in purchasing power parity, iron ore is no longer a main need, with food being the only primary necessity that households will aim to meet.

So far, the COVID-19 epidemic and accompanying containment efforts have thrown approximately one out of every three Lebanese out of work, with one out of every five respondents seeing their pay cut. Lebanese respondents in Akkar were among the most likely to have lost their employment or had their income decreased because of COVID-19

Finally, steel sector has experienced liquidity issues as a result of the mega crisis that is currently affecting Lebanon as a result of the financial crisis and the COVID-19 pandemic, which has led to a

number of decisions, including the suspension of the company's transportation allowance and some low pay cuts in its employees' salaries, which will allow the company to continue operations and activities.

2.3. Analysis of Balance sheet and Income statement of the company using financial ratios

2.3.1. Liquidity Ratio

Starting with the **Liquidity ratio**, which determines a company's ability to repay current debts without borrowing external capital and aids in analyzing its ability to fulfill short-term obligations. As a result, liquidity refers to how fast a company's assets are converted into cash, but also the number of times the company's short-term debt obligations are covered by cash and liquid assets. If the value is more than 1, the short-term responsibilities have been entirely met. If this is not the case, there is a problem. The higher the ratio, the more probable a business will be able to meet its short-term obligations.

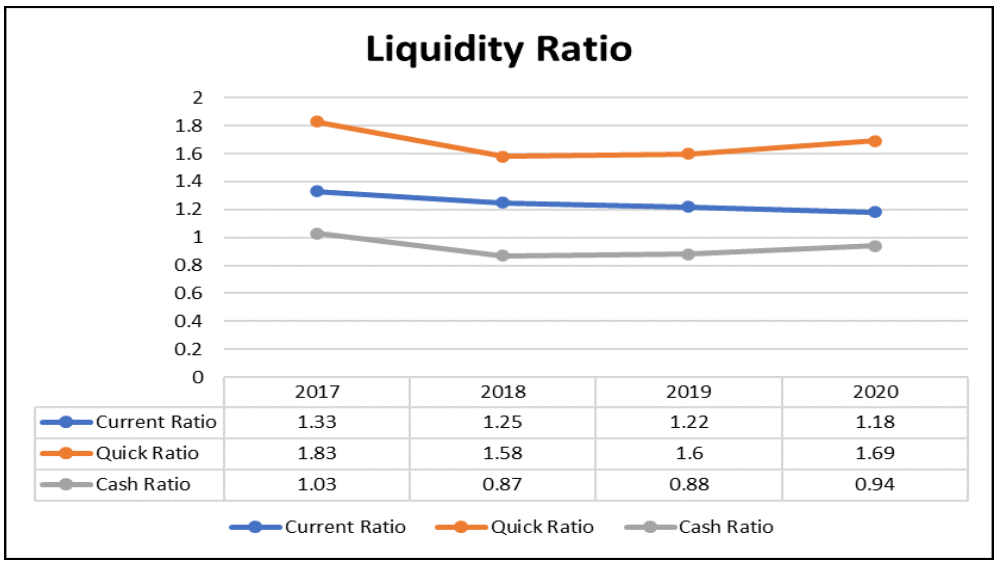

Figure 1

Liquidity Ratio

By dividing current assets by current liabilities, the **Current ratio** determines a company's capacity to pay short-term or one-year obligations.

Figure 1, The ***current ratio*** was 1.33 in 2017, indicating that the company is in a good position to pay its short-term obligations, but it has begun to decline slightly over the next few years, falling to 1.25 in 2018, 1.22 in 2019, and 1.18 in 2020, indicating that the company is still in a good position to meet its short-term obligations both before and after COVID-19, which has had no big effect on the current ratio of the company.

$$\text{Quick Ratio} = \frac{(\text{Cash} + \text{Marketable Securities} + \text{Receivables})}{(\text{Current Liabilities})}$$

The ***quick ratio*** is a means to evaluate a company's ability to convert short-term assets into cash by dividing them by current liabilities. The quick ratio, known as the "acid test ratio," is a measure of a company's liquidity and financial health.

Figure 1, The ***quick ratio*** for 2017 was 1.83, indicating that the company was in an acceptable position to convert its assets into liquid cash quickly. The quick ratio fell to 1.58 in 2018, but the company is still in an acceptable position to convert its assets into liquid cash quickly. The quick ratio was 1.6 in 2019, when the pandemic began, and will increase to 1.69 in 2020, when there will be no effect of the pandemic on the quick ratio, because we saw an increase in the quick ratio when the pandemic began.

$$\text{Cash Ratio} = \frac{(\text{Cash} + \text{Marketable Securities})}{(\text{Current Liabilities})}$$

The ***cash ratio*** is the most widely used measure to determine a company's liquidity. This measure shows the company's ability to pay all current liabilities without selling or liquidating other assets if it is forced to do so.

(Marketable Securities= Current asset – inventories)

Figure 1, The company's ***cash ratio*** in 2017 was 1.03, indicating that it was in a secure position of liquidity to pay its current liabilities; however, in 2018, it was reduced to 0.87, indicating that it was in a less stable position in terms of liquidity and that it was forced to sell or liquidate other assets to pay its liabilities; in 2019, it was 0.88, the same as in 2018, and in 2020, when the pandemic began and was very effective, the company was able to increase this ratio to 0.94 where the company is still forced to sell or liquidate other assets to pay its liabilities but in a very small quantity. but since there was no effect of the pandemic on the cash ratio, there were other reasons, such as the fiscal crisis, where we can see that companies began experiencing problems in 2018 before the pandemic.

2.3.2. Activity ratio

Investors and market analysts use the **Activity ratio** to measure how well a company uses its assets to generate revenue and cash. Activity ratios, on the other hand, may be used to follow a company's

financial performance and identify trends over numerous accounting periods. These figures can be mapped to create a future-looking picture of a company's performance. To determine activity ratios, we use many ratios like Receivable turnover, Inventory turnover, Days of inventory in hand, Payable turnover, Nb of days payable, Total assets turnover and Fixed asset turnover. A high ratio indicates that a company is very efficient with its total assets or that it does not have many assets to begin with. A low ratio indicates that assets are tying up too much capital and that assets are not being used effectively to generate revenue.

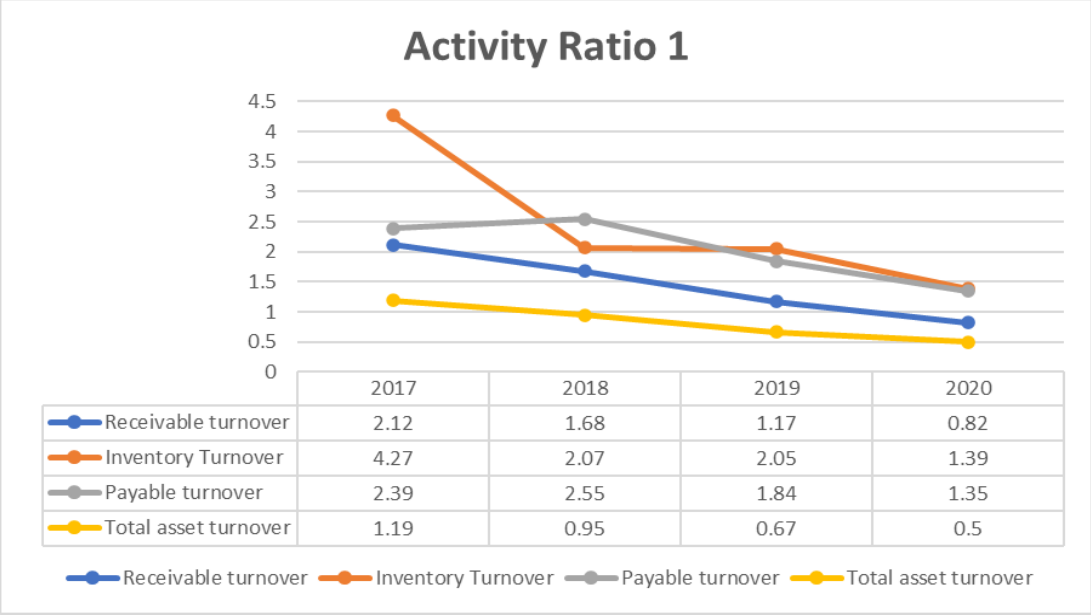

Figure 2

Activity Ratio

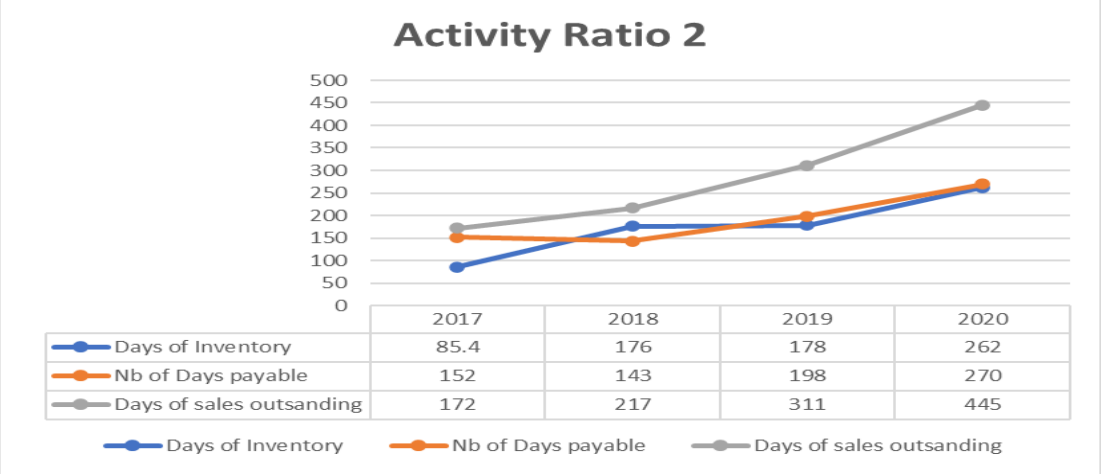

Figure 3

Activity ratio 2

$$\text{Receivables Turnover} = \text{net annual sales} / \text{average receivables}$$

$$\text{Days of sales outstanding} = \frac{365}{\text{(Receivables turnover)}}$$

The ***Receivable Turnover*** is a measure of how well your company converts its accounts receivable into cash. The Accounts Receivable Turnover Ratio can be used to determine how efficiently you

offer loans to customers and collect the money unpaid. Net annual sales are divided by average receivables to arrive at this figure.

Days sales outstanding (DSO) is the average number of days that those receivables go unpaid before being collected. It is used to figure out how effective a company's credit and collection activities are at granting credit to consumers and collecting from them. 40 days or less is considered an excellent DSO.

Figure 2, Starting in 2017, when it was 2.12 times collecting unpaid money during this period, in 2018, the ratio was reduced to 1.68, and in 2019, the ratio was again reduced to 1.17. In comparison to the average of previous years, the receivable turnover ratio for 2020, the year in which the pandemic began, has dropped to 0.82, which is extremely poor for collecting money unpaid during this year.

Figure 3, The company has been dealing with DSO issues since 2017, and the ratio indicates that payments were collected every 172 days, which is a bad number for a DSO. The DSO continued to rise in 2018 and 2019, reaching 217 days and 317 days, respectively. In 2020, the ratio increased to 445 days, a bad ratio compared to 2017 (172 days) and the average DSO of 40 days or less, indicating that the company is having serious difficulties collecting credits from customers, with the pandemic and other issues having a significant impact on the 2020 year.

$$\text{Inventory Turnover} = \frac{\text{(Cost of goods sold)}}{\text{(Average inventory)}}$$

$$\text{Days of inventory in hand} = \frac{365}{\text{(Inventory turnover)}}$$

The **Inventory Turnover Ratio** is an important ratio that measures how frequently a company's inventory is sold and replaced over time. Divide the cost of items by the average inventory for the same period to get the inventory turnover ratio. A larger ratio indicates good sales, whereas a lower ratio indicates weaker sales.

(COGS=Begin inv +Purchases – Ending inv)

The **Days of Inventory in Hand** ratio reveals how long it takes a firm to turn its inventory on average. The lowest the number of days the better the ratio is. The ratio improves as the number of days decreases. We can get its result by dividing 365 number of days per year by inventory turnover during the year.

Figure 3, in 2017, ***inventory turnover*** was 4.27, which means that inventory was replaced 4.27 times during the year. In 2018, this ratio fell to 2.07 to 2.05, indicating that inventory was replaced twice in each of the years 2018 and 2019. However, when the pandemic hit in 2020, inventory turnover

dropped to 1.39, indicating that the company only changed inventory 1.39 times during the year, which is a poor result when compared to previous years.

Figure 4, In 2017, the ***days of inventory in hand*** was 85,4 which means inventory is turned every 85.4 days. In 2018, this number increased to 176, which means every 176 days the inventory will be turned. Similarly, in 2019, inventory will be turned every 178 days, but in 2020, when the pandemic began, inventory will be turned every 262 days, which is a significant increase in this year and a poor number when compared to previous years.

$$\text{Payables turnover} = \frac{\text{Purchases}}{\text{(Average trade payables)}}$$

$$\text{Number of days of payables} = \frac{365}{\text{(Payable turnover)}}$$

The **Payable Turnover** metric shows how many times a company's accounts payable are paid off in each period. Accounts payable are short-term debts owed to suppliers and creditors by a corporation the ratio is an estimate of a company's ability to pay short-term loans. It is an indicator of a company's short-term liquidity (i.e., cash flow). The faster a company pays off its debt, the higher the accounts payable turnover ratio. It is determined by dividing annual purchases by the average trade payable.

The ***Number of days of payable*** is the average number of days it takes the business to pay its bills in that certain period.

Figure 2, In 2017, the ***turnover ratio*** was 2.39, indicating that the company's account payable was paid 2.39 times during this period. In 2018, the turnover ratio did not change much, remaining at 2.55 times during this period. However, in 2019, this ratio decreased to 1.84 times for this period, and in 2020, when the pandemic began, this ratio fell to 1.35 times, noting a significant difference from the 2.55 times in 2017.

Figure 3, During this period in 2017, ***the number of days payable*** was an average of 152 days. In 2018, the average was 143 days, which was a slight decrease from the previous year. The average days payable in 2019 has increased significantly to 198 days. When the pandemic began in 2020, the average days payable rapidly increased to 270 days, a record level when compared to the previous year's average of 143 days.

$$\text{Total asset turnover} = \frac{\text{(Revenue)}}{\text{(Average total assets)}}$$

The ***Total asset turnover*** ratio is a measure that evaluates how efficiently a company utilizes its assets to produce sales. Net sales are divided by total or average assets to get the asset turnover ratio. It is always good if the ratio is greater than 1. Because this indicates that the company can generate revenue for itself.

Figure 2, The ***total asset turnover ratio*** was 1.19 beginning in 2017, indicating that the company can generate revenue during this time. However, in 2018, we began to see a decrease in this ratio, which now stands at 0.95, which is not a good ratio because the company is unable to generate sufficient revenue from its assets during this time. In 2019, the ratio fell further to 0.67, which is a low value. Finally, when the pandemic hit in 2020, this ratio fell to 0.5, which is not a good number for a company that cannot generate revenue and is not properly utilizing its assets to generate sales.

2.3.3. Solvency Ratio

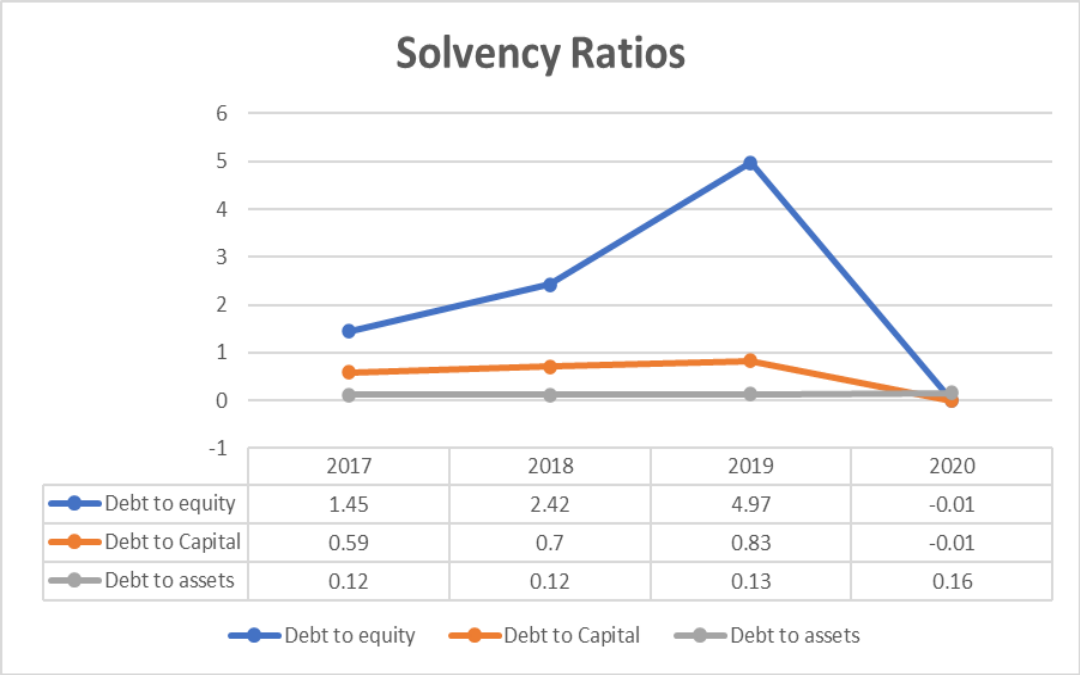

Figure 4

Solvency Ratio

A **Solvency ratio** is a crucial indicator used by potential business lenders to evaluate a company's capacity to satisfy long-term loan obligations. A solvency ratio is a financial health indicator that analyzes if a company's cash flow is sufficient to satisfy its long-term obligations. An unfavorable ratio can indicate that a company is at risk of defaulting on its debt obligations. Debt to Equity Ratio, Debt to Capital Ratio, and Debt to Assets Ratio are the most common solvency ratios.

$$\text{Debt to equity ratio} = \frac{\text{(Total debt)}}{\text{(Total Shareholders Equity)}}$$

The **Debt-to-equity** ratio compares your company's total debt to the amount of money invested by the owners and earnings retained over time. Total debt is divided by total shareholders' equity to arrive at this ratio. A debt-to-equity ratio is good when it is between 1.5 and 2 but for manufacturing companies it can be more than 2, or it can be more than 2 because of the volatility of the market.

Figure 4, In 2017, the ***debt-to-equity*** ratio was 1.45, indicating that the company had 1.45 times more claims on assets than equity holders. In 2018 and 2019, this ratio increased to 2.42 and 4.97, respectively. Because of the market volatility in Lebanon during this time, the increase was more than 2. However, by 2020, this ratio has dropped to -0.01, indicating that investing in this company is risky in areas where the pandemic's impact is clearly visible.

$$\text{Debt To Capital} = \frac{\text{(Total debt)}}{\text{(Total Debt} + \text{Total Shareholders Equity)}}$$

The ***Debt-to-capital*** ratio, often known as the D/C ratio, is the ratio of a company's total debt to its total capital, which includes both debt and equity. At a given point in time, the ratio measures a company's capital structure, financial solvency, and degree of leverage, and whether the company is a suitable investment or not. This ratio is calculated by dividing total debt by total debt + total shareholders' equity.

Figure 4, Starting in 2017, when the ***debt-to-capital*** ratio was 0.59, it increased to 0.7 and 0.83 in 2018 and 2019, respectively, indicating that the assets were financed primarily through equity in these three years. However, in 2020, the debt-to-capital ratio fell to -0.01, which is negative, indicating that the company has negative shareholder equity. To put it another way, the company has more liabilities than assets. In most cases, this is regarded as a dangerous sign, indicating that the company is in risk of going bankrupt.

$$\text{Debt To Assets} = \frac{\text{(Total Debt)}}{\text{(Total Assets)}}$$

The **Debt-to-assets** ratio shows how much of a company's assets are owned by creditors (lenders) vs how much is owned by shareholders. A ratio of more than 0.6 is poor, as it indicates that the company

may not be generating enough cash flow to cover its debt. The debt-to-asset ratio is computed by dividing total debt by total assets.

Figure 4, Starting in 2017, when the debt-to-assets ratio was 0.12, it was 0.12 in 2018, 0.13 in 2019, and 0.16 in 2020, indicating that the company is generating enough cash flow to cover its debt with no effect from the pandemic.

2.3.4. Profitability Ratio

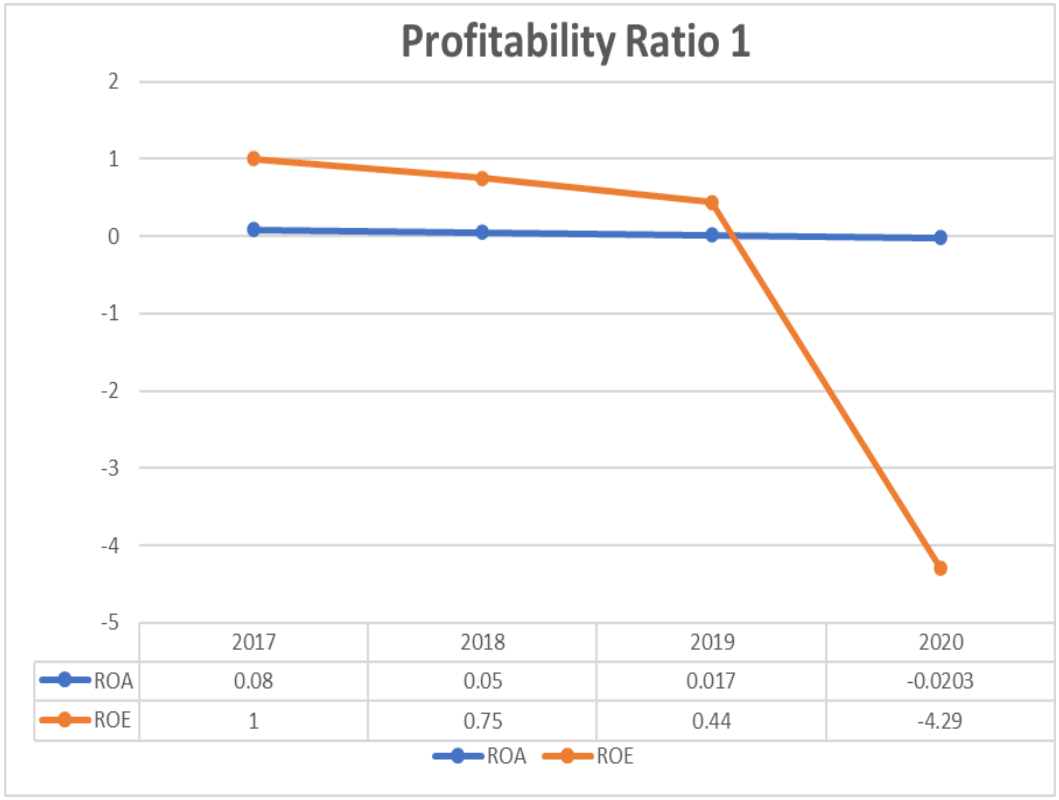

Figure 5

Profitability Ratio 1

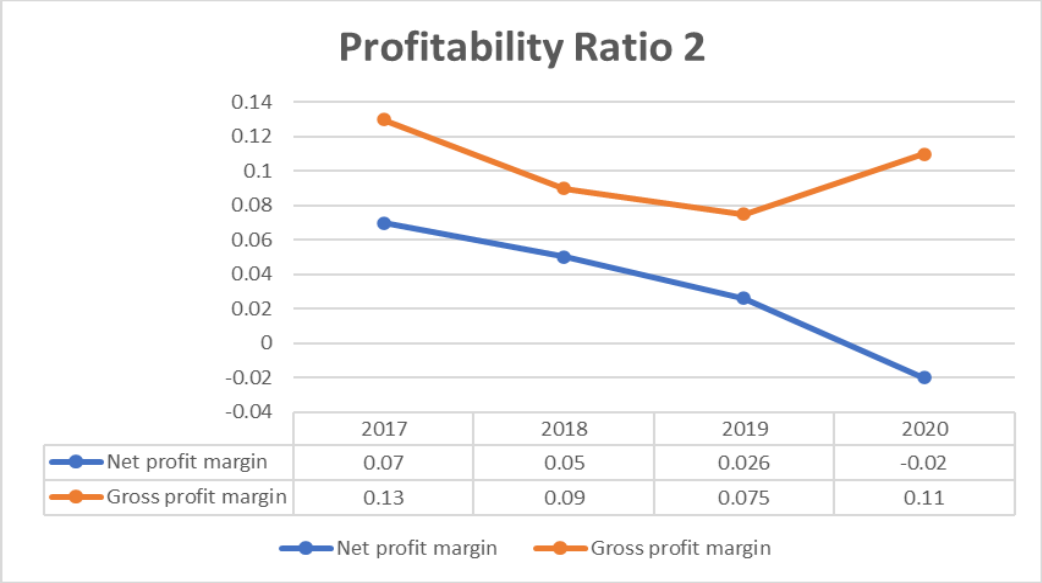

Figure 6

Profitability Ratio 2

Profitability ratios are used by analysts and investors to quantify and evaluate a company's ability to increase income (profit) over time in relation to sales, balance sheet assets, operational costs, and shareholders' equity. They show how well a business uses its assets to produce profit and value for its owners. Most companies attempt for a higher ratio or value since it means the company is doing well in terms of sales, profitability, and cash flow. Gross profit margin, net profit margin, return on assets (ROA), and return on equity (ROE) are the most often-used profitability ratios.

$$\text{Net profit margin} = \frac{(\text{Net Income})}{\text{Revenue}}$$

The **Net profit margin** is a percentage of sales that indicates how much profit or net income is generated. It is the ratio of a company's or business company's overall net profits to revenues. The net profit margin shows how much profit a company makes out of each dollar of revenue it receives. It is the ratio of net profits to revenues for a company. Net income is divided by revenue to arrive at this ratio. A net profit margin of 10% is regarded normal, a 20% margin is considered good, and a 5% margin is considered low.

Figure 5, Starting in 2017, the ***net profit margin*** was 0.07, which is not a bad number when a company makes 7% of its net profit, and it decreased to 0.05 in 2018, when it made 5% net profit, and then to 0.026 in 2018, when it made 2.6 percent net profit, which was a very low net income ratio in 2018 and 2019, and very bad, but in 2020, when the pandemic began, this ratio dropped to be negative, to

be -0.02, which means that the production costs are increasing. This indicates that you are spending more money than you are making, which is not a good business model, due to the pandemic effects.

$$\text{Gross Profit Margin} = \frac{(\text{Gross profit})}{\text{Revenue}}$$

Analysts estimate the amount of money left over after subtracting the cost of goods sold from product sales (COGS) to determine a company's financial health using **Gross profit margin**.

The **Gross profit margin**, also known as the gross margin ratio, is often represented as a percentage of sales. Deducting the cost of goods sold (COGS) from net sales yields the gross profit margin percent of a company. After that, the total is divided by net sales. In general, a decent profit margin for a small business range between 7% and 10%. However, please note that certain organizations may experience low profit margins.

Figure 5, Starting in 2017, the gross profit margin was 0.13, indicating that the company was performing well; in 2018, and 2019, the gross profit margin was 0.09 and 0.075, indicating that the company was maintaining a good ratio; and in 2020, when the pandemic began, the company was able to maintain a good ratio, reaching 0.11, indicating that the company is healthy.

$$\text{Return on assets (ROA)} = \frac{(\text{Net Income})}{(\text{Average Total Assets})}$$

Return on assets (ROA) is a financial measure that shows how profitable a business is in accordance with its total assets. Corporate management, analysts, and investors can utilize ROA to determine how successfully a firm uses its assets to generate profit. Using a company's net income and average assets. Divide net income by total assets to get the return on assets (ROA). The return on assets (ROA) ratio informs investors about a company's ability to turn its assets into profit. The higher the return on assets (ROA), the better, as the firm will be able to generate more money with less investment. Simply said, a higher return on assets (ROA) shows greater asset efficiency.

Figure 6, The company's ROA in 2017 was 0.08, indicating that it was doing an excellent job of turning its investments into profit. In 2018, and 2019, it reached 0.05 and 0.017, respectively, indicating a ROA of less than 5%. This indicates a low ROA, which is decreasing from 2017, indicating that the company is not performing well in converting investments into profit. This ratio

was negative when the pandemic began in 2020, reaching -0.0203. This indicates that the business is unable to acquire or utilize its assets effectively enough to generate a profit.

$$\text{Return On Equity} = \frac{(\text{Net Income})}{(\text{Average Total Equity})}$$

Return on equity (ROE) is a financial measurement that assesses how well a company manages the money it receives from its investors. Divide net income by shareholder equity to get the return on equity (ROE). The better a company's management is at generating revenue and growth from its equity funding, the greater the return on equity (ROE).

Figure 6, in 2017, ROE was the highest that a ROE of 1 could reach, indicating that the company was doing a good job of managing its income from equity management. ROE decreased to 0.75 and 0.44 in 2018, and 2019, respectively, which was not a bad ratio, and the company was still doing a good job of managing its income from equity management, but when ROE decreases, it indicates a less efficient use of equity capital. However, in 2020, this ratio dropped to be negative -4.29, what means that there is loss, no net income, or there are number of issues and of course the biggest issue was COVID-19 because of inconsistent profits.

3. Conclusion

3.1. Analysis findings

Covid-19 has had a significant impact on steel sector, affecting so many aspects of its operations that it has caused numerous problems and brought them back. According to the analysis we undertaken, the company was successful in dealing with the pandemic on the side of ***liquidity ratios***. because current ratios, quick ratios, and cash ratios were not significantly impacted because the company was still in a good position to meet its short-term obligations, the financial health of the company was good according to the quick ratio, and the company was not having a good ratio, but it was a normal one on the side of the cash ratio because it was in a good position to meet its short-term obligations. The company, on the other hand, was severely impacted by the pandemic on side of ***activity ratio*** because it was having problems collecting credits from customers (DSO), problems paying its bills (the company takes longer to pay its bills), and a problem with not being able to generate enough revenue for itself using its assets. The same thing happened on **the *solvency ratio*** side, as the company

did not have enough cash flow to meet its long-term obligations, putting it at risk of defaulting on its debt obligations. The company, on the other hand, was spending more money than it was making, and while the gross profit margin (% of sales) indicates that the company is still healthy, ROA indicates that the company is unable to utilize its assets to generate enough profit, and ROE indicates that there is no net income, indicating that the company is losing money.

3.2. Recommendations for the company to improve in the future

I see that the company has a lot of work to do in case this pandemic hit again, so that we do not have to go through these difficulties again. On the general side, I recommend that the company reconstruct the design of the office and the shop side, where more arrangements for selling orders and the cleanliness of the place where the goods are placed, and the design of the office, which will attract more customers to the company, because the office is currently old and everything in it is wormed out. On the marketing side, the company must expand because everything today is based on the internet, and the company has entered this world with no website, no Facebook or Instagram page, and it can begin selling using these websites, which expand its name. Steel has a wide range of applications, so the company needs to diversify its work. Many of these uses can be adopted by the company and work on them, but only on a high-quality basis, attracting customers to buy steel from the company while also finishing what they want to do with the steel in the company, allowing the customer to save time. Finally, it should broaden its brand by opening in a new city, which will undoubtedly benefit it.

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