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An Empirical Study of the Export Procedure and Documentation towards Tata Steel

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ABSTRACT

Steels are alloys of iron & carbon, widely used in construction field and manufacturing of various products due to their high tensile strengths and normal costs. "The Iron and Steel Industry" is a single entity, but they are separate products. The steel industry is an indicator for economic progress of a country, because of its critical role in infrastructural and overall development.
The recent economic boom in China and India have caused a massive increase in the demand for steel. Since 2000, several Indian and Chinese firms have risen to great level, for example Tata Steel (which bought Corus Group and Nat Steel) in India, Shanghai Baosteel Group Corporation & Shagang Group in China. Arcelor Mittal owned by Lakshmi Mittal which is situated at Luxemburg is the world's largest steel producer till now.

Keywords:
Steel, Tata Steel, International trade, India, logistics, Industry, Accessibility, Trade, Online, Retail, Opportunity, Business.

Introduction:

India has a mission to capture 2% of the global share of trade by 20010, up from the present level of less than 1%. Export is one of the lucrative business activities in India. The government also provides various promotional schemes to the exporters for earning valuable foreign exchange for the country and for meeting their requirements for importing modern technology and essential inputs. Besides, the income from export business is also exempted to the specified extent under the Income Tax Act, 1961, Refund of Central Excise and Custom Duty on export is also made under the Duty Drawback Scheme of the Government. There is no Sales Tax on products meant for exports.

Exports can be of goods which can be moved physically from one country to another or can be of service rendered. Detailed list of services are given in the Foreign Trade Policy covering more than 160 items e.g. Insurance, Hospital, Postal and Telecommunication etc.

About The Company:

Tata Iron and Steel Company (TISCO) was founded by Jamsetji Nusserwanji Tata and established by Sir Dorabji Tata on 26 August 1907. TISCO started pig iron production in 1911 and began producing steel in 1912 as a branch of Jamsetji's Tata Group. The first steel ingot was manufactured on 16 February 1912. During the First World War, the company made rapid progress.

In 1920, The Tata Iron & Steel Company also incorporated The Tinplate Company of India Ltd (TCIL), as a joint venture with then Burma Shell to manufacture Tinplate. TCIL is now Tata Tinplate and holds 70% market share in India.

By 1939, it operated the largest steel plant in the British Empire. The company launched a major modernization and expansion program in 1951. Later, in 1958, the program was upgraded to 2 million metric tone's per annum (MTPA) project.[14] By 1970, the company employed around 40,000 people at Jamshedpur, and a further 20,000 in the neighboring coal mines.

In November 2021, Tata Steel was the most profitable company in the Tata Group.

Overview of Indian Market:

Tata Steel Limited is an Indian multinational steel-making company, based in Jamshedpur, Jharkhand and headquartered in Mumbai, Maharashtra. It is a part of the Tata Group.

Formerly known as Tata Iron and Steel Company Limited (TISCO), Tata Steel is among the top steel producing companies in the world with an annual crude steel capacity of 34 million tonnes. It is one of the world's most geographically diversified steel producers, with operations and commercial presence across the world. The group (excluding SEA operations) recorded a consolidated turnover of US$19.7 billion in the financial year ending 31 March 2020. It is the second largest steel company in India (measured by domestic production) with an annual capacity of 13 million tonnes after Steel Authority of India Ltd.

Literature Review:

Introduction

The objective of this chapter is to review the published literature in the relevant topics of financial performance analysis and to identify the gaps. It is necessary to review the existing relevant literature to investigate and study the problem at hand in a better way.

A brief review of some of the studies conducted in past is given below.

REVIEW OF LITERATURE BASED ON STEEL INDUSTRY

1. Arab, Masoumi&Barati (2015)

Examined the financial performance of identified units in the steel industry in India in terms of financial ratios under Liquidity, Solvency, Activity and Profitability. A group of companies listed in the stock exchanges in India namely, Tata Steel Ltd., Jindal Steel & Power Ltd., JSW Steel Ltd., Bhushan Steel Ltd. and Steel Authority of India Ltd. were selected for the study. ANOVA was used to evaluate the impact of selected variables on the financial performance of identified units in the steel industry.

2 .Takeh&Navaprabha (2015)

To analyze the impact of capital structure on financial performance of selected Indian steel companies for a period from 2007 to 2012. Multiple regression model, correlation matrix, ANOVA and descriptive statistics were used for data analysis. OPM, ROA, ROE and ROCE were used as indicators of financial performance (dependent variables) while TDER, TADR, ICR and FDR were used as indicators of capital structure (independent variables). The result indicated that capital structure had significantly impacted financial performance of Indian steel Industry.

3. Sinku& Kumar (2014)

Attempted to review the financial performance of Steel Authority of India Limited (SAIL). The study was purely based on secondary data conducted for a period of five years from 2005- 06 to 2009-10. The data were tabulated, analyzed and interpreted with the help of various financial ratios and Multivariate Discriminate Analysis (MDA) developed by Prof. Edward I. Altman (1968). It was observed from the analysis of various ratios that the profit earning capacity, liquidity position and long-term solvency position of SAIL was quite good during the study period and the level of bankruptcy position was also very low. Closely related to this discussion has been the role of the State in policies affecting the creation of new employment.

RESEARCH METHODOLOGY

Methods for data collection

Secondary Data

Secondary Data

Secondary source of data was collected from

Books

Web's big data es

Plan of analysis

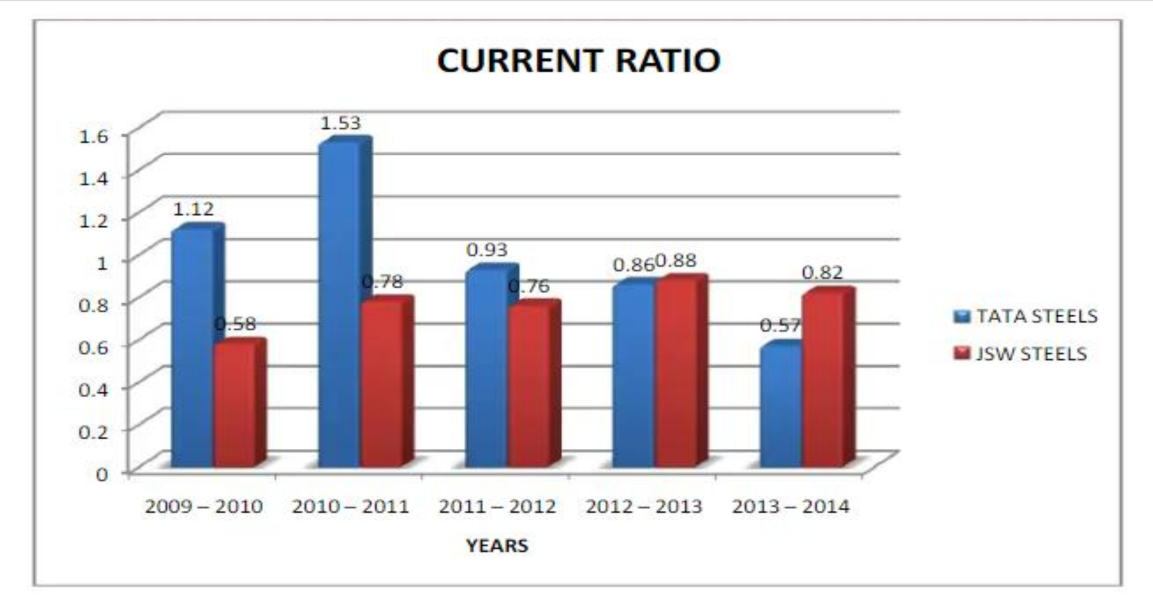
- Diagrammatic representation through graphs and charts
- Big data able inferences will be made after applying necessary statistical tools.
- Findings & suggestions will be given to make the study more useful.

DATA ANALYSIS AND INTERPRETATION

1. Current Ratio:

Current ratio is defined as ratio of current assets to current liabilities. Current ratio is calculated to establish relationship between the current assets and current liabilities. It is also called as working capital ratio or banker's ratio. The difference between current assets and current liabilities is called working capital. The current ratio should be 2:1 which is referred to as banker's rule of thumb or accepted standard of liquidity. A current ratio of more than 1 indicates that the current assets are in excess of current liabilities. Higher the current ratio better is the firm from the lenders perspective. But the firm has to be cautious of a very high current ratio as it affects the profitability adversely.

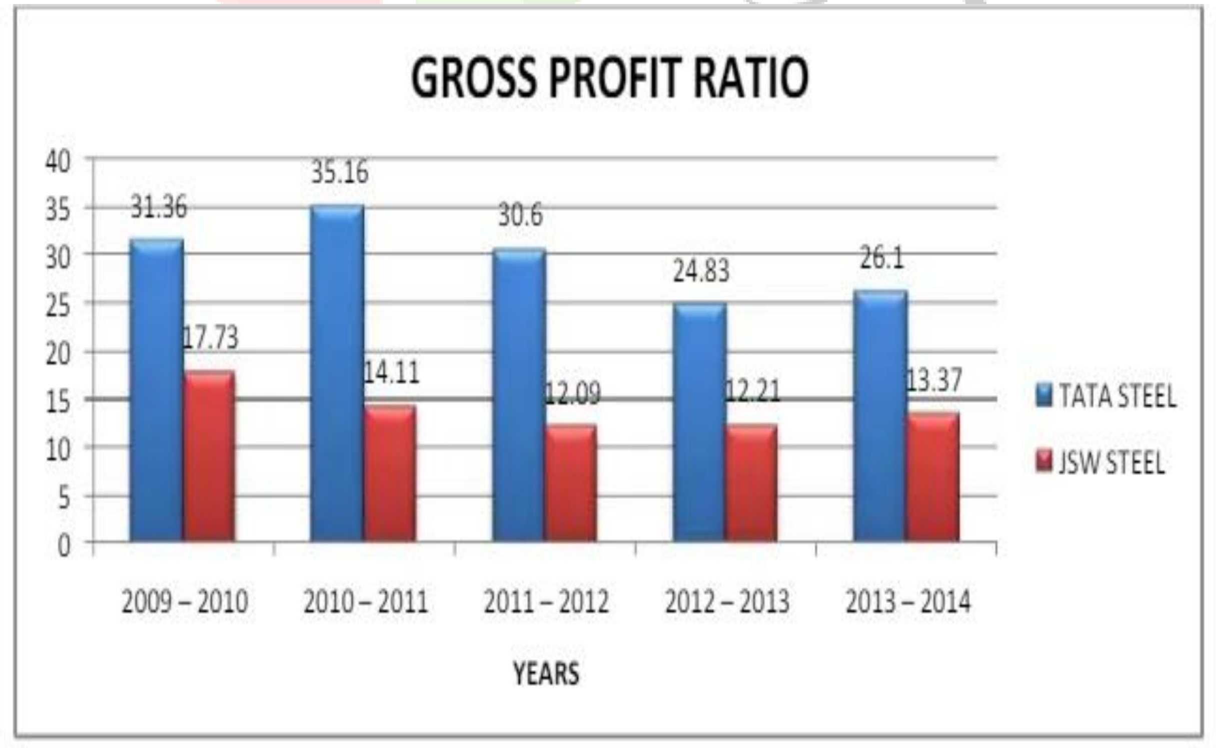
Graph 6.1



2. Gross Profit Ratio:

Gross profit ratio expresses the relationship between gross profit and sales. This ratio tells the management what sales can generate earnings before any cost of business are met.

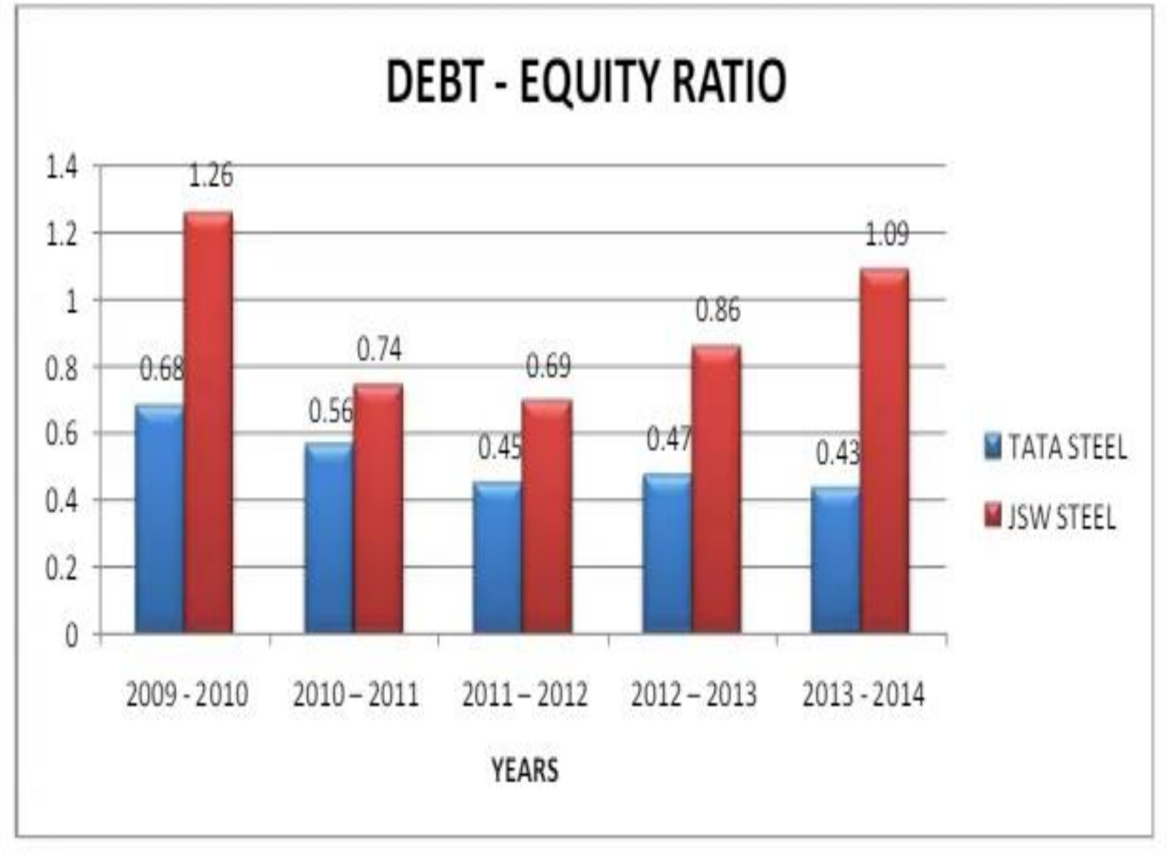
Graph 6.2



3. Debt Equity Ratio:

Debt equity ratio is calculated to know the extent of outsider's funds and shareholders' funds used in acquiring the assets for a firm. It is calculated to measure the relative claims of outsiders and shareholders against the assets of the firm. It is also called as External – Internal Equity Ratio or Debt to Net worth Ratio.
Debt Equity Ratio = Outsiders Funds or Debt / Shareholders Funds or Equity

Graph 6.3.



RECOMMENDATION

Tata steel should try to improve its solvency so that at the time of crisis they don't have to sell of their inventory to pay off debts.
They should maintain quick ratio above or equal.
Fluctuations in operating cycle should be reduced.
TATA STEEL must keep eye on its WIP conversion period.
TATA STEEL should try to minimize its inventory conversion period and also try to minimize the average age of stock to reduce the cost of inventories.
As sale price per unit is lesser than the competitors it must keep trend increasing mode of sales to reduce the blockage of its price in its inventory.
Try to generate more revenue from other country.
TATA STEEL should try for acquisition of more mines in India to reduce the raw material outsourcing or import cost.

Limitations of the Study:

1. Limited sample size:

   The study may have a limited sample size, which may not be representative of the entire population of companies in the steel industry. This may limit the generalizability of the findings.

2. Data quality:

   The accuracy and completeness of the data used in the study may be limited, which may affect the validity and reliability of the results.

3. Time constraints:

   The study may have been conducted within a limited time frame, which may have restricted the depth and scope of the research.

4. Data availability:

   The study may have been limited by the availability of data. For example, certain types of data may have been difficult to access or unavailable, which may have restricted the analysis.

CONCLUSION:

In conclusion, this empirical study of the export procedure and documentation towards Tata Steel has provided valuable insights into the challenges and opportunities faced by the company in the international trade environment.

Tata Steel has been analyzed in terms of financial aspects especially working capital and financial ratios. A comparison has been made with JSW and SAIL to see the position of Tata Steel Ltd. in the Industry.

Overall, this study has provided valuable insights into the export procedure and documentation towards Tata Steel, and has the potential to contribute to a better understanding of the challenges and opportunities faced by companies operating in the international trade environment.

I hope this helps you to write a clear and effective conclusion for your empirical study.

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GOVERNMENT OF INDIAMinistry of Commerce