



A STUDY ON FINANCIAL ANALYSIS OF TATA STEEL

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ABSTRACT:

Financial is regarded as the life blood of a business enterprise. Finance statements are prepared primary for decision-making. They play a dominant role in setting the frame work and managerial conclusion and can be drawn from these statements is of immense use in decision-making through analysis and interpretation of financial statement. Every business under taking needs finance for its smooth working. It has to raise funds from the cheapest and risky source to utilize this in most effective manner. So every company will be interested in knowing its financial performance. The project entitled "**FINANCIAL PERFORMANCE ANALYSIS OF TATA STEEL**" throw light on overall financial performance of Tata steel .

1. INTRODUCTION

Finance is a broad term that describes activities associated with banking, leverage or debt, credit, capital markets, money, and investments. Basically, finance represents money management and the process of acquiring needed funds. Finance also encompasses the oversight, creation, and study of money, banking, credit, investments, assets, and liabilities that make up financial systems.

FINANCIAL STATEMENT ANALYSIS:

Financial statement analysis is the process of analysing a company's financial statements for decision-making purposes. External stakeholders use it to understand the overall health of an organization as well as to evaluate financial performance and business value. Internal constituents use it as a monitoring tool for managing the finances.

PURPOSE OF FINANCIAL STATEMENT ANALYSIS:

To measure the financial standing of the business .To evaluate the profitability (earning capacity) of the business .To make comparisons within the firm (intra-firm) and with other firms (inter-firm) . To find out the business' capability of paying interest, dividend, etc., To judge the performance of the management .To measure the firm's short-term and long-term solvency

LIMITATIONS OF FINANCIAL STATEMENT ANALYSIS:

The financial statements are expressed in monetary values, so they appear to give final and accurate position. The value of fixed assets in the balance sheet neither represents the value for which fixed assets can be sold nor the amount which will be required to replace these assets. The balance sheet is prepared on the presumption of a going concern. Financial Statement Limitation.

TOOLS OF FINANCIAL STATEMENT ANALYSIS:

Different tools are used for analyzing the financial statements. The tool is selected based on the purpose of analysis. Following are the commonly used tools of financial statement analysis:

1.Comparative statement ,2. Common-size statements, 3.Trend analysis, 4.Ratio Analysis, 5.Funds flow analysis, 6.Cash flow analysis.

STATEMENT OF THE PROBLEM:

In this study, an attempt is made to identify the financial performance of TATA STEEL and its financial strength and weakness by using ratio analysis and trend analysis and to establishing relationship between the items in the balance sheet and profit and loss account. Despite the fact that TATA STEEL is producing audited financial statement for users timely, they are not making regular financial performance analysis. But the company makes annual performance review only to determine its profitability by comparing with its annual budget and the previous year's performance which is not enough.

REVIEW OF LITERATURE

Nirav.S. Chauhan (2012)² the report shows about the financial analysis of TATA STEEL for the period 2010 to 2012. Data is analysed through trend analysis, comparative statement analysis and cash flow method. The result suggests that increasing provisions is the only growing concern for TATA STEEL as it is directly affecting net current assets and its profit margin.

Dr. Vivek Singla (2013)⁴ the study has been conducted to compare the financial performance of two steel companies i.e. SAIL and TATA STEEL. Analysis of working capital and analysis of profitability was also included in this study. As a result of comparing both the companies Tata Steel is better than SAIL in net profit and in inventory management.

Megaladevi P et al. (2016)¹³ undertook a study to establish money performance of Tata Steel Ltd. Different ratios are used in this study and notably those that are associated with the finances. For this purpose balance sheet from 2005–2006 to 2014–2015 of Tata Steel Limited is employed and from them ratios are calculated. On the whole company's overall financial performance was satisfactory.

Abhishek Sinha et al. (2018)¹⁶ undertook a study to analyse the strengths and weaknesses of two steel companies (Tata Steel Ltd and Jindal Steel). Period of the study is from 2013 -2017 (5 years). Data is analysed through ratio analysis. The study reveals that Tata Steel Ltd have sound solvency position than Jindal Steel but the company have to avail on the benefit of trading on equity and has to use cheaper debt capital

MATERIALS AND METHODS:

A. SCOPE OF THE STUDY

The scope of this study is wider in nature. This study has come up with the financial performance of TATA STEEL. The company's past data has been used for analysis. Data relating to ten years period (2011- 2012 to 2020-2021) have been used. This study will help in forecasting the information for the future.

B. OBJECTIVES OF THE STUDY

1. To study the financial performance of TATA STEEL using ratio analysis (Liquidity, Solvency, Profitability, Efficiency and Capital structure ratios).
2. To forecast the financial performance of TATA STEEL on the basis of past performance using trend analysis.

C. SOURCE OF DATA COLLECTION

Secondary Data

The Secondary data are those which have already been collected by someone else and which have already been passed through the statistical process. Thus the data was collected from company document reports and books.

D. Period of Study

The present study focuses on a decade financial statement of Tata Steel Ltd from the year 2011-2012 to 2020-2021.

E. Tools for Analysis

The tools and techniques which have used in this study

1. Ratio analysis
2. Trend analysis

F. LIMITATIONS OF THE STUDY

The data are secondary in nature. The study is limited to the period of ten years from 2011-12 to 2020-21. The changes taken place before and after this period have not been taken into consideration

ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

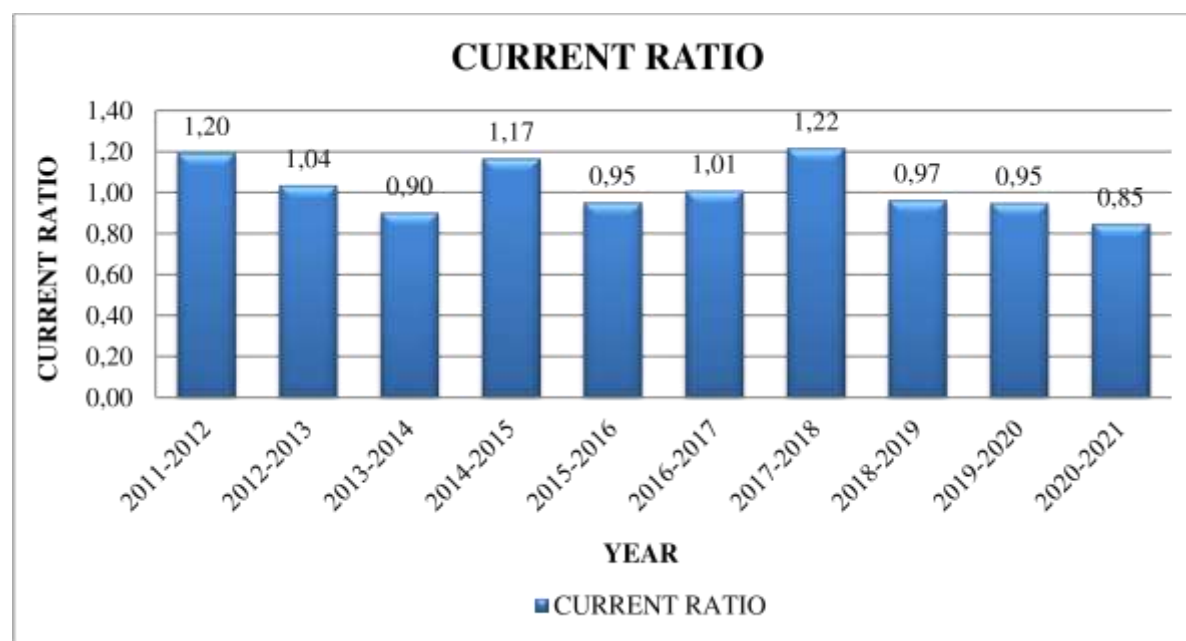
Ratio analysis is mainly performed by external analysts as financial statements are the primary source of information for external analysts. The analysts very much rely on the current and past financial statements in order to obtain important data for analyzing financial performance of the company. The data or information thus obtained during the analysis is helpful in determining whether the financial position of a company is improving or deteriorating.

ANALYSIS OF LIQUIDITY RATIO -CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2011-2012	56808.33	47,482.83	1.20
2012-2013	54,244.15	52,279.05	1.04
2013-2014	57,989.41	64,123.14	0.90
2014-2015	53,594.74	45,826.13	1.17
2015-2016	45,791.96	47,953.97	0.95
2016-2017	50,935.03	50,341.05	1.01
2017-2018	67,877.16	55,661.41	1.22
2018-2019	58,990.98	61,034.13	0.97
2019-2020	58,732.72	61,660.91	0.95
2020-2021	60,211.90	70,867.13	0.85

INTERPRETATION

Table 4.1 shows the Current ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021



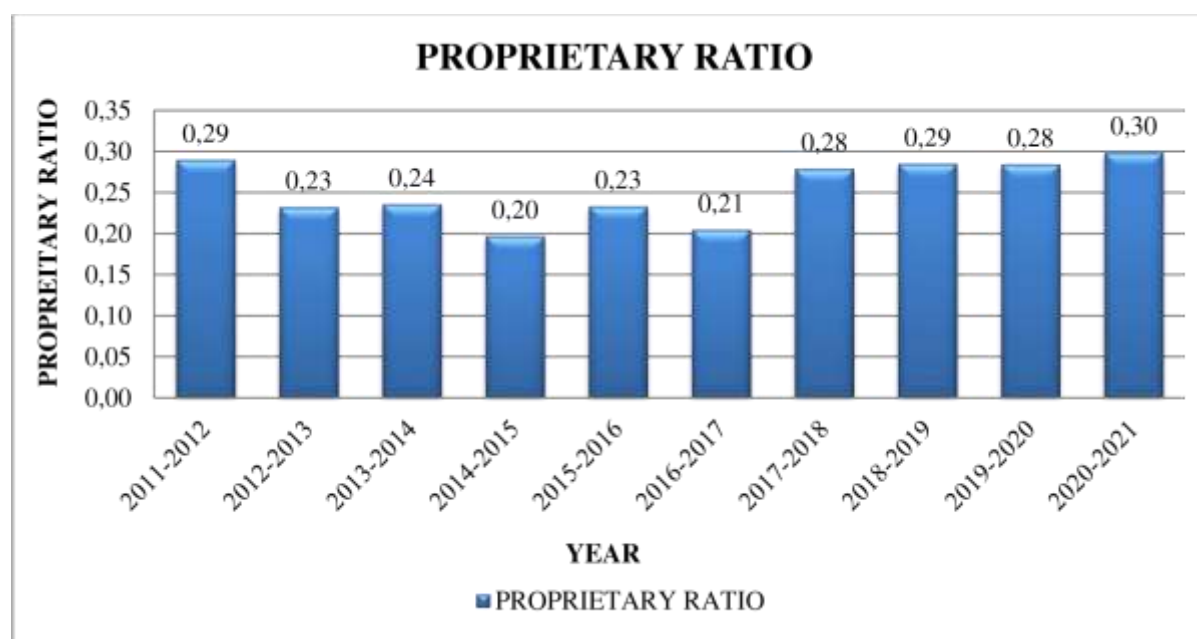
ANALYSIS OF SOLVENCY RATIOS

PROPRIETARY RATIO

YEAR	SHAREHOLDER'S FUNDS	TOTAL ASSETS	PROPRIETARY RATIO
2011-2012	42,616.22	1,46,852.09	0.29
2012-2013	34,172.24	1,46,906.42	0.23
2013-2014	40,531.96	1,71,644.45	0.24
2014-2015	31,349.41	1,58,945.53	0.20
2015-2016	41,457.55	1,77,511.44	0.23
2016-2017	35,544.31	1,73,333.24	0.21
2017-2018	58,595.60	2,09,757.94	0.28
2018-2019	66,650.08	2,33,582.39	0.29
2019-2020	71,301.30	2,50,419.45	0.28
2020-2021	73,459.99	2,45,487.21	0.30

INTERPRETATION

Table 4.4 shows the Proprietary ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021.



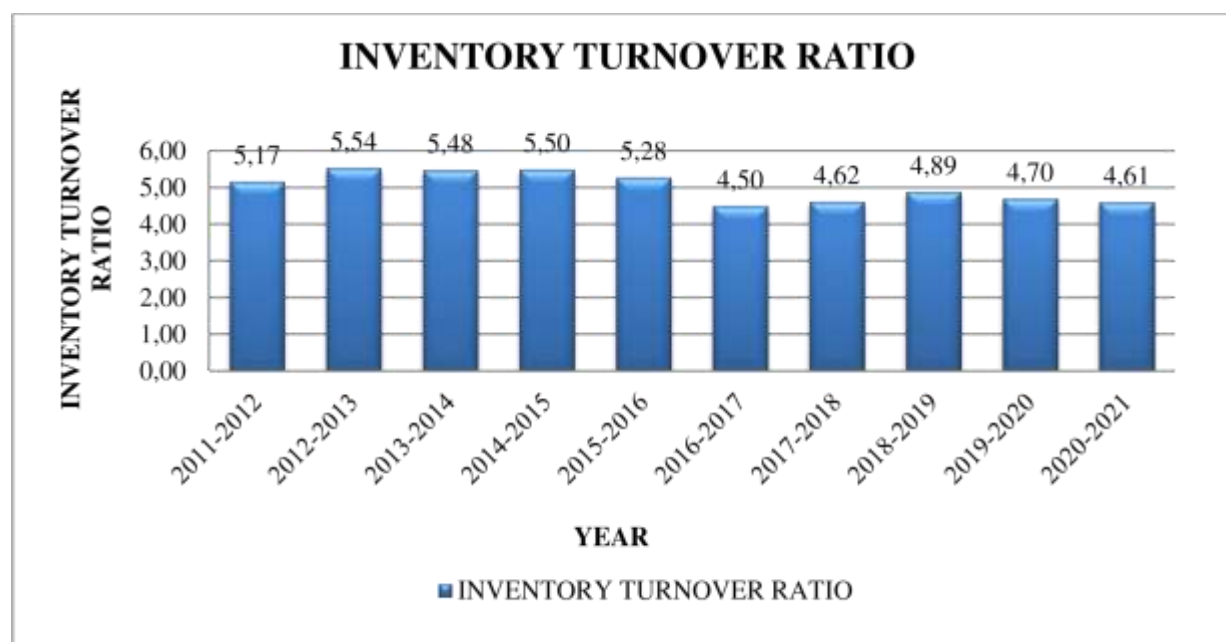
ANALYSIS OF EFFICIENCY RATIOS

INVENTORY TURNOVER RATIO

YEAR	NET SALES	AVERAGE STOCK	INVENTORY TURNOVER RATIO
2011-2012	1,32,257.36	25,598.00	5.17
2012-2013	1,33,416.60	24,091.19	5.54
2013-2014	1,47,347.28	26,880.00	5.48
2014-2015	1,38,318.91	25,149.91	5.50
2015-2016	1,05,683.18	20,013.33	5.28
2016-2017	1,11,562.05	24,803.82	4.50
2017-2018	1,30,880.87	28,331.04	4.62
2018-2019	1,54,691.63	31,656.10	4.89
2019-2020	1,46,106.00	31,068.72	4.70
2020-2021	1,53,308.39	33,276.38	4.61

INTERPRETATION

shows the Inventory turnover ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021



TREND ANALYSIS

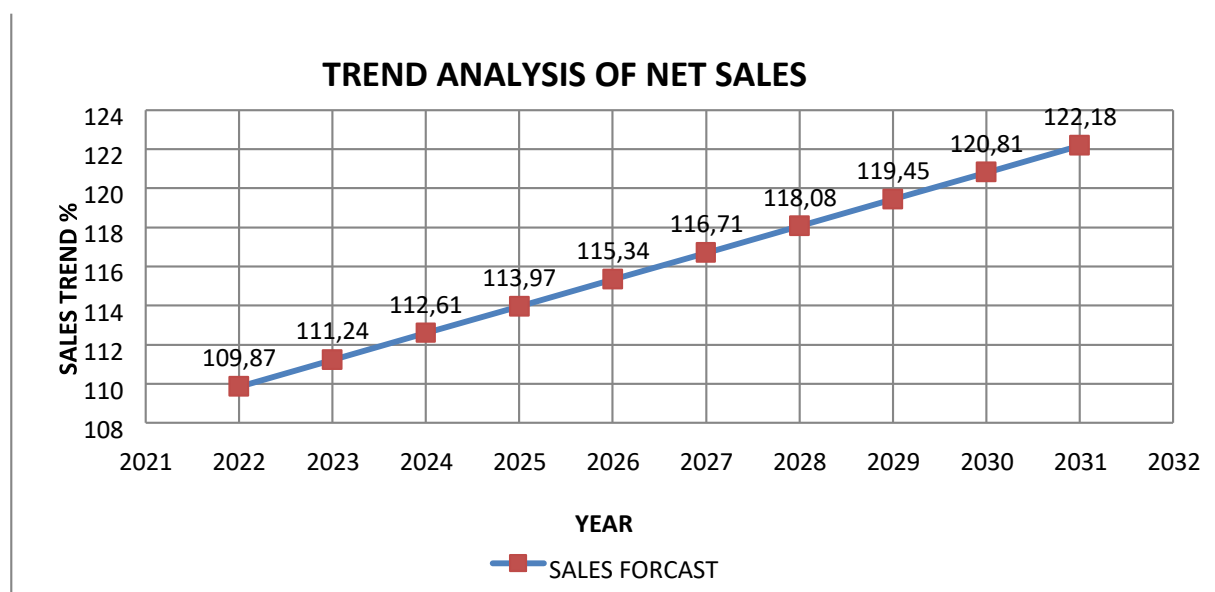
Trend analysis is an analysis of the trend of the company by comparing its financial statements to analyse the trend of the market or analysis of the future based on past performance results, and it's an attempt to make the best decisions based on the results of the analysis done. In Finance, Trend Analysis is used for Technical analysis and Accounting analysis of stocks.

TREND ANALYSIS OF NET SALES

YEAR	NET SALES	TREND PERCENTAGE
2022	145309.61	109.87
2023	147119.14	111.24
2024	148928.66	112.61
2025	150738.19	113.97
2026	152547.71	115.34
2027	154357.24	116.71
2028	156166.76	118.08
2029	157976.29	119.45
2030	159785.81	120.81
2031	161595.33	122.18

INTERPRETATION

From the above table 4.21, Net Sales has been forecasted from 2022 – 2031 for the period of 10 years.

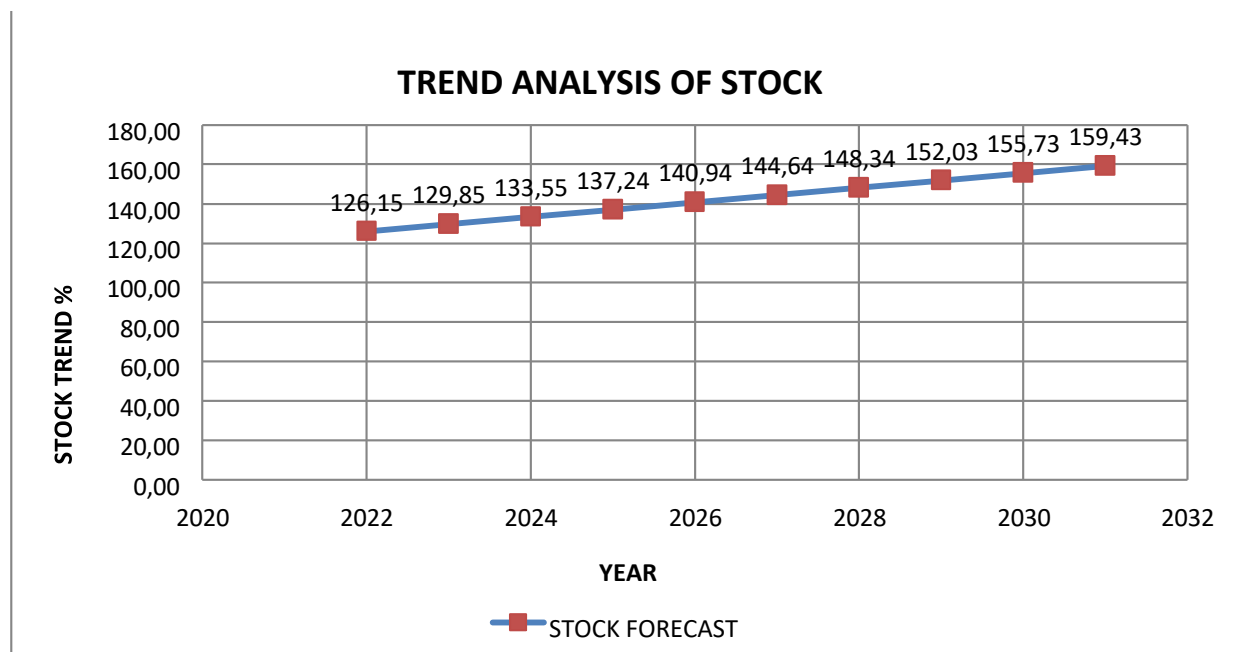


TREND ANALYSIS OF STOCK

YEAR	STOCK	TREND PERCENTAGE
2022	32,292.27	126.15
2023	33,238.71	129.85
2024	34,185.14	133.55
2025	35,131.58	137.24
2026	36,078.02	140.94
2027	37,024.46	144.64
2028	37,970.90	148.34
2029	38,917.34	152.03
2030	39,863.78	155.73
2031	40,810.22	159.43

INTERPRETATION

Stock has been forecasted from 2022 – 2031 for the period of 10 years.



SUGGESSTIONS

In the present study, the following suggestions are given, on findings to improve the financial position of TATA STEEL LIMITED.

- The firm has to increases it current assets to meets its short-term obligations, and to improve it liquidity position.
- The company should try to decrease its operating expenses so that it can improve its net profit position.

CONCLUSION

Efficient management of finance is very important for the success of an enterprise. The present study was conducted on “**FINANCIAL STATEMENT ANALYSIS OF TATA STEEL LIMITED**” by using ratio analysis and trend analysis as financial tools. Based on the tools used analysis and interpretation have been made giving way for useful and constructive suggestions. It reveals that the short-term solvency of the company has to improve its liquidity position. On long-term solvency of the company, the management is expected to make changes so as to maintain a steady solvency position. In future, the expenses of the company should be curtailed to increase the profit. TATA STEEL LIMITED should take efforts constantly to improve the financial position up to next level of performance in order to make benchmark. This will yield greater efficiencies and improve investor’s satisfaction.

ANNEXURE

A. FINANCIAL STATEMENT OF TATA STEEL

Profit and loss and Balance Sheet of TATA STEEL LIMITED from 2012-2013 to 2020-2021 has been mentioned below

PROFIT & LOSS ACCOUNT OF TATA STEEL LIMITED										
PARTICULARS	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
INCOME										
REVENUE FROM OPERATIONS [GROSS]	1,53,308.39	1,46,106.00	1,54,691.84	1,31,741.49	1,16,682.57	1,05,683.18	1,43,113.54	1,51,946.52	1,37,526.20	1,35,333.22
Less: Excise/Sevice Tax/Other Levies	0	0	0.21	860.62	5,120.52	0	4,794.63	4,599.24	4,109.60	3,075.86
REVENUE FROM OPERATIONS [NET]	1,53,308.39	1,46,106.00	1,54,691.63	1,30,880.87	1,11,562.05	1,05,683.18	1,38,318.91	1,47,347.28	1,33,416.60	1,32,257.36
TOTAL OPERATING REVENUES	1,56,294.18	1,48,971.71	1,57,668.78	1,32,155.75	1,12,299.42	1,06,339.92	1,39,503.73	1,48,613.55	1,34,711.54	1,32,899.70
Other Income	895.6	1,821.99	1,420.58	909.45	527.47	412.22	796.18	516.81	479.15	1,573.03
TOTAL REVENUE	1,57,189.78	1,50,793.70	1,59,089.36	1,33,065.20	1,12,826.89	1,06,752.14	1,40,299.91	1,49,130.36	1,35,190.69	1,34,472.73
EXPENSES										
Cost Of Materials Consumed	46,187.96	53,592.83	54,309.07	41,205.43	32,418.09	28,114.90	40,770.27	46,242.98	40,643.46	45,457.54
Purchase Of Stock-In Trade	9,235.42	10,504.20	6,567.98	11,002.82	11,424.94	10,581.37	13,804.22	17,008.21	18,473.87	21,073.43
Changes In Inventories Of FGWIP And Stock	1,516.77	-490.05	-96.71	-43.68	-4,538.13	1,925.19	1,092.95	-514.67	1,418.93	-785.93

Employee Benefit Expenses	19,908.81	19,152.23	18,758.87	17,606.19	17,252.22	17,587.63	21,407.64	20,303.41	18,918.25	17,228.64
Finance Costs	7,606.71	7,580.72	7,660.10	5,501.79	5,072.20	4,221.41	4,847.75	4,336.83	3,968.11	4,250.11
Depreciation And Amortisation Expenses	9,233.64	8,707.67	7,341.83	5,961.66	5,672.88	5,306.35	5,943.60	5,841.22	5,575.32	4,516.65
Other Expenses	50,706.65	50,702.93	50,410.51	41,495.32	39,499.19	41,255.47	51,061.09	50,689.40	44,252.81	38,366.86
TOTAL EXPENSES	1,42,630.27	1,47,432.53	1,43,287.37	1,21,728.67	1,06,036.68	1,07,899.35	1,37,759.33	1,42,380.59	1,31,933.76	1,29,249.67
PROFIT/LOSS BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX	14,559.51	3,361.17	15,801.99	11,336.53	6,790.21	-1,147.21	2,540.58	6,749.77	3,256.93	5,223.06
Exceptional Items	-1,043.16	-4,929.58	-120.97	9,599.12	-4,324.23	3,990.38	-3,928.67	-27.64	-7,389.88	3,361.92
PROFIT/LOSS BEFORE TAX	13,516.35	-1,568.41	15,681.02	20,935.65	2,465.98	2,843.17	-1,388.09	6,722.13	-4,132.95	8,584.98
TAX EXPENSES- CONTINUED OPERATIONS										
Current Tax	4,288.27	2,113.63	6,728.14	2,002.77	1,741.70	1,321.02	2,214.71	3,381.29	2,325.40	3,517.65
Less: MAT Credit Entitlement	0	0	0	0	0	0	117.32	0.21	410.12	5.41
Deferred Tax	1,365.63	-4,666.53	-9.71	1,402.62	1,036.31	-631.06	470.02	-424.27	1,314.16	124.22
TOTAL TAX EXPENSES	5,653.90	-2,552.90	6,718.43	3,405.39	2,778.01	689.96	2,567.41	3,058.16	3,229.44	3,636.46
PROFIT/LOSS FOR THE PERIOD	7,862.45	984.49	8,873.63	17,588.71	-4,176.22	-386.67	-3,955.50	3,663.97	-7,362.39	4,948.52
Minority Interest	-699.57	384.08	1,120.00	-4,328.48	-72.23	114.31	13.29	-69.92	214.46	173.14
CONSOLIDATED PROFIT/LOSS AFTER MI AND ASSOCIATES	7,490.22	1,556.54	10,218.33	13,434.33	-4,240.80	-382.78	-3,925.52	3,594.89	-7,057.62	5,389.77
OTHER ADDITIONAL INFORMATION										
EARNINGS PER SHARE										
Basic EPS (Rs.)	64	12	88	128	-43	-7	-42	35	-75	54
Diluted EPS (Rs.)	64	12	88	128	-43	-7	-42	35	-75	54
DIVIDEND AND DIVIDEND PERCENTAGE										
Equity Share Dividend	1,144.75	1,488.13	1,144.76	1,236.18	1,043.07	776.97	776.97	971.21	776.97	1,165.46
Tax On Dividend	242.34	297.4	224.61	95.47	55.65	149.3	164.2	80.22	226.41	185.71

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