

A STUDY ON FINANCIAL ANALYSIS OF TATA STEEL

Submitted in partial fulfilment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

By

ABIKA.S.S

REGISTER NO: 42410141



**DEPARTMENT OF BUSINESS
ADMINISTRATIONSCHOOL OF MANAGEMENT
STUDIES**

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade “A++” by NAAC I 12B Status by UGC I
CATEGORY - 1 UNIVERSITY BY UGC I Approved by AICTE
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SCHOOL OF MANAGEMENT STUDIES

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the Bonafide work of **ABIKA.S.S 42410141** who carried out the Project Training “**A STUDY ON FINANCIAL ANALYSIS OF TATA STEEL** ” under my supervision from October 2023 to December 2023.

Internal guide

External Guide

**Dr. BHUVANESWARI. G, MBA., Ph.D.
Dean – School of Management Studies**

Submitted for Viva voce Examination held on _____

Internal Examiner

External Examiner

DECLARATION

I am **ABIKA.S.S (42410141)** hereby declare that the Project Report entitled **“FINANCIAL ANALYSIS OF TATA STEEL”** done by me under the guidance of **DR.M.LAVANYA** is submitted in partial fulfilment of the requirements for the award of Master of Business Administration degree.

DATE:

PLACE:

ABIKA.S.S

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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 .

KEY WORDS:

- Financial performance
- Ratio Analysis
- Trend analysis
- Balance sheet

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CHAPTER 1

1. INTRODUCTION

1.1 FINANCE

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.

Finance is the money or other liquid resources of a government, business, group, or individual. It is the life blood of any business. It is a specialized branch of management, which is related to the procurement of finance and efficient utilization for the achievement of the common goal. Finance plays a vital role in the progress of the business. It keeps the enterprise dynamic. It is therefore necessary that there should be regularized and controlled financial activities to the needs of the firm.

Finance means management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting. There are three main types of finance:

- (1) Personal,
- (2) Corporate, and
- (3) Public/Government.

1.1.1 DEFINITION OF FINANCE

Schall & Hally said that "Finance is a body of facts, principles and theories dealing with raising and using of money by individuals, businesses and governments.

Lawrence. J. Gitman, "Finance is concerned with the process, institutions, markets and instrument involved in the transfer of money among individual, government and business."

Simon Andrade defines the term finances of the following ways: "Area of economic activity in which money is the basis of the various embodiments, whether stock market investments, real estate, industrial, construction, agricultural development, so on. ", and "Area of the economy in which we study the performance of capital markets and supply and price of financial assets."

Khan and Jain, define finance as the art and science of managing money.

Investopedia defines finance as the science that describes the management, creation and study of money, banking, credit, investments, assets and liabilities.

1.2 FINANCIAL ANALYSIS

Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment.

The term 'analysis' means the simplification of financial data by methodical classification of the data given in the financial statements, 'interpretation' means, 'explaining the meaning and significance of the data so simplified.' However, both 'analysis and interpretation' are interlinked and complementary to each other.

Financial analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare report using tools that make use of information taken from financial statements and other report. These reports are usually presented to top management as one of their bases in making business decisions.

1.3 FINANCIAL STATEMENT ANALYSIS

Financial statement analysis is the process of analyzing 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.

The financial statements of a company record important financial data on every aspect of a business's activities. As such, they can be evaluated on the basis of past, current, and projected performance.

1.3.1 DEFINITION OF FINANCIAL STATEMENT ANALYSIS

In the words of Myers, "Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set-of statements and a study of the trend of these factors as shown in a series of statements."

1.3.2 TYPES OF FINANCIAL STATEMENT ANALYSIS

Within the general scope of financial analysis, there are several types to consider. Here are seven types of financial statement analysis:

1. Vertical

In vertical financial analysis, the relationship between various items on a financial statement is analyzed. For example, during one accounting period, one item is measured against another item that's considered the base and the relationship is expressed as a percentage. Though it only accounts for one time period, it can help you recognize any changes over time and compare various entities.

2. Horizontal

Horizontal analysis refers to the evaluation of how financial statement figures change over a period of time. In other words, it compares one item to another in a different time period. Because of this, it can help analyse a business' finances from one year to the next. Horizontal analysis is also known as dynamic analysis or trend analysis, the latter being because this form of analysis can be useful in spotting trends over time.

3. Liquidity

Liquidity analysis uses ratios to determine whether or not a company will be able to pay back any debts or other expenses. This type of analysis is helpful because if a business isn't able to pay off any liabilities, they're bound to face financial troubles in the near future. Liquidity

analysis is particularly helpful for lenders or creditors who want some insight into your financial standing before offering you a loan or credit. Various ratios such as the cash ratio and current ratio are used in a liquidity analysis.

4. Profitability

In a profitability analysis, a company's rate of return is evaluated. Every business wants to be profitable, therefore, using the profitability analysis to measure its cost and revenue in a given period can be highly beneficial for them. If a company's revenue outweighs its costs, it's considered profitable. Profitability ratios—both margin and return ratios—are used in this type of analysis. These types of ratios include the following:

- **Margin ratios:** Gross profit margin, operating profit margin, net profit margin, cash flow margin
- **Return ratios:** Return on Investment (or Assets), return on equity, cash return on assets

5. Scenario and Sensitivity

During this type of analysis, an investment's value is measured based on current scenarios and changes. For example, it analyses how variable A is affected based on changes and sensitivities in other variables such as variable B or C. Scenario and sensitivity analysis can even help analysts predict certain outcomes based on different variables. They do so by studying the various variable effects based on prior data and then making informed decisions based on their findings.

6. Variance

Variance analysis refers to the process of analysing any differences between a business's budget and the actual amount it spent. For example, if you budgeted your sales to be \$1,000 but you actually sold \$250, the variance analysis would conclude with a difference of \$750.

Once you know this, you can start to determine the cause for the variance and implement strategies for avoiding any negative variances in the future. Variance analysis encompasses

various types of variances including purchase price variance, labour rate variance, fixed overhead spending variance and material yield variance.

7. Valuation

Through the valuation financial analysis, your business's present value is evaluated. This type of analysis can be utilized for various instances including mergers and acquisitions or taxable events.

There are different types of valuation ratios including price/earnings and price sales. Once you determine your company's ratios, you can begin to compare them to your company's past ratios, your competitor's ratios or your particular industry at large.

1.3.3 OBJECTIVES OF FINANCIAL STATEMENT ANALYSIS

The objectives of financial statement analysis are presented below:

1. To estimate the earning capacity of the business concern.
2. To find out the operating performance of a company.
3. To examine efficiency of various business activities.
4. To find out the financial performance of a company.
5. To judge the managerial ability.

1.3.4 STEPS INVLOVED IN FINANCIAL STATEMENT ANALYSIS

Financial statement analysis may be broadly categorized into following six steps:

1. **State the objective and context:** Determine what questions the analysis seeks to answer, the form in which this information needs to be presented, and what resources and how much time is available to perform the analysis.

2. **Gather data:** Acquire the company's financial statements and other relevant data on its industry and the economy. Ask questions of the company's management, suppliers, and customers and visit company sites.
3. **Process the data:** Make any appropriate adjustments to the financial statements. Calculate ratios. Prepare exhibits such as graphs and common-size balance sheets.
4. **Analyze and interpret the data:** Use the data to answer the questions stated in the first step. Decide what conclusions or recommendations the information supports.
5. **Report the conclusions or recommendations:** Prepare a report and communicate it to its intended audience. Be sure the report and its dissemination comply with the Code and Standards that relate to investment analysis and recommendations.
6. **Update the analysis:** Repeat these steps periodically and change the conclusions or recommendations when necessary.

1.3.5 PURPOSE OF FINANCIAL STATEMENT ANALYSIS

The following are the 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

1.3.6 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:

(i) Comparative statement

A statement giving comparison of net increase or decrease in the individual items of financial statements of two or more years of a business concern is called comparative statement. It shows the actual figures at different periods of time, the increase or decrease in these figures in absolute terms and the percentages of such increase or decrease. The two basic comparative statements prepared are comparative income statement and comparative balance sheet.

(ii) Common-size statements

The common-size statements show the relationship of various items with some common base, expressed as percentage of the common base. The common bases are total of assets or total of equity and liabilities or revenue from operations (net sales). The common size statements include common-size income statement and common-size balance sheet.

In the common-size income statement, revenue from operations is taken as 100 and various expenses and incomes are expressed as a percentage to the revenue from operations. In the common-size balance sheet, the total of balance sheet, that is, the total of assets or total of equity and liabilities is taken as 100 and various assets and liabilities are expressed as a percentage of the total of assets or total of equity and liabilities.

(iii) Trend analysis

Trend refers to the tendency of movement. Trend analysis refers to the study of movement of figures over a period. The trend may be increasing trend or decreasing trend or irregular. When data for more than two years are to be analyzed, it may be difficult to use comparative statement. For this purpose, trend analysis may be used. One year, generally, the first year is taken as the base year. The figures of the base year are taken as 100. The figures for the other years are expressed as a percentage to the base year and the trend is determined.

(iv) Ratio Analysis

Quantitative analysis of information contained in a company's financial statements is ratio analysis. It describes the significant relationship which exists between various items of a balance sheet and a statement of profit and loss of a firm.

To assess the profitability, solvency, and efficiency of a business, management can go through the technique of ratio analysis. It is an attempt at developing a meaningful relationship between individual items (or group of items) in the balance sheet or profit and loss account.

(v) Funds flow analysis

The term ‘fund’ refers to working capital. Working capital refers to the excess of current assets over current liabilities. The term ‘flow’ means movement and includes both ‘inflow’ and ‘outflow’. Funds flow analysis is concerned with preparation of funds flow statement which shows the inflow (sources) and outflow (applications) of funds in a given period of time. Funds flow analysis is useful in judging the credit worthiness, financial planning and preparation of budgets.

(vi) Cash flow analysis

Cash flow analysis is concerned with preparation of cash flow statement which shows the inflow and outflow of cash and cash equivalents in a given period of time. Cash includes cash in hand and demand deposits with banks. Cash equivalents denote short term investments which can be realized easily within a short period of time, without much loss in value. Cash flow analysis helps in assessing the liquidity and solvency of a business concern.

1.3.7 LIMITATIONS OF FINANCIAL STATEMENT ANALYSIS

1. Only Interim Reports

These statements do not give a final picture of the concern. The data given in these statements is only approximate. The actual position can only be determined when the business is sold or liquidated.

2. Do not Give Exact Position

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

3. Historical Costs

The financial statements are prepared on the basis of historical costs or original costs. The value of assets decreases with the passage of time current price changes are not taken into account. The statements are not prepared keeping in view the present economic conditions.

4. Impact of Non-Monetary Factors Ignored

There are certain factors which have a bearing on the financial position and operating results of the business but they do not become a part of these statements because they cannot be measured in monetary terms.

5. No Precision

The precision of financial statement data is not possible because the statements deal with matters which cannot be precisely stated. The data are recorded by conventional procedures followed over the years. Various conventions, postulates, personal judgments etc. are used for developing the data.

1.4 STATEMENT OF THE PROBLEM

- Analyzing financial performance is the process of evaluating the common parts of financial statements to obtain a better understanding of firm's position and performance.
- Regularly checking of a firm's financial performance status is a basic task of a business firm to know where the firm exactly is. Financial performance analysis enables a firm to identify its area of weakness, the area that needs improvement and the area of strength in its daily business operation.
- Financial performance analysis includes analysis and interpretation of financial statements, in such a way that it under takes full diagnosis of the profitability and financial soundness of the business.

- Financial statement analysis enables the investors and creditors evaluate past and current performance and financial position, and to predict future performance.
- A comprehensive approach of a firm's financial statement analysis reveals the clear picture of the firm.
- 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.
- 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.

1.5 OBJECTIVES OF THE STUDY

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

1.6 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.

1.7 RESEARCH METHODOLOGY

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

Webster's Collegiate Dictionary defines research as "studious inquiry or examination; esp. investigation or experimentation aimed at the discovery and interpretation of facts, revision of accepted theories or laws in the light of new facts, or practical application of such new or revised theories or laws". Some people consider research as a movement, a movement from the known to the unknown.

1.7.1 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.

Period of Study

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

Tools for Analysis

The tools and techniques which have used in this study

1. Ratio analysis
2. Trend analysis

1.8 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.
- Financial information collected for this study is entirely secondary in nature. In such a case, the study carries all the limitations inherent with the secondary data and financial information.
- This study is limited to a period of 10 years within which no one can make the appropriate decision about the entire life of the company.

1.9 CHAPTER SCHEME

- The First chapter deals with the Introduction of the study, Statement of the problem, Objectives of the study, Scope of the study, Research methodology, Limitations of the study and Chapter scheme of the study undertaken.
- The Second chapter gives a view on Review of Literature.
- The Third chapter is about the Profile of the company.
- The Fourth chapter deals with the Analysis and Interpretation.
- The Fifth chapter deals with the Findings, Suggestions and Conclusion of the study.

CHAPTER 2

REVIEW OF LITERATURE

INTRODUCTION

Review of literature is an essential step in research project. It provides bases for further investigation; justify the need for study; throw light on the flexibility of study, reveals constraints of data collection and reveals the findings from the study of another with a hope to establish a comprehensive study of scientific knowledge in a professional discipline, from which valid theories developed. A literature review helps to lay the foundation for the study and also inspire new research ideas.

MEANING OF LITERATURE REVIEW

A literature review is a description and analysis of the literature relevant to a particular field or topic. It gives an overview of what has been said, who the key writers are, what are prevailing theories and hypothesis, what questions are being asked, and methodologies are appropriate and useful.

DEFINITION OF LITERATURE REVIEW

A literature review is an evaluation report of information found in the literature related to selected area of study. The review describes, summarizes, evaluates and clarifies this literature. It gives a theoretical base for the research and helps to determine the nature of research. (Queensland University, 1999)

REVIEW OF LITERATURE

Suvarun Goswami & Aniruddha Sarkar (2011)¹ the study has been conducted to measure and analyse the operating risk, financial risk, and total risk by way of computing the Degree of Operating Leverage (DOL), Degree Of Financial Leverage (DFL), and Degree Of Total Leverage (DTL) and to find out the degree of association between liquidity and profitability of the selected company (Tata Steel) for the accounting period from 2000-01 to 2009-10. The study suggested that company should use debt content in capital structure so that the amount

available to equity shareholders will be more through which equity shareholders could be benefitted and the company should maintain short-term debt paying capacity else, it may leads to short-term insolvency of the company.

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.

T. Venkatesan & Dr. S. K. Nagarajan (2012)³ the author tries to evaluate the profitability analysis of selected steel companies in India. The study was conducted for the period 2005-2011 to analyse the profitability level by using statistical tools like mean, ANNOVA and correlation analysis. As a result profitability more or less depends upon the better utilization of resources, cut-off expenses and quality of management functions in the products, customer services and to manpower and goodwill and market share.

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.

Ruta Vyas (2014)⁵ the study on analysis of financial position of Tata Steel ltd evaluated the results using tools like ratio analysis, common-size statement and cash flow of the company for the period 2006 to 2008 and made it clear that the company's financial performance is increasing day by day. The study concludes that it should fulfill the necessities of its shareholders and should pay high dividend.

Sumesh Kumar & Dr. Gurbachan Kaur Bhatia (2014)⁶ the automobile sector is the dominant player not only in India but also in the economy of the world. Due to its forward and backward linkages with several key segments of the economy, the industry has a strong multiplier effect of industrial growth. The industry has been evolving over the years, meeting up with challenges as varied as transitions, consolidations, and restructuring and thereby adapting to the new market environment. The present paper measures the financial performance of two major

automobile companies of Indian origin, Tata Motors, and Maruti Suzuki after the policy of liberalization and reveals the comparative financial strength of both the companies understudy on the basis of liquidity, efficient use of assets, profitability, etc.

Ms. Pinkey Rana (2015)⁷ in the study, the author has made an attempt has been carried out in this project to analyze and interpret the financial statements of a company. Financial statements are the formal record of the financial activities of a business, person, or other entity and provide an overview of a business or person's financial condition in both the short and long term. They give an accurate picture of a company's condition and operating results in a condensed form. Financial statements are used as a management tool primarily by company executives and investors to assess the overall position and operating results of the company. Ratio analysis shows whether the company is improving or deteriorated in past years. Moreover, a comparison of different aspects of all the firms can be done effectively with this. It helps the clients to decide in which firm the risk is less or in which one they should invest so that maximum benefit can be earned.

Takeh Ata & Navaprabha Jubiliy (2015)⁸ examined 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. Correlation results confirmed negative relationship between capital structure and financial performance measures.

Varun Kesavan (2015)⁹ the author made a comparative study on Tata Steel ltd and JSW Steel ltd by using ratio analysis. By using the ratio analysis tool we can analyse the performance of both the steel industries in India and we can easily find out the strength and weakness of the companies and their position in the market. The analysis was made from the balance sheet of both the companies from 2009 to 2014. The result shows that the financial position of Tata steels is performing well in terms of Quick assets, better inventory management, management of fixed assets, gross profit, return on capital employed and dividend pay-out ratio when compared to JSW steels.

Dr. Ashok Kumar Rath (2016)¹⁰ in this study the author tries to identify company's (Tata Steel, Odisha Project) financial strength and weaknesses with the help of various financial statement analysis tools and techniques and made an effort to suggest the best financing option for the project expenditure of Rs.21200 Cr. The data for a period of 5 years 2010-11 to 2014-15 was taken into consideration. As a result of this study the author suggests that the optimal financing option for the new Investment is option 2 (Operating leverage, financial leverage and the combined leverage is better than other options).

Dr.C.Balakrishnan (2016)¹¹ the study has been made to analyse the financial performance of selected steel industry in India. The researcher has analysed the performance of steel industry in India on the parameters such as profitability, utilization of assets, growth of performance, financial strength and capital structure and has also attempted to identify the nature of relationship between the various aspects of financial performance. The study concludes that the total assets of the selected steel companies were increased but turnover ratio of the total assets was reduced at mean time and in some of the selected steel companies, the current ratio, quick ratio and the inventory turnover ratio positively influence the return on equity and all other steel companies have to take up initiative to increase these ratios.

Dr. Biswanath Sukul (2016)¹² in this study the author aims to show how the financial strengths and weaknesses of the Indian steel industries by analysing the items of the balance sheet and profit and loss account. The study covers one public sector steel company (Tata Steel ltd) and one private sector (SAIL). The study has been undertaken for a period of five years from 2010-11 to 2014-15. Ratio analysis tool was used for analysing financial position of the companies. The study measures liquidity, solvency, profitability and overall management efficiency of both the companies. As a result in all financial aspect Tata Steel ltd could be judged as better performer than its rival SAIL.

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.

R. Sathishkumar (2016)¹⁴ the study used only the secondary data to attain the objectives of the study. The data take from 15 financial year annual reports of Tata Steel Limited from 2000- 01 to 2014-15. To analyse the profitability statement were Simple Percentage Analysis and Ratios are used in the present study. Profitability of Tata Steel (stand-alone) is at the appreciable level. Even then, if it takes some steps by generating internal sources the profitability position will be increased more than the present study.

D. Jeganathan & R. Sathishkumar (2017)¹⁵ this study is used to assess the financial position of the Tata Steel Company because it is major steel producing company among other companies in the world. It is an en empirical study and secondary data is used to analyse financial position which is available in company website. Period of this study is from 201112 to 2015-16. For analysis part the authors used simple percentage and applicable ratios.

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.

Aritra Ranjan Das (2018)¹⁷ the study has been conducted to study the financial performance of selected units in the steel industry in India in terms of financial ratios such as Liquidity, Solvency, and Profitability position. For this study companies like Tata Steel Ltd, Jindal Steel & Power Ltd., J S W Steel Ltd. and Steel Authority of India Ltd. are selected. ANOVA-Test analysis is employed to evaluate the impact of selected variables on the financial performance of identified units in the steel industry. As a result the study reveals that there exists significant difference in the financial performance of the companies.

Dr. K. Brindha & Ms. K. Suseelamani (2018)¹⁸ the study has made to analyse the financial performances of selected iron and steel companies in India. This paper is attempted to study the growth of sales, profitability and foreign earnings of selected steel and iron companies. The data have been analysed by using multiple regression (identify the relationship between the dependent and independent variables). The study resulted that ROCE is the major independent factor which influences the profitability and concludes that Total Assets to Turnover is the negative indicator to the profitability.

Shubhank Shukla (2018)¹⁹ “Financial analysis of Tata Steel”- this study examines the financial position by using ratio analysis method. Secondary data is collected for 3 years from 2014 to 2016. As a result of the study money related Ratios ascertained above demonstrates a radical increment in the organization's budgetary execution. There is a planned development in the gainfulness proportions and on the whole. The Gross Profit edge has been expanded to cover the most recent three years. The Company is monetarily, exceptionally solid as their ventures are going admirably.

Dr. Konda Hari Prasad Reddy (2019)²⁰ the author focuses on the financial analysis of selected steel and iron sector companies in India. The study is descriptive and analytical in nature. Ratio analysis is used to evaluate the financial position and one way ANNOVA is applied to test hypothesis. The result shows that the performance of Jindal Steel &Power was better as compare to other companies. Even in basic EPS, Jindal Steel & Power performed well.

Rajendran. P & Sudha. B (2019)²¹ study has been carried out to evaluate the financial performance of HDFC Bank. HDFC was amongst the first to receive in-principal approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. HDFC Bank provides a number of products and services including wholesale banking and retail banking, treasury, auto loans, two-wheeler loans, personal loans, loans against property, consumer durable loans, lifestyle loans, credit cards, and various digital products. The financial performance of the above-mentioned bank has been evaluated for the past five years (2015, 2016, 2017, 2018 and 2019). The data analysed by ratio analysis such as current ratio, cash position ratio, fixed assets ratio, debt-equity ratio, and proprietary ratio and give interpretation to each ratio.

K.R. Sivabagyam et al. (2019)²² in this study to assess the selected firm's financial status, ratio analysis has applied covering profitability, solvency and turnover ratios. This study evaluates and compares the performance of 10 steel companies (VISA, TATA, JSW, SAIL, ESSAR, JINDAL, UTTAM GALVA, SUNFLAG, FACOR, and NARAYANI STEELS). The period of the study is 5 years starting from 2014-2015 to 2018-2019. As a result when comparing all the profitability ratios, it is inferred that out of the 3 ratios, it is inferred that Tata steels have performed better in gross profit and net profit ratio, and ESSAR steels performed better in operating profit ratio and the other selected companies in the study have to improve its level better in the coming years to reach next level.

Baibhav Kumar Singh et al. (2020)²³ the study has been conducted to compare the financial statement of Tata Steel Ltd and JSW Steel. Secondary data was collected for 3 years from 2016 to 2018. Ratio analysis, trend analysis and cash flow analysis is applied to measure the liquidity and solvency position of Tata Steel and JSW Steel. As per ratio analysis it concludes that Tata Steel and JSW steel is performing well and they are very much competitor to each other. In Cash flow analysis JSW Steel performs better than Tata Steel.

Nandini Thakur (2020)²⁴ the study was conducted to assess HDFC Bank's financial performance. HDFC was among the first to receive 'in-principal approval from Reserve Bank of India (RBI) to establish a private sector bank. The bank currently has an enviable network of more than 4,805 outlets, distributed throughout India's towns. Both divisions are in realtime linked online. Customers are now serving via mobile banking in over 500 places. The bank already has a network of about 12,860 networked ATMs 2,657 throughout towns and regions'. Bank offers a range of products and services including wholesale banking and retail finance, treasury, vehicle loans, two-wheel loans, personal loans, land loans, consumersustainable loans, lifestyle loans, credit cards, and other digital goods. Over the past five years, i.e., 2015, 2016, 2017, 2018, and 2019, the financial results of the above-listed bank have been measured.

Dr.G.Lakshmi et al. (2021)²⁵ the banking sector is always deemed to be one of the most vital sectors for an economy. It is the “lifeblood” of all the economic activities, in collecting deposits and providing credits to people and businesses. The main purpose of the study is to study the financial performance of CUB. The study is analytical in nature. Secondary data is collected from annual reports of CUB, journals and books. The collected data has been analysed using a common-size balance sheet and trend analysis. The study concludes that the CUB’s financial performance is strong during the study period.

CHAPTER 3

COMPANY PROFILE

TATA STEEL LIMITED

INTRODUCTION OF THE COMPANY

“The world of Tata Steel is one without boundaries – growing, changing and challenging. A world that embraces different skills, continuous innovation, sustainable growth and better quality of life”

Tata Steel Limited is an Indian multinational steel-making company based in Jamshedpur, Jharkhand, and is headquartered in Mumbai, Maharashtra, India. It is a subsidiary 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 per annum.

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. (SAIL).

Tata Steel operates in 26 countries with key operations in India, Netherlands and United Kingdom, and employs around 80,500 people. Its largest plant (10 MTPA capacities) is located in Jamshedpur, Jharkhand. In 2007, Tata Steel acquired the UK-based steel maker Corus. It was ranked 486th in the 2014 Fortune Global 500 ranking of the world's biggest corporations. It was the seventh most valuable Indian brand of 2013 according to Brand Finance.

Tata Steel has been recognised amongst India’s Best Workplaces in Manufacturing 2022 by Great Place to Work. This recognition has been received for the fifth time, and Highlights Company’s sustained focus on fostering a culture of high-trust, integrity, growth, and care for the employees.

LOGO OF THE COMPANY



COMPANY PROFILE

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 (1914–1918), 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 Burmah Shell to manufacture Tinplate. TCIL is now Tata Tinplate and holds 70% market share in India.

NATIONALIZATION ATTEMPTS

There were two attempts one in 1971 and another in 1979, nationalize the company. Both were unsuccessful attempts. In 1971 Indira Gandhi regime tried to nationalize the company, but failed. In 1979 Janata Party regime (1977–79), wanted to nationalize TISCO (now Tata Steel). Then Minister for Industries George Fernandes, at the instigation of Biju Patnaik, Minister for Steel threatened nationalization, but due to the unions protests the move failed. In 1990, the company began to expand, and established its subsidiary, Tata Inc., in New York. The company changed its name from TISCO to Tata Steel Ltd. in 2005.

ACQUISITIONS

NatSteel in 2004: In August 2004, Tata Steel agreed to acquire the steelmaking operations of the Singapore-based NatSteel for \$486.4 million in cash. NatSteel had ended 2003 with turnover of \$1.4 billion and a profit before tax of \$47 million. The steel businesses of NatSteel would be run by the company through a wholly owned subsidiary called Natsteel Asia Pte Ltd. The acquisition was completed in February 2005. At the time of acquisition, NatSteel had a capacity of about 2 million tonnes per annum of finished steel.

Millennium Steel in 2005: Tata Steel acquired a majority stake in the Thailand-based steelmaker Millennium Steel for a total cost of \$130 million. It paid US\$73 million to Siam Cement for a 40% stake and offered to pay 1.13 baht per share for another 25% of the shares of other shareholders. Millennium Steel has now been renamed to Tata Steel Thailand and is headquartered in Bangkok. On 31 March 2013, it held approx. 68% shares in the acquired company.

Corus in 2007: On 20 October 2006, Tata Steel signed a deal with Anglo-Dutch Company, Corus to buy 100% stake at £4.3 billion (\$8.1 billion) at 455 pence per share. On 19 November 2006, the Brazilian steel company Companhia Siderúrgica Nacional (CSN) launched a counter offer for Corus at 475 pence per share, valuing it at £4.5 billion. On 11 December 2006, Tata pre-emptively upped its offer to 500 pence per share, which was within hours trumped by CSN's offer of 515 pence per share, valuing the deal at £4.9 billion. The Corus board promptly recommended both the revised offers to its shareholders. In 2005, Corus employed around 47,300 people worldwide, including 24,000 in the UK. At the time of acquisition, Corus was four times larger than Tata Steel, in terms of annual steel production. Corus was the world's 9th largest producer of Steel, whereas Tata Steel was at 56th position. The acquisition made Tata Steel world's 5th largest producer of Steel.

Steel Engineering and Vinau steel in 2007: Tata Steel through its wholly owned Singapore subsidiary, NatSteel Asia Pte Ltd, acquired controlling stake in both rolling mill companies located in Vietnam: Structure Steel Engineering Pte Ltd (100% stake) and Vinau steel Ltd (70% stake). The enterprise value for the acquisition was \$41 million. With this acquisition, Tata Steel got hold of two rolling mills, a 250,000 tonnes per year bar/wire rod mill

operated by SSE Steel Ltd. and a 180,000 tonnes per year reinforcing bar mill operated by Vinau steel Ltd.

Bhushan Steel in 2018: Tata Steel acquired the entire company in 2017–18, when Insolvency proceedings were initiated against the former company on 26 July 2017 under IBC. Tata steel emerged as the highest bidder and took over the company through its wholly owned subsidiary Bamnival Steel Ltd. The company was renamed as Tata Steel BSL. Later in 2021 Tata Steel amalgamated Bamnival Steel Ltd. and Tata Steel BSL thereby the latter became a direct subsidiary of Tata Steel (72.65%).

OPERATIONS

Tata Steel is headquartered in Mumbai, Maharashtra, India and has its marketing headquarters at the Tata Centre in Kolkata, West Bengal. It has a presence in around 50 countries with manufacturing operations in 26 countries including: India, Malaysia, Vietnam, Thailand, UAE, Ivory Coast, Mozambique, South Africa, Australia, United Kingdom, The Netherlands, France and Canada.

Tata Steel primarily serves customers in the automotive, construction, consumer goods, engineering, packaging, lifting and excavating, energy and power, aerospace, shipbuilding, rail and defense and security sectors.

UPCOMING PLANS

Tata Steel has set a target of achieving an annual production capacity of 100 million tons by 2015; it is planning for capacity expansion to be balanced roughly 50:50 between Greenfield developments and acquisitions.

Overseas acquisitions have already added an additional 21.4 million tonnes of capacity, including Corus (18.2 million tonnes), NatSteel (2 million tonnes) and Millennium Steel (1.2 million tonnes). Tata plans to add another 29 million tonnes of capacity through acquisitions.

- Major greenfield steel plant expansion projects planned by Tata Steel include:
- A 6 million tonne per annum capacity plant in Kalinganagar, Odisha, India;

- An expansion of the capacity of its plant in Jharkhand, India from 6.8 to 10 million tonnes per annum;
- A 5 million tonne per annum capacity plant in Chhattisgarh, India (Tata Steel signed a memorandum of understanding with the Chhattisgarh government in 2005; the plant is facing strong protest from tribal people);
- A 3 million tonne per annum capacity plant in Iran;
- A 2.4 million tonne per annum capacity plant in Bangladesh;
- A 10.5 million tonne per annum capacity plant in Vietnam (feasibility studies are underway); and
- A 6 million tonne per annum capacity plant in Haveri, Karnataka.

PRODUCTS AND SERVICES

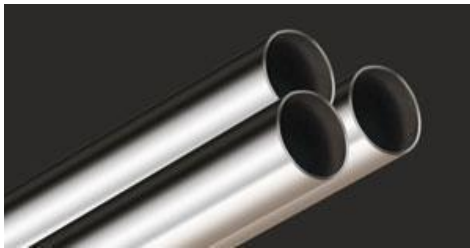
Some of the key segments that we target in Indian markets are Construction, Automotive, General Engineering and Industrial Products & Agriculture apart from serving other sectors such as Packaging, Consumer Goods etc. Developing new solutions in the emerging sectors has provided a big fillip to expanding the scope of businesses. Branded products and retail solutions segment is targeted to provide an end-to-end customer service and has expanded its base to provide unique services to its existing and new customers.

MAJOR PRODUCTS

Following are among the few and major products manufactured and sold by Tata Steel

- **Flat Products:** HR Coils / Sheets / Plates, CR Rolls / Sheets, Galvanized Coils / Sheets.
- **Long Products:** TISCON, Wire-rods, Rebars, Forgings and others.
- ERW Precision Tubes and Standard Pipes.
- Rolled / Forged /Machined Rings, Bearings.
- Ferro Alloys, Closed Structural, Agricultural Implements.
- Billets and Blooms
- Slabs
- Coal & Iron Ore.

- Dolomite
- Ferro-alloys
- Chrome and Chrome Concentrate.



MAJOR SERVICES

- Project studies
- Design & Engineering
- Technical Training
- Automation & Information Technology

BRANDED PRODUCTS OF TATA STEEL

					
Automotive Steels	Galvano	Tata Agrico	Tata Astrum	Tata Bearings	Ferromag
					
IBMD	Tata Pipes	Tata Precision Tubes	Raw Material	Tata Shaktee	Tata Steelium
					
Tata Structura	Tata Tiscon	Tata Wiron	Tata KOSH		

SOLUTIONS

Tata Steel is venturing into developing new solutions in the emerging sectors has provided a big fillip to expanding the scope of businesses. Branded products & retail and Solutions segments are targeted to provide an end-to-end customer service.

					
Cyan	Steel n Style	Tata Pravesh	Tata Tiscon Superlinks	Tiscon Footings	Tiscon ReadyBuild
					
Roof Junction	Tata Shaktee Ridges	Nest-in			

MAJOR COMPETITORS OF TATA STEEL

There are various organizations built to cater to social needs for steel. Here are the top 5 of Tata Steel's competitors –

- Arcelor Mittal
- Jindal Steel and Power
- JSW Steel
- SAIL
- VISA Steel

VISION, MISSION AND CORE VALUES:

- **VISION**

We aspire to be the global steel industry benchmark for Value Creation and Corporate Citizenship.

- **MISSION**

Consistent with the vision and values of the founder Jamsetji Tata, Tata Steel strives to strengthen India's industrial base through effective utilization of staff and materials. The means envisaged to achieve this are cutting-edge technology and high productivity, consistent with modern management practices.

Tata Steel recognizes that while honesty and integrity are essential ingredients of a strong and stable enterprise, profitability provides the main spark for economic activity.

Overall, the Company seeks to scale the heights of excellence in all it does in an atmosphere free from fear, and thereby reaffirms its faith in democratic values.

- **CORE VALUES**

Integrity, Excellence, Unity, Responsibility, Pioneering.

STRATEGIC OBJECTIVES

- **Industry Leadership in Steel:** Scale of operations is a pre-requisite for steel industry leadership.
- **Consolidate Position as a Global Cost Leader:** Tata Steel Ltd aspires to be a global benchmark in operational efficiency, ensure raw material security and strengthen our logistics network.
- **Insulate Revenues from Steel Cyclical:** The steel industry is cyclical in nature. It is essential to build a portfolio of products and services that can provide protection from cyclical and lend stability and momentum to our revenues and profitability.
- **Industry Leadership in CSR:** Tata Steel Ltd aspires to be a leader in sustainable business practices. As a responsible organization, we are committed towards creating and providing a safe working environment for our people, carrying out environmentfriendly business operations and improving the quality of life of the communities we operate in.

SWOT ANALYSIS OF TATA STEEL

SWOT Analysis is an overall appearance that is proven and enables a brand like Tata Steel or any other company to mark its business & performance as compared to the competitors as well. The strengths and weaknesses are the internal factors whereas opportunities and threats are the external factors.

1. STRENGTHS OF TATA STEEL

A company's strengths are the internal factors that provide it with an advantage in establishing a larger client base and high profitability. Let's look at how Tata Steel compares to its peers in terms of competitive strength –

- **Integrated operations in India:** The entire process of extraction from mines and ores to producing finished steel material is integrated in India though it's a technical part, they have that equipment support. The integrated operations save tons of your time and price and also maintain the specified quality.

- **Market Position:** Tata Steel is one of among foremost important steel manufacturers on the planet and thus the world's second-most geographically-diversified steel producer. It has a strong presence in Asia-Pacific and Europe.
- **Product Portfolio:** You can see that Tata Steel features a wide selection of products starting from flat steel products, agricultural implements, construction products, and many more. A diversified product portfolio ensures revenue due to different markets around the world.
- **Trust of TATA:** Tata is one among the foremost trusted and popular brands not only in India but also everywhere on the planet because of their quality. The association of the name provides immense brand equity to the corporation at the same time.
- **Global footprint:** Tata Steel has a presence in over 50 countries with operations in over 26 countries which increase its penetration and share.
- **Capability & Adaptability:** Every year this Company raises over 14 million tonnes of ores from its captive collieries, iron ore mines, and quarries. A fast-changing environment is the main adaptability of the company. Operations in 26 countries and a billboard presence in over 50 countries.

2. WEAKNESS OF TATA STEEL

Weaknesses are qualities of a business or brand that need to be improved. The following are some of Tata Steel major flaws:

- **Over-dependence on Europe:** Though it's an Indian brand, you may know over 50 per cent of Tata Steel's business comes from Europe and thus any economic slowdown within Europe affects Tata Steel's revenues.
- **Mistry's fiasco:** The fallout between Ratan Tata and Cyrus Mistry has hurt the image of the Tata group which also translates to Tata Steel.
- **Disintegrated operations in Europe:** Although Tata Steel's operations in India are integrated; its operations in Europe are disintegrated and hence are hooked into various

other suppliers from the other countries. For this reason, this affects control on quality and increased costs.

- **Functional Issues:** Operational efficiency is not as good as international leaders. Slightly lagging on the technological front.

3. OPPORTUNITY FOR TATA STEEL

Opportunities are potential areas that give a firm the opportunity to improve its outcomes, increase sales, and profit. Tata Steel has the following opportunities:

- **Adapt newer technologies:** Tata Steel lags behind its competitors within the technology front and has a chance to adopt newer technologies like the Cortex process, Hismelt process, direct iron ore smelting, etc.
- **Increasing demand for steel in India:** The steel market in India is predicted to grow within the next 4 years thanks to the expansion within the housing industry and manufacturing facilities in India. This will certainly benefit Tata Steel.
- **Global Expansion:** Growth in the manufacturing, construction and automotive industry within the future will drive the expansion within the industry and Tata Steel is set to benefit from it. Public-private partnership. Acquisition of coal blocks in Asia, Africa, etc.

4. THREATS TO TATA STEEL

Threats are external factors that may have an impact on a company's growth. The following are some of Tata Steel threats:

- **Intense competition:** JSW Steel, Essar Steel, and ArcelorMittal, etc are still the main competitors of Tata Steel. This reduces its market share worldwide according to the previous experience.

- **Government and Environmental regulations:** Increases compliance costs for the corporate cause Tata Steel is subjected to stringent governmental and environmental regulations in mining also as production.
- **Decreasing global steel prices:** Excess production in China meant that it supplied steel cheaper to the planet which forced the method to lower down throughout the planet. Rising coking coal prices.
- **Miscellaneous issues:** India is plagued with violent agitation against land acquisition. Government & regulatory norms. International competition also hampers their business.

AWARDS AND RECOGNITION

Corporate awards

- India's Most Admired Company – by FORTUNE and Hay Group.
- NDTV Profit Business Leadership Awards 2011 for business leadership and entrepreneurial excellence, contributing significantly towards India's economy growth.
- Tata Steel Conferred Best Conscious Capitalist Award by Forbes India.
- 3rd Annual Intellectual Property Awards.
- Thomson Reuters Innovation Award in the "Hi-Tech Corporate" category.
- The Ministry of Labour and Employment, Government of India conferred the prestigious Prime Minister's Shram Awards for the years 2008, 2009, 2010 for 21 employees of Tata Steel.

Awards for excellence in social responsibility

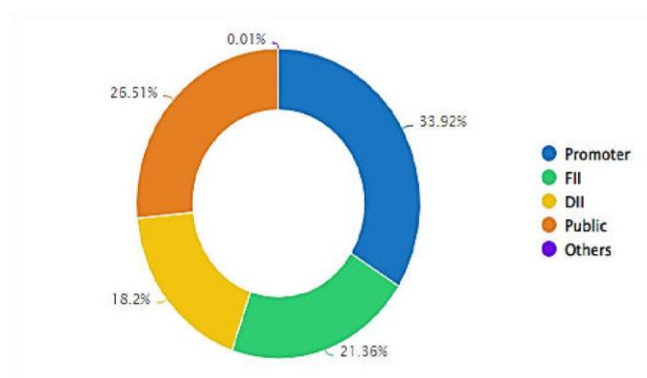
- Tata Steel named among World's Most Ethical Companies.
- CNBC Asia's Corporate Social Responsibility Award for outstanding CSR Model.
- CII-ITC Sustainability Prize for 2011 for Sustainable Development for exemplary performance in economic, social and environmental dimensions of Indian business.
- 'Best Sports Advertisement' and 'Best Corporate Involvement in Sports' awards at the grand finale of NDTV's 'Marks for Sports' campaign.
- 'Best in Corporate Social Responsibility' in India by Finance Asia.

- Winner in ‘Corporate Social Responsibility’ at the Procurement Leaders Forum in London.
- ‘World Steel Safety and Health Excellence Recognition Award’ for the second consecutive year.

BOARD OF DIRECTORS:

NAME	DESIGNATION
Ratan N Tata	Chairman Emeritus
N Chandrasekaran	Chairman
T V Narendran	Managing Director & CEO
Koushik Chatterjee	Executive Director & CFO
Aman Mehta	Independent Director
O P Bhatt	Independent Director
Peter Blauwhoff	Independent Director
Saurabh Agrawal	Non-Executive Director
Deepak Kapoor	Independent Director
Mallika Srinivasan	Independent Director

SHAREHOLDING



KEY SUBSIDIARIES

Tata Steel continues to expand through joint ventures and partnerships to garner the benefits of greater synergy and better control. The Tata Steel group has spawned several companies that are leaders in their sphere of operations.

Name Of Company	Holding type	Holding (%)
Jamshedpur Utilities & Services Company Limited (JUSCO)	Subsidiary	100.00%
Tata Pigments Limited	Subsidiary	100.00%
Tata Steel Alloys Limited (TS Alloys)	Subsidiary	100.00%
Tata Steel Processing and Distribution Limited (TSPDL)	Subsidiary	100.00%
Adityapur Toll Bridge Company Limited	Subsidiary	88.50%
Tinplate Company of India Limited	Subsidiary	74.96%
Tayo Rolls Limited	Subsidiary	54.91%
Tata Sponge Iron Limited	Subsidiary	54.50%
Jamshedpur Continuous Annealing and Processing Co Pvt Ltd	Joint Venture	51.00%
TM International Logistics Limited	Subsidiary	51.00%
Tata Metaliks Limited	Subsidiary	50.09%
M junction Services Limited	Joint Venture	50.00%
S & T Mining Company Private Limited	Joint Venture	50.00%
Tata BlueScope Steel Limited	Joint Venture	50.00%
Tata NYK Shipping Pte Limited	Joint Venture	50.00%
JAMIPOL Limited	Associate	39.78%

CHAPTER 4

ANALYSIS AND INTERPRETATION

4.1 RATIO ANALYSIS

Ratio analysis is the quantitative interpretation of the company's financial performance. It provides valuable information about the organization's profitability, solvency, efficiency and liquidity positions as represented by the financial statements. It is one of the most important financial tools, which has come to be used very frequently for analyzing the financial strengths and weaknesses of an enterprise. Ratio analysis is the process of determining and presenting in arithmetical terms the relationship between figures and groups of figures drawn from these statements.

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.

DEFINITION OF RATIO ANALYSIS

Khan and Jain define the term ratio analysis as “the systematic use of ratios to interpret the financial statements so that the strengths and weaknesses of a firm as well as its historical performance and current financial conditions can be determined.”

A Ratios is defines as “the indicated quotient of two mathematical expression” and as “the relation between two or more things”. From the researcher's point of view, ratio can be defined as a mathematical expression that has a relationship between two or more accounting figures, which makes the interpretation of financial statements meaningful to the users.

SIGNIFICANCE OF USING RATIO ANALYSIS

The significance of a ratio can only be truly appreciated when:

- It is compared with other ratio in the same set of financial information.
- It is compared with the same ratios in previous financial statement.
- It is compared with the standard of performance. Such a standard may be either the ratio which represents the typical performance of the trade or industry, or the ratio which represents the target set by management as desirable for the business.

TYPES OF RATIOS

LIQUIDITY RATIO

Liquidity ratios are measurements used to examine the ability of an organization to pay off its short-term obligations. Liquidity ratios are commonly used by prospective creditors and lenders to decide whether to extend credit or debt, respectively, to companies. The types of liquidity ratios are as follows

- **Current Ratio**
- **Quick Ratio**
- **Absolute Quick Ratio**

SOLVENCY RATIO

Solvency ratios are also known as leverage ratios. Solvency ratios measure the ability of a company to pay its long-term liabilities, such as debt and the interest on that debt. It is important since the investors would like to know about the solvency of the firm to meet their interest payments and to ensure that their investments are safe. It is one of many financial ratios that can be used to assess the overall health of a company. The types of solvency ratios are as follows

- **Proprietary Ratio**
- **Fixed Asset to Net worth Ratio**
- **Fixed Asset to Long Term Fund Ratio**
- **Current Asset to Proprietors Fund Ratio**

PROFITABILITY RATIO

The word 'profitability' is composed in two words 'profit' and 'Ability'. Therefore, profitability means the profit making ability of the enterprise. Profitability is an indication of the efficiency with which the operations of the enterprise are carried on and it is used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet and shareholder's equity over a time, using data from a specific point in time. The primary objective of business undertaking is to earn profits. Profit earning is considered essential for the survival of the business. The types of profitability ratios are as follows

- **Gross Profit Ratio**
- **Net Profit Ratio**
- **Expense Ratio**
- **EBIT Margin**
- **Return on Shareholder's Investment**
- **Return on Assets**

EFFICIENCY RATIO

Funds are invested in various assets in business to make sales and earn profits. The efficiency with which assets are managed directly affects the volume of sales. These ratios are called turnover ratio because they indicate the speed with which assets are converted or turned over into sales. It is important to calculate the following turnover or efficiency ratios to comment upon the liquidity or the efficiency with which the liquid resources are being used by a firm. The types of efficiency ratios are as follows

- **Inventory Turnover Ratio**
- **Fixed Asset Turnover Ratio**
- **Receivables Turnover Ratio**
- **Payables Turnover Ratio**

CAPITAL STRUCTURE RATIO

Capital structure is the particular combination of debt and equity used by a company to finance its overall operations and growth. Equity capital arises from ownership shares in a company and claims to its future cash flows and profits. Debt comes in the form of bond issues or loans, while equity may come in the form of common stock, preferred stock, or retained earnings. Short-term debt is also considered to be part of the capital structure.

- **Debt - Equity Ratio**
- **Reserves to Equity Ratio**
- **Current Liabilities to Proprietors Funds.**

4.1.3 ANALYSIS OF LIQUIDITY RATIOS

CURRENT RATIO

The Current ratio expresses the relationship between the firm's current asset and current liabilities. It attempts to measure the ability of a firm to meet its current obligations. The ideal current ratio is 2:1. Current assets normally include cash, marketable securities, accounts receivables and inventories. Current liabilities consists of accounts payable, short term loans, current maturities of long term debt, accrued income taxes and other accrued expenses.

FORMULA

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

TABLE: 4.1
CURRENT RATIO

(Rupees in Crores)

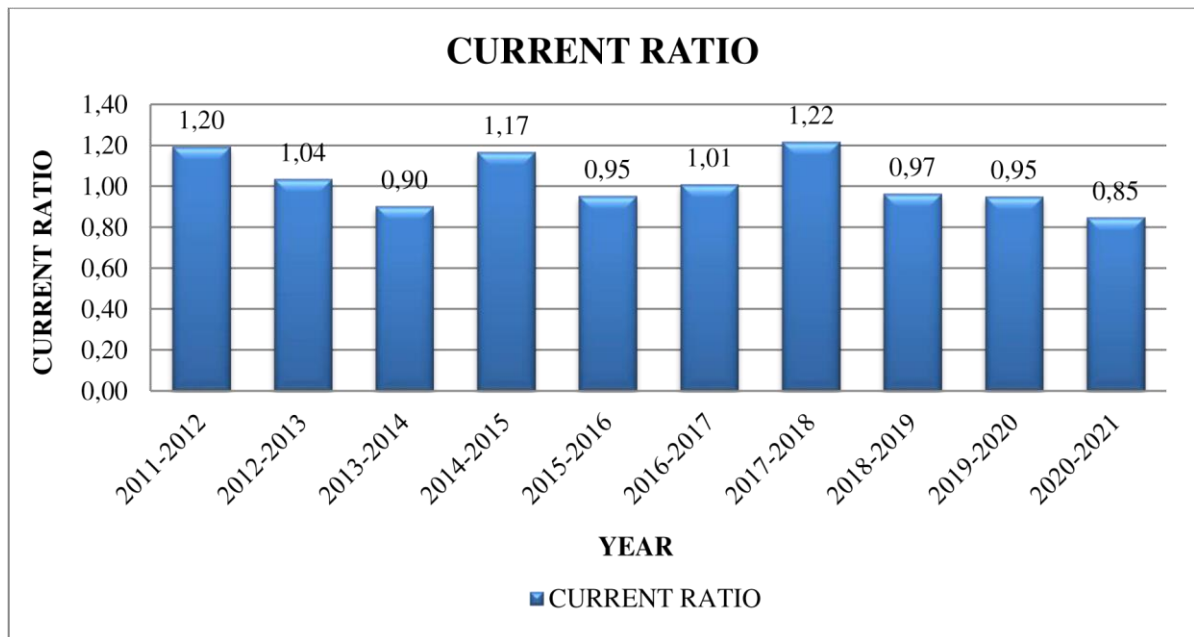
YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2011-2012	56808.33	47,482.83	1.20
2012-2013	54,244.15	52,279.05	1.04
2013-2014	57,989.41	64,123.14	0.90
2014-2015	53,594.74	45,826.13	1.17
2015-2016	45,791.96	47,953.97	0.95
2016-2017	50,935.03	50,341.05	1.01
2017-2018	67,877.16	55,661.41	1.22
2018-2019	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

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.1 shows the Current ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average current ratio during the study period was 1.03 times and it is less than the standard norm 2:1. It was minimum in the year 2020-2021 (i.e.) 0.85 times and maximum in the year 2017-2018 (i.e.) 1.22 times. During the study period the current ratio shows a fluctuating trend, so the company has to increase its current assets in order to improve the current ratio.

CHART: 4.1



QUICK RATIO

The Quick ratio is also known as the Acid test ratio or Liquidity ratio, examines the ability of the business to cover its short term obligations from its liquid assets only. It measures assets that are quickly converted into cash and they are compared with liability. The ideal quick ratio is 1:1. The ratio realizes that some of the current assets are not easily convertible into cash e.g. inventories.

FORMULA

$$\text{Quick Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

TABLE: 4.2
QUICK RATIO

(Rupees in Crores)

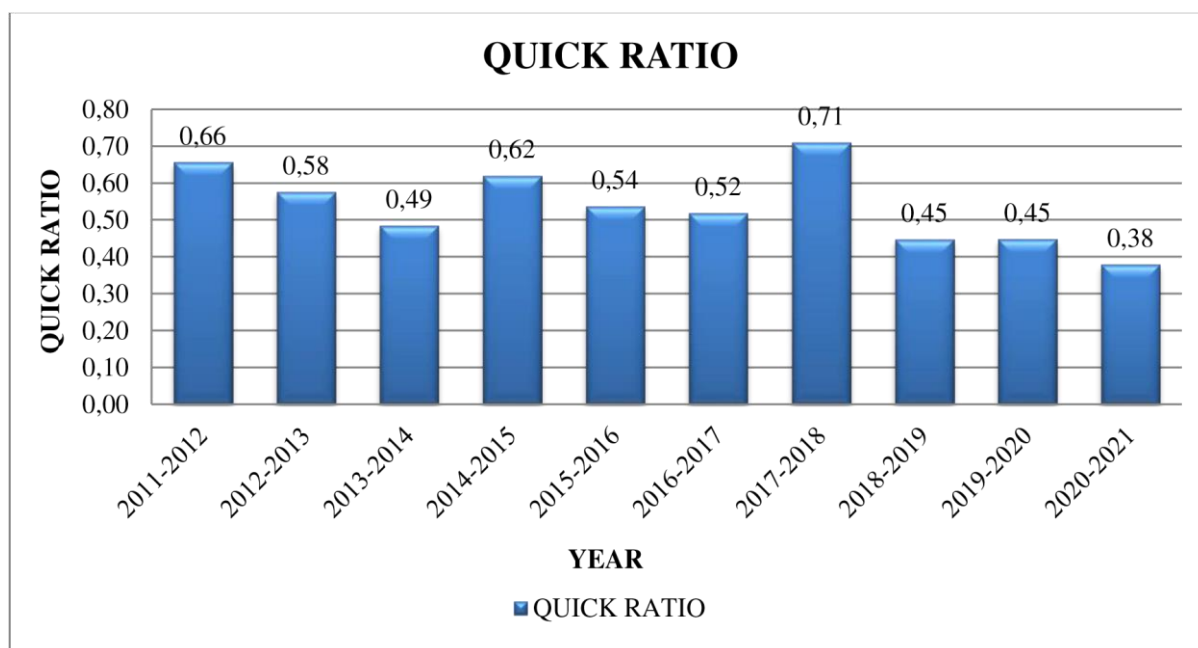
YEAR	LIQUID ASSTES	CURRENT LIABILITIES	QUICK RATIO
2011-2012	31,210.33	47,482.83	0.66
2012-2013	30,152.96	52,279.05	0.58
2013-2014	31,109.41	64,123.14	0.49
2014-2015	28,444.83	45,826.13	0.62
2015-2016	25,778.63	47,953.97	0.54
2016-2017	26,131.21	50,341.05	0.52
2017-2018	39,546.12	55,661.41	0.71
2018-2019	27,334.88	61,034.13	0.45
2019-2020	27,664.00	61,660.91	0.45
2020-2021	26,935.52	70,867.13	0.38

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.2 shows the Quick ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average quick ratio during the study period was 0.54 times and it is less than the standard norm 1:1. The ratio was minimum in the year 2020-2021 (i.e.) 0.38 times and maximum in the year 2017-2018 (i.e.) 0.71 times. During the study period quick ratio shows fluctuating trend and it has come down from 0.66 times to 0.38 times, so the company has to improve its short term liquidity position.

CHART: 4.2



ABSOLUTE QUICK RATIO

The relationship between the absolute liquid assets and current liabilities is established by this ratio. This ratio measures the total liquidity available to the company. Absolute liquid assets include cash in hand, cash at bank and marketable securities or temporary investments. It indicates the adequacy of the 50% worth absolute liquid assets to pay the 100% worth current liabilities in time. The ideal absolute liquid ratio is 0.5:1.

FORMULA

$$\text{Absolute Quick Ratio} = \frac{\text{Absolute Liquid Assets}}{\text{Current Liabilities}}$$

TABLE: 4.3
ABSOLUTE QUICK RATIO

(Rupees in Crores)

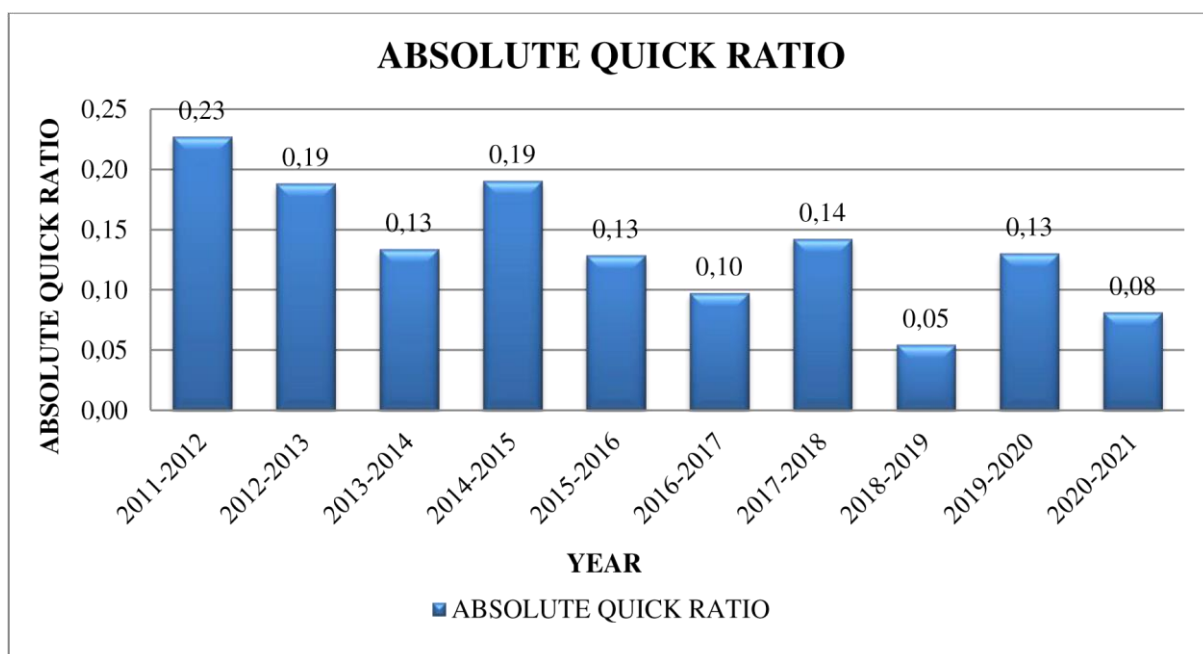
YEAR	ABSOLUTE LIQUID ASSETS	CURRENT LIABILITIES	ABSOLUTE QUICK RATIO
2011-2012	10,798.81	47,482.83	0.23
2012-2013	9,859.67	52,279.05	0.19
2013-2014	8,604.50	64,123.14	0.13
2014-2015	8,749.94	45,826.13	0.19
2015-2016	6,186.34	47,953.97	0.13
2016-2017	4,921.05	50,341.05	0.10
2017-2018	7,937.85	55,661.41	0.14
2018-2019	3,341.37	61,034.13	0.05
2019-2020	8,054.72	61,660.91	0.13
2020-2021	5,782.18	70,867.13	0.08

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.3 shows the Absolute quick ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average absolute quick ratio during the study period was 0.14 times and it is below the standard norm 0.5:1. The ratio was minimum in the year 2018-2019 (i.e.) 0.05 times and it was maximum in the year 2011-2012 (i.e.) 0.23 times. During the study period the absolute quick ratio shows a fluctuating trend, so the company should try to increase its absolute liquid assets.

CHART: 4.3



4.1.4 ANALYSIS OF SOLVENCY RATIOS

PROPRIETARY RATIO

The Proprietary ratio is also known as the Equity ratio. It is the proportion of shareholder's equity to total assets, and such provides a rough estimate of the amount of capitalization currently used to support a business and also show how the assets of a business are formed by issuing a number of equity shares rather than taking loans or debt from outside. It also indicates how much the shareholders will receive in the event of liquidation of the company.

FORMULA

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's funds}}{\text{Total Assets}}$$

TABLE: 4.4
PROPRIETARY RATIO

(Rupees in Crores)

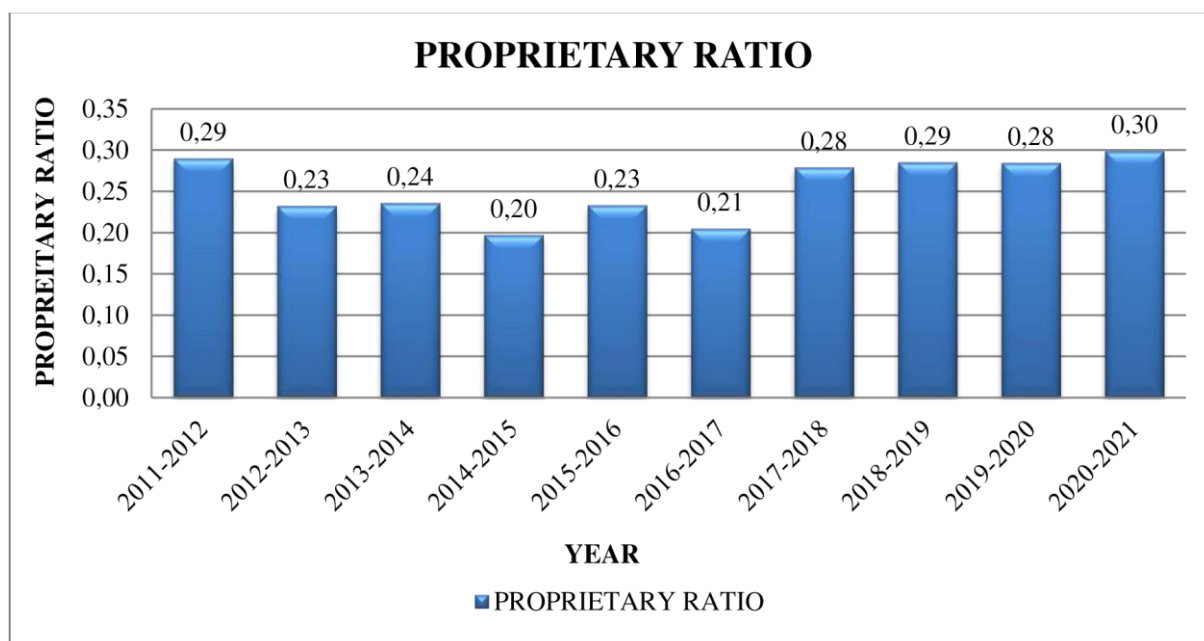
YEAR	SHAREHOLDER'S FUNDS	TOTAL ASSETS	PROPRIETARY RATIO
2011-2012	42,616.22	1,46,852.09	0.29
2012-2013	34,172.24	1,46,906.42	0.23
2013-2014	40,531.96	1,71,644.45	0.24
2014-2015	31,349.41	1,58,945.53	0.20
2015-2016	41,457.55	1,77,511.44	0.23
2016-2017	35,544.31	1,73,333.24	0.21
2017-2018	58,595.60	2,09,757.94	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

SOURCE: SECONDARY DATA

INTERPREATATION

Table 4.4 shows the Proprietary ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average proprietary ratio during the study period was 0.25 times. The proprietary ratio was minimum in the year 2014-2015 (i.e.) 0.20 times and it was maximum in the year 2020-2021 (i.e.) 0.30 times. The proprietary ratio shows a fluctuating trend.

CHART: 4.4



FIXED ASSET TO NET WORTH RATIO

Fixed asset to Net worth ratio is a debt financial ratio analysis. It is a simple calculation that tells us more about the solvency of a company. It is a technique that shows in percentage terms, the portion of your company's total assets that is tied up with fixed assets. This ratio indicates the extent to which the owner's cash is frozen in the form of fixed assets such as property, plant and equipment and the extent to which funds are available for the company's operations.

FORMULA

$$\text{Fixed Asset to Net worth Ratio} = \frac{\text{Fixed Asset}}{\text{Shareholder s Funds}}$$

TABLE: 4.5

FIXED ASSET TO NETWORTH RATIO

(Rupees in Crores)

YEAR	FIXED ASSET	SHAREHOLDER'S FUNDS	PROPRIETARY RATIO
2011-2012	62,128.29	42,616.22	1.46
2012-2013	69,213.24	34,172.24	2.03
2013-2014	85,980.58	40,531.96	2.12
2014-2015	83,370.94	31,349.41	2.66
2015-2016	1,04,128.29	41,457.55	2.51
2016-2017	1,04,295.95	35,544.31	2.93
2017-2018	1,08,619.85	58,595.60	1.85
2018-2019	1,39,086.50	66,650.08	2.09
2019-2020	1,49,992.96	71,301.30	2.10
2020-2021	1,50,437.89	73,459.99	2.05

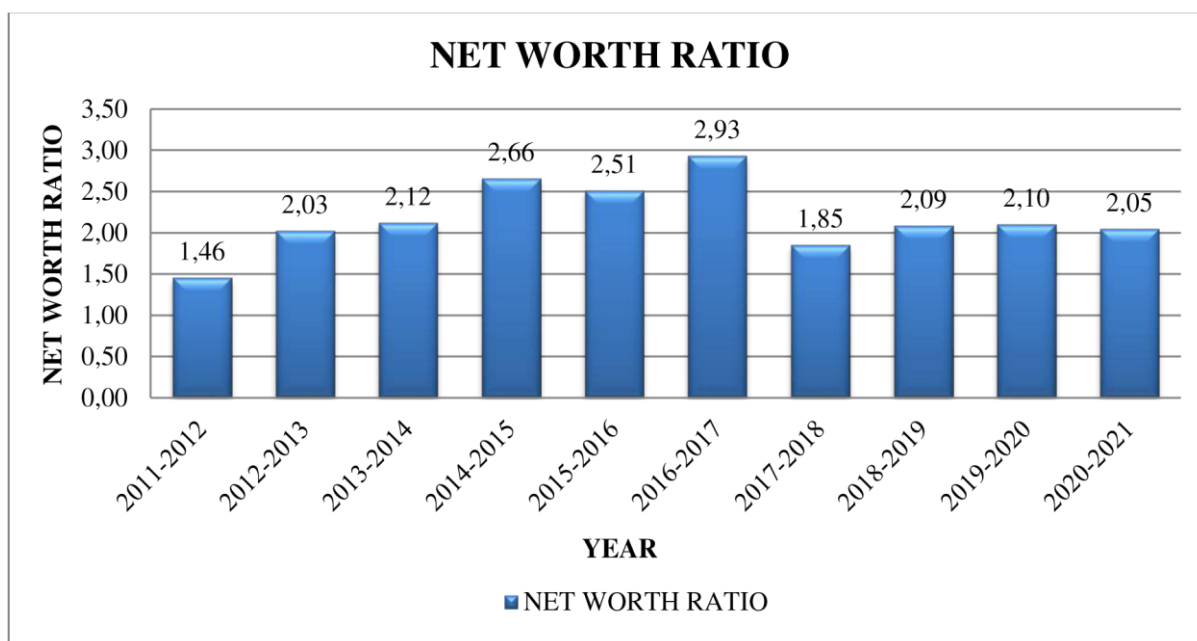
SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.5 shows Fixed Asset to Net Worth ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average fixed asset to net worth ratio during the study period was 2.18 times. The fixed asset to net worth ratio was minimum in the year 2011-2012 (i.e.) 1.46 times and it was maximum in the year 2016-2017 (i.e.) 2.93 times.

During the study period the fixed asset to net worth ratio shows a fluctuating trend.

CHART: 4.5



FIXED ASSET TO LONG TERM FUND RATIO

Fixed asset to long term fund ratio establishes the relationship between fixed asset and long term funds and it is calculated by dividing fixed assets by long term funds. This shows the number of times the earnings of the firm are able to cover the fixed interest liability of the firm. Whatever the source of long term funds raised should be used for the acquisition of long term assets, it means that the total volume of fixed assets should be equivalent to the volume of the long term funds.

FORMULA

$$\text{Fixed Asset to Long Term Fund Ratio} = \frac{\text{Fixed Asset}}{\text{Long Term Funds}}$$

TABLE 4.6
FIXED ASSET TO LONG TERM FUND RATIO

(Rupees in Crores)

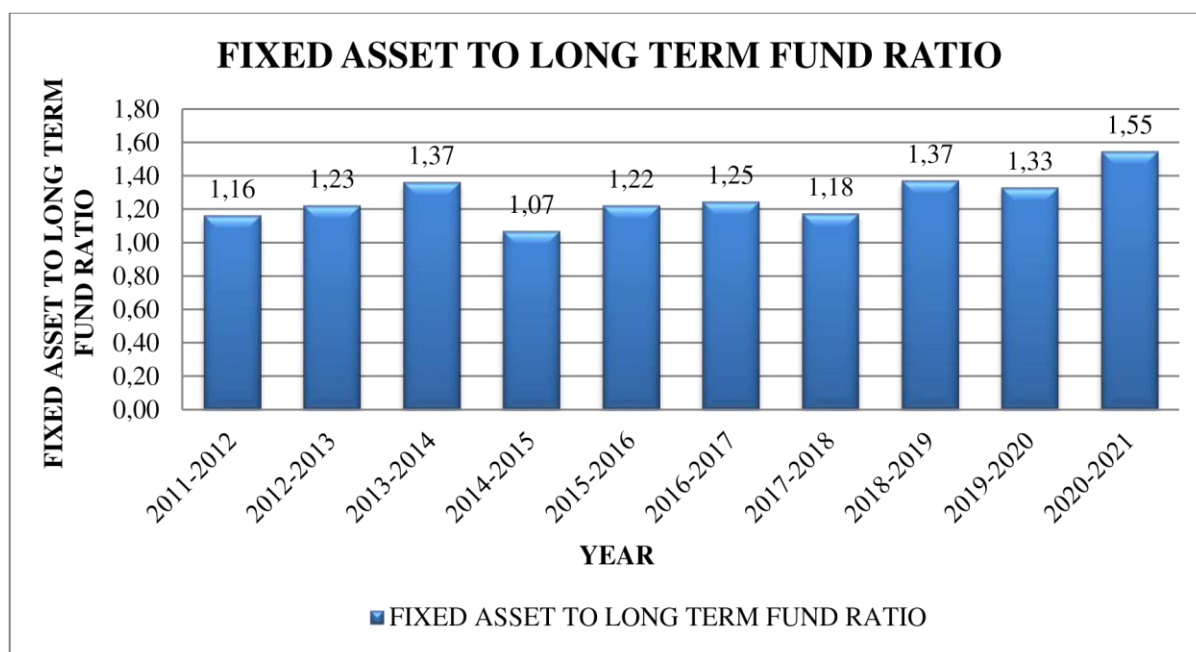
YEAR	FIXED ASSET	LONG TERM FUNDS	FIXED ASSET TO LONG TERM FUND RATIO
2011-2012	62,128.29	53,347.00	1.16
2012-2013	69,213.24	56,489.56	1.23
2013-2014	85,980.58	62,956.63	1.37
2014-2015	83,370.94	77,771.14	1.07
2015-2016	1,04,128.29	85,043.98	1.22
2016-2017	1,04,295.95	83,571.17	1.25
2017-2018	1,08,619.85	92,289.39	1.18
2018-2019	1,39,086.50	1,01,258.72	1.37
2019-2020	1,49,992.96	1,12,595.64	1.33
2020-2021	1,50,437.89	97,111.63	1.55

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.6 shows Fixed asset to long term fund ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average fixed asset to long term fund ratio during the study period was 1.27 times. The fixed asset to long term fund ratio was minimum in the year 2014-2015 (i.e.) 1.07 times and it was maximum in the year 2020-2021 (i.e.) 1.55 times. During the study period the fixed asset to long term fund ratio shows fluctuating trend.

CHART: 4.6



CURRENT ASSET TO PROPRIETOR'S FUND RATIO

Current assets to Proprietor's fund ratio establish the relationship between current assets and shareholder's funds. The purpose of this ratio is to calculate the percentage of shareholder's funds invested in current assets. The ratio indicates the extent to which proprietor's funds are invested in current assets. There is no 'rule of thumb' for this ratio and depending upon the nature of the business there may be different ratios for different firms.

FORMULA

$$\text{Current Asset to Proprietor's Fund Ratio} = \frac{\text{Current Assets}}{\text{Proprietor's fund}}$$

TABLE: 4.7
CURRENT ASSET TO PROPRIETOR'S FUND RATIO

(Rupees in Crores)

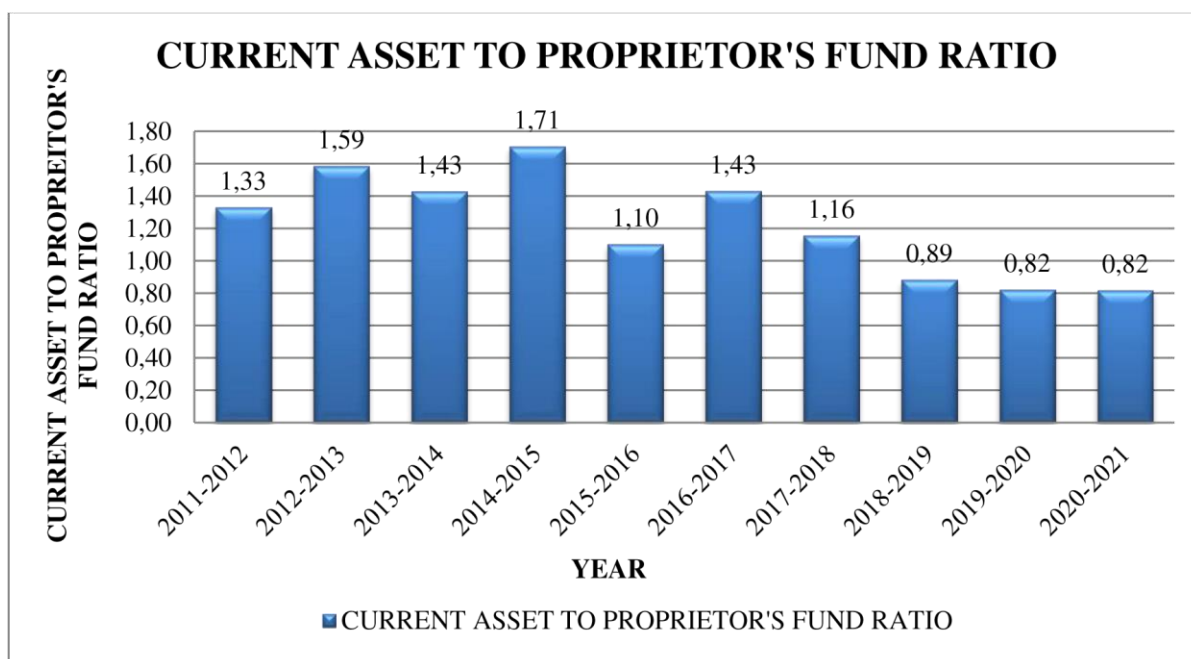
YEAR	CURRENT ASSETS	PROPRIETOR'S FUND	CURRENT ASSET TO PROPRIETOR'S FUND RATIO
2011-2012	56808.33	42,616.22	1.33
2012-2013	54,244.15	34,172.24	1.59
2013-2014	57,989.41	40,531.96	1.43
2014-2015	53,594.74	31,349.41	1.71
2015-2016	45,791.96	41,457.55	1.10
2016-2017	50,935.03	35,544.31	1.43
2017-2018	67,877.16	58,595.60	1.16
2018-2019	58,990.98	66,650.08	0.89
2019-2020	58,732.72	71,301.30	0.82
2020-2021	60,211.90	73,459.99	0.82

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.7 shows Current Assets to Proprietor's Fund ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average current asset to proprietor's fund ratio during the study period was 1.23 times. The current asset to proprietor's fund ratio was minimum in the year 2019-2020 and 2020-2021 (i.e.) 0.82 times and maximum in the year 2014-2015 (i.e.) 1.71 times. During the study period it shows a fluctuating trend and in the last three years the ratio has been declining.

CHART: 4.7



4.1.5 ANALYSIS OF PROFITABILITY RATIOS

GROSS PROFIT RATIO

This ratio simply compares the gross profit of the firm to its net sales. Both of these figures are obtained from the Income statement. The ratio is also known as Gross profit margin ratio or rate of gross profit. The ratio basically signifies the basic profitability of the firm. Gross profit is equal to net sales minus cost of goods sold. Net sales are equal to total gross sales less minus return inwards and discount allowed.

FORMULA

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} * 100$$

TABLE: 4.8
GROSS PROFIT RATIO

(Rupees in Crores)

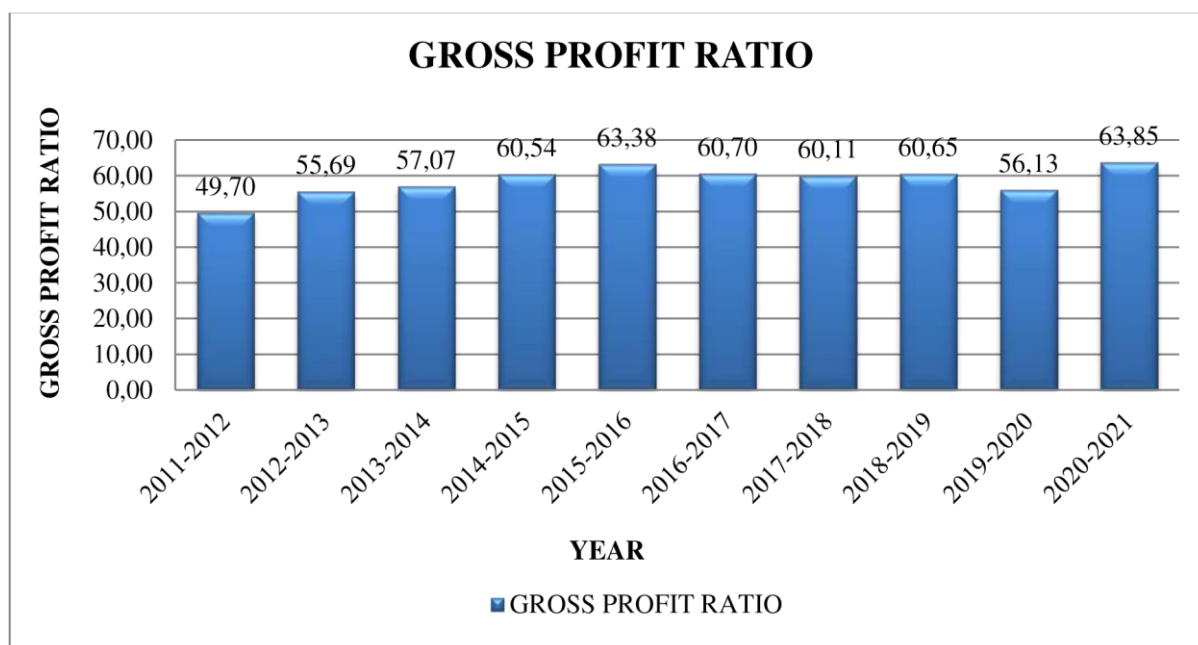
YEAR	GROSS PROFIT	NET SALES	GROSS PROFIT RATIO
2011-2012	65,726.39	1,32,257.36	49.70
2012-2013	74,299.27	1,33,416.60	55.69
2013-2014	84,096.09	1,47,347.28	57.07
2014-2015	83,744.42	1,38,318.91	60.54
2015-2016	66,986.91	1,05,683.18	63.38
2016-2017	67,719.02	1,11,562.05	60.70
2017-2018	78,672.62	1,30,880.87	60.11
2018-2019	93,814.58	1,54,691.63	60.65
2019-2020	82,008.97	1,46,106.00	56.13
2020-2021	97,885.01	1,53,308.39	63.85

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.8 shows Gross profit ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average gross profit ratio during the study period was 58.78%. The gross profit ratio was minimum in the year 2011-2012 (i.e.) 49.70% and it was maximum in the year 2020-2021 (i.e.) 63.85%. It shows a fluctuating trend during the study period and in the last two years the gross profit ratio has been increasing.

CHART: 4.8



NET PROFIT RATIO

The Net profit ratio is the ratio of after- tax profits to net sales. It reveals the remaining profit after all costs of production, administration and financing have been deducted from sales and income taxes recognized. It is one of the best measures of the overall results of the firm, especially when combined with an evaluation of how well it is using its working capital and it is also used to compare the results of a business with its competitors.

FORMULA

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} * 100$$

TABLE: 4.9
NET PROFIT RATIO

(Rupees in Crores)

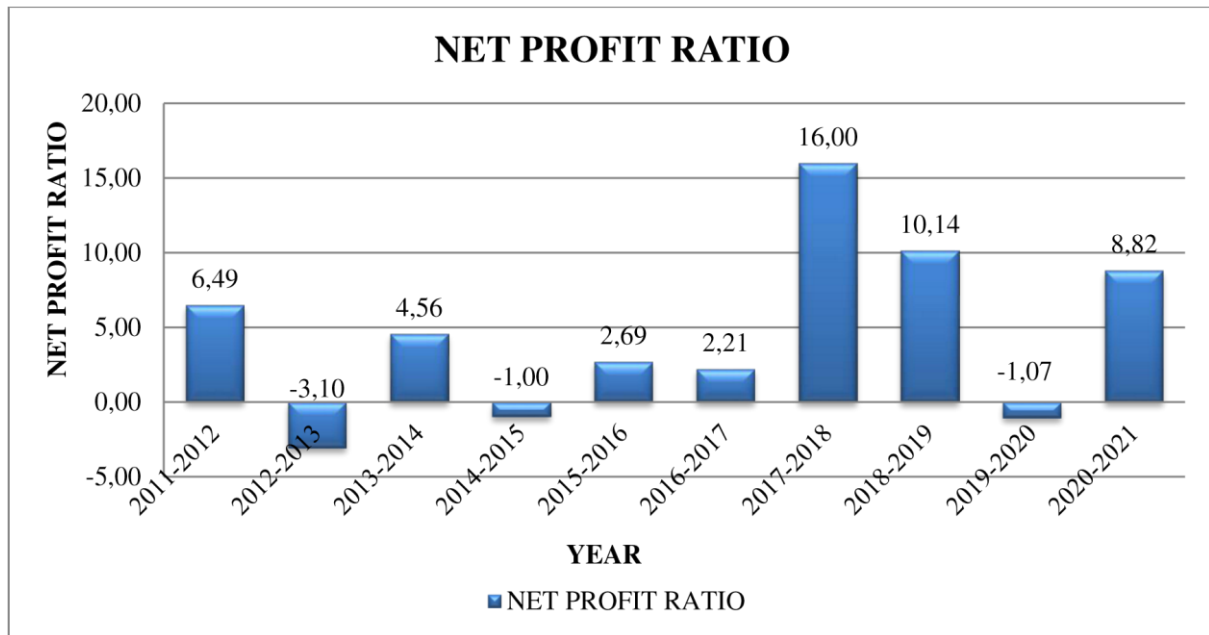
YEAR	NET PROFIT	NET SALES	NET PROFIT RATIO
2011-2012	8,584.98	1,32,257.36	6.49
2012-2013	-4,132.95	1,33,416.60	-3.10
2013-2014	6,722.13	1,47,347.28	4.56
2014-2015	-1,388.09	1,38,318.91	-1.00
2015-2016	2,843.17	1,05,683.18	2.69
2016-2017	2,465.98	1,11,562.05	2.21
2017-2018	20,935.65	1,30,880.87	16.00
2018-2019	15,681.02	1,54,691.63	10.14
2019-2020	-1,568.41	1,46,106.00	-1.07
2020-2021	13,516.35	1,53,308.39	8.82

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.9 shows Net profit ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average net profit ratio during the study period was 4.57%. The net profit ratio was minimum in the year 2014-2015 (i.e.) -1.00% due to decrease in the net sales and it was maximum in the year 2017-2018 (i.e.) 16.00%. The net profit shows a fluctuating trend during the study period.

CHART: 4.9



EXPENSE RATIO

Expense ratio (expense to sales ratio) is computed to show the relationship between an individual expense or group of expenses and sales. It is computed by dividing a particular expense or group of expense by net sales. Expense ratio is expressed in percentage.

FORMULA

$$\text{Expense Ratio} = \frac{\text{Particular Expense}}{\text{Net Sales}} * 100$$

TABLE: 4.10
EXPENSE RATIO

(Rupees in Crores)

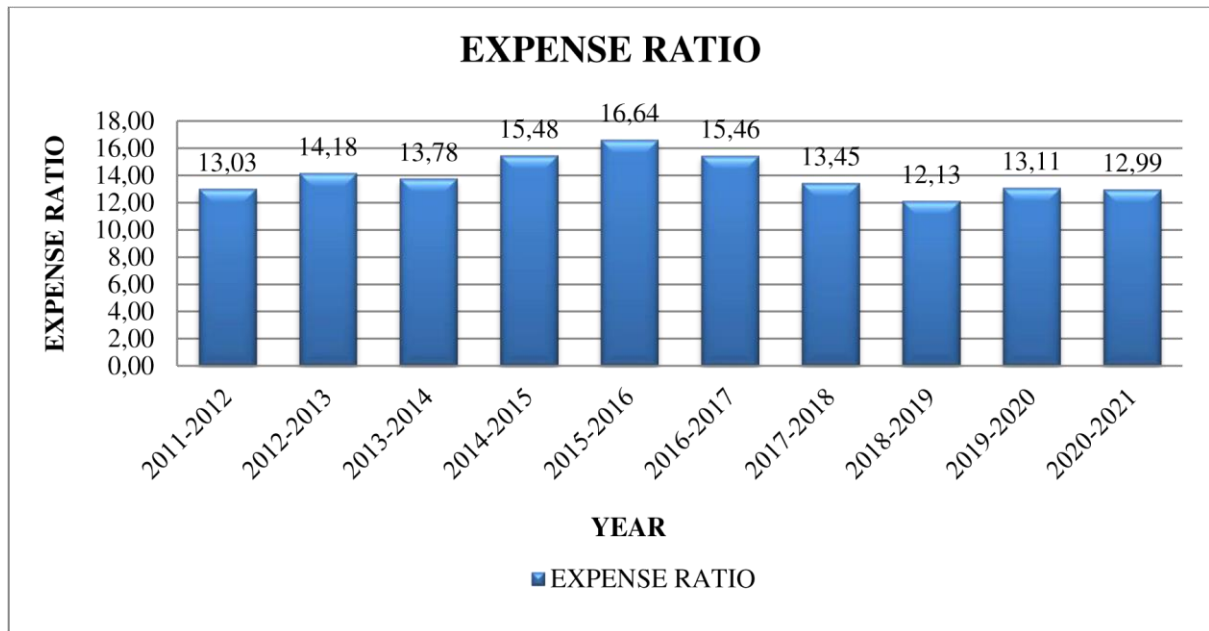
YEAR	PARTICULAR EXPENSE	NET SALES	EXPENSE RATIO
2011-2012	17,228.64	1,32,257.36	13.03
2012-2013	18,918.25	1,33,416.60	14.18
2013-2014	20,303.41	1,47,347.28	13.78
2014-2015	21,407.64	1,38,318.91	15.48
2015-2016	17,587.63	1,05,683.18	16.64
2016-2017	17,252.22	1,11,562.05	15.46
2017-2018	17,606.19	1,30,880.87	13.45
2018-2019	18,758.87	1,54,691.63	12.13
2019-2020	19,152.23	1,46,106.00	13.11
2020-2021	19,908.81	1,53,308.39	12.99

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.10 shows Expense ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average expense ratio during the study period was 14.02%. The expense ratio was minimum in the year 2018-2019 (i.e.) 12.13% and maximum in the year 2015-2016 (i.e.) 16.64%. The expense ratio shows a fluctuating trend during the study period.

CHART: 4.10



EBIT MARGIN

EBIT margin is the ratio of earnings before interest and taxes to net sales. EBIT margin is also known as operating margin. It is characterized by reflecting the benefit generated by the economic activity of a company alone. The EBIT margin is a financial ratio that measures the profitability of a company calculated without taking into account the effect of interest and taxes. It is calculated by dividing EBIT (earnings before interest and taxes) by net sales.

FORMULA

$$\text{EBIT Margin} = \frac{\text{EBIT}}{\text{Net Sales}} * 100$$

TABLE: 4.11
EBIT MARGIN

(Rupees in Crores)

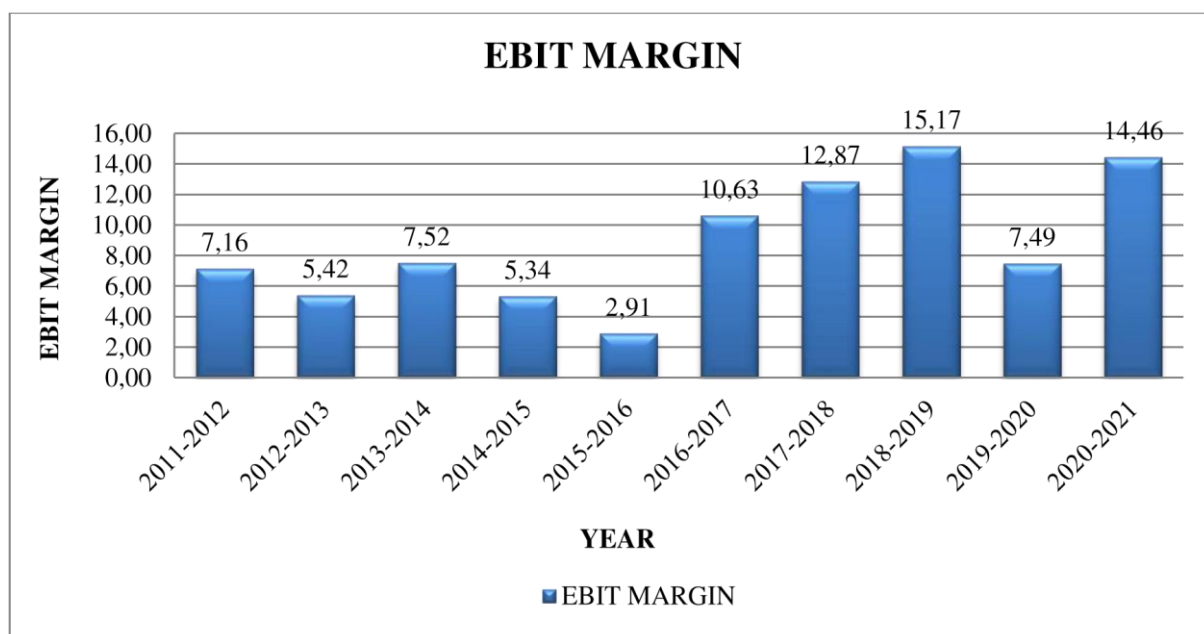
YEAR	EBIT	NET SALES	EBIT MARGIN
2011-2012	9,473.17	1,32,257.36	7.16
2012-2013	7,225.04	1,33,416.60	5.42
2013-2014	11,086.60	1,47,347.28	7.52
2014-2015	7,388.33	1,38,318.91	5.34
2015-2016	3,074.20	1,05,683.18	2.91
2016-2017	11,862.41	1,11,562.05	10.63
2017-2018	16,838.32	1,30,880.87	12.87
2018-2019	23,462.09	1,54,691.63	15.17
2019-2020	10,941.89	1,46,106.00	7.49
2020-2021	22,166.22	1,53,308.39	14.46

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.11 shows EBIT margin of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average EBIT margin during the study period is 8.90%. The EBIT margin was minimum in the year 2014-2015 (i.e.) 5.34% and it was maximum in the year 2018-2019 (i.e.) 15.17%. It shows a fluctuating trend during the study period.

CHART: 4.11



RETURN ON SHAREHOLDER'S INVESTMENT (ROI)

It is the ratio of net profit to shareholder's investment. It is the relationship between net profit (after interest and taxes) and shareholder's funds. This ratio establishes the profitability from its shareholder's point of view. The ratio is generally calculated in percentage. This ratio is one of the most important ratios used for measuring the overall efficiency of a firm. As the primary objective of business is to maximize its earnings, this ratio indicates the extent to which this primary objective of the business being achieved.

FORMULA

$$\text{Return on Shareholder's Investment} = \frac{\text{Net Profit After Tax}}{\text{Shareholder's Funds}} * 100$$

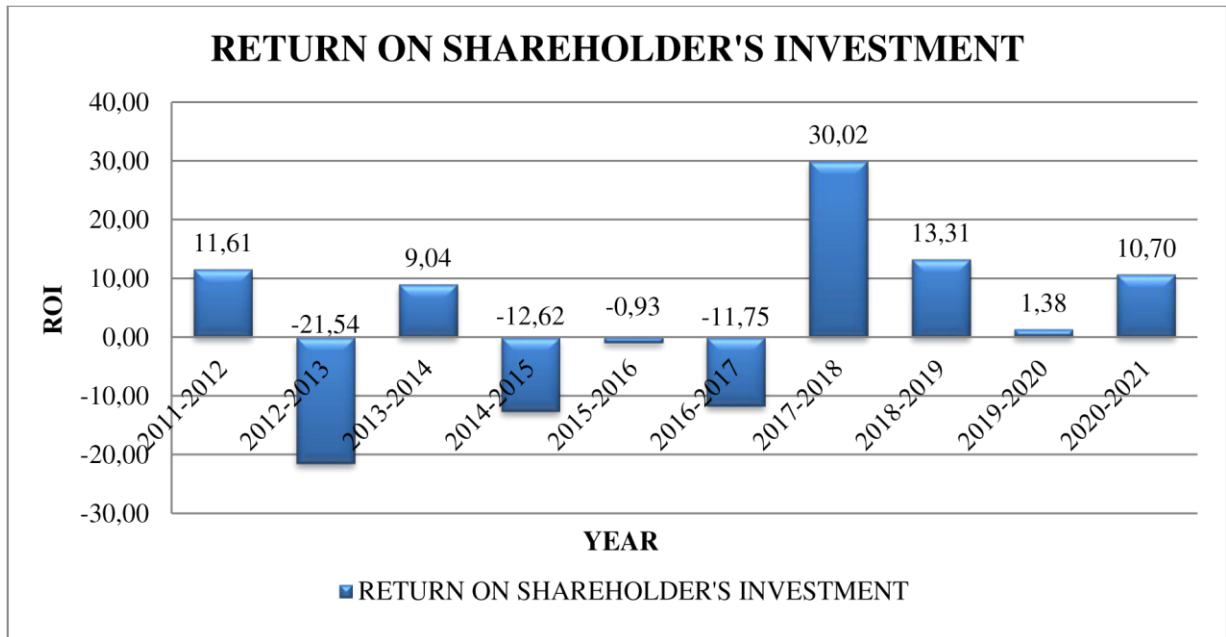
TABLE: 4.12**RETURN ON SHAREHOLDER'S INVESTMENT****(Rupees in Crores)**

YEAR	NET PROFIT AFTER TAX	SHAREHOLDER'S FUNDS	RETURN ON SHAREHOLDER'S INVESTMENT
2011-2012	4,948.52	42,616.22	11.61
2012-2013	-7,362.39	34,172.24	-21.54
2013-2014	3,663.97	40,531.96	9.04
2014-2015	-3,955.50	31,349.41	-12.62
2015-2016	-386.67	41,457.55	-0.93
2016-2017	-4,176.22	35,544.31	-11.75
2017-2018	17,588.71	58,595.60	30.02
2018-2019	8,873.63	66,650.08	13.31
2019-2020	984.49	71,301.30	1.38
2020-2021	7,862.45	73,459.99	10.70

SOURCE: SECONDARY DATA**INTERPRETATION**

Table 4.12 shows the Return on shareholder's investment ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average return on shareholder's investment ratio during the study period was 2.92%. It was minimum in the year 2015-2016 (i.e.) -0.93% due to decrease in net profit and it was maximum in the year 2017-2018 (i.e.) 30.02%. The return on shareholder's investments shows a fluctuating trend during the study period.

CHART: 4.12



RETURN ON ASSETS

Return on assets (ROA) is a ratio that tells you how much profit a company earns from its resources and assets. This information is valuable to a company's owners, management team and investors because it is an indication of how well the company uses its resources and assets to generate profit. Return on assets is represented as percentage.

The ROA is the net income from the firm's recent income statement, divided by the total assets at the end of the period. The income statement is measures over a period of, whereas assets are measured at a single point in time.

FORMULA

$$\text{Return on Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}} * 100$$

TABLE: 4.13
RETURN ON ASSETS

(Rupees in Crores)

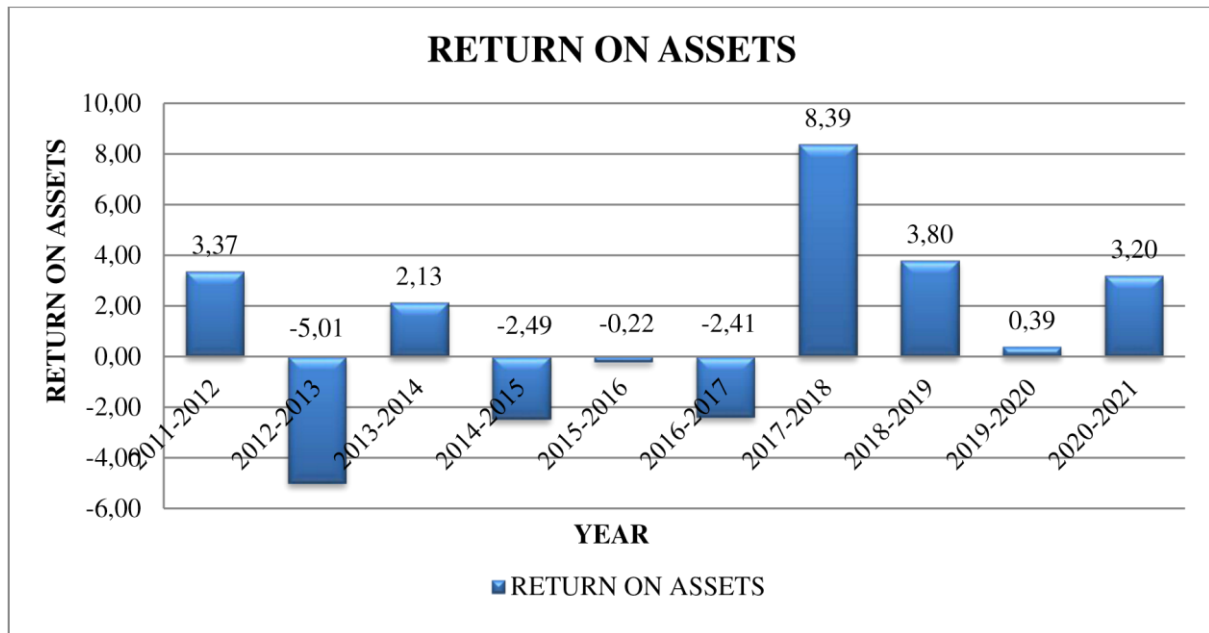
YEAR	NET PROFIT AFTER TAX	TOTAL ASSETS	RETURN ON ASSETS
2011-2012	4,948.52	1,46,852.09	3.37
2012-2013	-7,362.39	1,46,906.42	-5.01
2013-2014	3,663.97	1,71,644.45	2.13
2014-2015	-3,955.50	1,58,945.53	-2.49
2015-2016	-386.67	1,77,511.44	-0.22
2016-2017	-4,176.22	1,73,333.24	-2.41
2017-2018	17,588.71	2,09,757.94	8.39
2018-2019	8,873.63	2,33,582.39	3.80
2019-2020	984.49	2,50,419.45	0.39
2020-2021	7,862.45	2,45,487.21	3.20

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.13 shows the Return on asset ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average return on assets ratio during the period was 1.12%. The return on assets ratio was minimum in the year 2015-2016 (i.e.) -0.22% and it was maximum in the year 2017-2018 (i.e.) 8.39%. During the study period there was a fluctuating trend on return on assets.

CHART: 4.13



4.1.6 ANALYSIS OF EFFICIENCY RATIOS

INVENTORY TURNOVER RATIO

The Inventory turnover ratio is also known as the Stock turnover ratio, is an efficiency ratio that measures how efficiently inventory is managed. The inventory turnover ratio is equal to the net sales divided by total or average inventory to show how many times inventory is “turned” or sold during a period. The ratio can be used to determine if there are excessive inventory levels compared to sales.

FORMULA

$$\text{Inventory Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Inventory}}$$

TABLE: 4.14
INVENTORY TURNOVER RATIO

(Rupees in Crores)

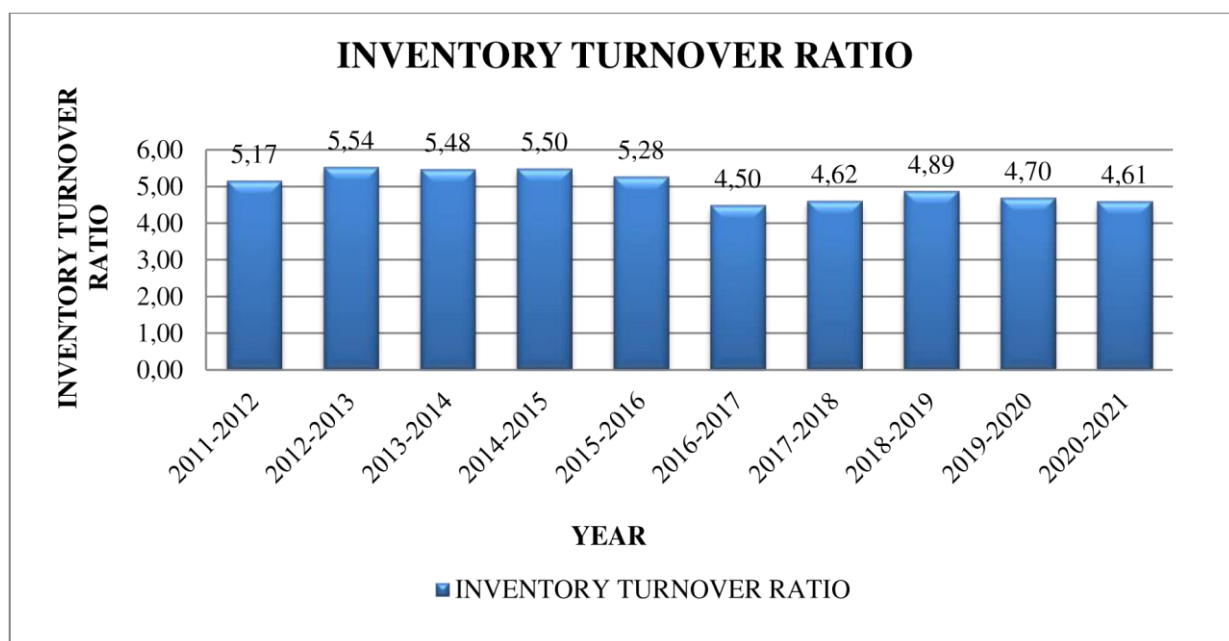
YEAR	NET SALES	AVERAGE STOCK	INVENTORY TURNOVER RATIO
2011-2012	1,32,257.36	25,598.00	5.17
2012-2013	1,33,416.60	24,091.19	5.54
2013-2014	1,47,347.28	26,880.00	5.48
2014-2015	1,38,318.91	25,149.91	5.50
2015-2016	1,05,683.18	20,013.33	5.28
2016-2017	1,11,562.05	24,803.82	4.50
2017-2018	1,30,880.87	28,331.04	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

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.14 shows the Inventory turnover ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average inventory turnover ratio during the study period was 5.03 times. The inventory turnover ratio was minimum in the year 2016-2017 (i.e.) 4.50 times and maximum in the year 2012-2013 (i.e.) 5.54 times. There was a fluctuating trend during the study period and in the last three years inventory turnover ratio has been declining.

CHART: 4.14



FIXED ASSET TURNOVER RATIO

The fixed asset turnover ratio is an efficiency ratio that measures a company's return on their investment in property, plant, and equipment by comparing net sales with fixed assets. In other words, it calculates how efficiently a company is using its fixed assets to generate sales. It provides useful information to investors, lenders, creditors, and management on whether the company utilizes its fixed assets optimally and adequately. The improvement in efficiency indicates that no assets is lying idle and are put to best use.

FORMULA

$$\text{Fixed Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Fixed Asset}}$$

TABLE: 4.15
FIXED ASSET TURNOVER RATIO

(Rupees in Crores)

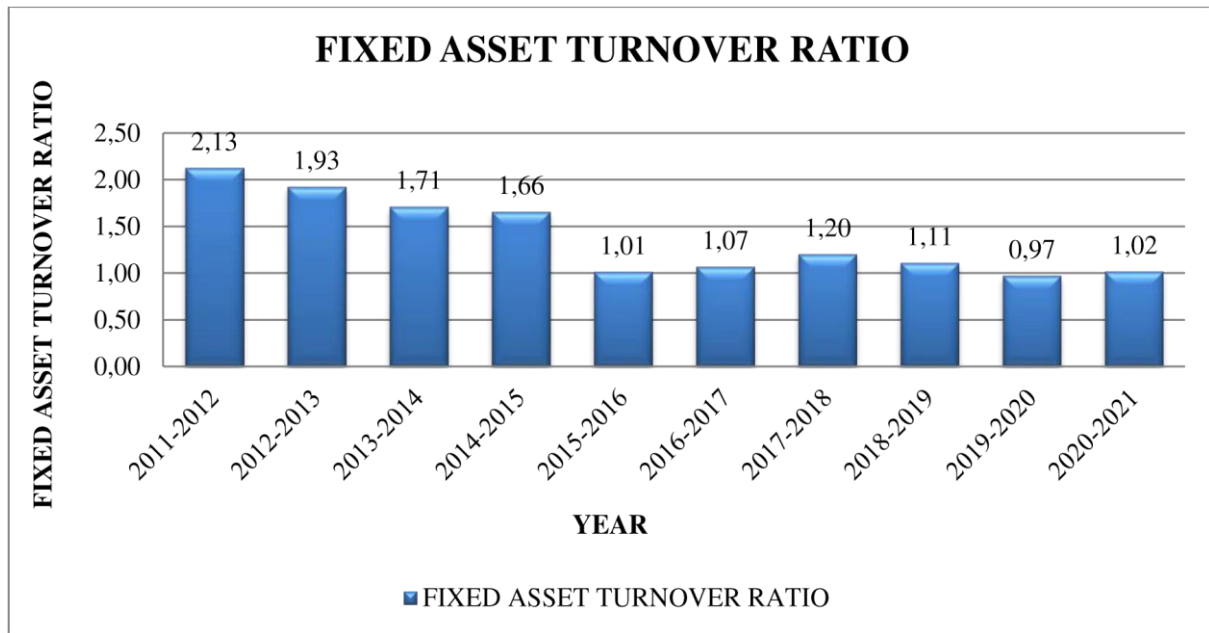
YEAR	NET SALES	AVERAGE FIXED ASSET	FIXED ASSET TURNOVER RATIO
2011-2012	1,32,257.36	62,128.29	2.13
2012-2013	1,33,416.60	69,213.24	1.93
2013-2014	1,47,347.28	85,980.58	1.71
2014-2015	1,38,318.91	83,370.94	1.66
2015-2016	1,05,683.18	1,04,128.29	1.01
2016-2017	1,11,562.05	1,04,295.95	1.07
2017-2018	1,30,880.87	1,08,619.85	1.20
2018-2019	1,54,691.63	1,39,086.50	1.11
2019-2020	1,46,106.00	1,49,992.96	0.97
2020-2021	1,53,308.39	1,50,437.89	1.02

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.15 shows the Fixed asset turnover ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average fixed asset turnover ratio was 1.38 times. The fixed asset turnover ratio was minimum in the year 2019-2020 (i.e.) 0.97 times and it was maximum in the year 2011-2012 (i.e.) 2.13 times. There was a fluctuating trend during the study period and in initial period from 2011- 2012 to 2015-2016 the ratio has been continuously declining.

CHART: 4.15



RECEIVABLES TURNOVER RATIO

Receivables Turnover ratio is also known as Debtors Turnover Ratio. This indicates the number of times average debtors have been converted into cash during a year. The receivables turnover ratio is determined by dividing the net credit sales by average debtors. The accounts receivable turnover ratio is an important financial ratio that indicates a company's ability to collect its accounts receivable. Collecting accounts receivable is critical for a company to pay its obligations when they are due.

FORMULA

$$\text{Receivables Turnover Ratio} = \frac{\text{Net Sales}}{\text{Accounts Receivables}}$$

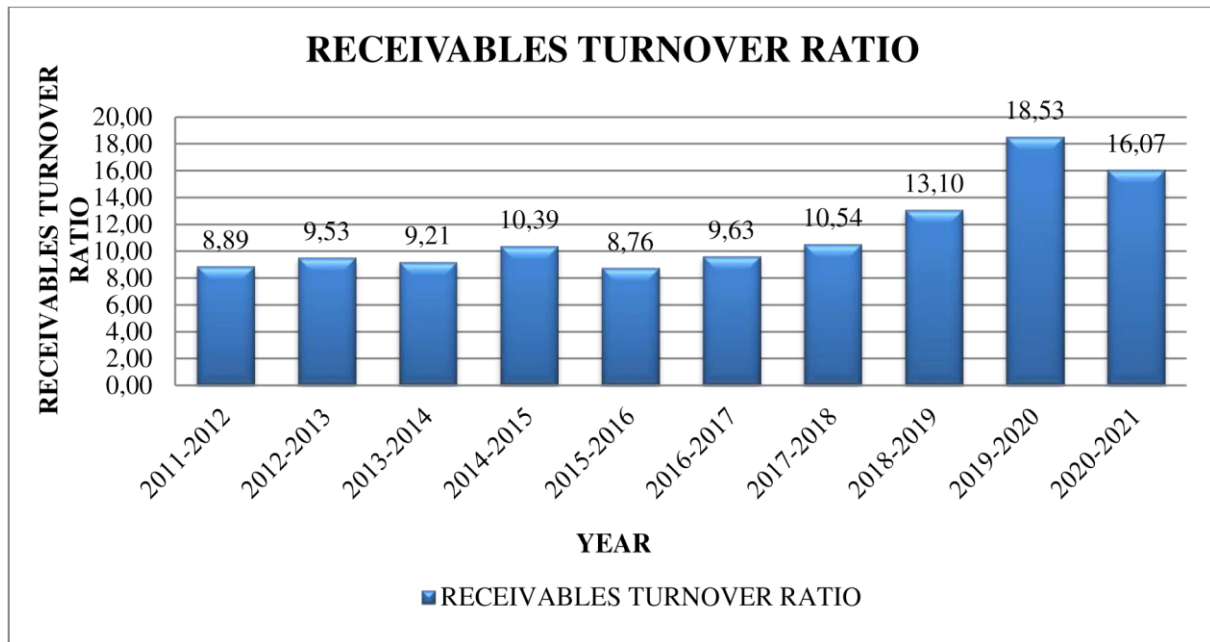
TABLE: 4.16**RECEIVABLES TURNOVER RATIO****(Rupees in Crores)**

YEAR	NET SALES	ACCOUNTS RECEIVABLES	RECEIVABLES TURNOVER RATIO
2011-2012	1,32,257.36	14,878.48	8.89
2012-2013	1,33,416.60	13,993.96	9.53
2013-2014	1,47,347.28	16,005.77	9.21
2014-2015	1,38,318.91	13,309.87	10.39
2015-2016	1,05,683.18	12,066.22	8.76
2016-2017	1,11,562.05	11,586.82	9.63
2017-2018	1,30,880.87	12,415.52	10.54
2018-2019	1,54,691.63	11,811.00	13.10
2019-2020	1,46,106.00	7,884.91	18.53
2020-2021	1,53,308.39	9,539.84	16.07

SOURCE: SECONDARY DATA**INTERPRETATION**

Table 4.16 shows Receivables turnover ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average receivables turnover ratio during the study period was 11.46 times. The receivables turnover ratio was minimum in the year 2015-2016 (i.e.) 8.76 times which reveals the inefficiency in debt collection and it was maximum in the year 2020-2021 (i.e.) 16.07 times. It shows a fluctuating trend during the study period.

CHART: 4.16



PAYABLES TURNOVER RATIO

Payables Turnover ratio is also known as Creditors Turnover Ratio .This ratio shows the relation between credit purchases and the average creditors of a company at any given time of the accounting year. It is a liquidity ratio that measures the average number of times a company pays its creditors over an accounting period. The ratio is a measure of short-term liquidity, with a higher payable turnover ratio being more favourable.

FORMULA

$$\text{Payables Turnover Ratio} = \frac{\text{Net Sales}}{\text{Accounts Payables}}$$

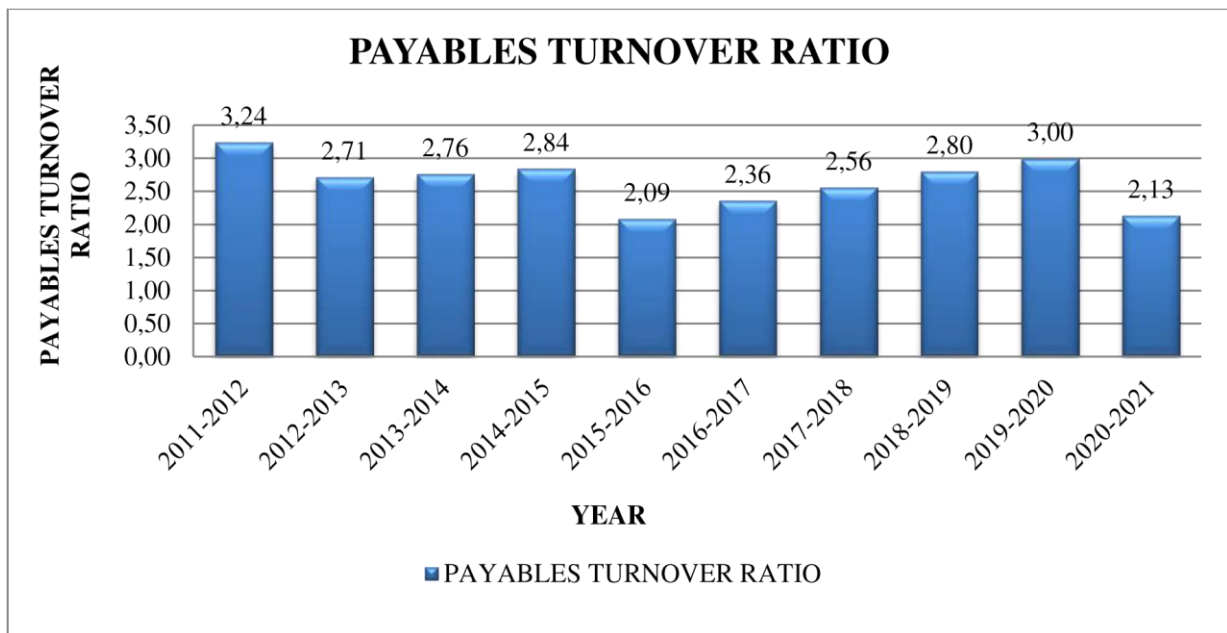
TABLE: 4.17**PAYABLES TURNOVER RATIO****(Rupees in Crores)**

YEAR	NET PURCHASE	ACCOUNTS PAYABLES	PAYABLES TURNOVER RATIO
2011-2012	66,530.97	20,528.55	3.24
2012-2013	59,117.33	21,778.84	2.71
2013-2014	63,251.19	22,904.37	2.76
2014-2015	54,574.49	19,189.86	2.84
2015-2016	38,696.27	18,556.70	2.09
2016-2017	43,843.03	18,574.46	2.36
2017-2018	52,208.25	20,413.81	2.56
2018-2019	60,877.05	21,716.96	2.80
2019-2020	64,097.03	21,380.85	3.00
2020-2021	55,423.38	25,967.49	2.13

SOURCE: SECONDARY DATA**INTERPRETATION**

Table 4.17 shows Payable turnover ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average payable turnover ratio during the study period was 2.65 times. The payable turnover ratio was minimum in the year 2015-2016 (i.e.) 2.09 times and maximum in the year 2011-2012 (i.e.) 3.24 times. It shows a fluctuating trend during the study period.

CHART: 4.17



4.1.7 ANALYSIS OF CAPITAL STRUCTURE RATIOS

DEBT – EQUITY RATIO

The Debt to Equity ratio (also called the “debt-equity ratio”, “risk ratio”, or “gearing”, is a leverage ratio that calculates the weight of total debt and financial liabilities against total shareholders’ equity. The D/E ratio is an important metric used in corporate finance. Unlike the debt-assets ratio which uses total assets as a denominator, the D/E ratio uses total equity. This ratio highlights how a company’s capital structure is tilted either toward debt or equity financing.

FORMULA

$$\text{Debt-Equity Ratio} = \frac{\text{Outsider's Funds}}{\text{Shareholder's Funds}}$$

TABLE: 4.18
DEBT - EQUITY RATIO

(Rupees in Crores)

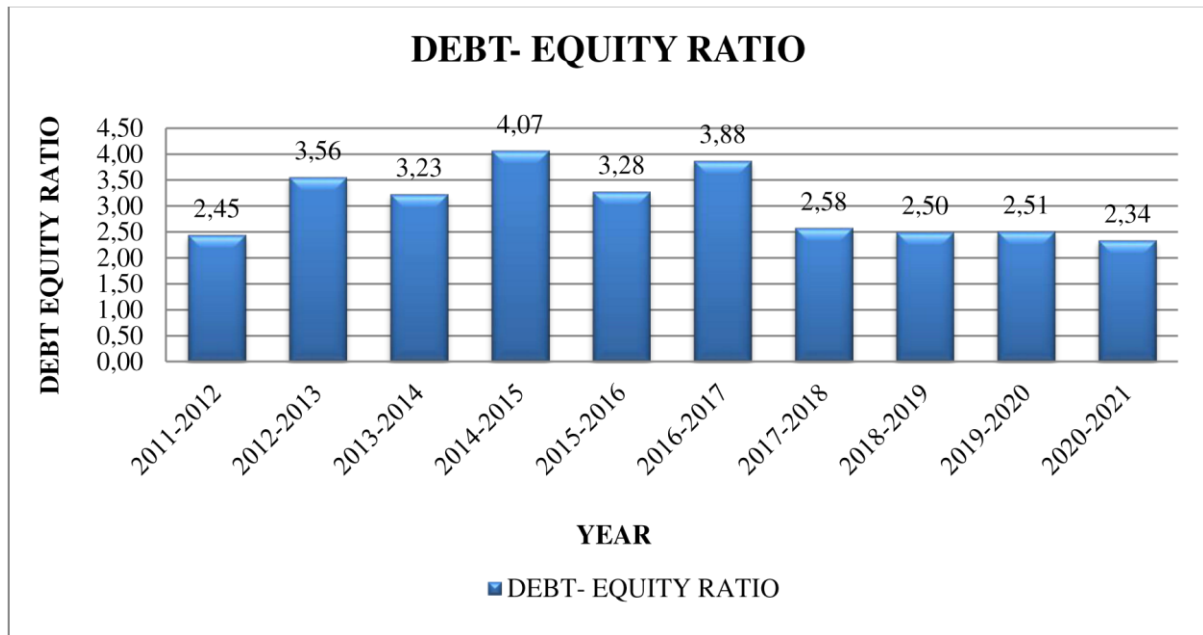
YEAR	OUTSIDER'S FUND	TOTAL SHAREHOLDER'S FUND	DEBT- EQUITY RATIO
2011-2012	1,04,235.87	42,616.22	2.45
2012-2013	1,21,734.18	34,172.24	3.56
2013-2014	1,31,112.49	40,531.96	3.23
2014-2015	1,27,596.12	31,349.41	4.07
2015-2016	1,36,053.93	41,457.55	3.28
2016-2017	1,37,788.93	35,544.31	3.88
2017-2018	1,51,162.34	58,595.60	2.58
2018-2019	1,66,932.31	66,650.08	2.50
2019-2020	1,79,118.15	71,301.30	2.51
2020-2021	1,72,027.22	73,459.99	2.34

SOURCE: SECONDARY DATA

INTERPRETATION

Table 4.18 shows the Debt-equity ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average debt-equity ratio during the study period was 3.04 times. The debt-equity ratio was minimum in the year 2020-2021 (i.e.) 2.34 times and it was maximum in the year 2014-2015 (i.e.) 4.07 times, it indicates that the claims of outsiders are greater than those of owners. It shows fluctuating trend during the study period.

CHART: 4.18



RESERVES TO EQUITY RATIO

Reserves to equity ratio establish the relationship between reserves and equity share capital. The ratio indicates that how much profits are generally retained by the firm for future growth. Higher the ratio, generally, better is position of firm.

FORMULA

$$\text{Reserves to Equity Ratio} = \frac{\text{Reserves}}{\text{Equity Share Capital}}$$

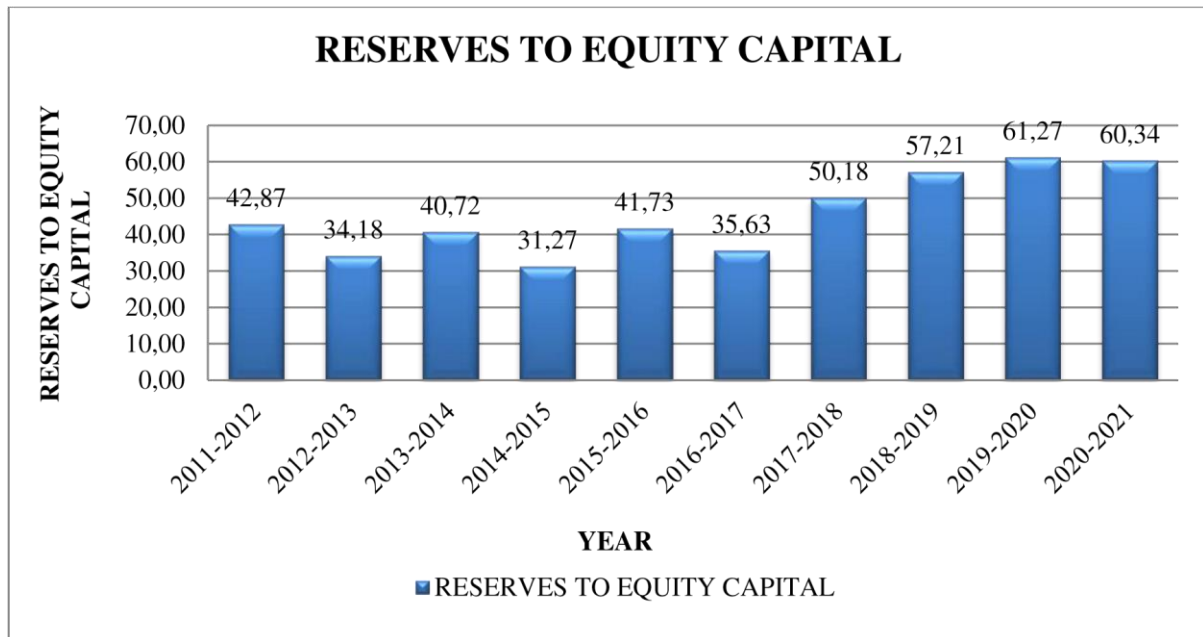
TABLE: 4.19**RESERVES TO EQUITY RATIO****(Rupees in Crores)**

YEAR	RESERVES	EQUITY SHARE CAPITAL	RESERVES TO EQUITY CAPITAL
2011-2012	41,644.81	971.41	42.87
2012-2013	33,200.83	971.41	34.18
2013-2014	39,560.55	971.41	40.72
2014-2015	30,378.00	971.41	31.27
2015-2016	40,487.31	970.24	41.73
2016-2017	34,574.07	970.24	35.63
2017-2018	57,450.65	1,144.95	50.18
2018-2019	65,505.14	1,144.94	57.21
2019-2020	70,156.35	1,144.95	61.27
2020-2021	72,262.38	1,197.61	60.34

SOURCE: SECONDARY DATA**INTERPRETATION**

Table 4.19 shows Reserves to equity ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average reserve to equity ratio during the study period was 45.54 times. The reserve to equity ratio was minimum in the year 2014-2015 (i.e.) 31.27 times and maximum in the year 2019-2020 (i.e.) 61.27 times. During the study period it shows a fluctuating trend.

CHART: 4.19



CURRENT LIABILITIES TO PROPRIETOR'S FUNDS

This ratio establishes the relationship between current liabilities and proprietor's funds and indicates the amount of long term funds raised by the proprietors against short term borrowings.

FORMULA

$$\text{Current Liabilities to Proprietor's funds} = \frac{\text{Current Liabilities}}{\text{Proprietor's Funds}}$$

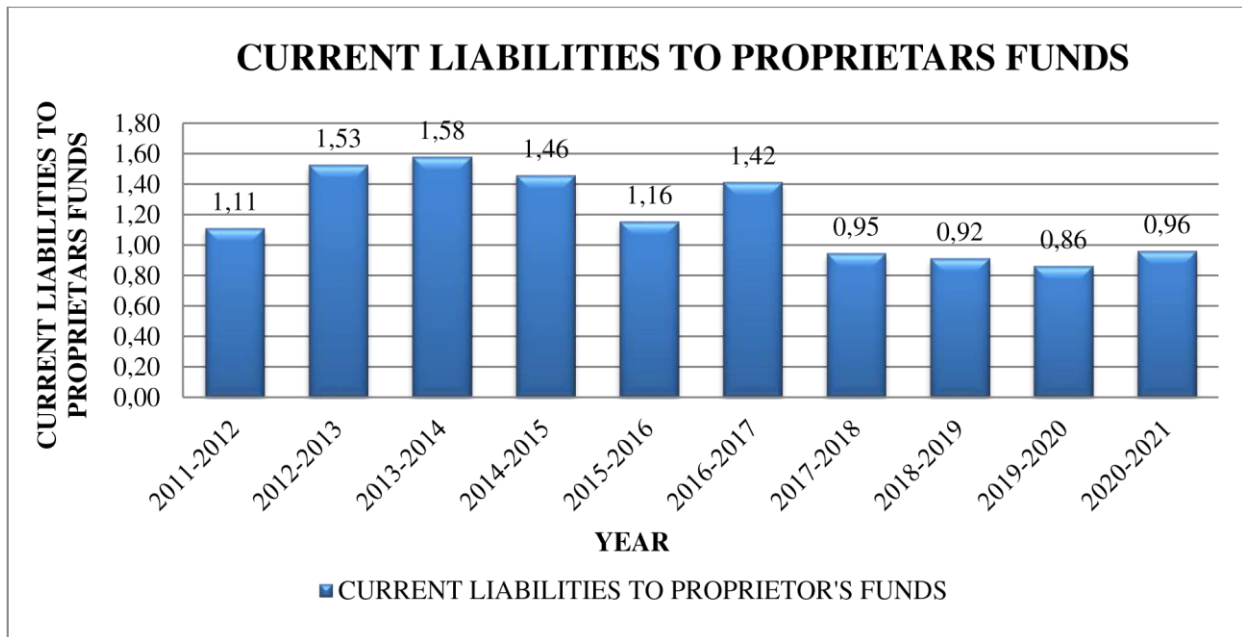
TABLE: 4.20**CURRENT LIABILITIES TO PROPRIETOR'S FUNDS****(Rupees in Crores)**

YEAR	CURRENT LIABILITIES	PROPRIETOR'S FUNDS	CURRENT LIABILITIES TO PROPRIETOR'S FUNDS
2011-2012	47,482.83	42,616.22	1.11
2012-2013	52,279.05	34,172.24	1.53
2013-2014	64,123.14	40,531.96	1.58
2014-2015	45,826.13	31,349.41	1.46
2015-2016	47,953.97	41,457.55	1.16
2016-2017	50,341.05	35,544.31	1.42
2017-2018	55,661.41	58,595.60	0.95
2018-2019	61,034.13	66,650.08	0.92
2019-2020	61,660.91	71,301.30	0.86
2020-2021	70,867.13	73,459.99	0.96

SOURCE: SECONDARY DATA**INTERPRETATION**

Table 4.20 shows Current Liabilities to Proprietor's Funds ratio of Tata Steel Limited for the period of 10 years from 2011-2012 to 2020-2021. The average current liabilities to proprietor's funds ratio were 1.20 times. The current liabilities to proprietor's fund were minimum in the year 2019-2020 (i.e.) 0.86 times and maximum in the year 2013-2014 (i.e.) 1.58 times. During the study period current liabilities to proprietor's funds show a fluctuating trend.

CHART: 4.20



4.2 TREND ANALYSIS

MEANING OF TREND ANALYSIS

Trend Analysis is a statistical tool that helps to determine the future movements of a variable on the basis of its historical trends. In simple words, it predicts future behavior on the basis of past data. Under this method, a researcher collects information from multiple time periods and plots the information on a horizontal line to get some meaningful information. There is no specific amount of time for a movement to become a trend.

However, the longer the movement, the better it is.

DEFINITION OF TREND ANALYSIS

Trend analysis is an analysis of the trend of the company by comparing its financial statements to analyze 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.

SIGNIFICANCE OF TREND ANALYSIS

The following are the significance of using trend analysis:

- Trend analysis identifies current and future movements of an investment or group of investments.
- It compares past and current financial ratios to various institutions to project how long the current trend will continue.
- It is helpful to investors who wish to make the most of their investments.
- The process of a trend analysis begins with identifying the category of the investments that are under consideration.
- It is possible to determine if all or most of those factors are still exerting an influence.

FORMULA FOR TREND ANALYSIS

$$\text{Trend Analysis} = \frac{\text{Current Year}}{\text{Base Year}} * 100$$

TREND ANALYSIS OF NET SALES

TABLE: 4.21

(Rupees in Crores)

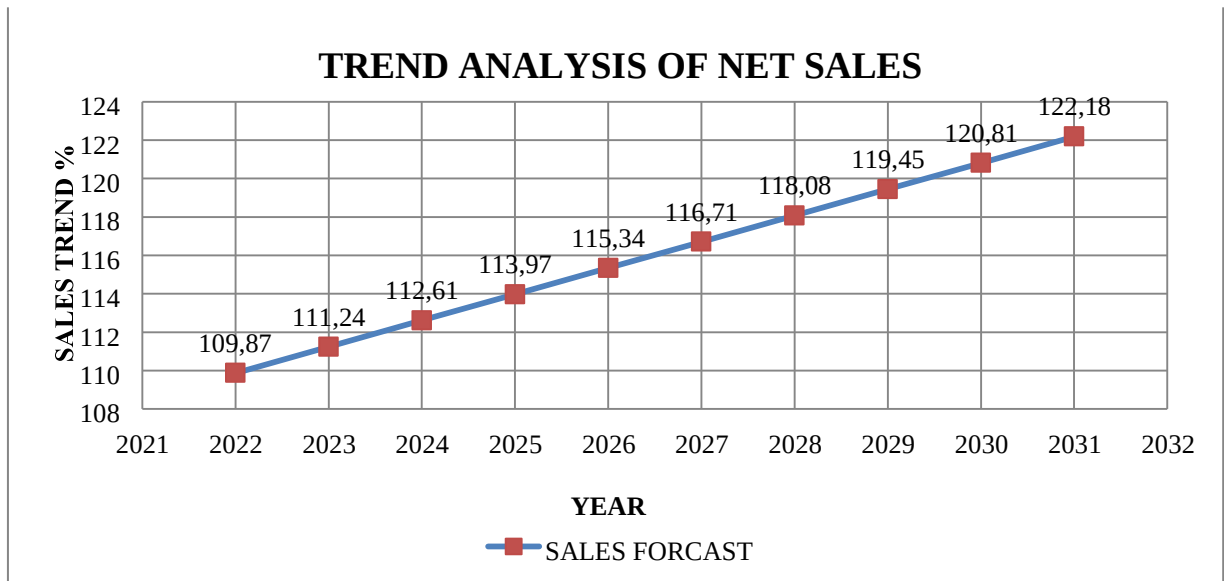
YEAR	NET SALES	TREND PERCENTAGE
2022	145309.61	109.87
2023	147119.14	111.24
2024	148928.66	112.61
2025	150738.19	113.97
2026	152547.71	115.34
2027	154357.24	116.71
2028	156166.76	118.08
2029	157976.29	119.45
2030	159785.81	120.81
2031	161595.33	122.18

SOURCE: COMPUTED DAT

INTERPRETATION

From the above table 4.21, Net Sales has been forecasted from 2022 – 2031 for the period of 10 years. Net sales has been minimum in the year 2022 (i.e.) 109.97% and maximum in the year 2031 (i.e.) 122.18%. There is an increasing trend in Net Sales.

CHART: 4.21



TREND ANALYSIS OF GROSS PROFIT

TABLE: 4.22

(Rupees in Crores)

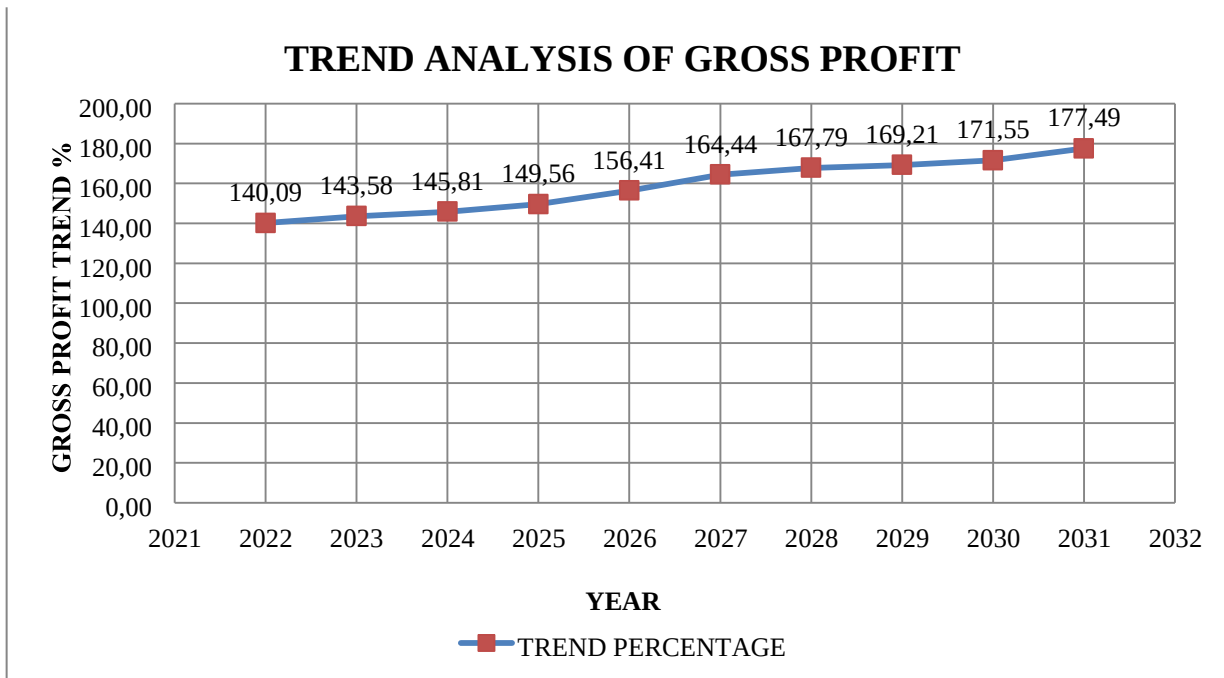
YEAR	GROSS PROFIT	TREND PERCENTAGE
2022	92,078.82	140.09
2023	94,366.72	143.58
2024	95,833.65	145.81
2025	98,298.13	149.56
2026	1,02,799.79	156.41
2027	1,08,080.65	164.44
2028	1,10,281.56	167.79
2029	1,11,214.36	169.21
2030	1,12,753.81	171.55
2031	1,16,657.07	177.49

SOURCE: COMPUTED DATA

INTERPRETATION

From the above table 4.22, Gross profit has been forecasted from 2022 – 2031 for the period of 10 years. Gross profit has been minimum in the year 2022 (i.e.) 140.09% and maximum in the year 2031 (i.e.) 177.49%. There is an increasing trend in Gross profit.

CHART: 4.22



TREND ANALYSIS OF FIXED ASSET

TABLE: 4.23

(Rupees in Crores)

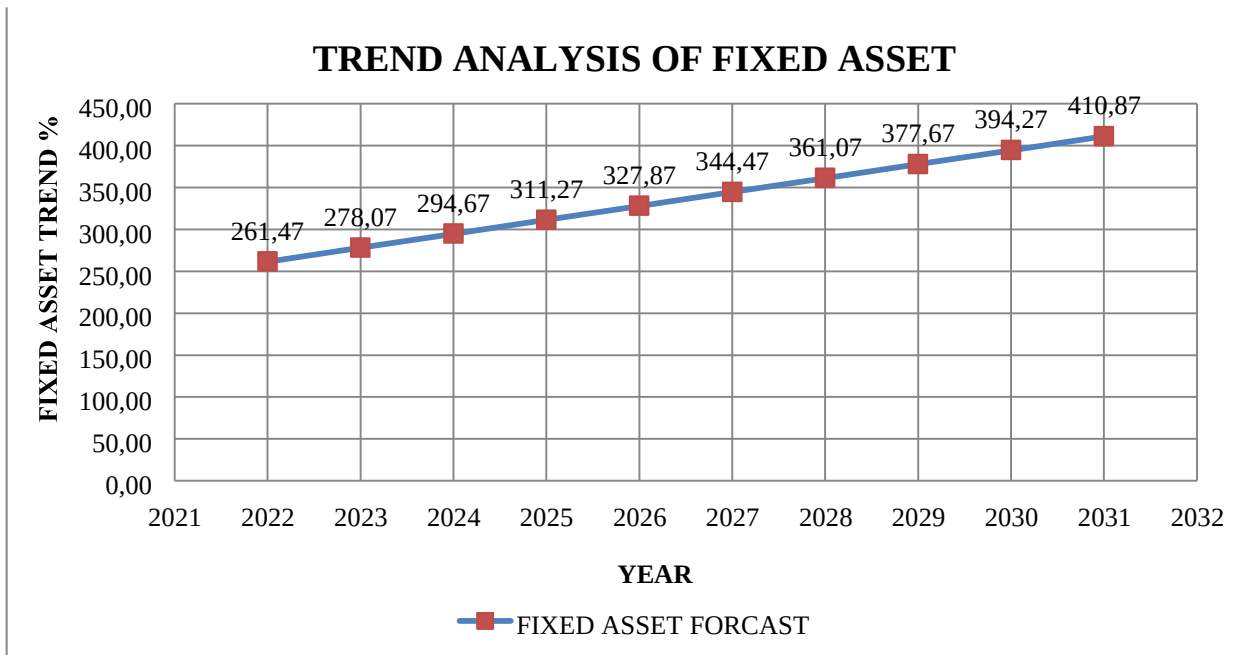
YEAR	FIXED ASSET	TREND PERCENTAGE
2022	1,62,448.40	261.47
2023	1,72,761.66	278.07
2024	1,83,074.92	294.67
2025	1,93,388.19	311.27
2026	2,03,701.45	327.87
2027	2,14,014.71	344.47
2028	2,24,327.98	361.07
2029	2,34,641.24	377.67
2030	2,44,954.50	394.27
2031	2,55,267.77	410.87

SOURCE: COMPUTED DATA

INTERPRETATION

From the above table 4.23, Fixed Asset has been forecasted from 2022 – 2031 for the period of 10 years. Fixed Assets has been minimum in the year 2022 (i.e.) 261.47% and maximum in the year 2031 (i.e.) 410.87%. There is an increasing trend in Fixed Asset.

CHART: 4.23



TREND ANALYSIS OF STOCK

TABLE: 4.24

(Rupees in Crores)

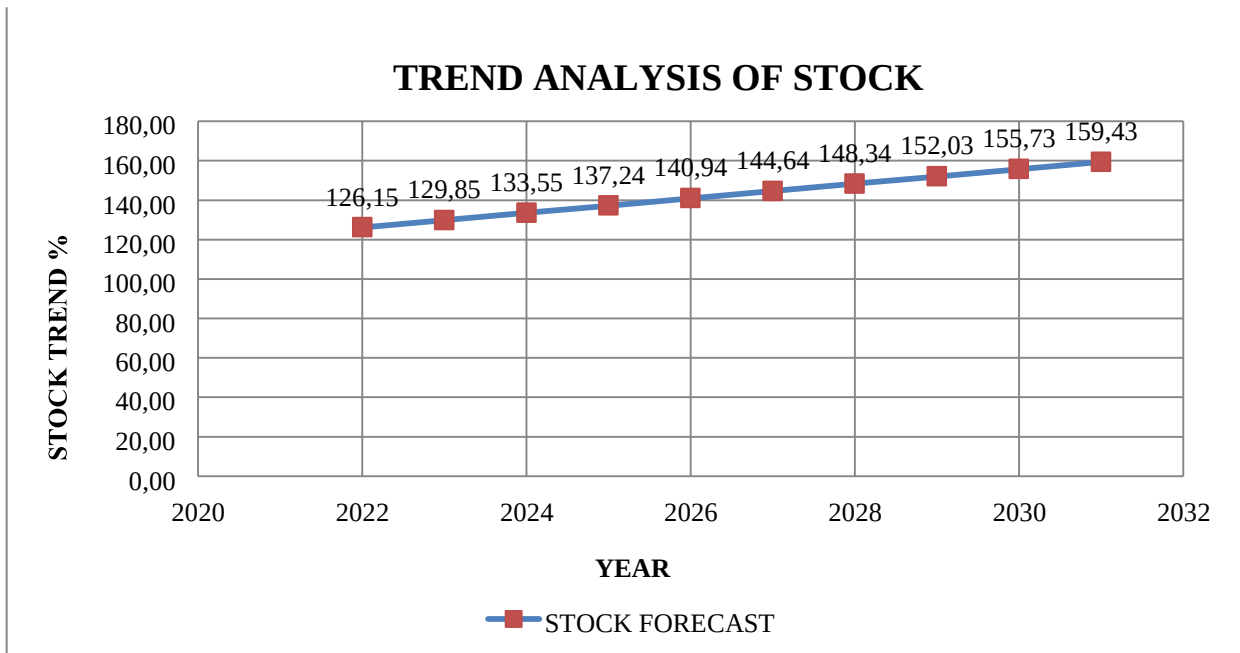
YEAR	STOCK	TREND PERCENTAGE
2022	32,292.27	126.15
2023	33,238.71	129.85
2024	34,185.14	133.55
2025	35,131.58	137.24
2026	36,078.02	140.94
2027	37,024.46	144.64
2028	37,970.90	148.34
2029	38,917.34	152.03
2030	39,863.78	155.73
2031	40,810.22	159.43

SOURCE: COMPUTED DATA

INTERPRETATION

From the above table 4.24, Stock has been forecasted from 2022 – 2031 for the period of 10 years. Stock has been minimum in the year 2022 (i.e.) 126.15% and maximum in the year 2031 (i.e.) 159.43%. There is an increasing trend in Stock.

CHART: 4.24



TREND ANALYSIS OF LONG TERM BORROWINGS

TABLE: 4.25

(Rupees in Crores)

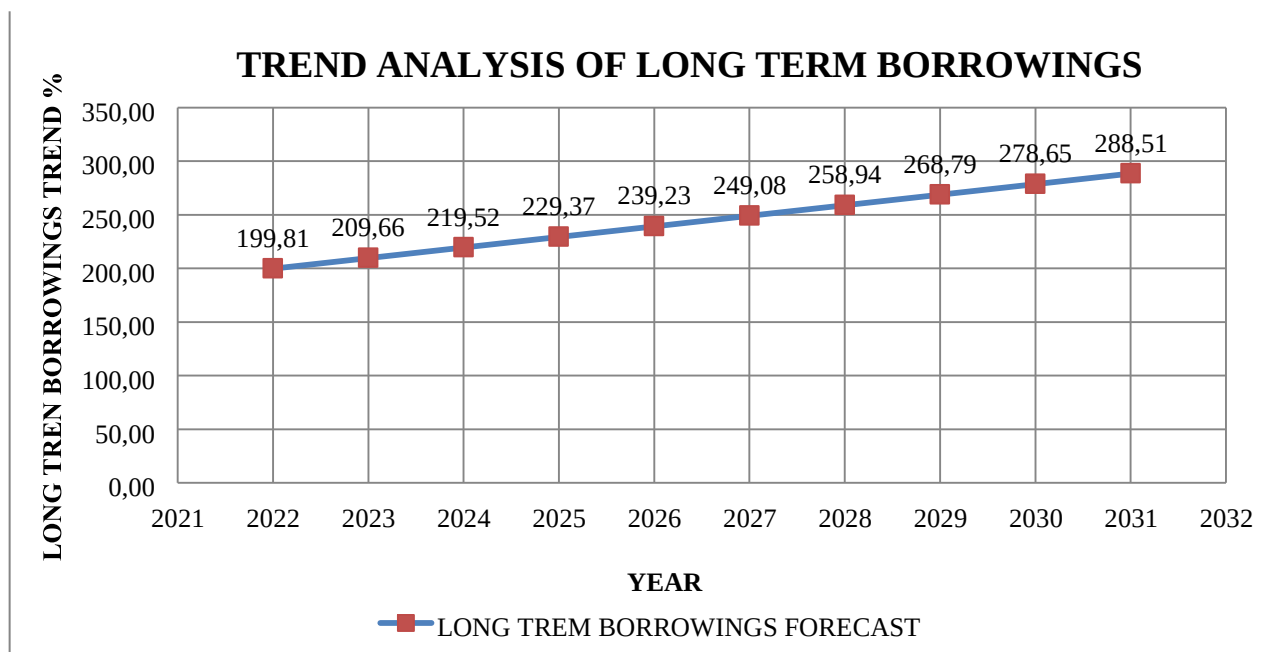
YEAR	LONG TERM BORROWINGS	TREND PERCENTAGE
2022	90,389.12	199.81
2023	94,847.54	209.66
2024	99,305.96	219.52
2025	1,03,764.38	229.37
2026	1,08,222.79	239.23
2027	1,12,681.22	249.08
2028	1,17,139.64	258.94
2029	1,21,598.05	268.79
2030	1,26,056.47	278.65
2031	1,30,514.89	288.51

SOURCE: COMPUTED DATA

INTERPRETATION

From the above table 4.25, Long term Borrowings has been forecasted from 2022 – 2031 for the period of 10 years. Long term Borrowings has been minimum in the year 2022 (i.e.) 199.81% and maximum in the year 2031 (i.e.) 288.51%. There is an increasing trend in Long term Borrowings.

CHART: 4.25



TREND ANALYSIS OF INVESTMENT

TABLE: 4.26

(Rupees in Crores)

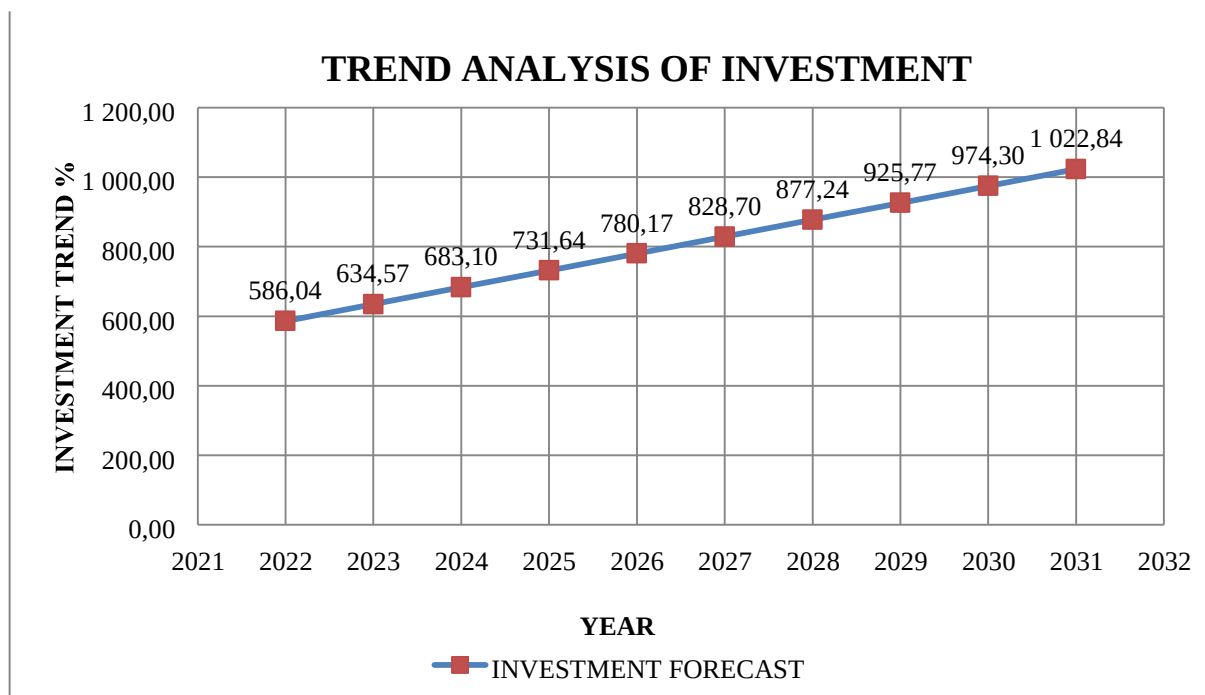
YEAR	INVESTMENT	TREND PERCENTAGE
2022	8,194.98	586.04
2023	8,873.65	634.57
2024	9,552.33	683.10
2025	10,231.00	731.64
2026	10,909.67	780.17
2027	11,588.34	828.70
2028	12,267.01	877.24
2029	12,945.68	925.77
2030	13,624.35	974.30
2031	14,303.02	1,022.84

SOURCE: COMPUTED DATA

INTERPRETATION

From the above table 4.26, Investment has been forecasted from 2022 – 2031 for the period of 10 years. Investments has been minimum in the year 2022 (i.e.) 586.04% and maximum in the year 2031 (i.e.) 1,022.84%. There is an increasing trend in Investment.

CHART: 4.26



CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

The following are the findings interpreted through financial statement analysis of TATA STEEL LIMITED.

RATIO ANALYSIS

The following are the findings interpreted through financial statement analysis of TATA STEEL LIMITED.

- The average current ratio was 1.03 times during the period of the study which is below than the standard norm 2: 1. The minimum ratio was 0.85 times in the year 2020- 2021 and the maximum in the year 2017-2018 was 1.22 times.
- The average quick ratio was 0.54 times during the study period which was less than the standard norm 1:1. It was minimum in the year 2020-2021 (i.e.) 0.38 times and maximum in the year 2017-2018 (i.e.) 0.71 times.
- The average absolute liquid ratio during the study period was 0.36 times which was below the standard norm 0.5: 1. It was minimum in the year 2018-2019 (i.e.) 0.05 times and maximum in the year 2011-2012 (i.e.) 0.23 times.
- The proprietary ratio ranges from 0.20 times to 0.30 times. The average proprietary ratio was 0.25 times.
- The fixed asset to net worth ratio ranges from 1.46 times to 2.93 times. The average ratio during the study period was 2.18 times.
- The fixed asset to long term fund ratio ranges from 1.07 times to 1.55 times. The average ratio for the period of the study was 1.27 times.
- The current asset to proprietors fund ratio ranges from 0.82 times to 1.71 times. The average ratio for the period of study was 1.23 times.
- The average gross profit ratio was 58.78%. The ratio was minimum in the year 2011-2012 (i.e.) 49.70% whereas it was maximum in the year 2020-2021 (i.e.) 63.85%.
- The average net profit ratio was 4.57%. The ratio was minimum in the year 2014-2015 (i.e.) - 1.00% whereas it was maximum in the year 2017-2018 (i.e.) 16.00%.

- The average expense ratio during the study period was 14.02%. The ratio was minimum in the year 2018-2019 (i.e.) 12.13% whereas it was maximum in the year 2015-2016 (i.e.) 16.64%.
- The average EBIT margin ratio during the study period was 8.90%. It was minimum in the year 2014-2015 (i.e.) 5.34% and it was maximum in the year 2018-2019 (i.e.) 15.17%.
- The average return on shareholders' investment ratio was 2.92%. It was minimum in the year 2015- 2016 (i.e.) -0.93% and maximum in year 2017-2018 (i.e.) 30.02%.
- The average return on asset ratio was 1.12%. It was minimum in the year 2015-2016 (i.e.) -0.22% and maximum in year 2017-2018 (i.e.) 8.39%.
- The average inventory turnover ratio was 5.03 times during the study period. It was minimum in the year 2016-2017 (i.e.) 4.50 times and maximum in the year 2012-2013 (i.e.) 5.54 times.
- The average fixed asset turnover ratio was 1.38 times during the study period. It was minimum in the year 2019-2020 (i.e.) 0.97 times and it was maximum in the year 2011-2012 (i.e.) 2.13 times.
- The average receivables turnover ratio during the study period was 11.46 times. It was minimum in the year 2015-2016 (i.e.) 8.76 times and maximum in the year 2020-2021 (i.e.) 16.07 times.
- The average payables turnover ratio during the study period was 2.65 times. It was minimum in the year 2015-2016 (i.e.) 2.09 times and maximum in the year 2011-2012 (i.e.) 3.24 times.
- The average debt equity ratio was 3.04 times. It shows fluctuating trend during the study period. It was minimum in the year 2020-2021 (i.e.) 2.34 times and it was maximum in the year 2014-2015 (i.e.) 4.07 times.
- The average reserves to equity ratio during the study period were 45.54 times. It was minimum in the year 2014-2015 (i.e.) 31.27 times and maximum in the year 2019-2020 (i.e.) 61.27 times.
- The average current liabilities to proprietor's fund ratio were 1.20 times. During the study period it shows a fluctuating trend. . It was minimum in the year 2019-2020 (i.e.) 0.86 times and maximum in the year 2013-2014 (i.e.) 1.58 times.

TREND ANALYSIS

- Net sales were forecasted for the period of 10 years (2022 – 2031). It was minimum in the year 2022 (i.e.) 109.97% and maximum in the year 2031 (i.e.) 122.18%.
- Gross profit was forecasted for the period of 10 years (2022 – 2031). It was minimum in the year 2022 (i.e.) 140.09% and maximum in the year 2031 (i.e.) 177.49%.
- Fixed asset were forecasted for the period of 10 years (2022 – 2031). It was minimum in the year 2022 (i.e.) 261.47% and maximum in the year 2031 (i.e.) 410.87%.
- Stock was forecasted for the period of 10 years (2022 – 2031). It was minimum in the year 2022 (i.e.) 126.15% and maximum in the year 2031 (i.e.) 159.43%.

- Long term borrowings were forecasted for the period of 10 years (2022 – 2031). It was minimum in the year 2022 (i.e.) 199.81% and maximum in the year 2031 (i.e.) 288.51%.
- Investment was forecasted for the period of 10 years (2022 – 2031). It was minimum in the year 2022 (i.e.) 586.04% and maximum in the year 2031 (i.e.) 1,022.84%.

5.2 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.

The proper management of the inventory can improve liquidity position and efficiency of the company

5.3 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.

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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/Service 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

BALANCE SHEET 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
EQUITIES AND LIABILITIES										
SHAREHOLDER'S FUNDS										
Equity Share Capital	1,197.61	1,144.95	1,144.94	1,144.95	970.24	970.24	971.41	971.41	971.41	971.41
TOTAL SHARE CAPITAL	1,197.61	1,144.95	1,144.94	1,144.95	970.24	970.24	971.41	971.41	971.41	971.41
Reserves and Surplus	72,262.38	70,156.35	65,505.14	57,450.65	34,574.07	40,487.31	30,378.00	39,560.55	33,200.83	41,644.81
TOTAL RESERVES AND SURPLUS	72,262.38	70,156.35	65,505.14	57,450.65	34,574.07	40,487.31	30,378.00	39,560.55	33,200.83	41,644.81
TOTAL SHAREHOLDERS FUNDS	73,459.99	71,301.30	66,650.08	58,595.60	35,544.31	41,457.55	31,349.41	40,531.96	34,172.24	42,616.22
Minority Interest	3,269.68	2,586.60	2,364.46	936.52	1,601.70	780.94	1,703.85	1,737.72	1,669.36	1,091.15
NON-CURRENT LIABILITIES										
Long Term Borrowings	72,408.79	94,104.97	80,342.73	72,789.10	64,022.27	64,872.78	65,675.20	52,366.41	46,857.62	45,238.24
Deferred Tax Liabilities [Net]	9,241.42	9,261.38	12,459.89	10,569.88	10,030.08	9,420.89	2,884.51	2,595.77	3,154.98	2,503.85
Other Long Term Liabilities	10,769.50	4,994.22	4,409.89	4,592.17	5,239.13	6,309.83	1,707.67	1,837.97	1,120.52	889.86
Long Term Provisions	4,691.92	4,235.07	4,046.21	4,338.24	4,279.69	4,440.48	7,503.76	6,156.48	5,356.44	4,715.05
TOTAL NON-CURRENT LIABILITIES	97,111.63	1,12,595.64	1,01,258.72	92,289.39	83,571.17	85,043.98	77,771.14	62,956.63	56,489.56	53,347.00
CURRENT LIABILITIES										
Short Term Borrowings	9,492.11	19,184.48	10,802.08	15,884.98	18,328.10	15,722.12	3,628.68	16,026.18	8,114.56	4,699.08
Trade Payables	25,967.49	21,380.85	21,716.96	20,413.81	18,574.46	18,556.70	19,189.86	22,904.37	21,778.84	20,528.55
Other Current Liabilities	30,682.21	19,431.91	27,266.37	18,092.98	12,451.11	12,153.29	20,304.07	21,994.85	19,442.36	18,779.01
Short Term Provisions	4,725.32	1,663.67	1,248.72	1,269.64	987.38	1,521.86	2,703.52	3,197.74	2,943.29	3,476.19
TOTAL CURRENT LIABILITIES	70,867.13	61,660.91	61,034.13	55,661.41	50,341.05	47,953.97	45,826.13	64,123.14	52,279.05	47,482.83
TOTAL CAPITAL AND LIABILITIES	2,45,487.21	2,50,419.45	2,33,582.39	2,09,757.94	1,73,333.24	1,77,511.44	1,58,945.53	1,71,644.45	1,46,906.42	1,46,852.09
ASSETS										
NON-CURRENT ASSETS										
Tangible Assets	1,28,454.45	1,28,053.76	1,18,450.97	90,322.78	86,880.59	66,569.24	51,247.92	55,249.37	51,977.54	39,080.93
Intangible Assets	2,976.04	2,442.37	1,994.32	1,682.66	1,631.23	1,562.96	3,444.90	3,908.76	2,959.08	2,851.33
Capital Work-In-Progress	18,128.74	18,862.06	17,956.51	16,159.80	15,514.37	35,793.32	27,850.17	25,956.35	13,786.15	20,027.97
FIXED ASSETS	1,50,437.89	1,49,992.96	1,39,086.50	1,08,619.85	1,04,295.95	1,04,128.29	83,370.94	85,980.58	69,213.24	62,128.29
Non-Current Investments	3,463.04	2,853.31	3,213.31	2,990.50	6,783.99	6,050.16	2,080.43	2,425.07	2,497.37	2,622.88

Deferred Tax Assets [Net]	1,578.02	1,270.33	808.95	1,035.80	885.87	627.45	22.75	40.77	36.49	61.44
Long Term Loans And Advances	336.57	488.71	613.34	717.34	373.06	412.23	5,065.45	8,781.73	7,097.65	6,837.12
Other Non-Current Assets	25,115.10	33,026.89	26,872.69	24,417.84	6,564.61	16,433.79	1,403.71	678.09	752.54	1,039.42
TOTAL NON-CURRENT ASSETS	1,85,275.31	1,91,686.73	1,74,591.41	1,41,880.78	1,22,398.21	1,31,719.48	1,05,350.79	1,13,655.04	92,662.27	90,043.76
CURRENT ASSETS										
Current Investments	7,218.89	3,431.87	2,524.86	14,908.97	5,673.13	4,663.55	1,374.62	2,668.40	760.29	1,398.37
Inventories	33,276.38	31,068.72	31,656.10	28,331.04	24,803.82	20,013.33	25,149.91	26,880.00	24,091.19	25,598.00
Trade Receivables	9,539.84	7,884.91	11,811.00	12,415.52	11,586.82	12,066.22	13,309.87	16,005.77	13,993.96	14,878.48
Cash And Cash Equivalents	5,782.18	8,054.72	3,341.37	7,937.85	4,921.05	6,186.34	8,749.94	8,604.50	9,859.67	10,798.81
Short Term Loans And Advances	64.72	215.68	239.7	256.48	224.5	207.42	4,602.94	3,192.99	4,060.54	3,717.42
OtherCurrentAssets	4,329.89	8,076.82	9,417.95	4,027.30	3,725.71	2,655.10	407.46	637.75	1,478.50	417.25
TOTAL CURRENT ASSETS	60,211.90	58,732.72	58,990.98	67,877.16	50,935.03	45,791.96	53,594.74	57,989.41	54,244.15	56,808.33
TOTAL ASSETS	2,45,487.21	2,50,419.45	2,33,582.39	2,09,757.94	1,73,333.24	1,77,511.44	1,58,945.53	1,71,644.45	1,46,906.42	1,46,852.09
OTHER ADDITIONAL INFORMATION										
CONTINGENT LIABILITIES										
Contingent Liabilities	25,723.75	26,907.88	26,941.26	22,182.68	19,082.08	17,730.24	17,953.50	19,237.11	22,005.80	22,731.01
BONUS DETAILS										
Bonus Equity Share Capital	252.97	252.97	252.97	252.97	252.97	252.97	252.97	252.97	252.97	252.97
NON-CURRENT INVESTMENTS										
Non-Current Investments Quoted MV	544.13	205.02	454.53	753.87	4,735.27	3,989.50	0	0	0	0
Non-Current Investments Unquoted BV	443.25	479.75	835.83	455.41	910.19	0	972.56	924.52	966.04	973.97
CURRENT INVESTMENTS										
Current Investments Quoted MV	0	0	0	0	0	0	0	0	0	0
Current Investments Unquoted BV	7,218.89	3,431.87	2,524.86	14,908.97	5,673.13	4,663.55	1,373.12	2,658.31	748.15	1,393.41

B. TREND ANALYSIS OF TATA STEEL

Trend Analysis of TATA STEEL LIMITED from 2012 - 2021 has been mentioned below

YEAR	NET SALES	TREND PERCENTAGE	GROSS PROFIT	TREND PERCENTAGE
2012	1,32,257.36	100.00	65,726.39	100.00
2013	1,33,416.60	100.88	74299.27	113.04
2014	1,47,347.28	111.41	84,096.09	127.95
2015	1,38,318.91	104.58	83,744.42	127.41
2016	1,05,683.18	79.91	66,986.91	101.92
2017	1,11,562.05	84.35	67,719.02	103.03
2018	1,30,880.87	98.96	78,672.62	119.70
2019	1,54,691.63	116.96	93,814.58	142.74
2020	1,46,106.00	110.47	82,008.97	124.77
2021	1,53,308.39	115.92	97,885.01	148.93

SOURCE: COMPUTED DATA

YEAR	STOCK	TREND PERCENTAGE	FIXED ASSET	TREND PERCENTAGE
2012	25,598.00	100.00	62,128.29	100.00
2013	24,091.19	94.11	69,213.24	111.40
2014	26,880.00	105.01	85,980.58	138.39
2015	25,149.91	98.25	83,370.94	134.19
2016	20,013.33	78.18	1,04,128.29	167.60
2017	24,803.82	96.90	1,04,295.95	167.87
2018	28,331.04	110.68	1,08,619.85	174.83
2019	31,656.10	123.67	1,39,086.50	223.87
2020	31,068.72	121.37	1,49,992.96	241.42
2021	33,276.38	130.00	1,50,437.89	242.14

SOURCE: COMPUTED DATA

YEAR	LONG TERM BORROWINGS	TREND PERCENTAGE	INVESTMENT	TREND PERCENTAGE
2012	45,238.24	100.00	1,398.37	100.00
2013	46,857.62	103.58	760.29	54.37
2014	52,366.41	115.76	2,668.40	190.82
2015	65,675.20	145.18	1,374.62	98.30
2016	64,872.78	143.40	4,663.55	333.50
2017	64,022.27	141.52	5,673.13	405.70
2018	72,789.10	160.90	14,908.97	1066.17
2019	80,342.73	177.60	2,524.86	180.56
2020	94,104.97	208.02	3,431.87	245.42
2021	72,408.79	160.06	7,218.89	516.24

SOURCE: COMPUTED DATA