



FINANCIAL PERFORMANCE ANALYSIS OF TATA STEEL

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Abstract: Tata Steel, the flagship of the Tata Group, is today acknowledged as the leading steel manufacturer in the world with the most important parameters being innovation and sustainability, thus this company is known across the world. The paper discusses historical evolution, company strategies, and company market status in the global steel market. The operational structure, financial performance, and technological advancement have been the focus of this study as they have helped to create both competitive strengths and challenges for Tata Steel. Very importantly include sustainability, digital transformation, and growth strategies. Further, CSR initiatives by Tata Steel are evaluated and impact on stakeholders measured. The findings point towards how the company adapted to changing market parameters through a series of M&As and efficiency-oriented policies. The research further emphasizes how Tata Steel's growth path has been influenced by global economic environments and the regulatory framework. Seeing through case studies and market reports, the study provides an insight into the ability of Tata Steel to endure in a market that is fast becoming competitive and environmentally conscientious and its prospect for future growth among fellow competitors. The analysis will serve as a guide for industry professionals, researchers, and policymakers who seek to understand the dynamics of one of the leading global steel producers.

I. INTRODUCTION

Tata Steel is among the most famous steelmaking companies in the world and a flagship company in Tata Group. Founded by Jamshedji Tata in 1907, the company has its headquarters in the city of Mumbai in India. Indeed, Tata Steel played a fundamental role in establishing the global steel industry and has a history going back likewise into more than a century. Tata Steel, the largest steel company in the world, has the greatest range of manpower and technology, the largest installations, and the widest range of diversity in their product range.

Journey of Tata Steel and its Milestones

Tata Steel was the concept to provide an India, which will be the best-in-league quality in its world for steel-making. Tata has initiated this mission by creating the first manufacturing hub in Jamshedpur, Jharkhand, through which until this day still retains maximum large-scale manufacture capacities. Short, as time passes Tata Steel emerged into becoming one of the tallest visible manufacturers all over the world. Some points, which are being accompanied by that includes:

- **Jamshedpur Plant:** Tata Steel laid the first arc of steel production in India with the 1907 inauguration of the steelmaking plant in Jamshedpur.
- **Acquisition of Corus Group:** The year 2007 marked the most significant acquisition in history. A British steel company made it the world's fifth largest steel producer with global presence.
- **Sustainability and Innovation:** Tata Steel has always been a leader in adopting sustainable practices, from reducing carbon emissions to embedding energy-efficient technologies in all operations.

International Presence and Operations

Tata Steel has a wide network in over 26 countries through five continents that serves diverse global customers in many areas, especially the automotive construction and energy areas as well as infrastructure services. The firm has world-class manufacturing facilities ranging from developed as well as emergent markets for both Europe and Asia and through the Middle East.

Tata Steel operates most of its headquarters and large-scale operations from Jamshedpur. The company runs large-scale operations in emerging markets such as Europe, Netherlands, UK, and Southeast Asia and India. Given its global outreach and operational diversity, Tata Steel is still at the top of the competitive scale.

Product Portfolio

Many products come under portfolio of Tata steel which are more diverse according to the different types of industries.

- Flat Products: Hot and cold-rolled coils; sheets, plates-all have typical applications in automobiles, construction industries, and heavy appliances.
- Long Products: Bars, rods, and other shapes of structural steel used in all infrastructures, construction, and large machines.
- Specialty steels: High-quality steels for demanding industries such as automotive, defense, energy.
- Value-added products: It include galvanized steel, color-coated products, and electrical steel in which the company would provide customer-specific solutions to its customers.

Commitment towards Sustainability

Tata Steel is a company that has been highly tied to sustainability and environmental responsibility. Continually investing in green technologies is what keeping it developing energy-efficient, eco-friendly products. There are some key initiatives:

- Reduction in greenhouse gas emissions
- Creating a circular economy through increased recycling and reuse of steel
- Energy-efficient technologies
- "Green steel" with lower carbon footprints.
- This proves that Tata Steel shall keep leading the steel production industry by producing responsible and sustainable steel.

Corporate Social Responsibility (CSR).

Quite strong have been the corporate social responsibility policies of Tata Steel, being a Tata Group company which by itself has been very heavily into social responsibility. The company invests in scores of activities that will benefit the communities it serves in some of its operational locations. Some of them are:

- Education and Healthcare: Tata Steel runs educational institutions and healthcare facilities for its employees and the local communities.
- Rural Development: The company is working on efforts related to rural development infrastructure improvement, clean drinking water provision, and livelihood as these are found in villages surrounding the area.
- Sustainability Initiatives: The company also draws focus on acts of environmental sustainability through community involvement and programs on tree plantation and waste management.

Industry Overview

It is an industry very much destined for the global market. Construction, automotive manufacturing, and energizing utilities are all in need of steel as one of major materials in industrial form manufacturing. Relatively capital-intensive, steel demand varies with majestic sufferers such as global trends, costs of raw materials, advancements of technology, and ergonomic regulations.

As one of the key materials in industrial manufacturing so-called projects are developing as an ideal sector. However, the steel industry has overcapacity problems, fluctuating steel prices, trade policies, and environmental concern problems. But in the near future, innovation and sustainability practices keep promising the industry.

Competitive Companies

Tata Steel is doing business in a highly competitive environment, which is prevalent in almost all global and domestic players. Some of the major competition includes:

- ArcelorMittal: Headquarter is located in Luxembourg, and it is world's largest steel producer.

- Jsw Steel: It is amongst the largest steel producers in India, and one of the few that hold a strong position in the global arena of steel.
- Posco: A steel making multinational company in Korea.
- Nippon Steel Corporation: A Japanese steel manufacturing company which is considered as one among the largest manufacturers across the globe.
- Sail (Steel Authority of India Limited): A steel producer owned by Government in India.

Available on these companies, the various competition arguments include steel production capacity, technological advancement, and cost efficiency as well as worldwide reach.

Products of Tata Steel

Tata Steel possesses a large variety of products in its product portfolio and has in place many steel products, working from flat products like hot and cold coiled products, long products such as bars and rods. There are products in the portfolio that also include galvanized steel, coated steel, and steel for numerous other applications in automotive, infrastructure, or industrial sectors. Tata Steel also manufactures steel for other applications like power, power plants, and defense.

History of Tata Steel

The inception of Tata Steel was an idea by visionary entrepreneur Jamsetji Tata to develop the first integrated steel plant in India in 1907. Since then, it has been expanding in size and technological expertise. The company has its first steel plant set up in Jamshedpur, India, which is still the flagship plant of the company. Its journey could be studded over many milestones such as bringing modern technology to bear and widening its international presence. It has acquired several global companies such as Corus Group in 2007, which was a strategic acquisition providing the company with a strong foothold in global steel market. Furthermore, the company has its successes because of the technological investments in sustainability and leadership in India and abroad.

Essentially, financial statements summarize in written form the activities of an organization for a selected time period and its corresponding financial results. After preparation, governmental authorities, accountants, and business people review and audit the statements for purposes such as tax assessment, credit issuance, or investment. The main financial statements generated would be the balance sheet, the statement of income, the statement of cash flow, and the statement of changes in equity. Nonprofit organizations operate under a slightly different set of financial statements, or in some cases, a very similar one.

II. LITERATURE REVIEW

Mishra and Tiwari (2021): Considered sustainable development practices in the steel industry incorporated into the green initiatives of Tata Steel. The study stressed the innovation in waste management, emissions reduction, and energy efficiency and how such innovations could embed environmental sustainability within core operations of the company. It highlights how Tata Steel aligns its production practices into the global sustainability goals and regulatory frameworks. The paper infers that these efforts would not only cater to environment protection but also elevate brand image and long-term sustainability of the company.

Kumar and Pandey (2021): Research on the capital expenditure and its impact on Tata Steel's financial performance. The authors studied several years' capital expenditure and its correlation between some significant financial variables, like return on assets (ROA) and net profit margin. Their result concludes that good capital 3 expenditure planning has a favorable effect on financial performance, which advocates the argument that investing in infrastructure and technology has long-term financial benefits.

Chaudhary and Kumawat (2020): Studied the financial consequences of Tata Steel's acquisition of Corus. It particularly studies the variation in levels of corporate debt post-acquisition and challenges regarding integrating a large foreign entity. The study found that the acquisition added significant pressure in terms of debt on Tata Steel in the short term, but the authors also mention some possible longterm strategic value like higher market share and technology.

Reddy and Sharma (2020): Investigated foreign-exchange fluctuations and how they impact Tata Steel's financial performance. The authors assert because of the globally integrated operations of the Tata Company; exchange rate volatility is a serious risk. The study also gives a clear view about the movement between

currencies and variation in revenues and profit margins, so there has to be need of a good foreign exchange risk management strategy such as hedging.

III. RESEARCH METHODOLOGY

It is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It not only talks about the research methods but also consider the logic behind the method used in context of the research study.

Research Design

Descriptive research used in this study because it will ensure the minimization of bias and maximization of reliability of data collected. The researcher had to use fact and information already available through financial statements of earlier years and analyze these to make critical evaluation of available material. Hence by making the type of research conducted to be both Descriptive and Analytical in nature.

Source of Data

The required data for the study are basically secondary in nature and the data are collected from the audited reports of the company. The sources of data are from the annual reports of the company.

Methods of Data Analysis

The data collected were classified and tabulated for analysis.

The analytical tool used in this study.

The study employs the following analytical tools:

1. Graph
2. Ratio analysis

Ratios Used for Data Analysis:

1. Current ratio
2. Cash ratio
3. Return on shareholder's fund
4. Net profit ratio
5. Operating profit ratio

IV. RESULTS AND DISCUSSION

Current Ratio

Current Ratio = Current Liabilities / Current Assets

Table 1: Current Ratio

(RS in Crore's)

Years	Current Assets	Current Liabilities	Current Ratio
2020	20009.19	30871.3	0.648148604
2021	29274.4	30067.6	0.973619444
2022	31289.57	53664.83	0.58305542
2023	33949.52	46437.3	0.731082987
2024	36765.14	50640.4	0.726004139

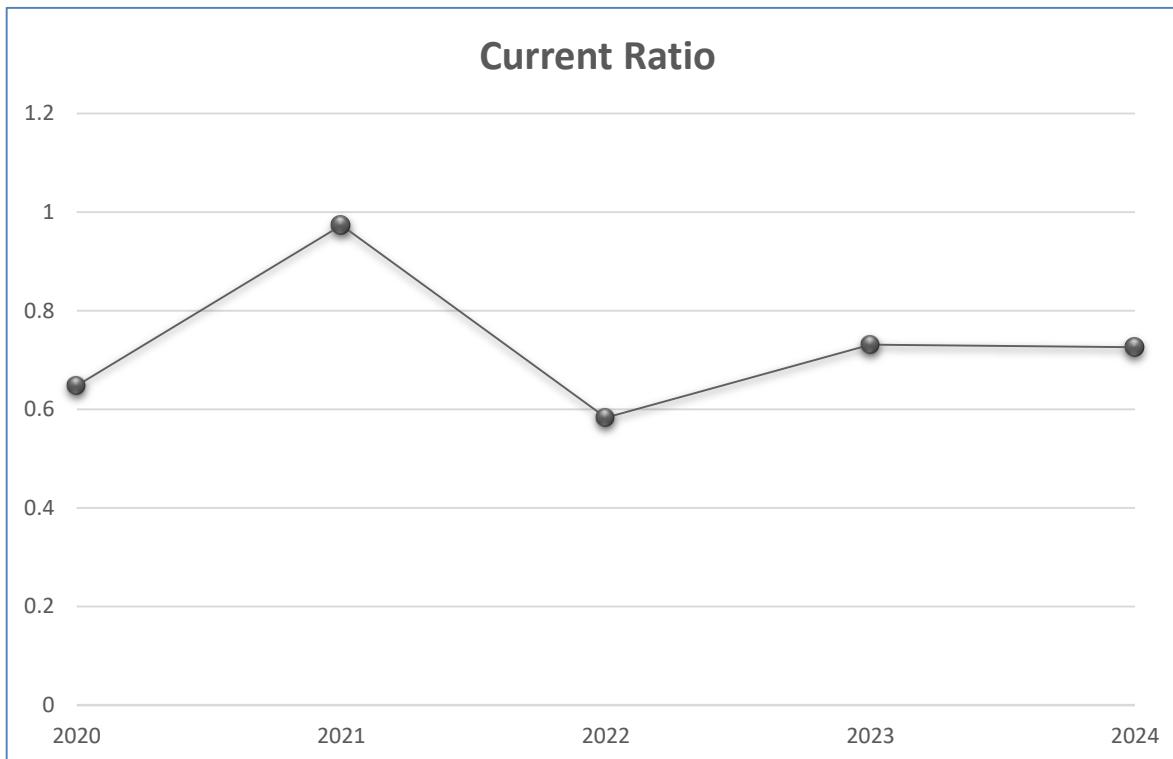


Figure 1: Current Ratio

Interpretations:

The fluctuating liquidity of Tata Steel Current Ratio going by the years is between 2020-2024. In 2020, the ratio stood at 0.65, which implied there were not enough current assets to cover short-term liabilities. Improvement was noted in 2021 when the ratio approached 0.97, near the optimal point of 1, meaning there is nearly equal amount of current assets to current liabilities. But then, the ratio fell to an alarming 0.58 during the penultimate year in the brackets; it indicates a lot of liquidity stress and indicates the necessity for headlong debts or a more urgent turn of asset turnover. The recovery continued slightly into 2023 and 2024, coming in at 0.73 but still below 1, which indicates that risks regarding short-term finances still exist.

Tata Steel have always been inconsistent, and with regard to a ratio always much lower on that than others, it signifies the need for a better arrangement of working capital or other ways of financing that would enhance an organization's position in short-term financial stability.

Cash Ratio

Cash Ratio = Current Liabilities / Cash and Cash Equivalents

Table 2: Cash Ratio

Years	Cash and Cash Equivalents	Current Liabilities	Cash Ratio	(RS in Crore's)
2020	1226.87	30871.3	0.039741443	
2021	2396.9	30067.6	0.079717038	
2022	2855.29	53664.83	0.053205982	
2023	1077.33	46437.3	0.023199669	
2024	5954.68	50640.4	0.117587539	

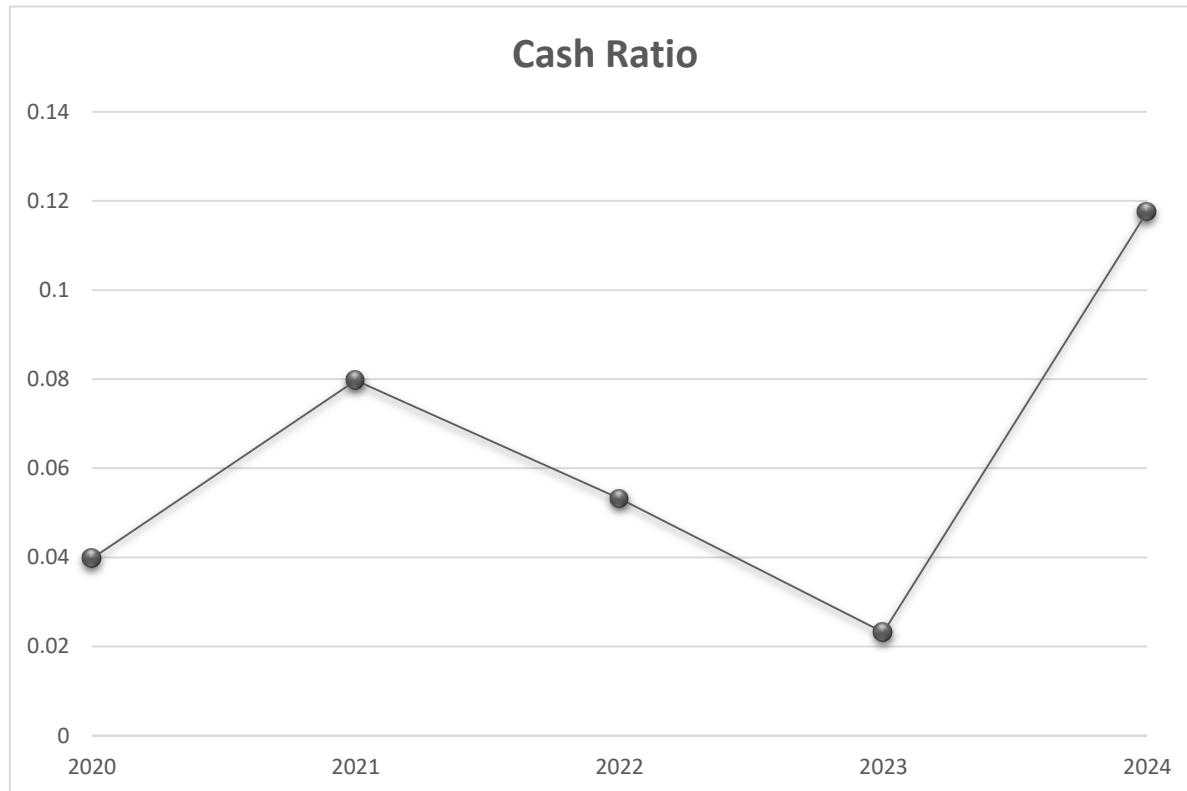


Figure 2: Cash Ratio

Interpretations:

The cash ratio, in the year 2020, depicted a value of 0.0397 denoting that only 3.97 of current liabilities were managed by cash which points out its critical dependence on other short-term assets or solvent dependent. The ratio improved in 2021 at 0.0797 making it a good sign for liquidity yet likely would still leave liabilities unsettled except by asset movement. Cash ratio fell from 0.0797 to 0.0532 in the year 2022 confirming declining cash reserves against liabilities. The year 2023 witnessed a further decline, with the ratio dipping to 0.0232 indicating more serious liquidity problems. In the year 2024, cash ratio saw a marked great increase to the level of 0.1176 which indicates some improvement in cash availability for using it else it still falls less than the target level of 1.0 cash ratio.

This shows that Tata Steel has maintained a low cash ratio overall and hence the reliance on receivables or inventory to cover short-term obligations is great. The improvement in 2024 is good; nevertheless, liquidity risk still prevails, and cash management schemes need to be developed by the company to enhance its financial stability.

Net Profit Ratio

Net Profit Ratio = Total Revenue / Net Profit × 100

Table 3: Net Profit Ratio

(RS in Crore's)

Years	Net Profit	Total Revenue	Net Profit Ratio
2020	6743.8	60435.97	11.15858652
2021	17077.97	84132.92	20.29879624
2022	33011.18	129021.35	25.58582746
2023	15495.11	129006.62	12.01109679
2024	4807.4	140987.43	3.409807527

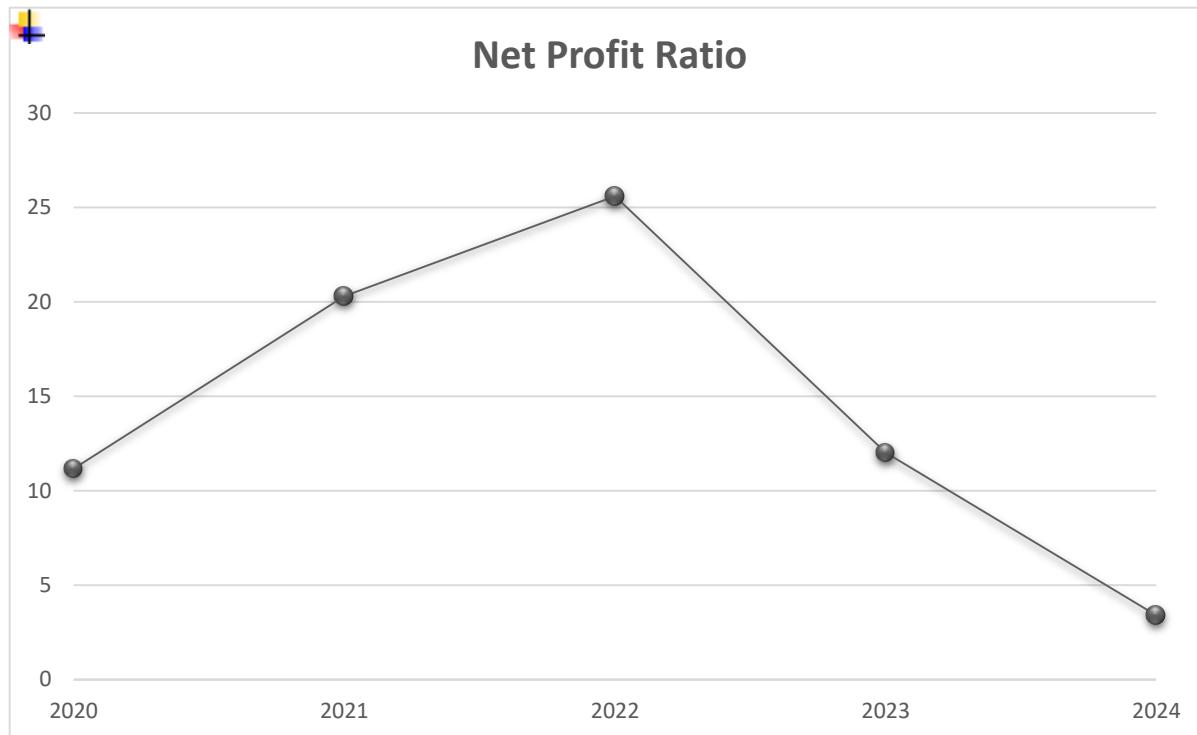


Figure 3: Net Profit Ratio

Interpretations:

The ratio in the year 2020 stood at a moderate profitability level of 11.16%. It significantly improved to 20.30% in 2021 and peaked at 25.59% in 2022 indicating strong financial performance with efficient management of costs. However, it came down sharply in 2023 to just 12.01%, and in 2024, it plummeted down to as low as 3.41%, revealing a steep fall in earnings, although revenue improved.

This downward trend in 2023-2024 may be within the itemized but by no means exhaustive list of; increased costs, reduction in the market demand and poor price power. Despite strong profitability realized on the books of Tata Steel in 2021-2022, the steep drop over the years suggest financial pressures that necessitate cost optimization and strategic improvements to regain profitability.

Operating Profit Ratio

Operating Profit Ratio = $\frac{\text{Total Revenue}}{\text{Operating Profit}} \times 100$

Table 4: Operating Profit Ratio

Crore's) (RS in

Years	Operating Profit	Total Revenue	Operating Profit Ratio
2020	14861.57	60435.97	24.59060391
2021	27123.71	84132.92	32.23911639
2022	51129.85	129021.35	39.62898389
2023	27701.97	129006.62	21.47329339
2024	29833.32	140987.43	21.16026939

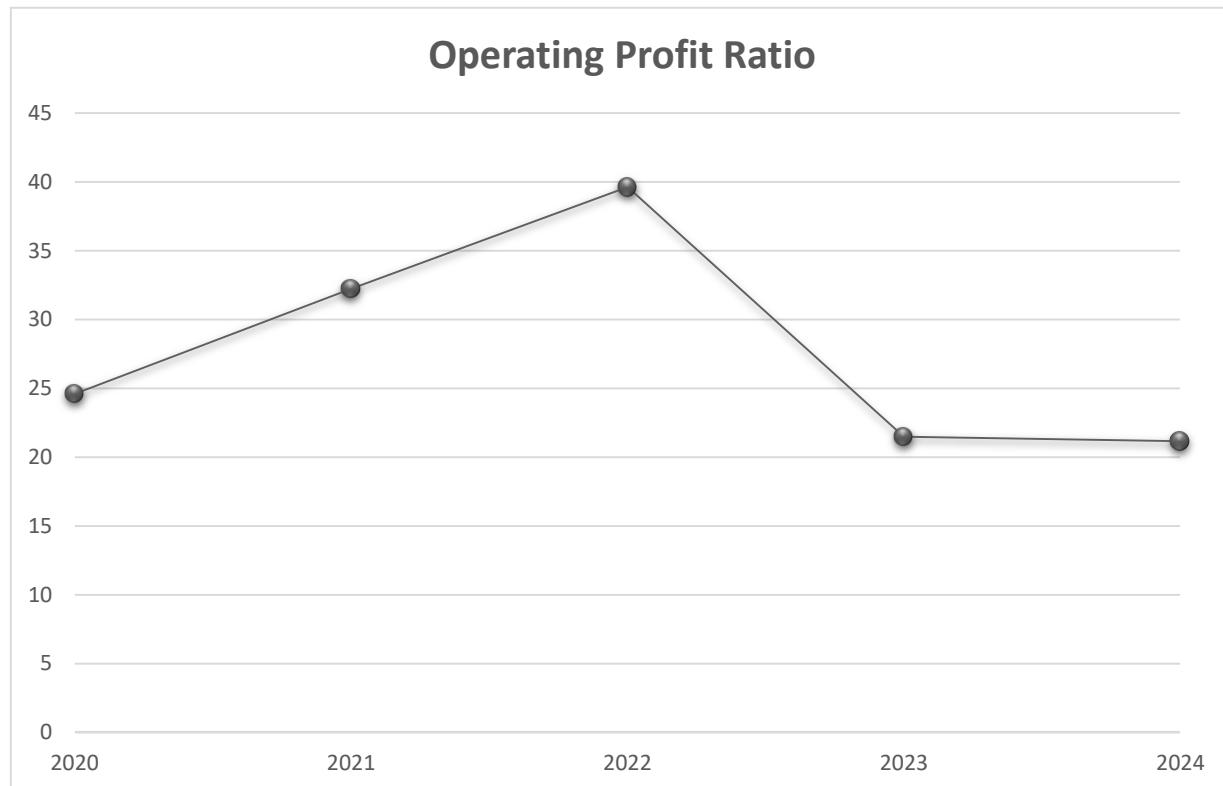


Figure 4: Operating Profit Ratio

Interpretations:

The ratio for operational efficiency was pegged at 24.59% in the year 2020, showing that it was steady. It shot up wildly in 2021 to 32.24%, peaking later in 2022 at 39.63%, which is very good for operational performance and cost efficiency. However, the ratio took a big fall in 2023 to 21.47% and was almost flat at 21.16% in 2024 alongside revenue growth.

A great operational ratio that shows either less pricing power, high overheads, or market issues working against profits. Although Tata Steel was operationally efficient in 2021-2022, the recent slump indicates that something is squeezing Tata Steel on the cost front or, if in effect, on the ability front that must be corrected if Tata Steel is to remain profitable in the long run.

Return on Shareholder's Funds

ROSF = Shareholder's Fund / Net Profit × 100

Table 5: Return on Shareholder's Funds Ratio

Crore's) (RS in

Years	Net Profit	Total on Shareholder's Fund	ROSF
2020	6743.8	74563.12	9.044417669
2021	17077.97	94406.34	18.08985498
2022	33011.18	125433.76	26.31761975
2023	15495.11	134797.51	11.49510106
2024	4807.4	137693.65	3.491373785

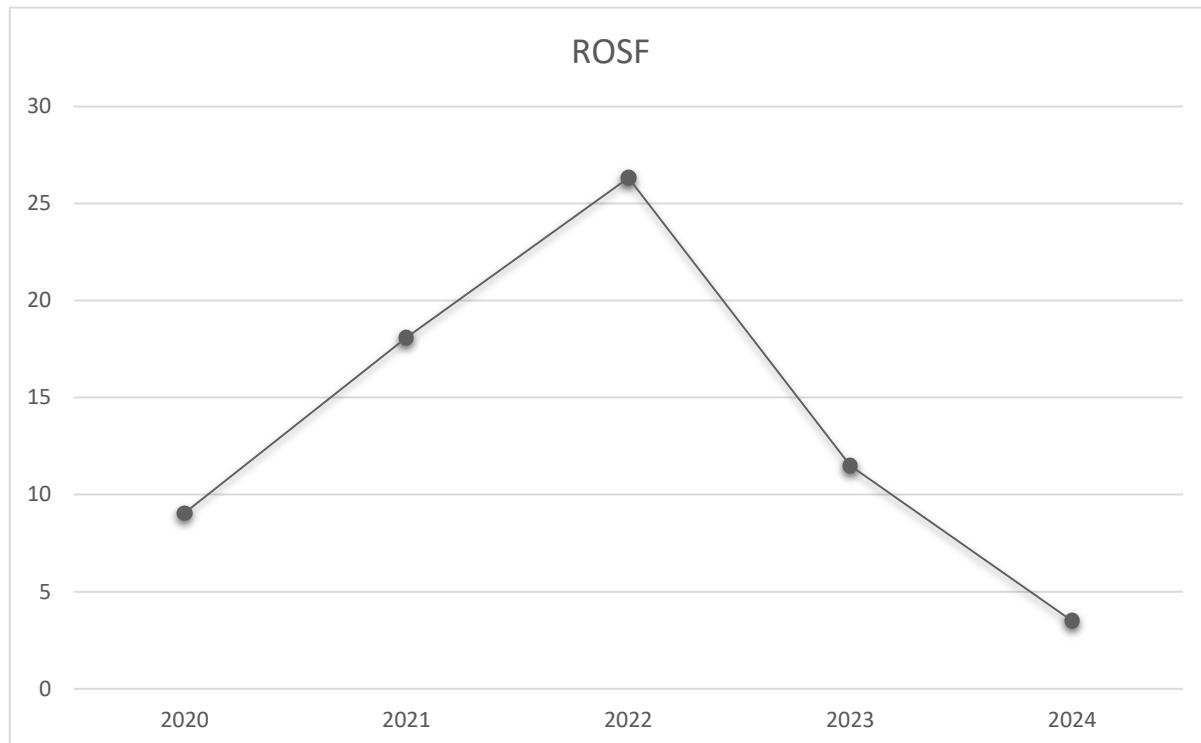


Figure 5: Return on Shareholder's Funds Ratio

Interpretations:

In 2020, moderate return of around 9-10% was given to shareholders according to the ROSF computation. In 2021, this ratio doubled to 18.09% on account of sufficient operating profit and a more intense use of shareholder funds, and peaked in 2022 at 26.32%, showing great financial performance. But in 2023, we saw another drop at 11.50% and even further in 2024 at 3.49%, indicating a significant decline in profitability with increasing shareholder funds.

The declining trend clearly shows that Tata Steel is earning less on its returns to the investors, and this may happen because costs are rising; profitability is reduced; and equity capital is increasing but not directly translating into earnings. The organization should work on increasing efficiency, reducing costs, or growing revenues to regain shareholder wealth.

V. CONCLUSION

Thus, it has been said that Tata Steel joins the ranks of steel giants globally, attributing this to innovation, sustainability, and operational efficiency. Being a group company, Tata Steel has tough competition in a hostile environment to live up to expectations, by constant renewal and reworking itself to market needs. Now with a focus on developing technology, responsible manufacturing practices, and customer-centric operations, Tata Steel has remained a strong player globally while creating value for itself and all its stakeholders.

Tata Steel has been amongst the leadership innovations and environmental responsibility fronts. Steel industry, with its manifold applications in life, has an active carbon footprint, and therefore Tata Steel has always led to adopting environment-friendly alternatives, carbon reduction programs, waste recycling, power saving in production processes, and so on. Thus, this organization is in sync with the action to combat climate change on a worldwide scale by investing in green technologies and sustainable steel production, thus enhancing its image as a responsible corporate citizen.

The Tata group has seen many years of both bad and good times, especially when it comes to finances. Revenue generation continues to show strength, but fluctuating profitability ratios have resulted from changing market conditions, raw material prices, and generic uncertainties in the global economics. The current ratio and cash ratio are declining, raising concerns with the companies' liquidity profiles, which probably seek good working capital management. Otherwise, Tata Steel is poised for growth in future years, judging by the long-term plan of cost savings and improving efficiency in operations, expansion into high-value steel segments.

Apart from this, it is also a global footprint factor that has added to its success. Operating across the length and breadth of several countries leads to diversification of revenue streams and reduces risks associated with relying on any single market. Its presence in Europe, India, and other prime regions gives it a leverage to address diverse industrial demand from construction to auto manufacturing and infrastructure development. A strategic acquisition and collaboration further boost its market position, making it one of the prominent players in global steel industry scenarios.

However, the steel sector is still largely faced with challenges like fluctuating prices for raw materials, regulatory changes, and geopolitics. Thus, Tata Steel has really to streamline operations efficiencies across all its offerings, platforms, and supply chain assets for sustainable remediation of these issues. Financial management needs to be such that it can optimize liquidity and return on equity for sustained profitability and shareholder confidence.

Tata Steel thus continues to remain one of the strong pillars of the steel industry, being backed by heritage, innovative capability, and commitment to sustainability. Though the challenges being faced are financial as well as operational, Tata Steel is proactively dealing with the financial and operational challenges at hand, thus ensuring its ride over to success. With emphasis on strategic investment decisions, better resource utilization, and sustainable development, Tata Steel will surely go the distance even in a very dynamic world market.

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