



ORIGINAL RESEARCH PAPER

Accountancy

FINANCIAL PERFORMANCE OF TATA STEEL LIMITED

KEY WORDS:

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ABSTRACT

The study entitled " FINANCIAL PERFORMANCE OF TATA STEEL LIMITED". Financial Performance analysis means establishing a relationship between the items in the balance sheet and profit and loss account for determining the financial strength and weakness of the firm. The study entitled to know the financial position of the Company helps in making sound decisions by analyzing the recent trend. This study aims at analyzing the financial performance of Tata Steel Ltd. Using the framework of comparative balance sheet and ratio analysis. The basic objective of the study is to evaluate and judge the performance of Tata Steel during the study period. To determine the firm's efficiency an attempt is made to measure the solvency position of the firm.

INTRODUCTION

Financial Performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes a full diagnosis of the profitability and financial soundness of the firm. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise.

STATEMENT OF THE PROBLEM

The effectiveness of the financial performance involves decision-making in the organization with the help of various analytical tools to recognize the liquidity position and financial position to check whether the organization is in a position to meet their obligations in properly and timely manner. Here the problem is to study about the financial performance of Tata Steel Ltd.

OBJECTIVES OF THE STUDY

- To know the financial position of Tata Steel Ltd.
- To assess the liquidity position of the firm.

REVIEW OF LITERATURE

Acharya (2013) compared the liquidity position of Tata Steel Ltd. and SAIL and studied the relationship that exists between liquidity and profitability of both the companies. The purpose of the study was to investigate the liquidity management efficiency and profitability position of selected steel companies. Therefore, an attempt was made to investigate the liquidity position and its impact on the profitability of Tata Steel Ltd. and Steel Authority of India Ltd. for a period of ten years ranging from 2004 to 2013.

Popat (2012) Comparing profit earning capacity of selected Steel companies in India analyzed profitability ratios of selected companies in India Steel Industry. Findings of that study indicated that TATA steel's profitability was better than other selected companies while JINDAL steel's profitability was next to TATA steel. It was also found that JSW and SAIL showed fluctuation in their profitability while UTTAM had a decreasing trend in the profitability during the period of study.

SCOPE OF THE STUDY

The scope of the study is limited to collecting financial data published data published in the annual reports of the company every year. The study was conducted in Tata Steel Ltd to analyze the effectiveness of the financial performance of the company and to have a clear and a proper outline regarding the financial aspects of the organization by using various analysis tools.

RESEARCH METHODOLOGY

The present study is designed to measure the performance of Tata Steel in terms of various financial characteristics embodied in the accounting ratios. The analysis covers the years 2019-2020, 2020-2021 and 2021-2022 for examining financial statement. The study's scope includes the numerous variable that influences the company's financial position.

NATURE OF DATA

The study is based on Secondary data.

SECONDARY DATA

Secondary data implies second-hand information which is already collected and recorded by any person other than user for a purpose, not relating to the current research problem.

PERIOD OF STUDY

The evaluation of the financial performance of Tata Steel is for a period of 3 years ranging from 2019-2020 to 2021-2022. Above is usually considered safe. It indicates that Tata Steel is in poor condition to pay back its debts. Hence the current ratio of Tata Steel is dissatisfactory.

LIMITATIONS

The period considered for the study is the last three years financial statement only. So it is possible to find out the lifetime performance of the company.

TOOLS USED FOR ANALYSIS

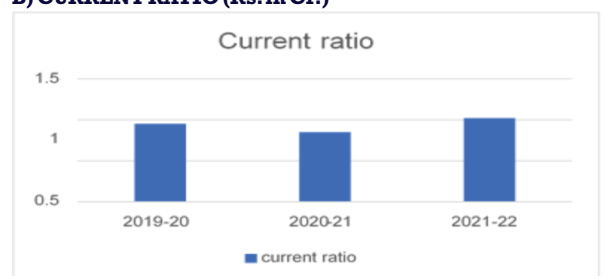
- Data has been analyzed using below mentioned financial techniques;
- Ratio Analysis
 - Comparative Balance Sheet

**RATIO ANALYSIS
LIQUIDITY RATIOS**

A) QUICK RATIO (Rs. in Cr.)

Year	Quick Asset	Current Liabilities	Ratio
2019-20	27664	61660.91	0.45
2020-21	26935.52	70867.13	0.38
2021-22	43732.22	90588.00	0.48

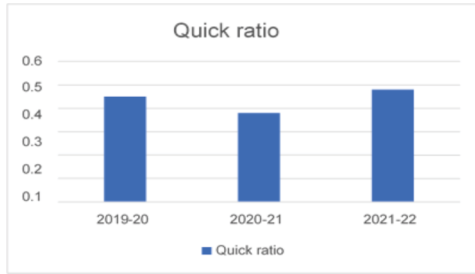
B) CURRENT RATIO (Rs. in Cr.)



Year	Current Asset	Current Liability	Ratio
2019-20	58732.72	61660.91	0.95
2020-21	60211.90	70867.13	0.85
2021-22	92556.61	90588.00	1.02

INTERPRETATION

From the above table, it is inferred that there is a downfall in the quick ratio from 0.45 to 0.38 between 2020 and 2021. But in the year 2022 it increased to 0.48. Ratio of 1: 1 is said to be the ideal quick ratio. From the table it is clear that the quick ratio is less than 1 which means quick assets are not enough to pay off current liabilities. However, in 2022, the quick ratio improved to 0.48, which could indicate that the company has taken steps to improve its liquidity position.



COMPARATIVE BALANCE SHEET

Table showing Comparative balance sheet statement of TATA STEEL from 2019-2020 to 2020-2021

BALANCE SHEET OF TATA STEEL (Rs. in Cr.)	MAR 20	MAR 21	INCREASE/DECREASE	INCREASE/DECREASE
	12 mths	12 mths	AMOUNT (RS.)	PERCENTAGE (%)
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	1,144.95	1,197.61	52.66	4.59
TOTAL SHARE CAPITAL	1,144.95	1,197.61	52.66	4.59
Reserves and Surplus	70,156.35	72,262.38	2106.03	3.00
TOTAL RESERVES AND SURPLUS	70,156.35	72,262.38	2106.03	3.00
TOTAL SHAREHOLDER S FUND	71,301.30	73,459.99	2158.69	3.03
Minority Interest	2,586.60	3,269.68	683.08	26.41
NON-CURRENT LIABILITIES				
Long Term Borrowings	94,104.97	65,698.01	-28406.96	-30.19
Deferred Tax Liabilities [Net]	9,261.38	9,241.42	-19.96	-0.22
Other Long-Term Liabilities	4,994.22	17,480.28	12486.06	250.01
Long Term Provisions	4,235.07	4,691.92	456.85	10.79
TOTAL NON-CURRENT LIABILITIES	112,595.64	97,111.63	-15484.01	-13.75
CURRENT LIABILITIES				
Short Term Borrowings	19,184.48	14,968.97	-4215.51	-21.97
Trade Payables	21,380.85	25,967.49	4586.64	21.45
Other Current Liabilities	19,431.91	25,205.35	5773.44	29.71

Short Term Provisions	1,663.67	4,725.32	3061.65	184.03
TOTAL CURRENT LIABILITIES	61,660.91	70,867.13	9206.22	14.93
TOTAL CAPITAL AND LIABILITIES	250,419.45	245,487.21	-4932.24	-1.97

ASSETS

NON-CURRENT ASSETS

Tangible Assets	128,053.76	128,454.45	400.69	0.31
Intangible Assets	2,422.37	2,976.04	553.67	21.85
Capital Work-In-Progress	18,862.06	18,128.74	-733.32	-3.89
Fixed Asset	149,992.96	150,437.89	444.93	0.29
Non-Current Investments	2,853.31	3,463.04	609.73	21.37
Deferred Tax Assets [Net]	1,270.33	1,578.02	307.69	24.22
Long-Term Loans and Advances	488.71	91.93	-396.78	-81.19
Other Non-Current Assets	33,026.89	25,359.74	-7667.15	-23.21
TOTAL NON-CURRENT ASSETS	191,686.73	185,275.31	-6411.42	-3.34

CURRENT ASSETS

Current Investments	3,431.87	7,218.89	3787.02	110.35
Inventories	31,068.72	33,276.28	2207.66	7.11
Trade Receivables	7,884.91	9,539.84	1654.93	20.98
Cash and Cash Equivalents	8,054.72	5,782.18	-2272.54	-28.21
Short-Term Loans And Advances	215.68	5.59	-210.09	-97.41
Other Current Assets	8,076.82	4,389.02	-3687.8	-45.66
TOTAL CURRENT ASSETS	58,732.72	60,211.90	1479.18	2.51
TOTAL ASSETS	250,419.45	245,487.21	-4932.24	-1.97

INTERPRETATION

The comparative balance sheet of Tata Steel for 2019-2020 and 2020-2021 shows that shareholder's funds increased by 3.03%. The long term borrowings decreased significantly by 30.19%. The long term borrowings decreased significantly by 30.19%. The other long term liabilities increased by 250.01% which is unfavourable condition to the company, so should take necessary steps to decrease other long term liabilities. In terms of assets, the fixed assets increased slightly by 0.29%. The current investments increased significantly by 110.35%. The cash and cash equivalents decreased by 28.21%. Comparing the total current assets and total current liabilities we can see that current assets are lower than current liabilities. This indicates that that the company had negative working capital which means it does not have enough current assets to meet its current liabilities.

Table showing Comparative balance sheet statement of TATA STEEL from 2020-2021 to 2021-2022

BALANCE SHEET OF TATA STEEL (Rs. in Cr.)	MAR 21	MAR 22	INCREASE/DECREASE	INCREASE/DECREASE
	12 mths	12 mths	AMOUNT (RS.)	PERCENTAGE (%)
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	1,197.61	1,221.21	23.6	1.97

TOTAL SHARE CAPITAL	1,197.61	1,221.21	23.6	1.97
Reserves and Surplus	72,262.38	113,221.83	40959.45	56.68
TOTAL RESERVES AND SURPLUS	72,262.38	113,221.83	40959.45	56.68
TOTAL SHAREHOLDERS FUND	73,459.99	114,443.04	40983.05	55.79
Minority Interest	3,269.68	2,655.42	-614.26	-18.79
NON-CURRENT LIABILITIES				
Long Term Borrowings	65,698.01	44,764.07	-20933.94	-31.86
Deferred Tax Liabilities [Net]	9,241.42	12,325.78	3084.36	33.38
Other Long-Term Liabilities	17,480.28	15,843.31	-1636.97	-9.36
Long Term Provisions	4,691.92	4,825.98	134.06	2.86
TOTAL NON-CURRENT LIABILITIES	97,111.63	77,759.14	-19352.49	-19.93
CURRENT LIABILITIES				
Short Term Borrowings	14,968.97	24,064.61	9095.64	60.76
Trade Payables	25,967.49	36,764.87	10797.38	41.58
Other Current Liabilities	25,205.35	26,990.03	1784.68	7.08
Short Term Provisions	4,725.32	2,768.49	-1956.83	-41.41
TOTAL CURRENT LIABILITIES	70,867.13	90,588.00	19720.87	27.83
TOTAL CAPITAL AND LIABILITIES	245,487.21	285,445.60	39958.39	16.28

ASSETS				
NON-CURRENT ASSETS				
Tangible Assets	128,454.45	124,504.16	-3950.29	-3.08
Intangible Assets	2,976.04	4,472.47	1496.43	50.28
Capital Work-In-Progress	18,128.74	21,227.62	3098.88	17.09
Fixed Asset	150,437.89	151,022.18	584.29	0.39
Non-Current Investments	3,463.04	4,615.43	1152.39	33.28
Deferred Tax Assets [Net]	1,578.02	3,023.93	1445.91	91.63
Long-Term Loans and Advances	91.93	1,282.44	1190.51	1295.02
Other Non-Current Assets	25,359.74	28,633.81	3274.07	12.91
TOTAL NON-CURRENT ASSETS	185,275.31	192,888.99	7613.68	4.11
CURRENT ASSETS				
Current Investments	7,218.89	8,524.42	1305.53	18.08
Inventories	33,276.38	48,824.39	15548.01	46.72
Trade Receivables	9,539.84	12,246.43	2706.59	28.37
Cash and Cash Equivalents	5,782.18	15,898.93	10116.75	174.96
Short-Term Loans And Advances	5.59	5.84	0.25	4.47
Other Current Assets	4,389.02	7,056.60	2667.58	60.78

TOTAL CURRENT ASSETS	60,211.90	92,556.61	32344.71	53.72
TOTAL ASSETS	245,487.21	285,445.60	39958.39	16.28

INTERPRETATION

The total shareholders' funds have increased by 55.79% due to an increase in reserves and surplus, while the minority interest has decreased by 18.79%. The non-current liabilities have decreased by 19.93% due to a decrease in long-term borrowings and other long-term liabilities. On the asset side, the non-current assets have increased by 4.11%, primarily due to an increase in other non-current assets and deferred tax assets. The current assets have increased by 53.72%, primarily due to an increase in inventories, cash and cash equivalents, and trade receivables. The total assets decreased by 1.97% which indicates unfavorable conditions to the company and so company must take necessary steps to increase total assets of the firm. This statement indicates that there is sufficient current assets to pay current liabilities, which means that the company has positive working capital.

FINDINGS

- The current ratio is not satisfactory during the study period i.e, it is less than the 2:1 standard. The higher current ratio of Tata Steel is 1:22 in the year 2018 and the lower was 0.85 during the year 2021. It indicates that the company does not have sufficient current assets to pay off current liabilities. Therefore the firm has to improve its current assets position.
- Generally Quick ratio of 1:1 is considered satisfactory. It is found that there is a drastic fall of the quick ratio from 0.71 to 0.48 from 2018 to 2022. It means that the company's ability to meet its short-term obligations is deteriorating. So the company needs to increase the liquid asset to attain a standard ratio. Hence the quick ratio of the company is dissatisfactory
- The comparative Balance sheet of Tata Steel in the years 2020 and 2021 shows a decrease in non-current liabilities and non-current assets. The current liabilities and current assets have increased during the period.
- The comparative Balance sheet of Tata Steel in the years 2021 and 2022 shows a significant increase in current liabilities, non-current assets, and current assets. Non-current liabilities declined to 19.93%.

SUGGESTIONS

- It will be better if the company increases its current assets to improve the liquidity ratio and liquidity position.
- It is advisable to increase quick assets to maintain a standard ratio.
- Tata Steel should monitor its debt levels and also ensure that it has sufficient cash flows to meet its debt obligations.

CONCLUSION

Efficient management of finance is very important for the success of an enterprise. The term financial performance is a very dynamic term. The subject matter of financial performance has been changing very rapidly. In the present time, greater importance is given to financial performance. So, here an attempt is made by me to analyze the financial performance of TATA STEEL LTD. While analyzing the financial performance it can be concluded that Tata Steel is performing the firm needs to improve its liquidity position. These factors play an important role in forming the company's strategic and operational thinking efforts that should constantly be made to improve the financial position up to the next level of performance in order to make benchmarks. This will yield greater efficiencies and improve investor satisfaction. Overall, Tata Steel's financial position appears to be improving with strong revenue growth, profitability, and debt reduction.

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