

An Analysis of Financial Performance of Tata Steel Limited

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Abstract

In this paper, a trial has been made to establish the money performance of Tata steel restricted. Tata steel is one of the quality companies in production business. Reference period of study was 10 years. In order to attain the target of the study, the researchers have employed analysis of numerous ratios. This study is conducted purely based mostly on secondary information obtained through web site of the Tata Steel restricted. By using the magnitude relation analysis tool we have a tendency to will analyze the performance of the industry of Republic of India and that we will simply resolve the strength and weakness of the businesses and their position within the market. 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.

Keywords: financial crises, profitability and liquidity ratio analysis, Steel Company

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INTRODUCTION

Ratio analysis is such an important technique for money analysis. It includes relation of 2 mathematical expressions and the relationship between two or additional things. Financial quantitative relation is a quantitative relation of selected values on enterprise's financial plan. There are several customary ratios used to judge the status of an organization or different organization. Tata steel restricted was erstwhile identified as Tata iron and company limited. It is Indian international steel creating company and its headquarters area unit in city, Maharashtra. ^[1]

Tata Steel Ltd is the world's 10th largest company and also the world's second most geographically heterogeneous steel producer. The company may be a diversified steel producer with major operations in Asian country, Europe and

South East Asia. They have manufacturing units in twenty six countries and at presence in fifty European and Asian markets. Tata Steel's operations are sorted underneath six Strategic Business Units embrace Bearings Division, Ferro Alloys and Minerals Division, Agric Division, Tata Growth Shop (TGS), Tubes Division and Wire Division. They have introduced several branded steel product, including Tata Steeler (the world's 1st branded Cold Rolled Steel), Tata Shaklee (Galvanized Corrugated Sheets), Tata Tucson (rubbers), Tata Pipes, Tata Bearings, Tata Structural, Tata Agric (hand tools and implements) and Tata Iron (galvanized wire products) Tata Steel Ltd was incorporated in the year 1907 with the name Tata Iron & company Ltd. ^[2]

RATIOS

Financial ratios square measure used by managers at intervals a firm and potential

stockholders of a firm, and by a firm's creditor. Financial analysts use money ratios to compare strength and weakness in numerous corporations.

LITERATURE REVIEW

Though several studies area unit done to take a look at the profit and liquidity, specific results are reviewed. It may be noted that even though' the profit is continually positive, inaccurate working capital management procedures might cause bankruptcy of the firm. They suggest that current, acid test, and cash ratios as ancient measures of liquidity area unit incompetent and static balance sheet measures that can't offer elaborate and correct info concerning assets management effectiveness. In their research formulas used for conniving them think about each liquid and operational asset in common and ancient ratios area unit not meaning in terms of money flow.

For assessing impact of working capital management on profit of National Thermal Power Corporation Ltd. during the amount of ten years i.e., from 2006 to 2015 Pearson's coefficient of correlation and multiple regression analysis between some magnitude relations about assets management and also the impact live about profit ratio (ROI) had been computed and applied. A try had been undertaken for measure the sensitivity of come back of investment (ROI) to changes within the level of assets leverage (WCL) of the finding out company. The companies have tried to shed light on the empirical relationship between potency of operating capital management and company profit of elite corporations within the Istanbul exchange for the amount of 2005–2009. The companies ought to specialize in assets management so as to extend their profit by seriously and professionally considering the problems on their money conversion cycle that was derived from the amount of day's accounts due, the variety of day's assets and also the

number of days of inventories. The findings suggested that it might be.^[3–10]

OBJECTIVES OF STUDY

The following are the specific objectives of the study.

- To determine the profitableness position of Tata Steel Ltd.
- To find out the degree of associate of the profitableness ratios, being two key determines of money performance of the corporate understudy.
- To assess the degree of association between the various ratios with the accepted profitableness indicator via: ROCE of Tata steel Ltd throughout the amount underneath study.

DATABASE AND METHDOLOGY

The study is based on secondary information collected from the audited profit and loss a/c and record related to schedules, annexure available in the revealed annual reports of Tata steel, the period of ten years from 2005–2006 to 2014–2015. For the purpose of study, journals, conference proceedings and other relevant documents has additionally been thought-about to supplement the information. In the present study the liquidity, profitability and long term economic condition ratios were taken, in order to evaluate their financial performance for the amount beneath study. The ratios have been applied for highlighting the potency of Current magnitude relation (CR), Quick Ratio (QR), Operating Profit Ratio (OPR), Gross Profit Ratio (GP), Net Profit Ratio (NP), Debt Equity Ratio (DER), Proprietary Ratio (PR), and Return on Capital Employed (ROCE). For assessing the degree of association between the numerous gain and liquidity ratios with the come back on capital utilized and various ratios with come back on capital internet price easy parametric statistic has been applied and Student's t check has been

used for the aim of testing the results obtained by trial and error (Table 1).^[11–15]

Table 1. Financial Performance Ratios.

Year	CR	QR	DER	PBIT	OPR	GPR	NPR	ROCE	ITO	DTO	FATO
2006	0.71	0.3	0.26	33.19	38.88	38.81	22.78	43.72	7.08	26.99	1.6
2007	1.69	1.37	0.69	33.97	39.61	39.84	23.53	27.71	7.69	29.81	1.68
2008	3.81	3.52	1.08	37.04	41.94	37.7	23.43	17.11	10.84	33.45	1.2
2009	0.91	0.57	1.34	33.27	37.68	33.69	21.09	15.01	9.36	41.29	1.22
2010	1.12	0.76	0.68	30.95	35.7	31.36	20.23	13.06	10.9	46.58	1.12
2011	1.53	1.31	0.56	34.54	39.06	35.16	23.35	14.86	8.07	68.46	1.32
2012	0.93	0.69	0.45	29.82	33.99	30.6	19.73	14.77	7.62	51.1	1.48
2013	0.86	0.61	0.47	24.25	29.12	24.83	13.25	12.8	8.05	44.91	1.01
2014	0.57	0.32	0.43	25.62	30.72	26.1	15.37	13.37	7.71	53.21	1.07
2015	0.62	0.27	0.39	18.9	23.95	19.17	15.41	9.25	5.79	66.21	1
Avge	1.27	0.97	0.63	30.5	35.06	31.7	19.8	18.1	8.3	46.2	1.2
Min	0.57	0.27	0.26	18.9	23.95	19.17	13.25	9.25	5.79	26.99	1
Max	3.81	3.52	1.34	37.04	41.94	39.84	23.53	43.72	10.9	68.46	1.68
Std dev	0.96	0.97	0.33	5.60	5.62	6.71	3.83	10.19	1.61	14.12	0.24
Var	0.92	0.95	0.11	31.43	31.62	45.06	14.69	103.88	2.60	199.46	0.05

Source: Calculated Data.

Table 1 describes the various financial ratios. Ideal ratio for current ratio is 2:1, never the company achieved ideal ratio except in the year 2008 because the current liabilities was less, when compare to other years. Quick ratio was fluctuating year to year except the year 2007-2008 the reason was quick assets is more than quick liabilities. Debt equity ratio is favorable all the year except year 2006 because debt is more than internal equities. Profitability ratios were fluctuating from year to year

except in the year 2015 due to all the recurring expenses is high when compared to other years. Return on capital employed was very high in the year 2006 due to high net profit. Fixed assets turnover ratio was satisfactory except the year 2015 due to high cost of goods sold. Inventory turnover ratio is very high in the year 2015 because of more closing stock. Debtors turnover ratio is very high in the year 2011 when compare to other years because average debtors was more (Tables 2–4).

Table 2. Correlation Between Return on Capital Employed and Inventory Turnover Ratio.

Correlation			
		Return on capital employed	Inventory turnover ratio
Return on capital employed	Pearson correlation	1	0.825*
	Sig. (2-tailed)		0.000
	N	15	15
Inventory turnover ratio	Pearson correlation	0.825*	1
	Sig. (2-tailed)	0.000	
	N	15	15

Source: Calculated Data.

*Correlation Is Significant at the 0.01 Level (2-Tailed Test).

From the correlation Table 2, it can be seen but that the correlation coefficient (r) equals 0.825, indicating a strong relationship between return on capital employed and inventory turnover ratio.

Table 3 exhibits the relationship between the dependent variable ROCE and independent variable ITR from the year 2006 to 2015 the regression value is 0.6.

So, there is strong relationship between the independent and dependent variables.

Table 3. Regression Analysis Between N Capital Employed and Inventory Turnover Ratio.

Model summary						
Model	R	R ²	Adjusted R ²	Std. error of the estimate		
1	0.825*	0.680	0.655	27.79		
Source: Calculated Data.						
*Predictors: (Constant), Inventory Turnover Ratio.						
Coefficients*						
Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	10.674	8.577		1.244	0.235
	Inventory turnover ratio	1.979	0.377	0.825	5.255	0.000

Source: Calculated value.

*Dependent Variable: Return On Capital Employed.

Table 4. One Sample t-Test on Return on Capital Employed.

One-sample test						
	Test value = 0					
	T	Df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
					Lower	Upper
Return on capital employed	2.893	14	0.012	35.35806	9.1416	61.5745

Source: Calculated Data.

The statistics for the test are in Table 4. The one sample t-test statistics 2.893 and the *P*-value from the statistics is 0.012 and that is less than 0.05 (the level of significance usually used for the test) such a *P*-value indicates that the average return on capital employed of the sampled population is statistically significantly different from 95% confidence level estimate for the difference between the population mean return on capital employed is (9.14, 61.57).^[16-18]

CONCLUSION

The study clearly predicts that the company didn't achieve ideal magnitude relation for current magnitude relation and fast magnitude relation except within the year 2008 as a result of these liabilities was less, when compare to different years. So the company needs to take a lot of steps to extend the assets. Debt equity ratio is favorable all the year except year 2006 as a result of debt is a lot of than internal equities. The company may steps to extend the interior equities by suggests that of provision the new shares alternatively utilize the plowing back of profits. Profitability ratios were unsteady from

year to year except in the year 2015 thanks to all the revenant expenses is high in comparison to different years; the company should take steps for reducing the revenant expenses.^[11, 14] Return on capital utilized was terribly high in the year 2006 thanks to high lucre. Fixed assets turnover magnitude relation and Inventory turnover ratios were satisfactory. Overall financial performance was smart.

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