



IJMRRS

**International Journal for Multidisciplinary
Research, Review and Studies**

Volume 1 - Issue 2

2024

© 2024 International Journal of Multidisciplinary Research Review and Studies

Financial Performance Analysis of Tata Steel Ltd.

By Kajal Mishra

Abstract

This study analyzes the financial performance of Tata Steel Ltd. from 2019 to 2024 using ratio analysis, trend analysis, and comparative financial statements. Despite challenges like the COVID-19 pandemic, the company showed strong profitability, stable liquidity, and moderate solvency. The report highlights Tata Steel's resilience, strategic investments, and suggests a focus on debt management and innovation for sustained growth.

Introduction

This study analyses the financial performance of **Tata Steel Ltd.** over five financial years (FY2019–FY2024) using **ratio analysis**, **trend analysis**, and **comparative financial statement analysis**. The aim is to evaluate the company's efficiency in using its resources, managing costs, and creating value for stakeholders.

Situational Analysis

Established in 1907, Tata Steel is one of the world's largest steel producers with operations in over 26 countries. Through acquisitions like Corus and investments in innovation, it has built a strong global footprint. Despite operating in a volatile environment (e.g., trade wars, pandemic, inflation), the company has demonstrated resilience through financial discipline and ESG-focused strategies. Tata Steel's key business areas include steel manufacturing, captive mining, downstream processing, and global subsidiaries.

Literature Review

Various scholars have underscored the relevance of financial analysis in assessing profitability, risk, and operational efficiency. Chandra (2016) emphasized the diagnostic utility of financial ratios. Kumar & Sharma (2018) and Reddy (2020) highlighted debt management's impact on firm performance. Recent studies (Ghosh & Sinha, 2021; Singh et al., 2023) examined macroeconomic impacts and ESG practices, establishing the need for up-to-date analysis in a post-pandemic era.

Explanation of the Topic

Financial performance analysis entails reviewing financial statements to assess a firm's health across four dimensions: profitability, liquidity, solvency, and efficiency. This study applies ratio analysis and trend evaluation to understand Tata Steel's ability to manage resources, fulfill obligations, and sustain growth, especially under evolving global conditions.

Research Objectives

1. To evaluate Tata Steel's financial performance through key ratios.
2. To analyze trends in financial statements from FY 2019–2024.

3. To assess the impact of macroeconomic events like COVID-19 and trade disruptions.
4. To benchmark Tata Steel against industry trends.

Research Strategy and Plan

The study adopts a **mixed-method approach**, combining **descriptive** and **exploratory research** to assess Tata Steel Ltd.'s financial performance (2019–2024). The **descriptive strategy** quantifies financial performance using ratio analysis, trend analysis, and comparative statements, while the **exploratory strategy** gathers qualitative insights from financial stakeholders through surveys.

Descriptive Objectives:

- Evaluate financial health using key ratios (e.g., ROE, ROCE, Current Ratio)
- Identify year-over-year trends
- Analyze strategic responses to market shifts

Exploratory Objectives:

- Understand stakeholder perceptions of Tata Steel's financial strategy
- Gauge investor confidence
- Identify qualitative drivers of financial performance

Research Plan:

1. Define the research problem and objectives
2. Select key financial indicators
3. Collect secondary data (annual reports, financial databases)
4. Design and distribute a stakeholder survey
5. Apply financial tools (ratios, trends, graphs)
6. Interpret results against research objectives

Data Collection Methods and Forms

Secondary Data:

- Sources: Annual Reports (2019–2024), balance sheets, P&L accounts, cash flows
- Purpose: Ratio calculation, trend and comparative analysis, financial performance tracking

Primary Data:

- Method: Online survey via Google Forms (3-week duration)
- Respondents: Financial analysts, investors, Tata Steel employees with finance knowledge

- Advantages: Cost-effective, anonymous, accessible, real-time data collection and visualization

Questionnaire Design

Introduction:

The questionnaire is part of a study on *Tata Steel Ltd.'s financial performance*. It collects stakeholder opinions (analysts, investors, employees, students) on financial health and influencing factors.

Structure:

- **Section A:** Demographics
- **Section B:** Financial Performance Perception
- **Section C:** Awareness of Financial Analysis
- **Section D:** Suggestions/Feedback

Sampling Design and Plan

1. Overview:

Mixed sampling approach—secondary (financial reports) + primary data (expert opinions via questionnaire).

2. Population and Frame:

- **Secondary:** Tata Steel's reports (FY 2019–24), NSE/BSE filings, Moneycontrol, Screener.in
- **Primary:** Financial experts, analysts, stakeholders, investors

3. Sampling Technique:

- **Secondary:** *Purposive Sampling* (targeted years)
- **Primary:** *Judgmental Sampling* (only financial literates)

4. Sample Size:

- **Secondary:** 5 years' financials (2019–2024)
- **Primary:** 20–30 expert respondents

V. Data Analysis and Interpretation

Primary Research (Questionnaire Insights):

1. **Overall Financial Performance:**
80% rated Tata Steel as *Good* or *Excellent*, indicating strong satisfaction.
2. **Debt Management:**
70% believe the company manages debt effectively.
3. **Profitability Outlook:**
90% are confident in future profitability.

4. **Top Financial Strength:**
33% chose *Operational Efficiency* as the key strength.
5. **Profitability Trend:**
67% say profitability is improving post-FY 2020.
6. **Liquidity Position:**
83% rate liquidity as *Moderate* or *Strong*.
7. **Cost Control Strategy:**
83% find cost control *Effective*.
8. **Key Financial Risks:**
Steel Price Volatility and *High Input Costs* are major concerns.
9. **Sustainable Investments:**
60% view green initiatives positively.
10. **Investment Recommendation:**
73% recommend investing in Tata Steel.

Secondary Research (Financial Data Analysis):

A. Ratio Analysis:

- **Profitability:**
Peaked in FY22 due to post-COVID demand; declining trend afterward.
- **Liquidity:**
Steady improvement in current and quick ratios over 5 years.
- **Solvency:**
Debt-equity ratio improved till FY22; slight rise suggests new investments.

B. Trend Analysis:

- **Revenue & Net Profit:**
Revenue peaked in FY22; profits fell later due to rising costs.
- **EPS & Net Worth:**
EPS volatile; net worth increased consistently, showing long-term strength.

C. Comparative Analysis:

ROE and revenue surged in FY22; post-pandemic years show stabilization. Rising liquidity and lower debt indicate improving financial health. However, fluctuating profitability suggests a need for better cost and risk management.

Findings and Discussion

1. **Revenue Growth & Profitability:**
Sharp growth in FY 2021-22; later decline due to rising costs.
2. **Return Ratios:**
ROE and ROA peaked in FY 2021-22, declined post-2022 due to economic slowdown.

3. **Liquidity:**
Improved steadily; now in a strong position.
4. **Debt Management:**
Significant reduction in debt till FY 2021-22; slight rise in FY 2023-24 due to new investments.
5. **Trend Analysis:**
Positive revenue and net worth trend; profits fluctuated.
6. **EPS Volatility:**
High fluctuation due to raw material prices and market cycles.

Limitations

1. **Secondary Data Dependence** – Limited disclosure may affect accuracy.
2. **Time Frame** – Only five years analyzed; long-term trends excluded.
3. **Economic Influences** – Global and cyclical factors not isolated.
4. **Single Company Focus** – No industry-wide comparison.
5. **Method Limitations** – Ratios/trends affected by accounting and external shocks.
6. **Limited Primary Data** – Small, non-diverse respondent base.

Conclusion and Recommendations

Conclusion:

Tata Steel showed strong revenue growth, improved liquidity, and effective debt control. Profitability peaked in FY 2021–22 but later declined. Financial stability and net worth remained strong. Areas to improve: cost control, product diversification, and ESG alignment.

Recommendations:

1. **Diversify revenue & markets**
2. **Optimize costs & automate processes**
3. **Maintain prudent debt strategy**
4. **Focus on value-added steel products**

References

Books

1. Pandey, I.M. (2018). *Financial Management*. Vikas Publishing.
2. Khan, M.Y. & Jain, P.K. (2019). *Financial Management: Text, Problems and Cases*. Tata McGraw-Hill.
3. Chandra, P. (2020). *Financial Management: Theory and Practice*. McGraw-Hill.

Journals & Articles

4. Kumar, S. & Sharma, R. (2020). Financial Performance of Indian Steel Sector. *Indian*

Journal of Finance.

5. Patra, S. (2019). Analysis of Indian Steel Companies. *Int. Journal of Accounting and Financial Reporting.*

6. Gupta, R. (2021). Financial Health in Manufacturing. *Journal of Accounting and Finance.*

Web & Online Sources

7. Tata Steel Annual Reports (2019–2024). [tatasteel.com](https://www.tatasteel.com)

8. National Stock Exchange – [nseindia.com](https://www.nseindia.com)

9. Bombay Stock Exchange – [bseindia.com](https://www.bseindia.com)

10. Ministry of Corporate Affairs – [mca.gov.in](https://www.mca.gov.in)

Research Databases

11. Google Scholar – scholar.google.com

12. SSRN – [ssrn.com](https://www.ssrn.com)

13. ResearchGate – [researchgate.net](https://www.researchgate.net)

APPENDICES

1. Financial Documents (Extracts)

- **Profit & Loss Account** (FY 2019–2024):
Shows revenue, operating profit, net profit trends, highlighting FY 2021–22 as peak year.
- **Balance Sheet:**
Reflects improved liquidity, stable net worth, and reduced debt till 2021–22.
- **Annual Reports:**
Key source for financial data, strategy updates, ESG initiatives, and risk disclosures.

2. Research Questionnaire Summary

Sample Size: 30 respondents (investors, analysts, stakeholders)

Key Insights:

- Majority rated Tata Steel's financial performance as **Good** or **Excellent**.
- **70%** believe the company manages its debt effectively.
- Most respondents are **somewhat or very confident** in future profitability.
- Key strength identified: **Operational Efficiency**.
- Profitability trend seen as **improving** or **stable** since FY 2020.
- Liquidity position mostly rated as **Strong or Moderate**.
- Cost control seen as **somewhat effective**.
- Major risk identified: **Steel Price Volatility** and **Input Costs**.
- Green investments viewed **positively for the future**.
- Most respondents would **recommend investing** in Tata Steel.

