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A STUDY ON FINANCIAL PERFORMANCE OF TATA STEEL LIMITED

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ABSTRACT

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. The study used 5 years performance analysis of TATA steel Limited's secondary data and main objective is to find out the financial changes of the company by using the financial statements and such financial tools like return on investment ratio, expenses ratio and other performance and turnover ratios. The suggestions reveal that the company should probably consider the use of the fund to invest other opportunities to get a profit. Therefore, the company's performance is satisfactory and they tend to be more attractive to investors.

KEYWORDS: ***Financial statement, Performance ratios, operating efficiency***

INTRODUCTION

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short term and long term forecasting and growth can be identified with the help of financial performance analysis. The achievement of the company's financial performance for a certain period covering the collection and allocation of finance measured by capital adequacy, liquidity, solvency, efficiency, leverage and profitability.

STATEMENT OF THE PROBLEM

The efficiency of the business is measured by the amount of profit earned. The greater the profit, the more efficient is the business. The profit of the business is measured by studying the profitability of investment in it. Profitability is referred to as earning power or operating performance of the investment concerned. Profitability is a relative term and it's relation with the other factor by which the profit is affected. The financial statement analysis gives more important to financial ratios for assessing the firm's financial performance and conditions. The analyst is always found which ratios are to use to determine the profitability of the firm. An attempt is made to find out the inter-relationship between and among the financial ratios of last five year's of a company.

OBJECTIVES OF THE STUDY

- To measure the profitability and liquidity position of the Tata Steel Limited.
- To measure the financial position of the Tata Steel Limited.
- To analyze the financial changes over a period of five years using the financial statement of the company and by using financial tools.

RESEARCH METHODOLOGY

Source of Data	Secondary Data
Period of Study	2015-2016 to 2019-2020
Framework of Analysis	Financial Statement
Tools and Techniques	Ratio Analysis

STATISTICAL TOOLS

The following statistical tools were applied to analyze the statistical data collected for calculation of Financial Performance analysis:

- Ratio Analysis
- Current Ratio
- Quick Ratio
- Gross Profit Ratio
- Operating Profit Ratio

REVIEW OF LITERATURE

K.R. SIVABAGYAM & HARSHITA.B (2019), analyzed the study on "financial performance analysis of selected Iron and steel companies in India" with the object to find out the variance among the mean values of ratios with the help of its profitability, short term solvency and efficiency ratios to analyze the financial performance of the steel companies namely VISA, TATA,JSW,SAIL, ESSAR, JINDAL, UTTAM GALVA, SUNFLAG, FACOR and NARAYANI Steels during the financial year 2014-15 to 2018-19, the study found that TATA steel performed better other than the selected steel companies and suggested JINDAL steel company has to improve its sales with every rupee invested in fixed assets and VISA and SAIL limited has to take some strategy to enhance their short term solvency.

ARITRA RANJAN DAS (2018), analyzed the study on "Financial performance of steel industry in India", through ANNOVA test of profitability, liquidity, solvency and efficiency ratios, they selected four companies wisely TATA steel ltd, JINDAL steel and power ltd, JSW steel ltd and Steel Authority of India ltd, it has found that the financial performance of selected companies during the year 2012-13 to 2017-18 and found that the total consumption of finished steel increased by 5.2% year-on-year at 64.87 MT during April-December, 2017.

DR. DEEPA CHAVAN (2017), have made a study on "Comparative analysis of financial ratios with special reference to TATA Steel" with the view to know the profitability performance of the company during the year 2014 &2015 by using the liquidity and profitability ratios, they found that the company's operating ratio has fallen from 23.95% in 2014 to 18.87% in 2015 and shows positive sign on ROI, that keeps their stakeholders feeling secure and confident. During the year, it exports 67%of their revenue and work on the untapped domestic market by being more competitive.

TABLES

Year	Current Ratio (%)	Quick Ratio (%)	Gross Profit Ratio (%)	Operating Profit Ratio (%)
2015-16	0.95	0.54	99.38	77.85
2016-17	1.01	0.52	103.90	83.48
2017-18	1.22	0.71	99.68	81.85
2018-19	0.97	0.45	98.11	81.55
2019-20	0.95	0.45	97.96	78.68

FINDINGS

- The current ratio has the highest growth rate in the year 2017-18 as 1.22 and the lowest growth rate in the year 2015-16 and 2019-2020 as 0.95.
- The Quick Ratio has the highest growth rate of 0.71in the year 2017-18 and 0.45 of lowest growth rate in the year 2018-19 & 2019-2020.
- The Gross Profit Ratio has the highest growth rate of 103.90 in the year 2016-17 and lowest growth rate of 97.96 in the year 2019-2020.
- The Operating profit ratio has the highest growth of 83.48 in the year 2016-17 and the lowest growth rate of 77.85 in the year 2019-20.

SUGGESTIONS

- The liquidity position of the company suggests that it doesn't have enough liquid assets to cover its short term liabilities.
- A high ratio of debt- equity indicates a risky business where there are more creditors of the firm than there are investors.
- Gross profit margin ratio reflects a higher efficiency of core operations, i.e., it cover the operating expenses, fixed costs, dividends, depreciation and also providing net earnings to the business.
- The company should probably consider the use of the fund to invest other opportunities to get a profit.

CONCLUSION

The analysis of the company was undertaken with the help of ratios, which are important tools of financial analysis. The firm's solvency ratio is best to keep as low as possible and with higher profit margin, it is able to sell at a higher price or lower expenses. The study gives a clear idea of the financial performance of the company over the last five years. Therefore, the company's performance is satisfactory and they tend to be more attractive to investors.

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