

## Analysis of Tata Steel Ltd

### Objective of the class exercise:

- Learning through real time data.
- Understanding financial statements
- Extracting data from real time statements
- Analysing the statements

Table: 1. Profitability analysis of Tata Steel Ltd

	Mar-24		Mar-23		
Sales revenue	1,40,987.43		1,29,006.62		
Total Revenue	<b>1,44,110.34</b>		<b>1,32,332.10</b>		
Less: COMC	58,090.63		60,336.74		
Gross profit	86,019.71	0.61	71,995.36	0.56	Gross margin
Less: Expenses	53,063.48		40,967.91		
EBDIT	32,956.23	0.23	31,027.45	0.24	Operating Margin
Less: Depreciation	5,969.79		5,434.61		
EBIT	<b>26,986.44</b>	<b>0.19</b>	25,592.84	0.20	
Less: Interest	4,178.61		3,792.14		
PBT (before exceptional items)	<b>22,807.83</b>		21,800.70		
Add/less exceptional items	-13,635.68		-778.78		
PBT adjusted	<b>9,172.15</b>		21,021.92		
Less: Tax	<b>4,364.75</b>		<b>5,526.81</b>		
PAT for the period	4,807.40	0.03	15,495.11	0.12	Net Margin

Analysis :

Though gross margin has improved for the company in the year 2024, the net margin has declined from 12% to 3% due to surge in exceptional items from rs.778 crores to Rs.13635 crores.

### Liquidity Analysis of Tata Steel Ltd

Table 2 : Liquidity Ratios

	Mar-24	Mar-23	Mar-22
<b>Total Current Liabilities</b>	<b>50,640.40</b>	<b>46,437.30</b>	<b>53,664.83</b>
Total Current Assets	36,765.14	33,949.52	31,289.57
Current Ratio	0.73	0.73	0.58
Stock	24,547.20	20,795.56	19,942.94
Prepaid Expenses	Nil	Nil	Nil
CA-stock & prepaid exp	12,217.94	13,153.96	11,346.63
Quick Ratio	0.24	0.28	0.21
Cash And Cash Equivalents	5,954.68	1,077.33	2,855.29
Acid Test Raio	0.12	0.02	0.05

Tata steel has negative networking capital(CR<1) for all the three years. It shows that the company is following aggressive WC policy. Except Cash ratio the company has consistency in its current and quick ratio.

Current Ratio: for 2024=0.73: For every one rupee CL Tata Steel holds 0.73 paisa CAs.

Quick Ratio: for 2024=0.24: For every one rupee CL Tata Steel holds 0.24 paisa Quick Assets .

Acid Test Raio: for 2024 =0.12: For every one rupee CL Tata Steel holds 0.12 paisa cash Assets .

### **Turnover Analysis of Tata Steel Ltd**

Table 3: Turnover Ratios

	Mar-24	Mar-23	Mar-22	Expression
<b>Sales</b>	<b>1,40,987.43</b>	<b>1,29,006.62</b>	<b>1,29,021.35</b>	
Debtors-Recievables	1,606.14	3,351.72	3,280.30	
Average	2478.93	3316.01	3280.30	
DTR (Sales/Avg.Drs)	56.87	38.90	39.33	Times
<b>Debtors collection period</b>				
in days (365/DTR)	6.42	9.38	9.28	days
in weeks (52/DTR)	0.91	1.34	1.32	weeks
in months (12/DTR)	0.21	0.31	0.31	months
<b>Stock Turnover Ratio</b>				
Stock-inventory	24,547.20	20,795.56	19,942.94	
Average	22671.38	20369.25	19,942.94	
STR (Sales/Avg Inventory)	6.22	6.33	6.47	times
<b>Creditors Turnover ratio</b>				
<b>Cost Of Materials Consumed</b>	<b>48,018.48</b>	<b>54,011.50</b>	<b>35,256.98</b>	
<b>Purchase Of Stock-In Trade</b>	<b>9,702.30</b>	<b>7,467.30</b>	<b>4,089.03</b>	
Purchase of the year	27,222.92	34,068.56	35,256.98	
Total Purachses	36,925.22	41,535.86	39,346.01	
Creditors-Payables	22,062.46	18,082.40	21,091.14	
Average crditors	20072.43	19586.77	21,091.14	
<b>Creditor turnover ratio</b>	<b>1.84</b>	<b>2.12</b>	<b>1.87</b>	times
<b>Crditors period</b>				
in days (365/CTR)	198.41	172.12	195.66	days
in weeks (52/CTR)	28.27	24.52	27.87	weeks
in months (12/CTR)	6.52	5.66	6.43	months
<b>Fixed Asset Turnover</b>				
Total FA s	2,08,868.92	1,99,841.90	1,90,696.65	
<b>FA turnover (Sales/FA s)</b>	<b>0.68</b>	<b>0.65</b>	<b>0.68</b>	times
<b>Working Capital Turnover</b>				
Total CA s	36,765.14	33,949.52	31,289.57	
Total CLs	50,640.40	46,437.30	53,664.83	
WC=Ca-CL	13,875.26	12,487.78	22,375.26	

<b>WC-TR (Sales/WC)</b>	<b>10.16</b>	<b>10.33</b>	<b>5.77</b>	<b>times</b>
Capital Turnover ratio				
Total Assets	245634.06	233791.42	221986.22	
Total CLs	50,640.40	46,437.30	53,664.83	
<b>Sales</b>	<b>1,40,987.43</b>	<b>1,29,006.62</b>	<b>1,29,021.35</b>	
<b>Capital Turnover ratio Sales/(TA-CLS)</b>	<b>0.72</b>	<b>0.69</b>	<b>0.77</b>	<b>Times</b>

### Comparison of Debtors' period and creditors' period.

Debtors' period and Creditors' period is calculated based on Debtor Turnover ratio and Creditor's Turnover ratio.

Debtors turnover – Higher the DTR better which indicates lower credit extended to customer. Tata Steel has a DTR of 56.87 times (2024) in a year. On an average DTR of the company for last 3 years is around 40 times a year.

Creditors' turnover ratio – Lower the CTR better which indicates longer credit period from supplier. Tata Steel has very low CTR of around 2 times a year which indicates that the credit period from supplier is around 6 months.

Since company has negative NWC, the company can manage its liquidity by delaying its payment to supplier and speeding up collection from customers.

### Stock Turnover:

STR of Tata steel is consistent for last three years which is around 6 times in a year.

Asset and capital turnover ratios are consistent around 0.65 times and 0.7 times a year- for last 3 years.

### Solvency ratios of Tata Steel Ltd

**Table 4 : Solvency Ratios of Tata Steel Ltd**

<b>Debt to Equity</b>	<b>Mar-24</b>	<b>Mar-23</b>	<b>Mar-22</b>
<b>Total Equity (SHF)</b>	<b>1,37,693.65</b>	<b>1,34,797.51</b>	<b>1,25,433.76</b>
Other Long Term Liabilities	9,862.74	10,436.32	11,824.25
Long Term Borrowings	36,715.91	30,880.89	20,290.81
<b>Total Debt</b>	<b>46,578.65</b>	<b>41,317.21</b>	<b>32,115.06</b>
<b>Debt to Equity ratio</b>	<b>0.34</b>	<b>0.31</b>	<b>0.26</b>
<b>Proprietary ratio (SHF/TA)</b>			
Total Assets	2,45,634.06	2,33,791.42	2,21,986.22
<b>Proprietary ratio (SHF/TA)</b>	<b>0.56</b>	<b>0.58</b>	<b>0.57</b>
<b>Capital Gearing ratio (Equity/TD)</b>	<b>2.96</b>	<b>3.26</b>	<b>3.91</b>
Interest Coverage ratio (EBIT/INT)			
EBIT	26986.44	25592.84	
Finance Costs INT)	4,178.61	3,792.14	
<b>Interest Coverage ratio (EBIT/INT)</b>	<b>6.46</b>	<b>6.75</b>	

Solvency ratios indicate the Long term risk of the company. The long term financial health of the company is determined by Solvency ratios.

Higher D:E ratio indicates low borrowing capability. Since Tata Steel is a manufacturing Company, its, D:E ratio is around 30 paise for one Rupee Equity. Its still low debt as it has not crossed Rupee one.

Higher the capital gearing ratio it is better- it shows company is left with borrowing capacity.

Interest Coverage Ratio- Higher the ratio better. Tata steel has consistent 6 times earnings compared to its interest cost.

### Performance measures of Tata Steel Ltd

Table 5. Performance ratios

<b>ROI</b>	<b>Mar-24</b>	<b>Mar-23</b>	<b>Mar-22</b>
<b>EBIT</b>	<b>26,986.44</b>	<b>25,592.84</b>	
Investment (SHF+NCL)			
Total Shareholders Funds	1,37,693.65	1,34,797.51	1,25,433.76
Total Non-Current Liabilities	57,300.01	52,556.61	42,887.63
<b>Total Investment (SHF+NCL)</b>	<b>1,94,993.66</b>	<b>1,87,354.12</b>	<b>1,68,321.39</b>
<b>ROI = EBIT/Investment</b>	0.14	0.14	
ROTA and RONA			
<b>PAT</b>	<b>4,807.40</b>	<b>15,495.11</b>	<b>33,011.18</b>
<b>TA= FA+CA</b>			
Total Non-Current Assets	2,08,868.92	1,99,841.90	1,90,696.65
Total Current Assets	36,765.14	33,949.52	31,289.57
<b>Total Assets</b>	<b>245634.06</b>	<b>233791.42</b>	<b>221986.22</b>
<b>ROTA(PAT/TA)</b>	<b>0.02</b>	<b>0.07</b>	<b>0.15</b>
<b>RONA</b>			
Net Assets = TA-CL			
Total Current Liabilities	50,640.40	46,437.30	53,664.83
<b>Net Assets = TA-CL</b>	<b>1,94,993.66</b>	<b>1,87,354.12</b>	<b>1,68,321.39</b>
<b>RONA= PAT/NA</b>	<b>0.02</b>	<b>0.08</b>	<b>0.20</b>

Analysis of ROI, ROTA, RONA

EPS

Find face value of the share =  $EPS = PAT/N$

Compare N with Equity capital and find face value

Based on Face value and Dividend rate find DPS

Find out MPS

Calculate  $PER = MPS/EPS$

## Comparative analysis of -Balance sheet and income statement of Tata Steel Ltd

Table 6: Comparative Statement of Tata Steel Balance sheet

Balance Sheet of Tata Steel (in Rs. Cr.)	Mar-24	Mar-23	Comparative analysis
Total Share Capital	1,248.60	1,222.40	2.14
Total Reserves and Surplus	1,36,445.05	1,33,575.11	2.15
<b>Total Shareholders Funds</b>	<b>1,37,693.65</b>	<b>1,34,797.51</b>	<b>2.15</b>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	36,715.91	30,880.89	18.90
Deferred Tax Liabilities [Net]	8,016.77	8,684.15	-7.69
Other Long Term Liabilities	9,862.74	10,436.32	-5.50
Long Term Provisions	2,704.59	2,555.25	5.84
<b>Total Non-Current Liabilities</b>	<b>57,300.01</b>	<b>52,556.61</b>	<b>9.03</b>
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	3,841.52	7,298.12	-47.36
Trade Payables	22,062.46	18,082.40	22.01
Other Current Liabilities	23,590.00	19,975.84	18.09
Short Term Provisions	1,146.42	1,080.94	6.06
<b>Total Current Liabilities</b>	<b>50,640.40</b>	<b>46,437.30</b>	<b>9.05</b>
<b>Total Capital And Liabilities</b>	<b>2,45,634.06</b>	<b>2,33,791.42</b>	<b>5.07</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible Assets	96,455.68	90,422.42	6.67
Intangible Assets	980.46	763.87	28.35
Capital Work-In-Progress	27,196.47	21,091.92	28.94
Other Assets	0	0	
<b>Fixed Assets</b>	<b>1,25,165.20</b>	<b>1,12,793.17</b>	<b>10.97</b>
Non-Current Investments	65,498.27	44,138.90	48.39
Deferred Tax Assets [Net]	0	0	
Long Term Loans And Advances	8,604.38	32,779.08	-73.75
Other Non-Current Assets	9,601.07	10,130.75	-5.23
<b>Total Non-Current Assets</b>	<b>2,08,868.92</b>	<b>1,99,841.90</b>	<b>4.52</b>
<b>CURRENT ASSETS</b>			
Current Investments	500.35	2,050.40	-75.60
Inventories	24,547.20	20,795.56	18.04
Trade Receivables	1,606.14	3,351.72	-52.08
Cash And Cash Equivalents	5,954.68	1,077.33	452.73
Short Term Loans And Advances	140.82	3,191.21	-95.59

OtherCurrentAssets	4,015.95	3,483.30	15.29
<b>Total Current Assets</b>	<b>36,765.14</b>	<b>33,949.52</b>	<b>8.29</b>
<b>Total Assets</b>	<b>2,45,634.06</b>	<b>2,33,791.42</b>	<b>5.07</b>

Overall the balance sheet size has grown by 5.07%.

Table 7: Comparative income statement of tata Steel Ltd

<b>INCOME</b>	<b>Mar-24</b>	<b>Mar-23</b>	Comparative analysis
Total Operating Revenues	1,40,987.43	1,29,006.62	9.29
Other Income	3,122.91	3,325.48	-6.09
<b>Total Revenue</b>	<b>1,44,110.34</b>	<b>1,32,332.10</b>	8.90
<b>EXPENSES</b>			
Cost Of Materials Consumed	48,018.48	54,011.50	-11.10
Purchase Of Stock-In Trade	9,702.30	7,467.30	29.93
Changes In Inventories Of FG,WIP And Stock-In Trade	369.85	-1,142.06	-132.38
Employee Benefit Expenses	7,402.31	6,616.29	11.88
Finance Costs	4,178.61	3,792.14	10.19
Depreciation And Amortisation Expenses	5,969.79	5,434.61	9.85
Other Expenses	46,648.71	38,870.96	20.01
Less: Amounts Transfer To Capital Accounts	987.54	4,519.34	-78.15
<b>Total Expenses</b>	<b>1,21,302.51</b>	<b>1,10,531.40</b>	9.74
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	22,807.83	21,800.70	4.62
Exceptional Items	-13,635.68	-778.78	1650.90
<b>Profit/Loss Before Tax</b>	<b>9,172.15</b>	<b>21,021.92</b>	-56.37
Tax Expenses-Continued Operations			
Current Tax	4,954.21	4,928.05	0.53
Deferred Tax	-589.46	598.76	-198.45
<b>Total Tax Expenses</b>	<b>4,364.75</b>	<b>5,526.81</b>	-21.03
<b>Profit/Loss For The Period</b>	<b>4,807.40</b>	<b>15,495.11</b>	-68.97

#### Comparative Analysis:

An increase of 5.07% in balance sheet size, has resulted in 9.29% increase in sales revenue. However total expenses of the company also increased by 9.74%. Overall the EBIT and EAT have declined due to charging a substantially higher exceptional items to the income statement of 2024.

## Common Size analysis of Balance sheet and Income Statement of Tata Steel Ltd

Table 8: Common size-Balance sheet of Tata Steel Ltd

Balance Sheet of Tata Steel (in Rs. Cr.)	Mar-24	Mar-23	Common size -24	Common size -23
Total Share Capital	1,248.60	1,222.40	0.51	0.52
Total Reserves and Surplus	1,36,445.05	1,33,575.11	55.55	57.13
<b>Total Shareholders Funds</b>	<b>1,37,693.65</b>	<b>1,34,797.51</b>	<b>56.06</b>	<b>57.66</b>
<b>NON-CURRENT LIABILITIES</b>			0.00	0.00
Long Term Borrowings	36,715.91	30,880.89	14.95	13.21
Deferred Tax Liabilities [Net]	8,016.77	8,684.15	3.26	3.71
Other Long Term Liabilities	9,862.74	10,436.32	4.02	4.46
Long Term Provisions	2,704.59	2,555.25	1.10	1.09
<b>Total Non-Current Liabilities</b>	<b>57,300.01</b>	<b>52,556.61</b>	<b>23.33</b>	<b>22.48</b>
<b>CURRENT LIABILITIES</b>			0.00	0.00
Short Term Borrowings	3,841.52	7,298.12	1.56	3.12
Trade Payables	22,062.46	18,082.40	8.98	7.73
Other Current Liabilities	23,590.00	19,975.84	9.60	8.54
Short Term Provisions	1,146.42	1,080.94	0.47	0.46
<b>Total Current Liabilities</b>	<b>50,640.40</b>	<b>46,437.30</b>	<b>20.62</b>	<b>19.86</b>
<b>Total Capital And Liabilities</b>	<b>2,45,634.06</b>	<b>2,33,791.42</b>	100.00	100.00
<b>ASSETS</b>			0.00	0.00
<b>NON-CURRENT ASSETS</b>			0.00	0.00
Tangible Assets	96,455.68	90,422.42	39.27	38.68
Intangible Assets	980.46	763.87	0.40	0.33
Capital Work-In-Progress	27,196.47	21,091.92	11.07	9.02
Other Assets	0	0	0.00	0.00
<b>Fixed Assets</b>	<b>1,25,165.20</b>	<b>1,12,793.17</b>	<b>50.96</b>	<b>48.25</b>
Non-Current Investments	65,498.27	44,138.90	26.66	18.88
Deferred Tax Assets [Net]	0	0	0.00	0.00
Long Term Loans And Advances	8,604.38	32,779.08	3.50	14.02
Other Non-Current Assets	9,601.07	10,130.75	3.91	4.33
<b>Total Non-Current Assets</b>	<b>2,08,868.92</b>	<b>1,99,841.90</b>	<b>85.03</b>	<b>85.48</b>
<b>CURRENT ASSETS</b>			0.00	0.00
Current Investments	500.35	2,050.40	0.20	0.88
Inventories	24,547.20	20,795.56	9.99	8.89
Trade Receivables	1,606.14	3,351.72	0.65	1.43
Cash And Cash Equivalents	5,954.68	1,077.33	2.42	0.46
Short Term Loans And Advances	140.82	3,191.21	0.06	1.36

Other Current Assets	4,015.95	3,483.30	1.63	1.49
<b>Total Current Assets</b>	<b>36,765.14</b>	<b>33,949.52</b>	<b>14.97</b>	<b>14.52</b>
<b>Total Assets</b>	<b>2,45,634.06</b>	<b>2,33,791.42</b>	100.00	100.00

Tata Steel Ltd Balance sheet has shown high financial discipline for 2024 and 2023. All major assets and liabilities as a percentage of total has remained all most same for both years.

Table 9: Common size Statement- Income statement of Tata Steel Ltd

<b>INCOME</b>	<b>Mar-24</b>	<b>Mar-23</b>	Common size-24	Common size-23
Total Operating Revenues	1,40,987.43	1,29,006.62	<b>97.83</b>	<b>97.49</b>
Other Income	3,122.91	3,325.48	2.17	2.51
<b>Total Revenue</b>	<b>1,44,110.34</b>	<b>1,32,332.10</b>	100.00	100.00
<b>EXPENSES</b>			0.00	0.00
Cost Of Materials Consumed	48,018.48	54,011.50	33.32	40.82
Purchase Of Stock-In Trade	9,702.30	7,467.30	6.73	5.64
Changes In Inventories Of FG,WIP And Stock-In Trade	369.85	-1,142.06	0.26	-0.86
Employee Benefit Expenses	7,402.31	6,616.29	5.14	5.00
Finance Costs	4,178.61	3,792.14	2.90	2.87
Depreciation And Amortisation Expenses	5,969.79	5,434.61	4.14	4.11
Other Expenses	46,648.71	38,870.96	32.37	29.37
Less: Amounts Transfer To Capital Accounts	987.54	4,519.34	0.69	3.42
<b>Total Expenses</b>	<b>1,21,302.51</b>	<b>1,10,531.40</b>	<b>84.17</b>	<b>83.53</b>
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	22,807.83	21,800.70	15.83	16.47
Exceptional Items	-13,635.68	-778.78	-9.46	-0.59
<b>Profit/Loss Before Tax</b>	<b>9,172.15</b>	<b>21,021.92</b>	<b>6.36</b>	<b>15.89</b>
Tax Expenses-Continued Operations			0.00	0.00
Current Tax	4,954.21	4,928.05	3.44	3.72
Deferred Tax	-589.46	598.76	-0.41	0.45
<b>Total Tax Expenses</b>	<b>4,364.75</b>	<b>5,526.81</b>	3.03	4.18
<b>Profit/Loss For The Period</b>	<b>4,807.40</b>	<b>15,495.11</b>	<b>3.34</b>	<b>11.71</b>

The common size analysis of Income statement shows that all expenses as a percentage of total revenue has remained constant. But PBT and PAT as a percentage of total revenue have declined due to changes in exceptional item.