Project Report

(Submitted for the Degree of B.Com. Honours in Accounting & Finance under the University of Calcutta)

COMPARATIVE FINANCIAL STATEMENT ANALYSIS OF TATA STEEL LTD. AND JSW STEEL LTD. – AN OVERVIEW

Submitted by

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Annexure- **IA**

Supervisor's Certificate

This is to certify that Mr. **Tushar Dutta** a student of B.Com. Honours in Accounting & Finance of **Chittaranjan College** under the University of Calcutta has worked under my supervision and guidance for her Project Work and prepared a Project Report with the title “COMPARATIVE FINANCIAL STATEMENT ANALYSIS OF TATA STEEL LTD. AND JSW STEEL LTD. – AND OVERVIEW”

which she is submitting, is his/her genuine and original work to the best of my knowledge.

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Annexure- IB

Student's Declaration

I hereby declare that the Project Work with the title "COMPARATIVE FINANCIAL STATEMENT ANALYSIS OF TATA STEEL LTD. AND JSW STEEL LTD. – AND OVERVIEW" submitted by me for the partial fulfilment of the degree of B.Com. Honours in Accounting & Finance / Marketing / Taxation / Computer Applications in Business under the University of Calcutta is my original work and has not been submitted earlier to any other University /Institution for the fulfilment of the requirement for any course of study.

I also declare that no chapter of this manuscript in whole or in part has been incorporated in this report from any earlier work done by others or by me. However, extracts of any literature which has been used for this report has been duly acknowledged providing details of such literature in the references.

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CHAPTER-1

INTRODUCTION

1.1 BACKGROUND OF STUDY

The background of the study on financial statement analysis of Tata Steel and JSW Steel focuses on the significance of the Indian steel industry in the country's economic growth. The study aims to analyse the financial performance of these two leading steel companies, Tata Steel and JSW Steel, using various financial ratios and metrics.

Tata Steel, founded in 1907, is one of the oldest and largest steel companies in India. It has a diverse portfolio of steel products and operates in multiple countries, including India, the UK, and South Africa. JSW Steel, on the other hand, was established in 1982 and is known for its focus on high-quality steel products and innovative manufacturing processes.

The financial performance of Tata Steel and JSW Steel is influenced by various factors such as global steel demand, raw material costs, and competition from other steel producers. To gain a deeper understanding of these factors and their impact on the financial performance of these companies, this study aims to conduct a comprehensive financial statement analysis of Tata Steel and JSW Steel.

The findings of this study will be useful for investors, analysts, and other stakeholders who are interested in understanding the financial performance and position of Tata Steel and JSW Steel. The study will provide valuable insights into the financial health and sustainability of these companies, which can inform investment decisions and strategic planning.

NEED OF STUDY

- The area has taken for this study is to analyse the financial performance of Tata Steel Ltd. & JSW Steel Ltd.
- The study will predict the assets and liabilities of both of the companies. And it also predicts the future improvement.

- The study will show us the deference of financial performance between the companies.
- And it will help to improve the financial performance of both companies.

JUSTIFICATION OF TOPIC

This project is about the financial performance of TATA STEEL LTD. And JSW STEEL LTD. The project is done for practical knowledge and academic compulsion purpose. For the study I taken five year (2019 to 2023) financial data of both companies. I used various financial ratios and I compared them for better understanding of the financial performance of both companies.

1.2 LITRATURE REVIEW

The literature review is a written overview of major writings and other sources on selected topic. Sources covered in the review may include scholarly journals, articles, books, government reports, web sites etc.

International Reviews

Susan Ward (2008), emphasis that financial analysis using ratios between key values help investors cope with the massive amount of numbers in company financial statements. For example, they can compute the percentage of net profit a company is generating on the funds it has deployed. All other things remaining the same, a company that earns a higher percentage of profit compared to other companies is a better investment option.

Peeler J. Patsula (2006) he defines that a sound business analysis tells others a lot about good sense and understanding of the difficulties that a company will face. We have to make sure that people know exactly how we arrived to the final financial positions. We have to show the calculation but we have to avoid anything that is too mathematical. A business performance analysis indicates the further growth and the expansion. It gives a physiological advantage to the employees and also a planning advantage.

Gallizo and Salvador (2003) also carried out a study on financial ratios of U.S manufacturing firms for a period of eight years since 1993 to 2000 to understand the behaviour and adjustment process of the same. A proper balance between sales and assets generally specify that the assets are managed and utilized well towards the sales generation. The main aim of the company is to maximize its profit and profitability ratios helps to measure overall performance and efficiency of the firm.

National Reviews

Shipra Bhatia (2017) provided a holistic view of the iron and steel industry with special emphasis on the issues and challenges faced by the steel industry of India. Areas focused were production, capacity utilization, import and export, price movement and impact of international demand and supply conditions on the Indian steel industry. The conclusion of the study was that a special turnaround plan is required to be formulated by government of India for meeting the future targets set aside by government of India.

Padma (2016), has studied an analysis of financial performance of five steel companies in India from 2011 to 2015. Six financial parameters namely current ratio, ROCE, debt-equity ratio, dividend payout ratio, EPS and inventory turnover ratio selected to analyze the performance. Liquidity position of the companies showed moderate performance, dividend payout of Apollo steel presented highest result and EPS of Tata steel showed highest compare to other selected steel companies. The overall result of Apollo steel and Tata steel showed better performance than other companies.

Prakash and Natarajan (2014) conducted a study on financial performance of Salem Steel Authority of India Ltd. The analysis revealed that there is a fluxion in the gross profit and net profit during the study period. The study helps to identify the financial position of the company. Optimum utilization of working capital can be planned so as to result in sound financial position of the company.

Ramaratnam and Jayaraman (2010) used financial ratios in terms of liquidity, profitability, variability and sustainability to measure the financial performance of Indian steel industry for a period of five years from 2005 to 2010. Their study reveals that the critical situation faced by the Indian steel industry is due to overcapacity and demand slowdown resulting in price cuts.

1.3 OBJECTIVE OF STUDY

- To understand the liquidity and solvency of Tata Steel Ltd. And JSW Steel Ltd.
- To assess the profitability petitions of both the companies.
- To assess the Comparative analysis of liquidity and solvency positions of Tata Steel and JSW Steel.

1.4 RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. So, the research methodology not only talks about the research methods but also consider the logic behind the method used in context of the research study.

- **Research design**

Descriptive research used in this study because it will ensure the minimization of bias and maximization of reliability of data collected. The researcher had to use fact and information already available through financial statements of earlier years and analyse these to make critical evaluation of available material. Hence by making the type of research conducted to be both Descriptive and Analytical in nature.

- **Data Collection**

Secondary data

Secondary data implies second hand information which is already collected and recorded by any person other than a user for a purpose, not relating to the current research problem. It is the readily available form of data collected from various sources like censuses, government publication, internal records of the organizations, reports books, journal articles, websites and so on.

- **Source of data**

  The required data for the study are basically secondary in nature and the data are collected from the annual reports of the company. The sources of data are from the annual reports of the company from the year 2018-19 to 2022-2023.

- **Method of data analysis**

  The data collected were classified and tabulated for analysis. The analytical tool used in this study.

  The study employs following analytical tools:

   Ratio

   Bar chart

   Line chart

   Column chart

1.5 LIMITATION OF THE STUDY

- As the time was verry limited, so the accuracy of the study is limited.
- The analysis is based on the historic data so the so fully accurate estimation is not possible as the future is unpredictable.
- As the secondary data is used the most, so the accuracy of this study is limited.
- Financial statement is prepared based on various assumption and estimates that can impact the figures, sometimes comparison with others is quite challenging.
- This study does not consider non-financial factors of organisation.

1.6 CHAPTER PLANNIG

Chapter 1:

Introduction of study

1.1 Background of the study

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Data analysis and findings of study.

Chapter 4:

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CHAPTER 2

Conceptual framework and national & international scenarios

Financial statement analysis is the process of examining and interpreting financial data presented in a company's financial statements to gain insights into its financial performance, position, and future prospects. It involves analysing the balance sheet, income statement, and cash flow statement to identify trends, strengths, and weaknesses, ultimately helping stakeholders make informed decisions about investments, lending, or other business activities. By analysing financial statements, analysts can assess a company's liquidity, profitability, solvency, and cash flow, as well as its ability to manage risk and generate returns on investments. This analysis is crucial for investors, creditors, and other stakeholders seeking to understand a company's financial health and potential for future growth.

2.1 NEED OF FINANCIAL STATEMENT ANALYSIS

Here are need for financial statement analysis:

1. **Assessing Profitability and Efficiency**: Financial statement analysis helps in evaluating a company's profitability and efficiency by examining its income statement. This includes analysing the ratio of net income to total revenue, gross profit margin, operating profit margin, and return on equity (ROE) to determine whether the company is generating sufficient profits and efficiently utilizing its resources.

2. **Evaluating Liquidity and Solvency:** Financial analysis examines the balance sheet to assess a company's liquidity and solvency. This includes evaluating the current ratio, quick ratio, and debt-to-equity ratio to determine whether the company has sufficient liquid assets to meet its short-term obligations and whether it has a sustainable debt structure.

3. **Comparing Financial Performance:** Financial statement analysis enables comparison of a company's financial performance with industry benchmarks and competitors. This helps in identifying areas of strength and weakness, and making informed decisions about investments, lending, or other business activities.

4. **Identifying Potential Risks and Opportunities:** Financial analysis helps in identifying potential risks and opportunities by examining trends, ratios, and other financial metrics. This includes evaluating the company's exposure to market risks, credit risks, and operational risks, as well as identifying opportunities for growth and cost reduction.

5. **Optimizing Resource Allocation and Cost Management:** Financial statement analysis provides insights into a company's resource allocation and cost management. By examining the income statement and balance sheet, analysts can identify areas where costs can be reduced, and resources can be optimized to improve profitability and efficiency.

2.2 ADVANTAGES OF FINANCIAL STATEMENT ANALYSIS

The advantages of financial statement analysis are listed below:

1. The most important benefit if financial statement analysis is that it provides an idea to the investors about deciding on investing their funds in a particular company.
2. Another advantage of financial statement analysis is that regulatory authorities like IASB can ensure the company following the required accounting standards.
3. Financial statement analysis is helpful to the government agencies in analysing the taxation owed to the firm.
4. Above all, the company is able to analyse its own performance over a specific time period.

3.5 LIMITATIONS IF FINANCIAL STATEMENT ANALYSIS

1. **Financial Statements Are Derived from Historical Costs -** Transactions are initially recorded at their cost. This is a concern when reviewing the balance sheet, where the values of assets and liabilities may change over time. Some items, such as marketable securities, are altered to match changes in their market values, but other items, such as

fixed assets, do not change. Thus, the balance sheet could be misleading if a large part of the amount presented is based on historical costs.

2. **Financial Statements Only Cover a Specific Period of Time -** A user of financial statements can gain an incorrect view of the financial results or cash flows of a business by only looking at one reporting period. Any one period may vary from the normal operating results of a business, perhaps due to a sudden spike in sales or seasonality effects. It is better to view a large number of consecutive financial statements to gain a better view of ongoing results.
3. **Financial Statements Could be Wrong Due to Fraud-** The management team of a company may deliberately skew the results presented. This situation can arise when there is undue pressure to report excellent results, such as when a bonus plan calls for payouts only if the reported sales level increases. One might suspect the presence of this issue when the reported results spike to a level exceeding the industry norm, or well above a company's historical trend line of reported results.
4. **Financial Statements Do Not Cover Non-Financial Issues-**The financial statements do not address non-financial issues, such as the environmental attentiveness of a company's operations, or how well it works with the local community. A business reporting excellent financial results might be a failure in these other areas.
5. **Financial Statements May Not Have Been Verified-** If the financial statements have not been audited, this means that no one has examined the accounting policies, practices, and controls of the issuer to ensure that it has created accurate financial statements. An audit opinion that accompanies the financial statements is evidence of such a review.
6. **Financial Statements Have No Predictive Value-** The information in a set of financial statements provides information about either historical results or the financial status of a business as of a specific date. The statements do not necessarily provide any value in predicting what will happen in the future. For example, a business could report excellent results in one month, and no sales at all in the next month, because a contract on which it was relying has ended.

2.4 Methods or tools or technique of financial statement analysis

Ratio Analysis – Ratio analysis is a technique of analysis, comparison and interpretation of financial statement. It is a process through which various ratio are calculated and, on that basis, conclusions are drawn which become the base of managerial decision.

Ratio analysis is the comparison of line items in the financial statements of a business. Ratio analysis is used to evaluate a number of issues with an entity, such as its liquidity, efficiency of operations, and profitability. This type of analysis is particularly useful to analysts outside of a business, since their primary source of information about an organization is its financial statements.

- **IMPORTANCE OF RATIO ANALYSIS**

1. **Financial Statement Analysis –** Understanding the financial statements are important for the shareholders' of if the company. Ratio analysis helps us to understand these numbers, furthermore, it helps in estimating numbers from income statements and balance sheets for the future. For e.g. Equity shareholder looks into the P/E ratio, the Dividend payout ratio, etc. while creditors observe Debt to Equity ratio, Gross margin ratio, etc.
2. **Efficiency of a company –** Ratio analysis is important in understanding the company's ability to generate profit. Return on Asset, Returns on Equity tell us how much profit the company is able to generate over assets of the firm and equity investments in the firm, while gross margin and operating margin ratios tell us the company's ability to generate profit from sales and operating efficiency.
3. **Forecasting and Planning -** From a Management and investor point of view, ratio analysis helps to understand and estimate the company's future financials and operations. Ratios formed from past financial statement analysis, it helps in estimating future financials, budgeting, and planning for the future operations of the company.
4. **Identifying the Risks and taking Corrective Actions –** The companies go through various business, market, operation related risks. Ratio analysis helps in understanding these risks and helps management to prepare and take necessary actions. Leverage

ratios help in performing sensitivity analysis of various factors affecting the company's profitability like sales, cost, debt. Financial leverage ratios like Interest Coverage ratio and Debt Coverage ratio tell how much the company is dependent on external capital sources and the company's ability to repay debt.

5. **Peer comparison -** Investor, as well as the company's management, makes a comparison with Competitors Company to understand efficiency, profitability and market share. Ratio analysis is helpful for companies to perform SWOT (Strengths, Weakness, Opportunities, and Threats) analysis in the market. It also tells whether the company is able to perform growth or not over a period from past financials and whether the company's financial position is improving or not.
6. **Financial Solvency -** The company's ability to pay short-term debt is determined by liquidity. Current Ratio, Acid-test ratio tells us whether a company is able to pay its short-term obligation within a year. The company continuously runs analysis on past financial statements to understand and prepare for payment of short-term obligations.
7. **Decision Making -** Ratios provide important information on the operational efficiency of the company, and the utilization of resources by the company. It helps management to forecast and planning for future, new goals, concentrate on the different markets, etc.

- ## Types of ratios

Liquidity Ratio

Liquidity refers to the ability of a concern to meet its current obligations as and when they become due. Liquidity ratios measure the short-term solvency of a business and for this purpose following ratio can be computed:

a) Current ratio – Current Ratio is liquidity ratio, basically it creates relation between Current assets and Current liabilities. And its main use is to judge shot term solvency and financial position of company. And the ideal current ratio is 2:1.

$$\boxed{\textit{Current ratio} = \textit{Current assets/Current liabilities}}$$

b) Quick Ratio – This ratio also known as Acid test ratio or Liquid ratio; it measures the ability to pay short term obligations of by having assets that are readily convertible into cash. These are cash, marketable securities, account receivables. These assets are called 'Quick' assets because these are easily convertible into cash. The ideal quick ratio is 1:1.

Quick ratio = Current asset–inventory–prepaid expenses /current liabilities

c) Cash ratio - The cash ratio measures a company's ability to pay short-term debt using cash and cash equivalents. The ideal cash ratio is between 0.5 to 1, indicating sufficient liquidity to cover short-term

Cash ratio = Cash and cash equivalents/Total current assets

Solvency Ratio

This ratio examines whether the total realizable amount from all assets of a firm is enough to pay all of its external liability or not. In this context this ratio shows the relationship between total assets and external liabilities of the firm.

Solvency means ability of a firm to pay its liability on due date. Solvency is tested on the basis of the ability of the concern to pay its long-term liability at due time. The ratios to be used for this purpose are called as 'ratio of financial position' or stability ratio. The main ratio of this category are as follows;

a) Debt equity ratio – This ratio reflects the long-term financial position of a firm and is calculated in the form of relationship between external equities or outsider's funds and internal equities or shareholders' fund. Debt equity ratio may also be called as "ratio long term debt to shareholders' funds". The ideal debt equity ratio is 1:2.

Debt equity ratio = Total long-term debt/Shareholders' funds

b) Proprietary ratio – This ratio indicates the relationship between proprietors' fund and total assets. Greater is the proprietor funds better is the position of the creditor. And the ideal ratio is 1:2 or more.

Proprietor ratio = Proprietors' fund or Shareholders fund/Total assets

Profitability Ratio

Profitability ratios are financial metrics used by analysts and investors to measure and evaluate the ability of a company to generate income (profit) relative to revenue, balance sheet assets, operating costs, and shareholders' equity during a specific period of time. They show how well a company utilizes its assets to produce profit and value to shareholders.

The main categories of this ratios are:

a) Net profit ratio – This ratio measures the overall profitability of company considering all direct as well as indirect cost. A high ratio represents a positive return in the company and better the company is. The ideal ratio is 5% to 10%.

Net profit ratio = Net Profit / Sales × 100

(Net Profit = Gross Profit + Indirect Income – Indirect Expenses)

b) Return on equity - This ratio measures Profitability of equity fund invested the company. It also measures how profitably owner's funds have been utilized to generate company's revenues. A high ratio represents better the company is. The return on equity should be between 15% to 20%.

Return on equity =Profit after Tax/ Net worth × 100

Where, Net worth = Equity share capital, and Reserve and Surplus

c) Return on capital employed – Return on capital employed (ROCE) is a financial ratio that can be used in assessing a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use. The ROCE should be at least 20%.

Return on capital employed (ROCE) = net profit before interest and tax / capital employed × 100

d) Operating profit ratio – Operating profit ratio establishes a relationship between operating Profit earned and net revenue generated from operations (net sales). operating profit ratio is a type of profitability ratio which is expressed as a percentage.

Operating profit ratio = operating profit / net sales × 100

3.5 National and International scenario

- **National scenario**

Financial statement analysis in the national context plays a crucial role in assessing a company's financial health and performance. It involves a detailed examination of key financial documents, including the income statement, balance sheet, and cash flow statement. Analysts utilize various techniques to derive insights into profitability, liquidity, and solvency. This analysis aids stakeholders, investors, creditors, and management in making informed decisions. Regulatory frameworks mandate transparency in financial reporting, ensuring that companies provide accurate and timely financial information. As businesses increasingly adopt integrated reporting, the focus is shifting towards combining financial and non-financial data, enhancing accountability and stakeholder engagement.

- **International scenario**

Financial statement analysis around the world involves looking at companies' financial reports to understand their performance. Different countries use different rules for reporting finances, mainly the International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles (GAAP). As businesses operate globally, it's important for investors to compare companies from different countries, which can be tricky due to these different rules. Analysts use methods like ratio analysis and cash flow analysis to check a company's financial health, while also considering local laws and economic situations to make informed decisions.

CHAPTER 3

Data analysis and findings of study

LEQUIDITY RATIO:

3.1 Current ratio

(₹ in crores)

YEAR	CURRENT ASSTES		CURRENT LIABILITIS		CURRENT RATIO	
	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL
2019	17035.58	28398	25593.65	35187	0.67	0.81
2020	19959.03	29375	30871.3	35594	0.65	0.83
2021	23372.68	29703	29313.32	37040	0.80	0.80
2022	31289.57	47485	53664.83	46134	0.58	1.03
2023	33949.52	49144	46437.3	49335	0.73	1.00

(source: Companies' annual report)

Fig.3.1 Current ratio

Interpretation

A current ratio 2 means a company has enough money to pay its short-term debts. This shows how well a company can manage its money. JSW Steel has always had a higher current ratio than Tata Steel, which means it can handle its short-term debts better. In **2022**, **JSW Steel's** highest current ratio was **1.03**, showing it was very financially strong. Tata Steel's current ratio was much lower**, at 0.58**, which is lowest point of Tata Steel. In **2021**, both companies had a current ratio of **0.80**, which is highest point of Tata Steel. While Tata Steel's ratio has changed a lot, JSW Steel has gotten better over time, showing it's becoming more financially stable and good at managing its short-term obligations.

3.2 Quick ratio

(₹ in crores)

YEAR	CURRENT ASSTES		CURRENT LIABILITIS		INVENTORIES		QUCK RATIO	
	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL
2019	17035.58	28398	25593.65	35187	11,255.34	10815	0.23	0.50
2020	19959.03	29375	30871.3	35594	10,716.66	9623	0.30	0.55
2021	23372.68	29703	29313.32	37040	8603.79	10692	0.50	0.51
2022	31289.57	47485	53664.83	46134	19942.94	21028	0.21	0.57
2023	33949.52	49144	46437.3	49335	20795.56	19517	0.28	0.60

(source: Companies' annual report)

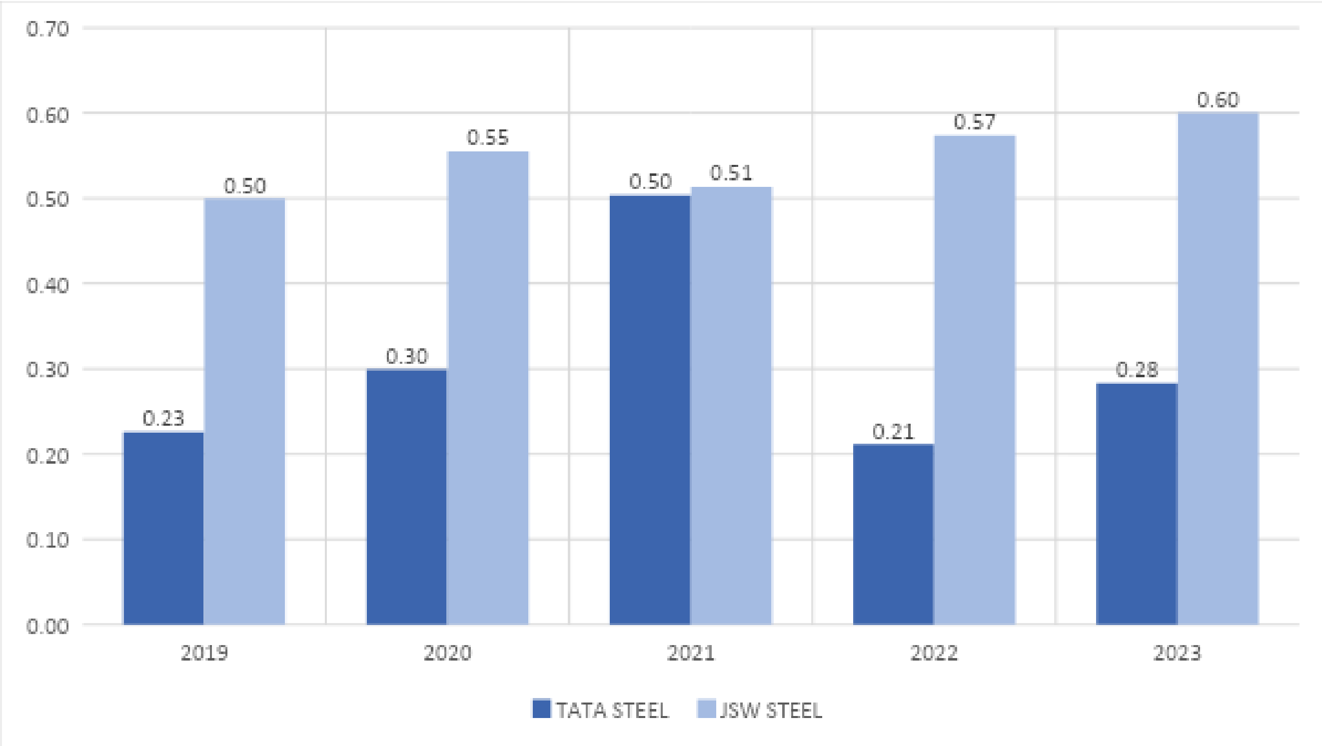

Fig. 3.2 Quick ratio

Interpretation

The quick ratio indicates the ability to pay off all current liabilities using current assets that are easily convertible into cash. The highest quick ratio of **Tata Steel** was **0.50 in 2021**, while **JSW Steel** had a slightly higher quick ratio of **0.51** during the same year. In **2023**, **JSW Steel's highest** quick ratio was **0.60**, whereas **Tata Steel's** quick ratio was **0.28**, which is almost half of JSW Steel's. The ideal quick ratio is 1:1, and neither of the companies has been able to reach this ideal ratio. Tata Steel has consistently reported poor quick ratio numbers, failing to even reach half of the ideal ratio. On the other hand, JSW Steel has been performing better in comparison to Tata Steel. **Tata Steel's** quick ratio has been fluctuating, reaching its **lowest point of 0.21 in 2022**. The low quick ratio could be attributed to the impact of **COVID-19**. However, COVID-19 does not appear to have had a significant effect on JSW Steel's quick ratio.

3.3 Cash Ratio

(₹ in crores)

YEAR	CASH AND CASH EQUIVALENT		SHORT TERM LIABILITIES		CASH RATIO	
	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL
2019	718.11	5258	25593.65	34398	0.03	0.15
2020	1226.84	3438	30871.3	35594	0.04	0.10
2021	2,396.90	11121	29313.32	37040	0.08	0.30
2022	2855.29	7670	53664.83	46134	0.05	0.17
2023	1077.33	13668	46437.3	49335	0.02	0.28

(source: Companies' annual report)

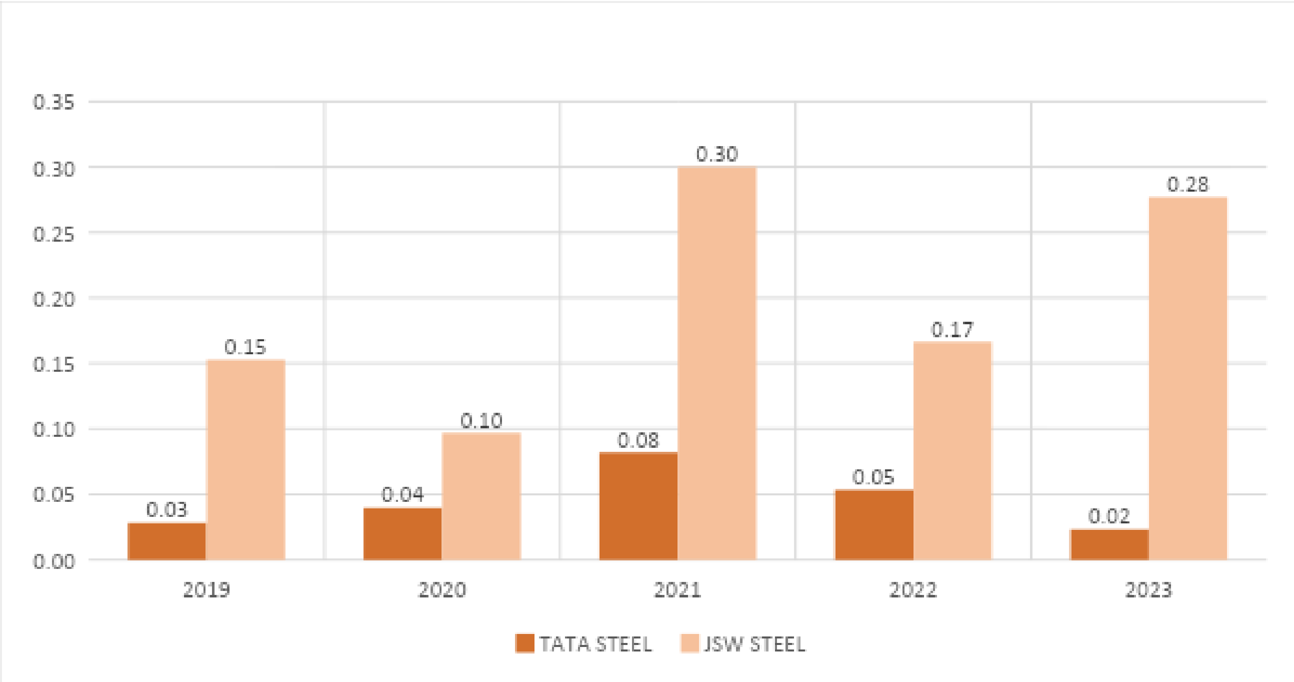

Fig. 3.3 Cash ratio

Interpretation

The cash ratio indicates the ability to pay off short-term liabilities of business by using cash and cash equivalents. Cash ratio is between 0.5 to 1 is considered good. As it is clear from above both companies can't reach the ideal ratio, the Tata steel has poor cash ratio as compare to JSW Steel. In **2021, JSW steel** had highest cash ratio which was **0.30** and on the same year Tata steel also had it's highest cash ratio that was **0.08** which was very poor as compare to **JSW Steel**. Although, both companies are not performed well in the cash ratio but **Tata Steel** have done a very poor performance, in the cash ratio. **Tata steel** have its lowest point **in the year 2023 (0.02)** whereas, **JSW Steel** had cash ratio of **0.28** in the same year. and **JSW steel** had it's lowest point **in the year 2020 (0.10)** on the other hand **Tata Steel had 0.04** in the same year.

SOLVENCY RATIOS:

3.4 Debt-Equity ratio **(₹ in crores)**

YEAR	TOTAL LONGTERM DEBT		SHAREHOLDERS' FUNDA		DEBT-EQUITY RATIO	
	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL
2019	39,715.00	36,345.00	70,454.71	34,893.00	0.56	1.04
2020	42,683.14	48,086.00	74,563.12	38,362.00	0.57	1.25
2021	55,238.21	49,215.00	94,410.12	46,977.00	0.59	1.05
2022	42,887.63	53,235.00	1,25,433.76	63,501.00	0.34	0.84
2023	52,556.61	59,847.00	1,34,797.51	63,659.00	0.39	0.94

(source: Companies' annual report)

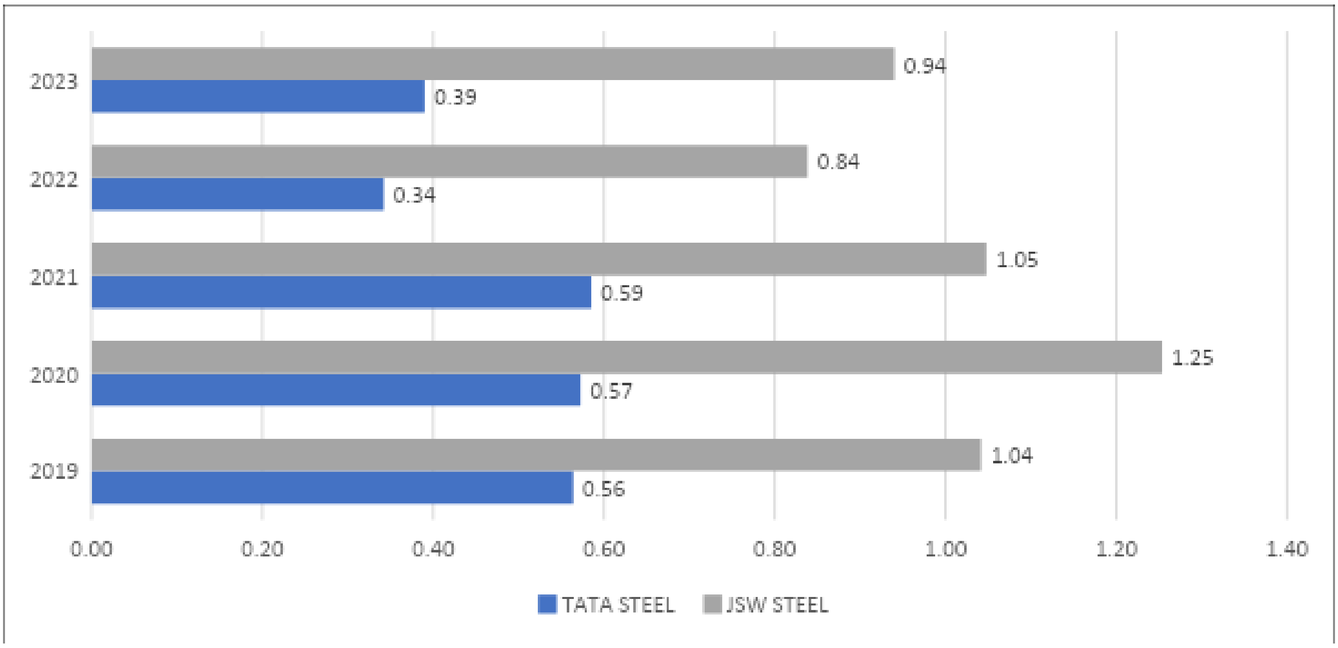

Fig. 3.4 Debt – equity ratio

Interpretation

The debt-equity ratio represents the proportion of debt and equity of company in the capital structure. The ideal ratio 1:2 is considered good debt-equity ratio. From 2019 to 2023 the debt-equity ratio of Tata steel is less than 1, hence it can be said the company has better position in terms of debt maintenance. In **2019**, Tata Steel has **0.56** debt equity ratio and it was increasing every year, but after **2021** there was a sudden fall in debt equity ratio from **0.59 to 0.34**, overall Tata Steel has a good debt-equity mix in it's capital structure. On the other hand, JSW Steel has higher debt-equity ratio in every year, the highest debt ratio was **1.25** in the year **2020**, which is more than the ideal ratio and not only this year this company is showing it's higher debt-equity ratio in every year, which is not good, so it cleared that the JSW Steel have more debt capital than equity capital in it's capital structure.

3.5 Proprietary Ratio **(₹ in crores)**

YEAR	SHAREHOLDERS' FUND		TOTAL ASSETS		PROPRIETARY RATIO	
	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL
2019	70,454.71	34,893.00	137498.36	107425	0.51	0.32
2020	74,563.12	38,362.00	150392.56	122042	0.50	0.31
2021	94,410.12	46,977.00	180490.93	133232	0.52	0.35
2022	1,25,433.76	63,501.00	221986.22	162870	0.57	0.39
2023	1,34,797.51	63,659.00	233791.42	172841	0.58	0.37

(source: Companies' annual report)

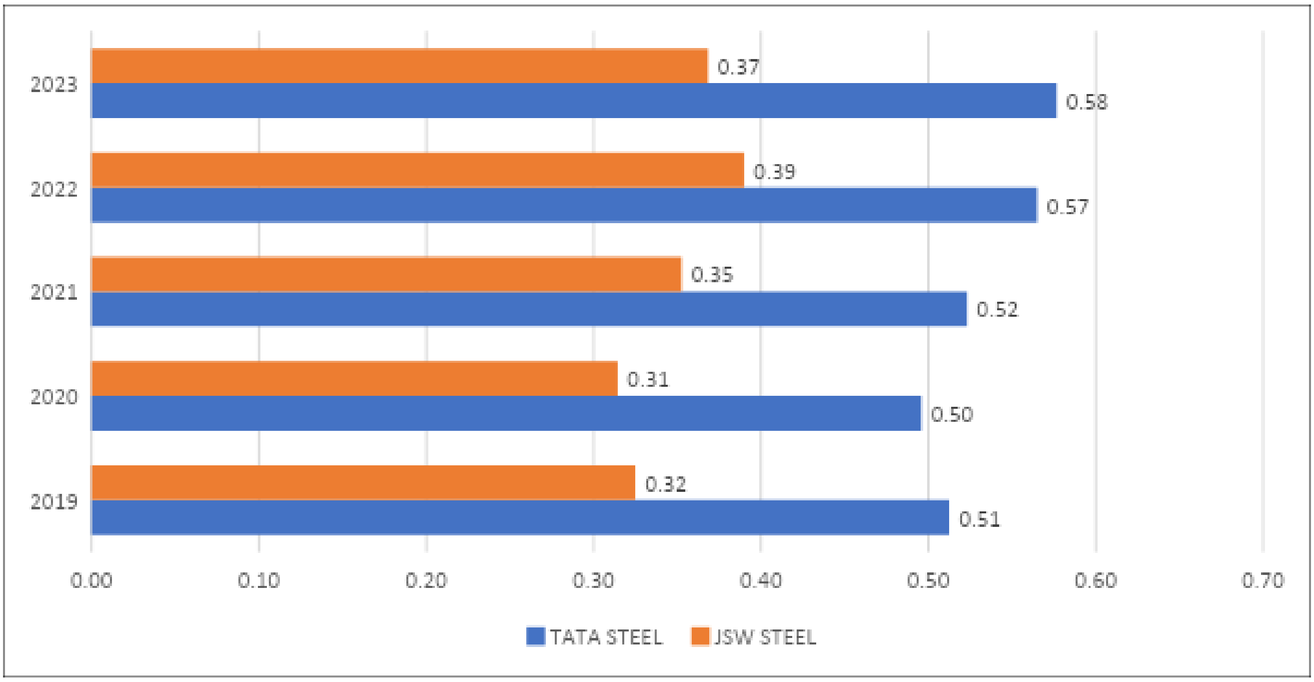

Fig. 3.5 Proprietary Ratio

Interpretation

The high proprietary ratio indicates that a company has a sufficient amount of equity to support the function of business. The ideal value of the proprietary ratio 1:2. If investor agree to take large amount of risk than a lower proprietary ratio is preferred. It is inferred from the table that the proprietary ratio of **Tata steel** is higher in the year **2023 (i.e., 0.58)** and **JSW Steel** has **0.37** in the same year. and **JSW Steel** is higher in the year **2022 (i.e., 0.39)** and **Tata Steel** has **0.57** In the same year. the lowest point of **JSW Steel** is **0.31** in the year **2022** and **Tata Steel** is **0.50** which is ideal ratio. Overall, the Tata steel has better proprietary ratio in every year. whereas the JSW Steel’s Proprietary ratio is lower every year. Hence, JSW Steel getting little risky.

PROFITABILITY RATIO:

3.6 Net Profit Ratio **(₹ in crores)**

YEAR	NET PROFIT		SALES		NET PROFIT RATIO	
	TATA STEEL (₹)	JSW STEEL (₹)	TATA STEEL (₹)	JSW STEEL (₹)	TATA STEEL (%)	JSW STEEL (%)
2019	10,533.19	8,121	70,610.92	77,187	14.92	10.52
2020	6,743.80	5,291	60,435.97	64,262	11.16	8.23
2021	17,077.97	8,393	84,132.92	70,727	20.30	11.87
2022	33,011.18	16,702	129021.35	118820	25.59	14.06
2023	15,495.11	4,937	129006.62	1,31,687.0 0	12.01	3.75

(source: Companies' annual report)

Fig. 3.6 Net Profit ratio

Interpretation

Net profit ratio shows the relationship between net profit and net sales. Higher the ratio indicates that operational efficiency of the concern. And 5% to 10% considered good net profit ratio. It can be observed from above chart both of the company is maintaining net profit higher than idle net profit. But **Tata steel** is maintaining higher net profit than **JSW Steel**. In **2022**, both companies their made highest net profit, that is **25.59% of Tata Steel**, and **14.06% of JSW Steel**. The lowest point of **Tata Steel was 11.26%** in the year **2020** which is a good net profit ratio, while **JSW Steel** has its lowest point in the year **2023 (3.75%),** which is bellow the ideal ratio. Hence, it is cleared that Tata Steel has a better position to make good net profit.

3.7 Return on equity **(₹ in crores)**

YEAR	NET PROFIT		NET WORTH		RETURN ON EQUITY	
	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL (%)	JSW STEEL (%)
2019	10,533.19	8,121	70,454.71	34,893.00	14.95	23.27
2020	6,743.80	5,291	74,563.12	38,362.00	9.04	13.79
2021	17,077.97	8,393	94,410.12	46,977.00	18.09	17.87
2022	33,011.18	16,702	1,25,433.76	63,501.00	26.32	26.30
2023	15,495.11	4,937	1,34,797.51	63,659.00	11.50	7.76

(source: Companies' annual report)

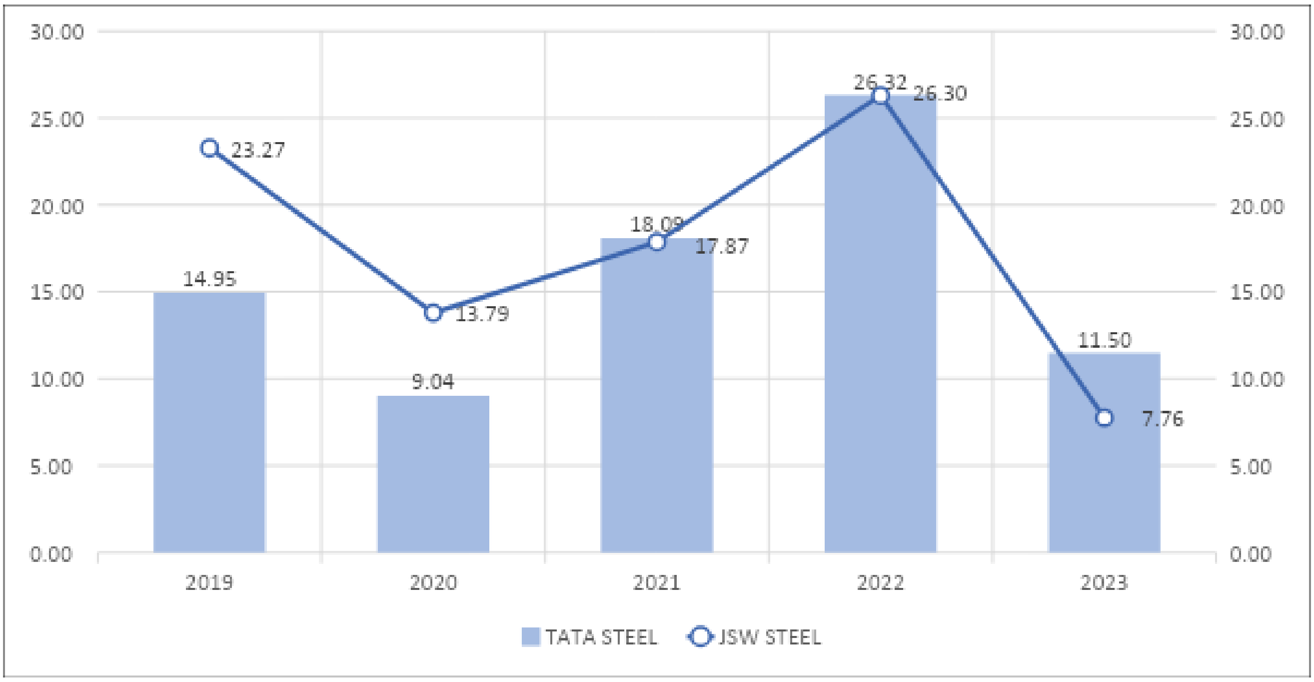

Fig. 3.7 Return on equity

Interpretation

The return on equity signifies how good the company is in generating returns on the investment it received from his shareholders. The ideal return on equity is 15% to 20%. It is inferred from the table that the return on equity of both companies is maximum in the year **2022**, **26.32%** of Tata Steel and **26.30%** of **JSW Steel** which is almost same and it is a good ROE. But there is sudden fall in ROE of both company in the year **2023**, **Tata steel falls to 11.50%** and **JSW Steel falls to 7.76%** and it is the lowest point of **JSW Steel**, which is not a good ROE. **Tata steel's** lowest point of ROE is **9.04%** in the year **2020**. JSW Steel is maintaining higher return on equity than JSW Steel from 2019 to 2023.

3.8 Return on Capital Employed (₹ in crores)

YEAR	PROFIT BEFORE TAX		CAPITAL EMPLOYED		RETURN ON CAPITAL EMPLOYED	
	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL (%)	JSW STEEL(%)
2019	16,227.25	11,707	111904.71	71238	14.50	16.43
2020	6,610.98	4,292	119521.26	86448	5.53	4.96
2021	18,609.84	12,196	150423.33	96192	12.37	12.68
2022	44,090.65	24,715	168321.39	116736	26.19	21.17
2023	21,021.92	6,968	187354.12	123506	11.22	5.64

(source: Companies' annual report)

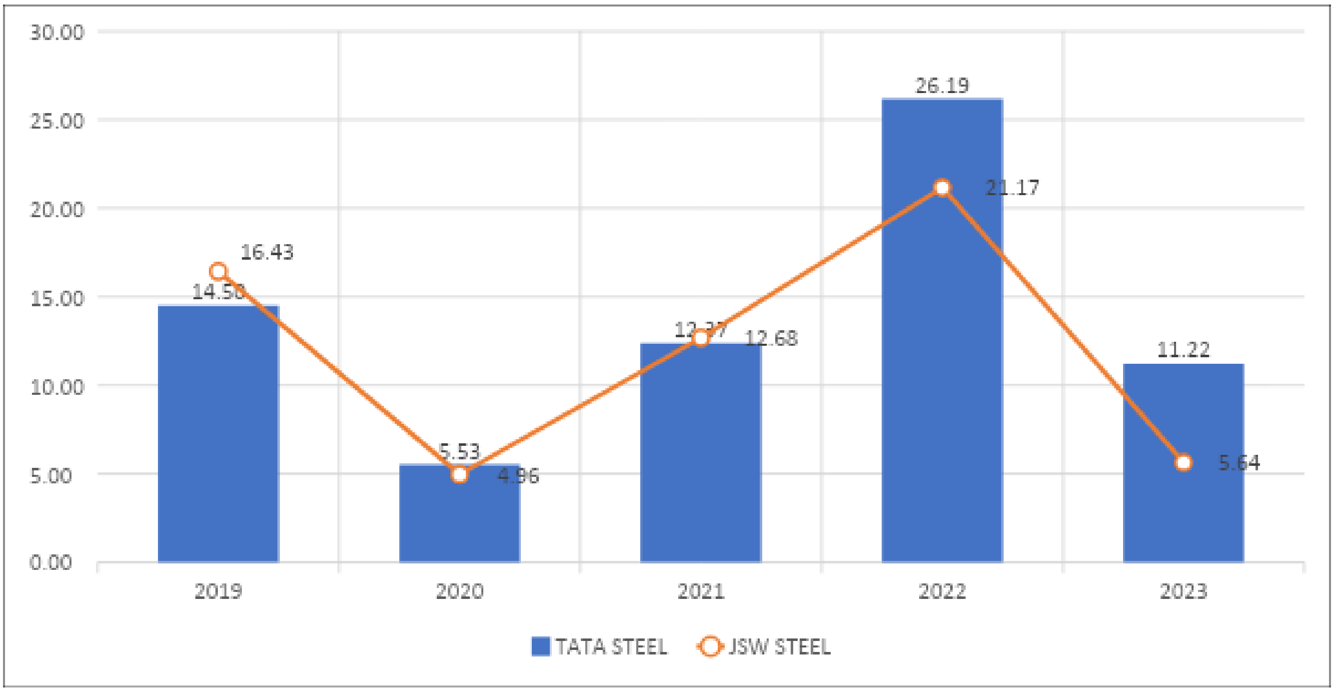

Fig. 3.8 Return on capital employed

Interpretation

Return on capital employed measures the efficiency with which investment made by the shareholders. The ideal return on capital employed is above 20%. It is inferred from the table that the return on capital employed is highest in the year 2022, Tata steel has 26.19% ROCE and JSW Steel has 21.17% ROCE, which is higher than ideal ratio and it is considered as a good ROCE. The both companies cannot achieve the ideal ROCE except 2022. In 2021, Tata steel had 12.37% while JSW Steel had 12.68% which is slightly higher than Tata steel. But in the year 2023, there is a large gap between these two companies, Tata Steel has 11.22% of ROCE whereas JSW Steel has 5.64% of ROCE. Hence, it can be said that TATA Steel has a better position in terms of return on capital employed.

3.9 Operating Profit ratio (₹ in crores)

YEAR	OPERATING PROFIT		NET SALES		OPERATING PROFIT RATIO	
	TATA STEEL	JSW STEEL	TATA STEEL	JSW STEEL	TATA STEEL (%)	JSW STEEL (%)
2019	20,561.52	18,512	70,610.92	77,187	29.12	23.98
2020	14,859.11	12,191	60,435.97	64,262	24.59	18.97
2021	27,123.71	19,218	84,132.92	70,727	32.24	27.17
2022	51,129.85	31,436	129021.35	118820	39.63	26.46
2023	27,701.97	15,156	129006.62	1,31,687.00	21.47	11.51

(source: Companies' annual report)

Fig. 3.9 Operating profit ratio

Interpretation

This ratio is used to measure the operational efficiency of the management. The highest operating profit ratio of Tata steel is 36.63% in the year 2022, whereas the the JSW steel has 26.46% operating profit ratio in the same year. In 2021, JSW Steel on its highest operating profit ratio (i.e., 27.17%), on the other hand Tata Steel's operating profit ratio was 32.24%. It is Tata steel's lowest point is 21.47% in the year 2023, also JSW steel at its lowest point in the same year which is 11.51%. So, it is cleared that TATA Steel has performed better than JSW steel.

CHAPTER – 4

Conclusion and recommendations related to the study

4.1 Conclusion

The financial statement analysis of JSW Steel and Tata Steel from 2018-19 to 2022-23 highlights key differences in their liquidity, profitability, and solvency. JSW Steel consistently demonstrated a stronger liquidity position, with its current ratio increasing at 1.03 in 2022, compared to Tata Steel's peak of 0.80 in 2021. This indicates JSW Steel's better capability to handle short-term financial pressures.

In terms of profitability, Tata Steel outperformed JSW Steel, with its operating profit ratio increasing at 36.63% in 2022, while JSW Steel's highest was 27.17% in 2021. Both companies saw declines in 2023, with Tata Steel at 21.47% and JSW Steel at 11.51%.

Tata Steel maintained a higher return on equity (ROE), increasing around 26.3% in 2022, compared to JSW Steel's peak of 26.3% in the same year, but both declined in 2023, with Tata Steel at 11.50% and JSW Steel at 7.76%.

Tata Steel's debt-equity ratio ranged from 0.34 to 0.59, showing reduced long-term debt by 2022. JSW Steel's debt-equity ratio ranged from 0.84 to 1.25, increasing at 1.25 in 2020, indicating higher debt dependence.

Overall, JSW Steel excels in liquidity management, while Tata Steel shows superior operational efficiency and profitability. For sustained growth, Tata Steel should improve its liquidity, and JSW Steel should enhance its profitability. Addressing these areas can help both companies achieve greater financial stability and competitiveness in the steel industry. This comprehensive analysis provides valuable insights into the financial health and performance of JSW Steel and Tata Steel for stakeholders and investors.

4.2 Recommendations

- **Recommendations for JSW Steel**

  1. Enhance Profitability: Focus on cost reduction strategies, invest in technology and innovation, and diversify product offerings to drive revenue growth.

  2. ***Strengthen Long-term Financial Stability***: Reduce debt levels, maintain a balanced capital structure, and increase investments in sustainable practices.

3. Improve Return on Equity (ROE)*:* Optimize the use of shareholders' equity, and enhance shareholder communication to attract more investors.

- **Recommendations for Tata Steel**

1. Improve Liquidity: Increase cash reserves, optimize working capital management, and enhance credit control and collection processes.
2. Maintain Profitability: Sustain high profit margins through operational efficiencies, invest in high-margin products, and adapt to market changes.
3. Strengthen Long-term Solvency*:* Reduce reliance on debt, diversify the investment portfolio, and focus on sustainable growth initiatives.
4. Increase Return on Equity (ROE): Leverage strategic acquisitions and partnerships, implement robust financial planning, and improve asset utilization and efficiency.

These recommendations can help JSW Steel and Tata Steel address their respective weaknesses and leverage their strengths, leading to improved financial performance and competitiveness in the steel industry.

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ANNEXURE

BALANCE SHEET OF TATA STEEL LTD.

(₹ in crores)

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
EQUTY AND LIABILITIES					
Shareholders' Fund					
Share Capital	1,222.40	1,222.37	1,198.78	1,146.13	1,146.12
Reserve And Surplus	1,33,575.11	1,24,211.39	93,207.56	73,416.99	69,308.59
TOTAL SHAREHOLDERS FUND	**134797.51**	**125433.76**	**94406.34**	**74563.12**	**70454.71**
Non-Current liabilities					
Long term borrowings	30,880.89	20,290.81	31,545.41	31,381.96	26,651.19
Deferred Tax Liabilities [Net]	8,684.15	8,087.57	8,517.78	5,862.28	7,807.00
Other Long-Term Liabilities	10,436.32	11,824.25	12,602.79	3,325.34	2,798.63
Long Term Provisions	2,555.25	2,685.00	2,572.23	2,113.56	1,918.18
TOTAL NON-CURRENT LIABILITIES	**52,556.61**	**42,887.63**	**55,238.21**	**42,683.14**	**39,175.00**
CURRENT LIABILITIES					
Short Term Borrowings	7,298.12	11,984.66	984.68	7,857.27	8.09
Trade Payables	18,082.40	21,091.14	13,426.21	10,600.96	10,969.56
Other Current Liabilities	19,975.84	19,506.61	14,579.80	11,749.21	13,837.77
Short Term Provisions	1,080.94	1,082.42	1,076.91	663.86	778.23
TOTAL CURRENT LIABILITIES	**46,437.30**	**53,664.83**	**30,067.60**	**30,871.30**	**25,593.65**
TOTAL CAPITAL AND LIABILITIES	**2,33,791.42**	**2,21,986.22**	**1,80,490.93**	**1,50,392.56**	**1,37,498.36**
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	90,422.42	93,484.40	96,287.55	70,505.66	70,416.82
Intangible Assets	763.87	806.03	855.73	727.72	805.2
Capital Work-In-Progress	21,091.92	14,159.32	10,499.49	8,070.41	5,686.02
Fixed Assets	**1,12,793.17**	**1,08,832.39**	**1,08,051.56**	**79,480.43**	**77,018.31**
Non-Current Investments	44,138.90	43,401.43	29,087.33	46,860.91	38,929.25
Long Term Loans and Advances	32,779.08	30,195.27	7,570.10	199.26	231.16
Other Non-Current Assets	10,130.75	8,267.56	6,507.54	3,842.77	4,284.06
TOTAL NON-CURRENT ASSETS	**1,99,841.90**	**1,90,696.65**	**1,51,216.53**	**1,30,383.37**	**1,20,462.78**
CURRENT ASSETS					
Current Investments	2,050.40	96.11	7,096.80	3,235.16	477.47

Inventories	20,795.56	19,942.94	12,857.51	10,716.66	11,255.34
Trade Receivables	3,351.72	3,280.30	2,878.58	1,016.73	1,363.04
Cash And Cash Equivalents	1,077.33	2,855.29	2,396.90	1,226.87	718.11
Short Term Loans and Advances	3,191.21	2,368.01	1,564.37	1,607.32	55.92
Other Current Assets	3,483.30	2,746.92	2,480.24	2,206.45	3,165.70
TOTAL CURRENT ASSETS	**33,949.52**	**31,289.57**	**29,274.40**	**20,009.19**	**17,035.58**
TOTAL ASSETS	**2,33,791.42**	**2,21,986.22**	**1,80,490.93**	**1,50,392.56**	**1,37,498.36**

BALANCE SHEET OF JSW STEEL

(₹ in crores)

	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
EQUTY AND LIABILITIES					
Shareholders' Fund					
Share Capital	301	301	302	301	301
Total Share Capital	301	301	302	301	**532**
Reserve And Surplus	63,358.00	63,200.00	46,675.00	38,061.00	34,592.00
TOTAL SHAREHOLDERS FUND	**63659**	**63501**	**46977**	**38362**	**35124**
Non-Current liabilities					
Long term borrowings	48,346.00	41,176.00	39,551.00	39,247.00	27,435.00
Deferred Tax Liabilities [Net]	7,460.00	6,935.00	3,095.00	1,315.00	3,331.00
Other Long-Term Liabilities	2,791.00	3,832.00	5,816.00	7,202.00	5,113.00
Long Term Provisions	1,250.00	1,292.00	753	322	235
TOTAL NON-CURRENT LIABILITIES	**59,847.00**	**53,235.00**	**49,215.00**	**48,086.00**	**36,114.00**
CURRENT LIABILITIES					
Short Term Borrowings	6,825.00	9,259.00	1,285.00	6,813.00	5,371.00
Trade Payables	30,705.00	24,328.00	12,150.00	13,354.00	13,128.00
Other Current Liabilities	11,570.00	12,320.00	23,362.00	15,363.00	17,635.00
Short Term Provisions	235	227	243	64	53
TOTAL CURRENT LIABILITIES	**49,335.00**	**46,134.00**	**37,040.00**	**35,594.00**	**36,187.00**
TOTAL CAPITAL AND LIABILITIES	**1,72,841.00**	**1,62,870.00**	**1,33,232.00**	**1,22,042.00**	**1,07,425.00**
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	73,255.00	69,767.00	50,328.00	50,219.00	51,600.00
Intangible Assets	1,801.00	1,879.00	1,614.00	323	172
Capital Work-In-Progress	10,271.00	12,459.00	28,914.00	23,810.00	10,099.00
Fixed Assets	**85,562.00**	**84,245.00**	**80,984.00**	**74,683.00**	**62,215.00**
Non-Current Investments	24,320.00	18,028.00	12,458.00	5,999.00	5,397.00
Long Term Loans and Advances	5,346.00	5,763.00	5,382.00	8,705.00	7,675.00

Other Non-Current Assets	8,469.00	7,349.00	4,705.00	3,280.00	3,740.00
TOTAL NON-CURRENT ASSETS	**1,23,697.00**	**1,15,385.00**	**1,03,529.00**	**92,667.00**	**79,027.00**
CURRENT ASSETS					
Current Investments	0.00	0.00	0.00	0.00	0.00
Inventories	19,517.00	21,028.00	10,692.00	9,623.00	10,815.00
Trade Receivables	6,000.00	6,146.00	3,333.00	3,166.00	6,770.00
Cash And Cash Equivalents	18,716.00	15,527.00	11,746.00	11,401.00	5,813.00
Short Term Loans and Advances	93	265	733	321	136
Other Current Assets	4,818.00	4,519.00	3,199.00	4,864.00	4,864.00
TOTAL CURRENT ASSETS	**49,144.00**	**47,485.00**	**29,703.00**	**29,375.00**	**28,398.00**
TOTAL ASSETS	**1,72,841.00**	**1,62,870.00**	**1,33,232.00**	**1,22,042.00**	**1,07,425.00**