



A STUDY ON FINANCIAL ANALYSIS OF TATA STEEL COMPANY

Mr. Guru Prasath. R¹, Dr. R. Thiyagu², Dr. R. Sharmila³

¹MBA

²Professor

³Professor

Sakthi Institute of Information and Management Studies

ABSTRACT

This article presents a comprehensive financial performance analysis of Tata Steel Limited, one of India's foremost steel manufacturers and a global industry leader. Using ratio analysis as the primary tool, the study examines liquidity, profitability, solvency, and efficiency metrics across a ten-year window (FY 2015-16 to FY 2024-25). The analysis covers fifteen key financial ratios including Current Ratio, Quick Ratio, Net Profit Ratio, Return on Equity (ROE), Return on Capital Employed (ROCE), Debt-Equity Ratio, Interest Coverage Ratio, Earnings Per Share (EPS), Dividend Yield, and various turnover ratios. The study traverses significant economic events – the pre-GST regime, the COVID-19 pandemic, and the 2022 global steel super-cycle – to reveal cyclical patterns, strategic financial decisions, and the company's resilience. Findings indicate strong profitability during market upturns, disciplined deleveraging, and consistent shareholder returns, while moderate liquidity and periodic earnings volatility reflect the capital-intensive, cyclical nature of the steel industry.

KEYWORDS: Financial Ratio Analysis, Tata Steel, Liquidity, Profitability, Solvency, Return on Equity, ROCE, Debt-Equity Ratio, Steel Industry, India.

INTRODUCTION

Financial management is a strategic imperative for companies operating in capital-intensive sectors like steel manufacturing, where ratio analysis converts raw financial data into actionable intelligence. As the world's second-largest producer of crude steel, India's economic health is deeply intertwined with this sector, which underpins critical infrastructure and industrial growth. Established in 1907 as Asia's first integrated steel plant, Tata Steel Limited has evolved from a domestic pioneer into a global powerhouse with major operations across India, the United Kingdom, and the Netherlands. This study provides a longitudinal, evidence-based assessment of Tata Steel's financial performance over a decade (FY 2015–16 to FY 2024–25). By evaluating fifteen key financial metrics, the analysis explores how the company navigated major macroeconomic events—including the pre-GST era, the COVID-19 pandemic, and the extraordinary 2022 global steel super-cycle—to reveal its underlying operational efficiency, structural resilience, and long-term capacity for wealth creation.

REVIEW OF LITERATURE

- Kumar and Singh (2020) analyzed Tata Steel's financial performance using ratio analysis. The study found that effective working capital management improved operational efficiency and stability.
- Sharma (2020) compared Tata Steel and SAIL using profitability and solvency ratios. The study concluded that Tata Steel showed better operational efficiency and profitability.
- Patel and Joshi (2020) examined Tata Steel's liquidity position during economic slowdown. The research found that efficient liquidity management supported business operations.
- Reddy (2021) studied Tata Steel's profitability using

profit ratios. The study found that cost control and production efficiency improved profitability.

- Devi and Kumar (2021) analyzed Tata Steel's solvency through debt-equity and interest coverage ratios. The study concluded that balanced financing improves long-term stability.
- Arvind (2021) conducted a study on Tata Steel's working capital management. The research found that inventory and receivable management improved profitability.
- Meena and Rao (2021) studied financial management practices in Tata Steel. The study concluded that efficient financial planning supports sustainable growth.
- Karthik (2022) evaluated Tata Steel's financial efficiency using ROE and ROCE. The study observed improved shareholder returns after operational restructuring.
- Nair and Thomas (2022) analyzed Tata Steel's liquidity management practices. The study concluded that proper cash flow management ensures operational stability.
- Prakash (2022) examined Tata Steel's financial leverage position. The research concluded that balanced leverage improves financial strength and reduces risk.
- Iyer and Balaji (2022) studied profitability trends in Tata Steel after market recovery. The study found that export performance and cost efficiency improved profits.
- Suresh (2023) conducted financial statement analysis of Tata Steel. The study concluded that stable liquidity and profitability support investment decisions.
- Banerjee and Das (2023) analyzed Tata Steel's operational efficiency using turnover ratios. The study found that efficient resource utilization improved profitability.
- Joseph (2023) studied the impact of global steel prices on Tata Steel's profitability. The research concluded that strategic planning helped manage market fluctuations.
- Priyanka and Rao (2023) examined the relationship



between working capital and profitability in Tata Steel. The study found that efficient working capital utilization improved net profits.

- Ahmed (2024) analyzed Tata Steel's solvency and financial stability. The study concluded that balanced capital structure policies improve long-term financial health.
- Kiran and Devi (2024) studied Tata Steel's profitability after technological improvements. The research found that innovation and reduced costs improved financial performance.
- Mohan (2024) compared Tata Steel and JSW Steel using financial ratios. The study concluded that Tata Steel showed better solvency and operational efficiency.
- Rekha and Srinivasan (2025) examined the impact of sustainability initiatives on Tata Steel. The study found that eco-friendly practices improved profitability and efficiency.
- Varun (2025) analyzed Tata Steel's financial performance using ratio and trend analysis. The study concluded that strategic financial planning supported business growth.

OBJECTIVES

- To evaluate the liquidity position of Tata Steel through liquidity ratios such as Current Ratio and Quick Ratio.
- To examine the profitability position of Tata Steel using ratios like Net Profit Ratio, Gross Profit Ratio, and

Return on Capital Employed.

- To analyze the solvency position of Tata Steel by studying leverage ratios such as Debt-Equity Ratio.

RESEARCH DESIGN & METHODOLOGY

This study adopts an Analytical and Descriptive Research Design. It is descriptive because it describes the financial facts as they exist in the annual reports. It is analytical because it uses existing information (financial statements) to explain the 'why' and 'how' behind the numbers using mathematical ratios.

Nature of Data: The study is mainly based on secondary data — Internal Sources (Audited Annual Reports, Integrated Reports, and Investor Presentations of Tata Steel Limited) and External Sources (NSE, BSE, Money control, and Business Standard).

Period of Study: The study covers a 10-year period from FY 2015-16 to the estimated FY 2024-25, encompassing the pre-GST era, the global pandemic (2020-21), and the 2022 steel super-cycle.

Tools and Techniques: Ratio Analysis (primary tool), Trend Analysis, Comparative Statement Analysis, and Tabulation & Graphical Representation.

FINANCIAL RATIO ANALYSIS

Current Ratio (2016–2025)

Financial Year	Total Current Assets	Total Current Liabilities	Current Ratio
2016	14,421.49	21,087.99	0.68
2017	20,097.43	23,056.33	0.87
2018	34,643.91	25,662.62	1.35
2019	31,524.30	33,210.55	0.95
2020	16,773.57	35,015.54	0.48
2021	28,890.78	30,067.60	0.96
2022	31,289.57	53,664.83	0.58
2023	28,456.12	38,454.21	0.74
2024	33,524.30	46,310.22	0.72
2025	36,150.00	48,200.00	0.75

Interpretation: Maintained tightly below the ideal 2:1 benchmark (averaging 0.50 to 0.95), reflecting a "negative working capital" strategy where supplier credit is heavily leveraged to fund daily operations and plant expansions.

Quick Ratio (2016–2025)

Financial Year	Current Assets	Inventories	Quick Assets	Current Liabilities	Quick Ratio
2016	14,421.49	7,083.81	7,337.68	21,087.99	0.35
2017	20,097.43	10,236.85	9,860.58	23,056.33	0.43
2018	34,643.91	11,023.41	23,620.50	25,662.62	0.92
2019	31,524.30	11,238.01	20,286.29	33,210.55	0.61
2020	16,773.57	10,716.66	6,056.91	35,015.54	0.17
2021	24,151.80	8,603.79	15,548.01	21,956.18	0.71
2022	32,541.90	19,129.18	13,412.72	34,254.63	0.39
2023	28,456.12	25,420.36	3,035.76	38,454.21	0.08
2024	33,524.30	24,547.20	8,977.10	46,310.22	0.19
2025	36,150.00	18,500.00	17,650.00	48,200.00	0.37

Interpretation: Remained mostly below the 1:1 benchmark, hitting a low in 2023 due to expansion liabilities and high inventory. It highlights a lean liquidity strategy backed by a high credit standing and fast debtors turnover.



Net Profit Ratio (2016–2025)

Financial Year	Profit After Tax (PAT)	Net Revenue	Net Profit Ratio (%)
2016	4,900.95	38,210.34	12.83%
2017	3,444.55	45,188.42	7.62%
2018	4,169.55	60,519.38	6.89%
2019	10,533.19	71,170.93	14.80%
2020	6,743.80	60,435.97	11.16%
2021	13,606.73	84,142.15	16.17%
2022	33,011.18	1,28,914.34	25.61%
2023	15,495.11	1,27,517.96	12.15%
2024	4,807.03	1,40,786.19	3.41%
2025	11,200.00	1,47,500.00	7.59%

Interpretation: Highly cyclical, reaching a record 25.61% during the 2022 global steel price surge before dipping due to rising raw material costs, proving huge wealth-generation capabilities during market up turns.

Return on Equity (ROE) (2016–2025)

Financial Year	Profit After Tax (PAT)	Shareholders' Funds	ROE (%)
2016	4,900.95	70,476.72	6.95%
2017	3,444.55	51,934.01	6.63%
2018	4,169.55	60,654.12	6.87%
2019	10,533.19	71,532.10	14.72%
2020	6,743.80	75,410.87	8.94%
2021	13,606.73	91,634.20	14.85%
2022	33,011.18	1,16,215.45	28.40%
2023	15,495.11	1,02,410.15	15.13%
2024	4,807.03	1,35,409.30	3.55%
2025	11,200.00	1,41,772.15	7.90%

Interpretation: Achieved a historic peak of 28.40% in 2022. Despite price volatility in subsequent years, double-digit averages show the company remains a strong wealth creator for long-term investors.

Return on Capital Employed (ROCE) (2016–2025)

Financial Year	EBIT / Operating Profit	Total Capital Employed	ROCE (%)
2016	4,898.56	93,510.43	5.24%
2017	5,901.61	86,155.00	6.85%
2018	9,368.40	92,423.50	10.14%
2019	16,497.42	1,04,414.05	15.80%
2020	8,195.12	1,12,261.92	7.30%
2021	22,331.33	1,26,165.70	17.70%
2022	44,256.29	1,54,904.75	28.57%
2023	16,551.83	1,43,928.95	11.50%
2024	18,639.42	1,72,587.20	10.80%
2025	22,200.00	1,31,360.95	16.90%

Interpretation: Surged to 28.57% in 2022 and stabilized around 7–17% in other years. A projected recovery to 16.90% for 2025 points to efficient revenue generation from recent infrastructure projects.

Operating Profit Ratio (2016–2025)

Financial Year	EBIT / Operating Profit	Net Revenue	Ratio (%)
2016	4,898.56	38,210.34	12.82%
2017	5,901.61	45,188.42	13.06%
2018	9,368.40	60,519.38	15.48%
2019	16,497.42	71,170.93	23.18%
2020	8,195.12	60,435.97	13.56%
2021	22,331.33	84,142.15	26.54%
2022	44,256.29	1,28,914.34	34.33%
2023	16,551.83	1,27,517.96	12.98%
2024	18,639.42	1,40,786.10	13.24%
2025	11,200.00	1,41,772.15	7.90%



Interpretation: Peaked at 34.33% in 2022 due to optimized production costs and high market prices, showcasing a resilient competitive spread between manufacturing costs and selling prices.

Debt-Equity Ratio (2016–2025)

Financial Year	Total Debt	Shareholders' Funds	Debt-Equity Ratio
2016	82,435.10	70,476.72	1.17
2017	78,541.20	51,934.01	1.51
2018	92,147.60	60,654.12	1.52
2019	1,00,816.50	71,532.10	1.41
2020	1,16,328.00	75,410.87	1.54
2021	95,456.10	91,634.20	1.04
2022	75,561.20	1,16,215.45	0.65
2023	84,893.00	1,02,410.15	0.83
2024	91,328.15	35,409.30	0.67
2025	89,500.00	1,41,772.15	0.63

Interpretation: Highlights exceptional financial discipline by dropping from 1.54 in 2020 to 0.63 by 2025. Peak profits were smartly used to aggressively pay down debt, keeping leverage safely below the industrial danger zone.

Interest Coverage Ratio (2016–2025)

Financial Year	EBIT / Operating Profit	Interest Expense	ICR (Times)
2016	4,898.56	2,746.50	1.78
2017	5,901.61	2,704.91	2.18
2018	9,368.40	2,812.35	3.33
2019	16,497.42	3,115.65	5.30
2020	8,195.12	3,028.91	2.71
2021	22,331.33	2,877.01	7.76
2022	44,256.29	3,181.59	13.91
2023	16,551.83	3,674.50	4.50
2024	18,639.42	4,120.30	4.52
2025	22,200.00	4,036.00	5.50

Interpretation: Peaked at 13.91x in 2022 and normalized to 5.50 by 2025. It remains well above the safety benchmark of 3.0, proving the company generates more than enough cash flow to service its debt.

Proprietary Ratio (2016–2025)

Financial Year	Shareholders 'Funds	Total Assets	Proprietary Ratio
2016	70,476.72	1,23,643.37	0.57
2017	51,934.01	1,10,497.89	0.47
2018	60,654.12	1,26,362.75	0.48
2019	71,532.10	1,37,561.73	0.52
2020	75,410.87	1,42,284.66	0.53
2021	91,634.20	1,60,761.75	0.57
2022	1,16,215.45	1,87,444.27	0.62
2023	1,18,812.30	2,42,474.08	0.49
2024	1,35,479.79	2,82,249.56	0.48
2025	1,41,800.00	3,01,700.00	0.47

Interpretation: Reached a strong 0.62 in 2022, signaling that 62% of assets were funded by equity. Slight dips later reflect rapid asset expansions, but overall it shows a healthy, independent long-term financial structure.

Debtors Turnover Ratio (2016–2025)

Financial Year	Net Revenue	Trade Receivables	Debtors Turnover
2016	38,210.34	632.85	60.38
2017	45,188.42	2,006.15	22.52
2018	60,519.38	1,875.20	32.27
2019	71,170.93	1,283.90	55.43
2020	60,435.97	811.75	74.45
2021	84,142.15	834.25	100.86
2022	1,28,914.34	1,463.50	88.08
2023	1,27,517.96	2,561.40	49.78



2024	1,40,786.19	2,850.00	49.40
2025	1,47,500.00	2,900.00	50.86

Interpretation: Peaked exceptionally at 100.86x in 2021, proving an incredibly efficient credit collection system. Normalizing around 50.86x by 2025, it continues to minimize bad debt risks and free up capital.

Fixed Asset Turnover Ratio (2016–2025)

Financial Year	Net Revenue (A)	Net Fixed Assets (B)	Fixed Asset Turnover
2016	38,210.34	52,345.00	0.73
2017	45,188.42	71,500.00	0.63
2018	60,519.38	76,400.00	0.79
2019	71,170.93	76,500.00	0.93
2020	60,435.97	74,500.00	0.81
2021	84,142.15	73,800.00	1.14
2022	1,28,914.34	87,600.00	1.47
2023	1,27,517.96	96,400.00	1.32
2024	1,40,786.19	1,02,500.00	1.37
2025	1,47,500.00	95,161.29	1.55

Interpretation: Climbed to 1.47x during high global demand in 2022. Periodic fluctuations are normal due to project gestation periods, but a rising trend toward 2025 shows recent expansions are now actively driving revenue.

Inventory Turnover Ratio (2016–2025)

Financial Year	Net Sales	Avg. Inventory	Inventory Turnover
2016	38,210.34	6,368.39	6.00
2017	45,188.42	7,172.76	6.30
2018	60,519.38	8,900.50	6.80
2019	71,170.93	10,466.31	6.80
2020	60,435.97	10,988.35	5.50
2021	84,142.15	8,603.49	9.78
2022	1,28,914.34	16,953.26	7.60
2023	1,27,517.96	21,985.85	5.80
2024	1,40,786.10	22,707.43	6.20
2025	1,47,500.00	18,500.00	7.97

Interpretation: Hit a remarkable high of 9.78x in 2021 due to rapid product movement. Remaining healthy through 2025, it reflects a sophisticated supply chain that effectively prevents stock obsolescence.

Earnings Per Share (EPS) (2016–2025)

Financial Year	Profit After Tax(PAT)	Shares Outstanding	EPS
2016	4,900.95	97.12	50.46
2017	3,444.55	97.12	35.47
2018	4,169.55	114.61	36.38
2019	10,533.19	114.61	91.90
2020	6,743.80	114.61	58.84
2021	13,606.73	119.88	113.50
2022	33,011.18	122.21	270.12
2023	15,495.11	1,222.10	12.68
2024	4,807.03	1,248.30	3.85
2025	11,200.00	1,248.30	8.97

Interpretation: Skyrocketed to ₹270.12 in 2022. The subsequent sharp drop was not due to bad performance, but rather a deliberate 10:1 stock split designed to make shares more affordable for retail investors.

Dividend Yield Ratio (2016–2025)

Financial Year	Dividend Per Share	Avg. Market Price	Dividend Yield (%)
2016	8.00	250.00	3.20%
2017	10.00	430.00	2.33%
2018	10.00	620.00	1.61%
2019	13.00	510.00	2.55%
2020	10.00	380.00	2.63%
2021	25.00	850.00	2.94%



2022	51.00	1,200.00	4.25%
2023	3.60*	110.00*	3.27%
2024	3.60	145.00	2.48%
2025	4.20	150.00	2.80%

Interpretation: Achieved a decade-high of 4.25% in 2022. Steadily hovering between 2.4% and 3.5%, it establishes Tata Steel as a reliable "Value" stock that prioritizes returning passive income to its shareholders.

Working Capital Turnover Ratio (2016–2025)

Financial Year	Net Revenue (A)	Working Capital (B)	W.C. Turnover (A/B)
2016	38,210.34	-6,666.50	-5.73
2017	45,188.42	-2,958.90	-15.27
2018	60,519.38	8,981.29	6.74
2019	71,170.93	-1,686.25	-42.21
2020	60,435.97	-18,241.97	-3.31
2021	84,142.15	-1,176.82	-71.50
2022	1,28,914.34	-22,375.26	-5.76
2023	1,27,517.96	-9,998.09	-12.75
2024	1,40,786.19	-12,785.92	-11.01
2025	1,47,500.00	-12,050.00	-12.24

Interpretation: Frequently negative because current liabilities routinely exceeded current assets. This demonstrates massive bargaining power, allowing the company to fund operations using supplier credit rather than its own cash.

FINDINGS

- **Liquidity:** Moderate and deliberately tight, reflecting a negative working capital model rather than financial stress. The pandemic year (FY 2020) was the most acute liquidity trough; gradual recovery is evident through FY 2025.
- **Profitability:** Highly cyclical, with the 2022 steel super-cycle generating record margins across all profitability metrics. The company has demonstrated the ability to rebound swiftly from cyclical troughs, supporting the view of long-term earnings resilience.
- **Solvency:** Exceptional. The decade-long deleveraging drive reduced the debt-equity ratio to near-zero levels by FY 2022, and even with renewed borrowing for expansion, leverage remains conservative. Interest coverage is robust throughout.
- **Efficiency:** Strong across debtors' turnover, inventory management, and fixed-asset utilization, with improving trends that suggest better monetization of capital investments over time.
- **Shareholder Value:** Consistent dividend payments, a strategic stock split, and double-digit ROE/ROCE averages confirm Tata Steel's positioning as a wealth creator for long-term investors.

- **Prudent Leverage Management:** While the current debt-equity ratio is healthy, disciplined monitoring during the Kalinganagar and other expansion phases is essential to prevent over-leveraging during potential market downturns.
- **Technology and Automation:** Continued investment in Industry 4.0 solutions — predictive maintenance, AI-driven process optimization, and digital supply chains — will support both cost reduction and fixed-asset efficiency gains.
- **Sustainability Integration:** Embedding green-steel metrics (hydrogen-DRI, carbon capture) into the financial planning framework will improve ESG scores, lower cost of capital, and align with tightening global environmental standards.
- **Market Diversification:** Expanding export capacity to Southeast Asian and African markets will reduce dependence on the domestic and European cycles, smoothing revenue volatility.

CONCLUSION

Tata Steel has demonstrated exceptional financial discipline and resilience while navigating a highly cyclical and turbulent decade. The historic 2022 super-cycle validated the company's long-term strategy of investing heavily in capacity expansions during off-peak years to maximize operating leverage during demand booms. While liquidity is kept deliberately tight under a strategic lean framework, the company's financial structure remains highly secure thanks to an aggressive deleveraging drive, robust interest coverage, and optimized operational efficiency. Ultimately, through consistent dividend payouts and strong asset monetization, Tata Steel continues to prove itself as a reliable long-term wealth creator for investors, with projected FY 2025 metrics signaling a stable return to sustainable, mid-cycle profitability.

SUGGESTIONS

- **Strengthen Liquidity Buffers:** Targeted improvements to the current and quick ratios — through optimized inventory management and diversified short-term credit facilities — would reduce vulnerability during cyclical downturns.
- **Cost Diversification:** Accelerating backward integration into iron-ore and coking-coal assets, and expanding scrap-based electric-arc furnace capacity, would reduce raw-material price sensitivity and stabilize profit margins.



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