



A Study on Ratio-Based Financial Performance of Indian Steel Industry: A Comparative Study Between Tata Steel and JSW Steel

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Abstract

Financial analysis, encompassing financial ratio analysis and the identification of strengths and weaknesses in the financial sector, plays a crucial role in evaluating past managerial performance and predicting future prospects. The study examines and interprets the financial analysis of Tata Steel Limited (TSL) and JSW Steel. The report relies solely on secondary data sourced from the company's official website and financial publications. The Balance Sheet, Profit and Loss Account, and Cash flow statement have been employed to analyze and evaluate for interpretation. Financial Ratios were used which helped in understanding the financial health of the company. The ratios are the overall performance of a company through which comparison tests can be made. For the completion of the project report, liquidity ratios, solvency ratios, activity ratios, and profitability ratios have been taken. It was found that the financial analysis shows a good sign of improvement and growth from the past figures. It can be ascertained that the companies will continue to grow and perform better after understanding the financial statements and ratios.

Keywords: Ratio analysis, Financial analysis, Tata Steel Limited (TSL) and JSW Steel.

1. Introduction:

1.2 Financial Analysis:

Financial ratios and corporate performance are closely interconnected, with liquidity, solvency, activity, and profitability ratios serving as key tools in evaluating operational effectiveness (Brigham & Ehrhardt, 2016). It helps identify a company's strengths and weaknesses and offers insights into its financial health (Fraser & Ormiston, 2018). Ratios can be used to assess liquidity, receivables management, inventory handling, investment planning, and capital structure, all of which are important for maximizing shareholder wealth (White, Sondhi, & Fried, 2003). Additionally, financial statements provide key financial information necessary for decision-making, particularly in the company's financial system (Horngren, Sundem, & Elliott, 2009). Comparing financial performance over different periods is often necessary to spot trends and patterns, and ratio analysis is one of the most widely used methods to assess financial conditions and operational efficiency. For stakeholders such as investors, lenders, and management, such analysis aids in making informed strategic decisions and understanding the competitive landscape within the Indian steel industry (Gibson, 2013).

1.2 Industry Overview:

The Indian steel industry plays a crucial role in the country's economy, serving as an essential foundation for various sectors such as construction, automotive, and manufacturing.

Within this industry, Tata Steel and JSW Steel have emerged as prominent players due to their notable contributions to production and innovation. This report aims to conduct a comprehensive analysis of the financial performance of these two leading companies in the steel sector, employing ratio analysis as an effective comparison method. Financial ratios are important indicators of a firm's operational efficiency, profitability, liquidity, and overall financial condition. By assessing key financial metrics, this study seeks to uncover the strengths and weaknesses of Tata Steel and JSW Steel, offering insights into their competitive position.

Financial analysis, including ratio analysis, is essential for evaluating past managerial performance and predicting prospects.

Gaining insight into the financial performance of Tata Steel and JSW Steel through ratio analysis is essential for stakeholders, including investors, lenders, and management, as it provides vital information regarding the operational strengths and potential risks each company faces. This analysis not only facilitates informed strategic decision-making but also enhances the understanding of the competitive landscape within the Indian steel industry. Ultimately, this study aims to compare Tata Steel and JSW Steel, offering a thorough perspective on their financial stability amid changing market conditions. By thoroughly examining their financial statements and relevant ratios, the study aims to determine which company demonstrates stronger financial performance and is better positioned for future growth and sustainability in the steel sector.

1.3 Profile of the Companies:

Tata Steel Ltd.: -Tata Steel Limited is an Indian multinational steel-making company headquartered in Mumbai, India. Founded in 1907 by Jamsedji Tata, it is a subsidiary of the Tata Group, one of India's largest and most respected business amalgamations. With a presence in over 50 countries, Tata Steel is one of the world's largest steel producers, having a crude steel production capacity of over 34 million tons per annum. The company's product portfolio includes flat products, long products, tubes, and pipes, as well as construction and engineering products. Tata Steel's products cater to various industries, including automotive, construction, packaging, and consumer goods.

Tata Steel has received numerous awards and recognition for its commitment to sustainability, innovation, and corporate social responsibility. The company has been recognized as one of the "World's Most Ethical Companies" by Ethisphere Institute. Tata Steel has also been ranked among the top 10 steel companies globally in terms of sustainability by the World Steel Association. As of 2022, the company's revenue stood at over ₹243,000crores. With a market capitalization of over ₹1.5 trillion, Tata Steel is a leading player in the global steel industry. Tata Steel has established a state-of-the-art research and development center

in Jamshedpur, India, which focuses on developing new steel products and processes.

JSW Steel and Power Ltd.: - JSW Steel is a leading Indian steel company, part of the JSW Group of companies. Founded in 1982 by Sajjan Jindal, JSW Steel, an esteemed Indian steel manufacturer, is part of the larger JSW Group. Founded by Sajjan Jindal in 1982, the company has expanded to become one of the largest steel producers in India, with a presence in more than 100 countries. With a crude steel production capacity exceeding 27 million tons annually, JSW Steel ranks among India's top steel producers. The company offers a diverse range of steel products, including flat, long, and coated steel, serving various sectors such as automotive, construction, packaging, and consumer goods. JSW Steel's focus on innovation is highlighted by its advanced research and development center, which aims to create new steel products and processes through partnerships with international research institutions and universities.

In terms of corporate social responsibility, JSW Steel emphasizes education, healthcare, and community development, having established numerous schools, hospitals, and community centers in its operational regions, besides implementing environmental sustainability programs such as energy conservation, waste minimization, and biodiversity protection.

1.4 Objectives of the Study:

- To analyze the financial performance of steel companies by using ratio analysis.
- To make a comparative analysis of the two companies belonging to the Indian steel industry.

1.5 Significance of the Study:

The research on the ratio-based financial performance of the Indian steel industry, featuring a comparative assessment of selected steel firms, is extremely valuable. It highlights the financial stability, operational effectiveness, and profitability of a sector that plays a substantial role in India's economic growth and infrastructure enhancement. By utilizing ratio analysis, the research equips stakeholders—such as investors, policymakers,

and management with the ability to make better-informed decisions. This analysis identifies trends, sets benchmarks, and reveals performance variations among companies, providing a foundation for strategic enhancements and competitive positioning. Furthermore, this comparative method enhances the understanding of industry dynamics and helps evaluate how macroeconomic factors influence financial performance.

1.6 Limitations of the Study:

The study presents several limitations. Although ratio analysis offers valuable insights, it largely relies on the quality and accuracy of financial data, which can differ due to varying accounting practices and standards among companies. Additionally, external elements, including market conditions, government regulations, and global steel demand—factors that greatly influence financial performance—may not be fully reflected through ratios alone. The research's emphasis on particular companies may also restrict the extent to which its findings can be generalized across the wider industry. Furthermore, the static nature of ratio analysis fails to consider future potential or qualitative factors, such as advancements in technology and management efficiency.

2. Literature Review:

Agarwal and Ghosh (2020) assessed the financial stability of major Indian steel companies by reviewing profitability, liquidity, and solvency ratios over ten years. Their results revealed notable differences in financial performance, with Tata Steel consistently exceeding its competitors in profitability, attributed to effective resource management and cost control. The study underscored the considerable influence of government policies and global market factors on the financial results within the industry. Sharma and Verma (2019) investigated how financial leverage affects the performance of steel companies in India. Their findings indicated that firms with elevated debt-to-equity ratios experienced greater financial strain during economic downturns, while those with balanced leverage maintained steady profitability. The study concluded that careful management of leverage is essential in the capital-intensive steel sector. Kumar and Sinha (2021) evaluated the working capital management strategies of various steel companies in India. Their analysis showed that firms demonstrating

effective inventory turnover and receivables management, such as JSW Steel, were able to attain greater profitability. The study highlighted the significance of optimizing working capital to enhance overall financial well-being. Chaudhary and Mehta (2020) evaluated the operational efficiency of steel companies in India through data envelopment analysis (DEA). Their results indicated that Tata Steel and JSW Steel attained higher efficiency scores than their smaller counterparts, attributed to the use of advanced technology and the benefits of economies of scale. Pandey and Gupta (2022) explored the connection between profitability and cost management in Indian steel companies. They found that firms implementing advanced production methods and lean strategies achieved improved margins and maintained financial stability, even in the face of market fluctuations. Joshi and Patel (2021) examined the impact of mergers and acquisitions (M&A) on the financial performance of steel companies in India. Following M&A activities, these firms exhibited enhanced operational synergies, greater market share, and improved financial metrics, especially for Tata Steel and Bhushan Steel. Das and Roy (2020) investigated how fluctuations in raw material prices affect the profitability of steel companies in India. Their study emphasized that companies with more effective supply chain integration, like Tata Steel, successfully alleviated cost pressures and sustained competitive profit margins. Rao and Singh (2022) examined the impact of environmental regulations on the financial performance of steel companies in India. They discovered that adherence to stringent emission standards raised operational costs, creating difficulties for smaller firms, while larger companies were able to adapt more efficiently. Patel and Shah (2018) studied the liquidity management strategies of various steel firms in India. Their findings revealed that liquidity challenges during economic downturns adversely affected mid-sized companies, while market leaders were able to sustain strong liquidity levels. Chopra and Bansal (2019) evaluated how technological innovation contributes to financial performance in the steel industry. Their analysis indicated that companies that invested in automation and energy-efficient technologies experienced enhanced production efficiency and lower costs.

3. Research Methodology:

Research type: The research is quantitative in nature. A quantitative approach is utilized to analyze the data as the study includes numerical facts, figures, and values.

Sampling design: The research is designed based on various NSE (National Stock Exchange) registered companies under the steel sector like SAIL, Jindal Steel and Power, Tata Steel, Visa Steel, JSW Steel, etc. Among these companies, Tata Steel and JSW Steel were selected for the study as per the convenience sampling method.

Data type & period: The data for this study is secondary and consists of the annual financial reports of the respective companies. The data consists of the annual reports of Tata Steel Ltd. and JSW Steel Ltd. The past five years' financial statements have been analyzed i.e. from the financial year 2019-20 to 2023-24.

Tools & techniques: Through the application of ratio analysis, the study investigated the operational performance of the companies.

4. Results and Discussion:

4.1 Liquidity Ratios:

a) Current Ratio= Current assets/Current liabilities

Table 4.1.1. Current ratios of Tata Steel Ltd. And JSW Steel Ltd.
(₹ in crores)

Company \ Year		2019-20	2020-21	2021-22	2022-23	2023-24
Tata Steel Ltd.	Current Assets	19,959.03	23,372.68	31,289.57	33,949.52	36,765.14
	Current liabilities	30,871.30	29,313.32	53,664.83	46,437.30	50,640.40
	Ratio	0.64	0.79	0.58	0.73	0.72
JSW Steel Ltd.	Current assets	29,375	29,703	47,485	49,144	43,094
	Current liabilities	35,594	37,040	46,134	49,335	49,454
	Ratio	0.82	0.80	1.03	0.996	0.87

[Note: Total current assets, and current liabilities from the balance sheet]

This ratio demonstrates the extent to which current assets exceed current liabilities at a specific date on the balance sheet. As presented in the table 4.1.1. The analysis of Tata Steel Ltd. reveals a fluctuating current ratio over the years, with figures of 0.64 in 2019-20, rising to 0.79 in 2020-21, but then significantly dropping to 0.58 in 2021-22, before stabilizing at approximately 0.73 and 0.72 in the following two years. This trend indicates that Tata Steel lacks sufficient current assets to meet its liabilities, highlighting the need for improved liquidity management. Conversely, JSW Steel Ltd. presents a more favorable liquidity position, with its current ratios at 0.82 in 2019-20, 0.80 in 2020-21, peaking at 1.03 in 2021-22, and then slightly declining to 0.996 and 0.87 thereafter. As we know, the ideal current ratio is 2:1; however, the ratios of both companies were below the standard criteria.

b) Quick Ratio= Quick assets/Current liabilities

Table 4.1.2. Quick ratios of Tata Steel Ltd. and JSW Steel Ltd.
(in crores)

Company \ Year		2019-20	2020-21	2021-22	2022-23	2023-24
Tata Steel Ltd.	Quick assets	9,242.37	13,913.90	11,346.63	13,153.96	12,217.94
	Current liabilities	30,871.30	29,313.32	53,664.83	46,437.30	50,640.40
	Ratio	0.29	0.47	0.21	0.28	0.24
JSW Steel Ltd.	Quick assets	19,752	19,011	26,457	29,627	19,860
	Current liabilities	35,594	37,040	46,134	49,335	49,454
	Ratio	0.55	0.51	0.57	0.60	0.40

[Note: Quick asset= current asset-inventories, Current liabilities]

Tata Steel Ltd. has experienced fluctuations in its quick assets, reaching a peak of ₹13,913.90 crore in 2020-21, followed by a gradual decline in subsequent years. The quick ratio for Tata Steel has varied between 0.21 and 0.47, indicating that its quick assets have consistently remained below half of its current liabilities. The highest quick ratio of 0.47 occurred in 2020-21, suggesting improved liquidity during that period; however, this dropped

to a low of 0.21 in 2021-22 due to the substantial rise in current liabilities. On the other hand, JSW Steel's quick ratio has remained relatively stable, ranging from 0.40 to 0.60, showcasing better liquidity management compared to Tata Steel. The peak quick ratio of 0.60 occurred in 2022-23, indicating a robust liquidity position. In comparative terms, JSW Steel generally exhibits a higher quick ratio than Tata Steel, suggesting superior short-term liquidity management.

4.2 Solvency Ratio:

a) Debt-Equity Ratio= Total Debt/Total Equity

Table4.2.1. Debt Equity ratios of Tata Steel Ltd. and JSW Steel Ltd.
(₹ in crores)

Year		2019-20	2020-21	2021-22	2022-23	2023-24
Company						
Tata Steel Ltd.	Total Debt	39,239.23	27,313.80	32,275.47	38,179.01	38,124.42
	Total Equity	76,838.12	91,267.11	1,25,433.76	1,34,797.51	1,38,916.05
		0.51	0.29	0.26	0.28	0.28
JSW Steel Ltd.	Total Debt	83,680	40,836	41,176	57,203	58,823
	Total Equity	38,362	46,977	63,501	63,659	75,283
		2.18	0.87	0.65	0.90	0.78

[Note: Total Debt= Current + Non-current borrowings, Total equity= Equity share capital+ hybrid perpetual securities+ other equity]

A high debt-equity ratio means higher financial risk as the company is relying more on debt than equity financing. Tata Steel's total equity has shown consistent growth, rising from ₹76,838.12 crores in 2019-20 to ₹1,37,693.65 crores in 2023-24, indicating its capacity to retain earnings and potentially attract additional investment. The debt-to-equity ratio declined from 0.51 in 2019-20 to 0.28 in 2023-24, signifying decreased reliance on debt. On the other hand, the total debt of JSW Steel Ltd. peaked at ₹83,680 crores in 2019-20 but reduced significantly to ₹58,823 crores in 2023-24. The debt-to-equity ratio was notably high at 2.18 in 2019-20, but improvements

were made with the ratio dropping to 0.87 and 0.65 in 2020-21 and 2021-22, respectively. Although JSW Steel Ltd. has significantly improved its financial structure, its debt-to-equity ratio remains higher than that of Tata Steel Ltd., reflecting a greater dependency on debt.

b) Proprietary Ratio= Equity/Total Assets

Table 4.2.2. Proprietary ratios of Tata Steel Ltd. and JSW Steel Ltd.
(₹ in crores)

Year Company		2019-20	2020-21	2021-22	2022-23	2023-24
		Tata Steel Ltd.	Total Equity	76,838.12	91,267.11	1,25,433.76
Total Asset	1,50,392.56		1,65,035.99	2,21,986.22	2,33,791.42	2,45,634.06
	0.51		0.55	0.26	0.58	0.56
JSW Steel Ltd.	Total Equity	38,362	46,977	63,501	63,659	75,283
	Total Asset	1,22,042	1,33,232	1,62,870	1,72,841	1,85,438
		0.31	0.35	0.39	0.37	0.40

[Notes: Total equity=Equity share capital + hybrid perpetual securities + other equity, Total asset]

Tata Steel Ltd. has demonstrated steady growth in its total assets which increased from ₹1,50,392.56 crore to ₹2,45,634.06 crore during the five years, indicating expansion through investments or acquisitions. The company's equity-to-asset ratio has remained relatively stable at around 0.50, suggesting that approximately half of Tata Steel's assets are financed through equity, signifying a good balance. On the other hand, the total assets of JSW Steel Ltd. increased from ₹1,22,042 crore to ₹1,85,438 crore, reflecting continuous investments. JSW Steel's equity-to-asset ratio improved from 0.31 to 0.40 over the same period, indicating a growing reliance on equity for asset funding and diminishing dependence on external borrowing.

- c) Interest Coverage Ratio= Earnings before interest and tax/
Interest expenses

Table 4.2.4. Interest coverage ratios of Tata Steel Ltd.and JSW Steel Ltd. (₹ in crores)

Company \ Year		2019-20	2020-21	2021-22	2022-23	2023-24
		Tata Steel Ltd.	Earnings before interest and tax	9,641.99	21,188.84	46,882.73
Interest expenses	3031.01		3393.84	2792.08	3792.14	4178.61
Ratio (times)	3.18		6.24	16.79	6.54	3.19
JSW Steel Ltd.	Earnings before interest and tax	7,814	15,761	25,437	11,991	18,210
	Interest expenses	4,022	3565	3849	5023	6108
	Ratio (times)	1.94	4.42	6.61	2.39	2.98

[Note: EBIT=profit before tax+ finance cost, interest expenses=finance cost]

This ratio measures a company's ability to fulfill its interest payments, with higher values indicating better financial health. For Tata Steel Ltd., the ratio shows significant improvement from 3.18 in 2019-20 to a peak of 16.79 in 2021-22, driven by a strong earnings performance relative to interest costs. However, it then declines to 6.54 and 3.19 in 2022-23 and 2023-24, reflecting decreasing profitability and rising interest expenses. In contrast, JSW Steel Ltd. sees its ratio increase from 1.94 in 2019-20 to a peak of 6.61 in 2021-22, indicating improved earnings during that time. Nevertheless, it falls to 2.98 in 2023-24, indicating rising interest costs and fluctuating earnings. In summary, Tata Steel exhibits stronger interest coverage throughout the analyzed years, showing greater financial stability as compared to JSW Steel.

4.3 Activity Ratio:

- a) Inventory turnover ratio = Cost of goods sold/Average inventory

Table 4.3.1. Inventory turnover ratios of Tata Steel Ltd. and JSW Steel Ltd. (₹ in crores)

Company \ Year		2019-20	2020-21	2021-22	2022-23	2023-24
Tata Steel Ltd.	Cost of goods sold	19,534.53	16,478.77	83,355.19	62,620.86	57,340.93
	Average inventory	10,986	9,660.23	16,400.23	20,369.25	24,983.78
	Ratio (times)	1.77	1.70	5.08	3.07	2.34
JSW Steel Ltd.	Cost of goods sold	33,073	29,615	51,457	75,321	74,073
	Average inventory	10,219	10,158	15,860	19,517	21,375.5
	Ratio (times)	3.24	2.91	3.24	3.86	3.46

[Notes: COGS = Material consumed + Purchases - change in inventory, average inventory = opening + closing inventory/2]

The data compares how effectively a company manages its inventory by indicating how many times inventory is sold and replaced within a specified period. For Tata Steel Ltd., the ratio shows significant growth from 1.77 in 2019-20 to a peak of 5.08 in 2021-22, indicating enhanced inventory utilization during a time of increased sales. However, the ratio subsequently drops to 3.07 in 2022-23 and further declines to 2.34 in 2023-24, which reflects decreased efficiency in managing inventory turnover. In contrast, JSW Steel Ltd. displays a relatively stable ratio, fluctuating between 2.91 and 3.86 throughout the five years, reaching its highest point of 3.86 in 2022-23. It suggested that JSW Steel consistently demonstrated efficiency in its inventory turnover management compared to Tata Steel.

- (b) Debtors turnover ratio = Revenue from operation (sales)/
Average accounts receivable

**Table 4.3.2. Debtor turnover ratios of Tata Steel Ltd. and
JSW Steel Ltd. (₹ in crores)**

Year		2019-20	2020-21	2021-22	2022-23	2023-24
Company						
Tata Steel Ltd.	Revenue from operation	60,435.97	64,869	1,29,021.35	1,29,006.62	1,40,987.43
	Average accounts receivable	1,189.89	2,440.02	3,079.44	3,316.01	2,083.97
	Ratio (times)	50.80	26.59	41.89	38.90	68.80
JSW Steel Ltd.	Revenue from operation	64,262	70,727	1,18,820	1,31,687	1,35,180
	Average accounts receivable	4,968	3,250	4,739.5	6,000	6,249
	Ratio (times)	12.94	21.76	25.07	21.94	21.63

[Note: Sales= Revenue from operation, Average accounts receivable=opening+closing accounts receivable/2]

The data serves as an indicator of how effectively a company collects payments from its customers, with higher ratios denoting quicker debt collection. For Tata Steel Ltd., the ratio exhibits notable fluctuations, beginning at 50.80 in 2019-20, then falling to 26.59 in 2020-21, and subsequently increasing during the next 3 years. The elevated ratios, especially in 2023-24, signify exceptional efficiency in managing and collecting receivables. In contrast, JSW Steel Ltd. begins with a ratio of 12.94 in 2019-20 and stabilizes at 21.63 in 2023-24. Although its ratios are comparatively lower than those of Tata Steel, indicating a slower pace of debt

collection, the consistent performance reflects solid management of receivables.

- c) Creditors turnover ratio = Cost of goods sold/Average trade payables

Table 4.3.3. Creditor Turnover ratios of Tata Steel Ltd. and JSW Steel Ltd. (₹ in crores)

Company \ Year		2019-20	2020-21	2021-22	2022-23	2023-24
Tata Steel Ltd.	Cost of goods sold	52525.53	16,478.77	83,355.19	8,607.36	57,103.09
	Average Trade payables	10651.21	10,480.14	16,761.21	19,530.93	21,209.11
	Ratio (times)	4.93	1.57	4.97	0.44	2.70
JSW Steel Ltd.	Cost of goods sold	33,073	29,615	51,457	75,321	74,073
	Average Trade payables	13,213	12,622	18,239	30,705	10,963.5
	Ratio (times)	2.50	2.35	2.82	2.45	6.76

[Notes: COGS= Material consumed+Purchases-change in inventory, Average trade payable= opening+closing accounts payable/2]

The data examines how efficiently a company pays its suppliers, where higher values signify quicker payments. For Tata Steel Ltd. it starts at 4.93 in 2019-20, decreases to 1.57 in 2020-21, and then rises to 4.97 in 2021-22, indicating faster payments to suppliers during these periods. However, it fell sharply to 0.44 in 2022-23, indicating slow payment cycles during that year. There is some recovery to 2.70 in 2023-24, which reflects a moderate pace of payments. On the other hand, JSW Steel Ltd. maintains a relatively stable ratio between 2.35 and 2.82 from 2019-20 to 2021-22, demonstrating a consistent payment cycle. However, it significantly rises to 6.76 in 2023-24, indicating a notable increase in speed for payments to suppliers compared to previous years.

This trend reflects steady management of supplier payments, with a marked improvement in the most recent year. In a comparative analysis, JSW Steel shows better consistency in managing its creditors, while Tata Steel displays more volatility in its payment trends.

4.4 Profitability Ratios:

- a) Gross profit ratio = $(\text{Gross profit} / \text{Revenue from operations}) \times 100$

Table 4.4.1. Gross Profitratios of Tata Steel Ltd. and JSW steel Ltd.
(₹ in crores)

Year		2019-20	2020-21	2021-22	2022-23	2023-24
Company						
Tata Steel Ltd.	Gross profit	7,910.44	48,390.23	45,666.16	66,385.76	83,884.34
	Revenue from operation	60,435.97	64,869	1,29,021.35	1,29,006.62	1,40,987.43
	Ratio (%)	13.08%	74.59%	35.40%	51.46%	59.49%
JSW Steel Ltd.	Gross profit	31,189	41,112	67,363	56,366	62,843
	Revenue from operation	64,262	70,727	1,18,820	1,31,687	1,35,180
	Ratio (%)	48.54%	58.11%	62.43%	42.82%	77.37%

[Notes: Gross profit=sales - COGS+total expenses, revenue from operation=sales COGS= Material consumed + Purchases-change in inventory]

The data evaluates the portion of revenue retained as gross profit after deducting the cost of goods sold, with higher percentages representing improved profitability. For Tata Steel Ltd., the ratio begins at 13.08% in 2019-20 and dramatically rises to 74.59% in 2020-21, suggesting robust profitability during that fiscal year. It then experienced a decline to 35.40% in 2021-22, followed by a rebound to 59.49% in 2023-24. Conversely, JSW Steel Ltd. starts with a gross profit ratio of 48.54 % in 2019-20 and steadily

grows to 77.37 % in 2023-24, marking the highest value in the data set, indicating considerable improvement in profitability. In summary, both companies display improving gross profit ratios, particularly in 2023-24. However, JSW Steel consistently achieves higher profitability and stability, while Tata Steel experiences more fluctuations but has demonstrated a solid upward trajectory in recent years.

b) Net profit ratio = (Net profit/ Revenue from operations) *100

Table 4.4.2. Net Profit ratios of Tata Steel Ltd. and JSW Steel Ltd.
(₹ in crores)

Company \ Year		2019-20	2020-21	2021-22	2022-23	2023-24
Tata Steel Ltd.	Net profit	6,743.80	13,606.62	33,011.18	15,495.11	4,807.40
	Revenue from Operation	60,435.97	64,869	1,29,021.35	1,29,006.62	1,40,987.43
	Ratio (%)	11.16%	20.97%	25.58%	12.10%	3.41%
JSW Steel Ltd.	Net profit	7,814	8,393	16,702	4,937	8,041
	Revenue from Operation	64,262	70,727	1,18,820	1,31,687	1,35,180
	Ratio (%)	8.23%	11.86%	14.05%	3.75%	5.95%

[Notes: Net profit = profit for the year, revenue from operation = sales]

The data analyzes the Net Profit Ratio and represents the percentage of revenue that remains as net profit after covering all expenses, with higher ratios indicating greater profitability. For Tata Steel Ltd., the ratio starts at 11.16% in 2019-20, increasing significantly to 25.58% in 2021-22, indicating strong profitability during these years. However, it then experienced a sharp decline to 3.41% in 2023-24, reflecting heightened costs, decreased revenue efficiency, or both. In contrast, JSW Steel Ltd. begins with a net profit ratio of 8.23% in 2019-20, steadily improving to 14.05% till 2021-22. Nevertheless, it declined significantly to 3.75% in 2022-23. In terms of comparative analysis, both companies achieved their highest net profit ratios in 2021-22, reflecting robust profitability that year.

However, both companies encountered substantial declines in their net profit ratios after 2021-22, with Tata Steel experiencing a steeper drop, particularly in 2023-24. In summary, Tata Steel maintains higher net profit ratios throughout the outlined period, showcasing superior profitability.

c) Return on Capital employed = (EBIT/Capital employed) *100

Table 4.4.5. Return on Capital Employed of Tata Steel Ltd. and JSW Steel Ltd (₹ in crores)

Year Company		2019-20	2020-21	2021-22	2022-23	2023-24
		Tata Steel Ltd.	EBIT	9,641.99	21,188.97	44,362.10
Capital Employed	1,19,521.26		1,35,722.67	1,68,321.39	1,78,670	1,91,639.84
Ratio (%)	8.07%		15.61%	26.34%	13.89%	6.96%
JSW Steel Ltd.	EBIT	8,314	15,761	28,564	11991	18,210
	Capital Employed	86,448	96,129	1,09,066	1,23,506	1,35,984
	Ratio (%)	9.62%	16.39%	26.19%	9.71%	13.39%

[Notes: EBIT= profit before tax + finance cost, capital employed = Total equity + non-current liabilities]

ROCE evaluates a company's ability to generate earnings before interest and taxes (EBIT) in relation to its total capital employed; a higher ROCE indicates superior utilization of capital and increased profitability. Regarding overall trends, Tata Steel demonstrates greater volatility in ROCE, with noticeable fluctuations throughout the years. On the other hand, JSW Steel maintains a relatively stable and consistent trajectory for ROCE, with less drastic changes and a strong recovery in the later period. In summary, Tata Steel achieves a higher peak ROCE but experiences greater volatility, with a sharp decline in the last two years owing to falling EBIT and rising capital employed. In contrast, JSW Steel demonstrates enhanced stability, recovering its ROCE in 2023-24, indicating better adaptability to fluctuating conditions. Both companies highlight the importance of efficient capital utilization and ensuring continued growth in EBIT to sustain positive ROCE over time.

- d) Earnings per share = (Net profit/No. of equity shareholders) *100

**Table 4.4.4. Earning Per of Tata Steel Ltd. and JSW steel Ltd.
(₹ in crores)**

Year		2019-20	2020-21	2021-22	2022-23	2023-24
Company						
Tata Steel Ltd.	Net profit	6,748.80	13,606.62	33,011.18	15,495	4807.40
	No. of equity shareholder	1,146.13	1,198.78	1,222.37	1,222.40	1,248.60
	Ratio(₹)	₹5.88	₹11.35	₹27.00	₹12.68	₹3.85
JSW Steel Ltd.	Net profit	5,291	8,393	16,702	4937	8,041
	No. of equity shareholder	301	302	301	301	305
	Ratio(₹)	₹17.58	₹27.79	₹69.48	₹16.40	₹26.36

[Notes: Net profit=profit for the year, No. of equity shareholders=total numbers of equity shareholders]

The EPS, calculated as net profit divided by the number of equity shares, reveals how much profit each share generates for shareholders. Overall, JSW Steel demonstrates superior EPS performance and stability compared to Tata Steel, whose more volatile EPS and recent downturn may point to underlying operational or market issues. The observed trends emphasize the significant influence of external factors on the financial results within the steel industry.

Conclusion

The analysis reveals the difference in the financial performances of JSW Steel and Tata Steel across several key financial metrics. In terms of liquidity, JSW Steel consistently outshines Tata Steel, reflecting superior management of short-term finances; nevertheless, both companies should remain attentive to their liquidity positions to ensure ongoing financial flexibility. When assessing solvency, Tata Steel reveals greater strength through lesser reliance on debt and overall financial stability, positioning it better to manage long-term financial risks compared to JSW Steel. From an operational efficiency viewpoint, JSW Steel excels

in inventory, debtor, and creditor turnover ratios, while Tata Steel experiences variability and declining trends in certain metrics. Regarding profitability, Tata Steel achieves higher profitability peaks, yet experiences fluctuations and recent downturns. In contrast, JSW Steel demonstrates superior stability and consistency in metrics like Return on Investment (ROI) and Earnings Per Share (EPS), indicating reliable shareholder value creation. In conclusion, JSW Steel excels in liquidity, efficiency, and consistent performance, whereas Tata Steel displays noteworthy solvency and occasional peaks in profitability. Both firms possess opportunities for enhancement to further optimize their financial health and operational sustainability.

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