



A Study on Financial Statement Analysis of Tata Steel Odisha Project, Kalinga Nagar

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ABSTRACTS: India is one of the developing nations of the World. Globalization provides ample of portunity to the Companies to expand overseas and enrich India with high Quality and World Class products by implementing state-of-art-technology. The Steel Giants of India are namely, ArcellorMittal, Tata Steel Ltd. & Steel Authority of India presenting India on the Global front.

Tata steel is expanding its production capacity in India and has some Greenfield Steel Projects under implementation, including one at the Kalinga Nagar Industrial Complex at Duburi in Jajpur district. This project report is an effort to suggests the best financing option for the project expenditure of Rs.21200 Cr and to identify its financial strength and weaknesses with the help of various financial statement analysis tools and techniques.

I. INTRODUCTION

Indian economy was in deep crisis in July 1991, when foreign currency reserves had plummeted to almost \$1 billion; Inflation had roared to an annual rate of 17 percent; fiscal deficit was very high and had become unsustainable; foreign investors and NRI's had lost confidence in Indian Economy. Capital was flying out of the country and we were close to defaulting on loans. Now the economy of India is the eleventh largest economy in the world by nominal GDP and the fourth largest by purchasing power parity .

The assets of a company can be financed either by increasing the owner's claims or the creditor's claims. The owner's claims increase when the firm raises funds by issuing Ordinary shares or by retaining the earnings; the creditors claims increase by borrowing.

Tata Steel Overview

Tata Steel Group is among the top-10 steel makers of the world with operations and sales across the globe. Major steel making operations are located in India, United Kingdom, The Netherlands, Singapore and Thailand. The company was established in 1907 with a Steel Works in Jamshedpur. In recent years, it has expanded its activities and significantly increased its Steel production with investments in NatSteel Holdings(Singapore), Tata Steel(Thailand) and Tata steel Europe(Corus). With the domestic demand for steel remaining strong, Tata steel is expanding its production capacity in India and has some Greenfield Steel Projects under implementation, including one at the Kalinga Nagar Industrial Complex at Duburi in Jajpur district.

Tata Steel In Orissa

Standing the test of time, it has blossomed for over a century. The first iron ore lease to Tata Steel was given by His Excellency The Maharaja of Mayurbhanj Sri ram Chandra Bhanja deo after it was discovered by the legendary geologist P N Bose in the first decade of the 20th Century. Some of the major pioneering activities of Tata Steel in Orissa include the discovery of minerals like iron ore(1904) and chromite ore(1949), setting up of industries like Ferro Alloys Plant(Joda), Tata Refractories (Belpahar) and Chrome Ore Beneficiation Plant(1990) and turning around industries, apart from improving the periphery through community development initiatives.

Tata Steel Orissa Project, Kalinga Nagar

A Memorandum of Understanding between the Government of Orissa and Tata Steel was signed on November 17,2004 whereby the State Government agreed to provide 3,471.808 acres of land, acquired in 1992, through IDCO(Orissa Industrial Development Corporation) to Tata Steel .

- To set up a 6 million tone per annum integrated Steel plant at Kalinganagar Industrial Complex at Duburi, in the district of Jajpur.
 - Estimated investment of Rs.21200 crores
 - The Steel Plant would be completed in two modules of 3 million tonne each.
 - The Steel Plant will make the production of flat products i.e Hot rolled Coils(HRC).
 - Phase-1 estimated Expenditure is 15660cr & Phase-2 estimated Expenditure is 5440cr.
 - The time period for Phase-1 is 36 months & that of Phase-2 is 18 months.
 - It will generate direct and indirect employment opportunities for an estimated 20000 people.
 - Contribute Rs.2,200crore per annum to the State Exchequer.
- Boost the pace of industrialization & socio-economic development in the State and the Country.

Vision (Tata Steel limited)

From its earliest days, Tata steel has always considered the needs of stakeholders, including local communities, and balanced those alongside its business development needs. Building on this tradition, the Tata Steel Group has adopted a vision for the future.

Review of Literature

Literature review is indispensable part of a thesis/article because it represents the whole range of research in the past on the topic selected by the researcher on the basis of which research design of a study is formulated. Literature review gives better insight and helps to bridge gap for the research to be undertaken. Efforts have been made to present a common scheme of various facets and issues relating to this empirical studies carried out in past. Some important conclusions and research gap have been drawn from the review of some research papers, articles, theses and textbooks available in the accessible libraries and internet sources.

1-Mallick And Sur (1998) made an attempt to analyze the impact of working capital management on profitability in Indian Tea industry with the help of some statistical tools and techniques. The study revealed that, out of the nine ratios relating to working capital management five ratios registered positive association and the remaining four ratios showed negative correlation with the profitability indicator.

2-rao &rao (1999) undertook a similar type of study where ten ratios relating to working capital management were selected. Out of these indicators, positive association was noticed only in three. CHEAKRABORTY (2008) evaluated the relationship between working capital and profitability of 25 selected companies in the Indian pharmaceutical industry during the period 1996-97 to 2007-08. Inadequacy of working capital may lead to the firm to insolvency, whereas excessive working capital implies idle funds which earns no profits.

3-Alam And Hossain (2000) found that the capital structure management of Khulne Shipyard Ltd. (KSL) was in a poor shape because the interest coverage ratio was negative, as there is the possibility of non-payment of interest charges to creditors.

4-Hull (2002) found that the industry debt to equity norms are significantly more negative than returns for the firms" moving closer to these norms.

5-Nissim and Penman (2003) stated that the financial statement analysis distinguishes leverage in financing activities from leverage in operations.

6-Gangadevi (2008) studied the leverage and financing decision for the selected 30 electronic companies for the five years period ranging from 1998 to 2003. In his study he found that the company has a high operating leverage should kept low financial leverage and vice-versa. So, it is desirable that a company has low operating leverage and a high financial leverage.

7-Akbas & Caliskan (2011) have tried to shed light on the empirical relationship between efficiency of working capital management and corporate profitability of selected companies in the Istanbul Stock Exchange for the period of 2005-2009. The companies should focus on working capital management in order to increase their profitability by seriously and professionally considering the issues on their cash conversion cycle which was derived from the number of days accounts payable, the number of day's accounts receivable and the number of days of inventories. The findings suggested that it may be possible to increase profitability by improving efficiency of working capital.

II. RESEARCH OBJECTIVES

To assess the financial strength and weaknesses of Tata Steel Orissa project with the help of various financial statement analysis tools and techniques over the period of study I.e. from 2010-11 to 2014-15.

III. RESREACH METHODOLOGY

Sources Of Data Collection

For the success of the present study data was collected mainly from secondary sources like annual reports of Tata Steel from the FY 2010-11 to FY 2014-15, news letter, magazines and journals of the company.

Period of study:

The data for a period of 5 years from 2010-11 to 2014-15 has been taken into consideration to assess the financial strength and weaknesses of the company.

Tools used for data analysis:

The last 5 years annual report of the company is compiled and tabulated for the purpose of study. The techniques used are :

- Comparative study of Balance sheet
- Comparative study of Profit and loss account for the FY 2013-14 & 2014-15.
- Trend Analysis
- Ratio Analysis
- WACC

1-Comparative Balance Sheet

COMPARATIVE BALANCE SHEET For The Year 2013-14 & 14-15.....				
PARTICULARS	2013-14 Rs. Cr.	2014-15 Rs. Cr.	Absolute Change	Percentage Change(%)
Shareholder's Funds:				
Share Capital	6203.45	6203.3	0.15	0.002%
Reserves And Surplus	23972.81	21097.43	2875.38	13.6%
Total (A)	30176.26	27300.73	2875.53	10.5%
Loan Funds:				
Secured Loans	3913.05	3520.58	392.47	11.1%
Unsecured Loans	23033.13	14501.11	8532.02	58.8%
Total (B)	26946.18	18021.69	8924.49	49.5%
Deferred Tax Liability (C)	585.73	681.8	-96.07	-14.1%
Provision For Employee Separation Compensation (D)	1033.6	1071.3	-37.7	-3.5%
Total Funds Employed (A+B+C+D)	58741.77	47075.52	11666.25	24.8%
Fixed Assets:				
Gross Block	23544	20847.04	2696.96	12.9%
Less-Impairment	100.47	100.47	0	0.0%
Less-Depreciation	8962	8123.01	838.99	10.3%
Net Block (A)	14481.53	12623.56	1857.97	14.7%
Investments (B)	42843.44	4103.19	38740.25	944.1%
Current Assets:				
Stores And Spare Parts	612.19	557.67	54.52	9.8%
Stock-In-Trade	2868.28	2047.31	820.97	40.1%
Sundry Debtor	635.98	543.48	92.5	17.0%
Interest Accrued On Investments		0.2	-0.2	-100.0%
Cash And Bank Balances	1590.6	465.04	1125.56	242.0%
Total Current Assets	5707.05	3613.7	2093.35	57.9%
Loans And Advances	4578.04	33348.74	-28770.7	-86.3%
	10285.09	36962.44	-26677.35	-72.2%
Less-Current Liabilities & Provision:				
Current Liabilities	6039.86	3855.26	2184.6	56.7%
Provisions	2934.19	2913.52	20.67	0.7%
Net Current Assets (C)	1311.04	30193.66	-28882.62	-95.7%
Miscellaneous Expenditure (D)	105.07	155.11	-50.04	-32.3%
Total Assets (A+B+C+D)	58741.08	47075.52	11665.56	24.8%

(Source: Annual Report of Tata steel)

Interpretation:

- It is clear from the Comparative Income Statement of the FY ended 2014-15 and 2013-14 of Tata Steel LTD. that Total Fixed Assets increase in the FY 2014-15 over the FY 2013-14 is 14.7%. The main reason for increase is on account of 1.8 million tone steel expansion programme and the 3 million tone steel expansion programme commenced in the last quarter of the FY 2014-15 at Jamshedpur.
- Increase in Investments is 944.1% over the FY 2013-14. This increase is on account of increase in Investment in Subsidiary companies by 1852% by conversion of advance against equity, increase in trade investments is 51% in the FY 2014-15 & increase in Investments in mutual funds is 218% in FY 2014-15.
- There has been substantial decrease in Working Capital in FY 2014-15 due to increase in Current Liabilities by 56.7% and Loans and Advances reduction as the advance against equity was converted into Investments during the financial year.
- The total Shareholder's Fund has increased by 10.5%, the major contribution is increase in Reserves and Surplus in FY 2014-15 by 13.6%.
- The total Loan Funds had increased by 49.5% in FY 2014-15. The main reason behind this is increase in unsecured loans by 58.8%, mainly due to issue of privately placed non-convertible debenture, term loans taken from banks and other short term borrowings.
- Thus, it is very clear that Application of funds are made in Purchase of Fixed Assets and Investment and Sources of funds in order to meet these activities are mainly Unsecured loans. The company is more dependent on external sources of funds than Internal sources of funds.

2-Comparative Income Statement

COMPARATIVE INCOME STATEMENT For The Year Ending 2013-14 & 14-15				
PARTICULARS	2014-15 Rs. Cr.	2013-14 Rs. Cr.	Absolute Change	Percentage Change(%)
NET SALES	24315.77	19691.03	4624.74	23.5%
Less- Cost Of Goods Sold	13727.67	10521.495	3206.175	30.5%
GROSS PROFIT/(LOSS)	10588.1	9169.535	1418.565	15.5%
Less-Operating Expenses	2428.07	1990.365	437.705	22.0%
OPERATING PROFIT/(LOSS)	8160.03	7179.17	980.86	13.7%
Add- Other Income	308.27	242.8	65.47	27.0%
NET OPERATING PROFIT/(LOSS)	8468.3	7421.97	1046.33	14.1%
Less-Interest	1152.69	786.5	366.19	46.6%
PROFIT/(LOSS) AFTER INTEREST BEFORE TAX & EXCEPTIONAL ITEM	7315.61	6635.47	680.14	10.3%
Add- Exceptional Items	0	430.89	-430.89	-100.0%
PROFIT/(LOSS) AFTER EXCEPTIONAL ITEM	7315.61	7066.36	249.25	3.5%
Less-TAX	2113.87	2379.33	-265.46	-11.2%
NET PROFIT	5201.74	4687.03	514.71	11.0%

(Source: Annual Report of Tata steel)

Interpretation

- It is clear from the Comparative Income Statement of the FY ended 2014-15 and 2013-14 of Tata Steel LTD. that the revenue generated from the sales has increased by 23.5%, where absolute change is Rs 4624.74 cr. This is basically due to increase in sales and increase in prices of the products in the second half of the FY 2014-15 over the FY 2013-14 due to inflation.
- Since Cost of goods sold had increased by 32.8% which is more than the increase in Income generated in FY 2014-15 that is 23.5%, therefore increase in Gross Profit is 14.1%.
- The Operating Profit for the FY 2014-15 after Interest is 10.3%. The main reason for difference between Gross Profit and Operating Profit after interest is due higher Interest by 46.6% in FY 2008-09 over FY 2013-14, this is Interest on new non-convertible debentures issued during the year, Interest on fresh term loans taken during the year & Interest on working capital loans.
- However, due to fall in Tax percentage by 11.2% in the FY 2014-15 over the FY year 2013-14, the Net Profit has increased by 11%. Overall position of the Income Statement indicates a favourable situation.

3-Trend Analysis

Trend Analysis from FY 2010-11 – 2014-15

Year	Revenue		Expenditure		Profit Before Interest		Net Profit	
	Rs. Cr.	Trend(%)	Rs. Cr.	Trend(%)	Rs. Cr.	Trend(%)	Rs. Cr.	Trend(%)
2010-11	14498.95	100%	9259.17	100%	5574.61	100%	3474.16	100%

2011-12	15215.5	105%	10177.5	110%	5417.24	97%	3506.38	101%
2012-13	17551.09	121%	11571	125%	6587.65	118%	4222.15	122%
2013-14	19691.03	136%	13298.4	144%	7421.97	133%	4678.03	135%
2014-15	24315.77	168%	17308.4	187%	8468.3	152%	5201.74	150%

(Source: Annual Report of Tata steel)

Interpretation

It is found that the revenue shows the increasing trend during the period of study. Further the trend of expenditure also shows the increasing trend which is more than the revenue trend. As a result of which the trend of profit shows the increasing trend but not in proportion to the sales trend. Expenditure shows the increasing trend as the company spent a huge amount for its expansion programme during the period of study.

(D) Ratio Analysis and WACC (ANNEXTURE-1)

All the Items are summarized below with the Calculation of Tools used. The Projected expenditure of Orissa Project is given. Three Options have been taken in order to Find out the effect of the tools on the Combined value (Existing+Projected new investment figures) to Suggest the Optimal combination of Debt and Equity, that will enhance the wealth of Shareholders of Tata Steel Ltd. as well as maximize the Profitability of the firm by Optimal tradeoff between Risk and Return.

Weighted Average Cost Of Capital

Interpretation:

- On the basis of WACC workings the WACC on book value is least in Option-3 having is 30% Equity & 70% Debt which is 11.25%. The WACC of option-1 is having 45% Equity & 55% Debt is 12.63%. And option-1 is 50% Equity & 50% Debt is 13.09%.
- But the WACC on the book value of Combined Value does not show much difference in the 3 options. Option-1 is 12.95%, Option-2 is 12.81% & Option-3 is 12.41%.
- WACC value on market capitalization is 13.09%, 12.63% & 11.25% for Option-1, Option-2 & Option-3 respectively. But on the combined value it is 14.81%, 14.73% & 14.49% for Option-1, Option-2 & Option-3 respectively which doesn't bring much difference.
- The WACC is based on Cost of Equity which is 17.7% and Post tax cost of Debt which is 8.48%. It is very clear that the cost of Debt is much less than Cost of Equity so Tata Steel can use fixed financial charges and enhance the EPS of the firm.
- The profit after tax is highest in option-1 that is Rs 8539.29 Cr. whereas profit after tax in option-2 is Rs8486.29 Cr and in option-3 is Rs.8327.29 Cr. The reason behind this is the increasing Interest charges due to more use of Debt in capitalization plan.
- The Operating leverage shows the effect of changes in sales on the Operating Profit of the firm. The Operating leverage of Tata Steel in past FY's shows lot of fluctuation and decreasing trend. It was 1.4times in FY 2012-13 & decreased to 0.6 times in FY 2014-15.
- After the projected Investment, the combined value Operating leverage is 0.90times which is constant for all the options, which poses a problem of higher risk to the firm. There has been 30% increase in Operating leverage of Tata Steel.
- Financial leverage shows the firm's ability to use fixed financial charges to magnify the effects of changes in EBIT on the firm's EPS. The Financial leverage of the firm shows an increasing trend from 0.14 times in FY 2011-12 it has increased to 0.28 times in FY 2014-15 and so EPS of the firm shows an increasing trend from 63.35 in FY 2011-12 it has increased to 69.45 in FY 2014-15.
- The Financial leverage on the combined value is 0.57times, 0.61times & 0.74times in option-1, option-2 & option-3 respectively. Higher financial leverage pose higher risk therefore the firm should go for optimal financial leverage option.
- The combined leverage showing the combined effect of the financial as well as operating leverage of the firm. The combined leverage of Tata Steel has declined from 0.20times in FY 2012-13 to 0.17times in FY 2014-15.
- However, the combined leverage on the projected value has increased 0.52times, 0.55times & 0.67times in option 1, 2 & 3 respectively which is mainly due to increase in operating leverage.
- The Debt-Equity has increased from 0.39times in FY2010-11 to 1.09times in the FY 2014-15 due to increase in the proportion of Debt in the capitalization plan.
- Interest coverage has declined tremendously from 37.88 times in the FY 2012-13 to 7.35times in 2014-15 due to proportionately greater increase in Interest to Operating profit. This shows Tata steel Debt servicing capacity has declined, which is a risky situation & may effect the reputation of Tata Steel.

- The ROE ratio has declined from 50% in FY 2010-11 to 22% in FY 2014-15 due to proportionately greater increase in no. of Equity shareholders to profit available to Equity shareholder. Similarly, Return on Avg Net worth has declined from 62% in FY 2010-11 to 18% in FY 2014-15.
- The Gross profit ratio of Tata steel has declined from 47% in FY 2013-14 to 44% in FY 2014-15 & Net profit from 24% in FY 2013-14 has declined to 21% in FY 2014-15. This variation may be due to economic slowdown in the market sales / sales price per unit would have declined. On the whole Gross Profit Margin shows a favourable position of business.
- As more Debt is being used 50%, 55% & 70% in Option 1, 2 & 3 respectively. The Debt-Equity ratio has increased from 1.06, 1.13 & 1.35 in Option 1, 2 & 3 respectively. Similarly, Interest coverage ratio has declined, 7.74% in option-1, 7.50% in option-2 & 6.87 in option-3. The ROE ratio has increased 28%, 29% & 36% in option 1, 2 & 3 respectively. The Gross profit & Net profit ratio remains constant in all the 3 options at 43% & 22% respectively.

Findings and Suggestions :

In Option-1:

- In Option-1 the EPS is 90.74 whereas in Option-2 it is 92.21.
- The Weighted Average Cost of Capital is 12.95%. But Cost of equity is much higher that is 17.70% than post Cost of debt that is 8.48%.
- The Operating leverage in Option-1 is 0.57 times & financial leverage is 0.57.
- The ROE in Option-1 is 28% while the ROE of Option-2 is 29% & Option-3 is 36%.

In option-2:

- The Operating leverage in Option-2 is 0.90 & Financial leverage is 0.61 times. The combined leverage in Option-2 is 0.55 times in comparison to Option-1 is 0.52 times & in Option-2 is 0.67 times.
- The Cost of Equity in Option-2 is 17.70% and post tax cost of debt is 8.48% resulting in Weighted average cost of capital on book value to 12.81%.
- The Interest coverage shows a higher security that is 7.50 times.
The EPS in Option-2 is 92.21 & ROE is 29%
- The Debt policy indicated by Debt-Equity ratio is 1.13 times
- The Profit after Tax in Option -2 is moderate that is Rs 8486.29 cr.

In Option-3:

- The Weighted Average cost of capital in Option-3 is 12.41% & in Option-2 is 12.81%.
- The Profit after tax in Option-3 is Rs 8327.29 cr , Option-2 is Rs 8486.29 cr. & Option-1 is Rs 8539.29 cr.
- The Operating leverage of Tata steel is higher to 0.90 times after the new investment. The future combined value is 0.30 times higher than existing leverage.
- Similarly if the company goes for Option-3 the financial leverage reaches 0.74 times that is 0.46 times higher than the existing leverage.
- And the combined leverage is 0.50 times higher than the existing & is higher risk situation.
- The Interest coverage ratio is 0.63 times lower in Option-3 in comparison to Option-2.

Suggestion:

The optimal financing option for the new Investment of Rs.21200 cr. is OPTION-2 on the basis of the study of the tools used magnifying their impact on the combined value of Tata Steel.

IV. CONCLUSION

Management of Import of Equipment involves Chain of Integrated task . And for smooth Process flow documentation of Import of Equipment is required, so that the agencies involved has clarity of responsibility. Internal control helps in better & timely Statutory meet & document sanctity. My study on the activities involved in the Import of Equipments, establishing link among the agency to minimize the lead time involved in the process. Working on the Process flow was a great exposure about the departments involved, activities taking place, the difficulties the company face & how well the experts handle them and hopefully this work of mine under the assistance of corporate guide will add value in the process flow and lower the problems & speed the establishment of World class Kalinga nagar Plant in Duburi.

The second work of mine deals with the optimization of financing options to meet the expenditure of the project. Operating & Financing leverage constitute a double-edged sword. They have got tremendous acceleration or deceleration effect on EBIT & EPS. A right combination of these leverage, poses a big challenge

as well as an opportunity for the management. Proper combination of these leverage is a blessing for corporate growth while an improper combination may prove a curse. Operating leverage also acts a check on financial leverage. A high dose of debt financing may be advantageous in companies which have a low operating leverage but not in the company having breakeven point at high level of their operating capacity.

Limitations

As far as the limitation of the project is concerned, I faced many a problem and adversities in course of my project duration.

- Since I have been working on entirely new topic, I faced a lot of problem in getting appropriate guidance on the topic.
- Problem on the topic (which was taken after a meeting held with all of my Finance Faculty) , in the mid of the SIP duration and change of the topic.
- Since Tata Steel in Bhubaneswar is an establishing branch of Tata Steel, I faced a lot of problem in getting the materials while working on the topic

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Annexure-1
Table showing various financial ratios

Item	2010-11	2011-12	2012-13	2013-14	New Investment			
					2014-15	Opt 1	Opt 2	Opt 3
Equity %					50%	45%	30%	
Effective no. of shares	55.35	55.35	64.68	68.53	73.32	20.78	18.71	12.47
CE								
Equity	553.67	727.73	730.58	730.59	207.84	187.06	124.71	938.43
Reserves & Surplus	9,201.63	13,368.42	21,097.43	23,971.81	10,392.16	9,352.94	6,235.29	34,363.97
Total Equity	7,059.92	9,755.30	14,096.15	21,828.01	24,702.40	10,600.00	9,540.00	6,360.00
Secured	2,191.74	3,758.92	3,520.58	3,913.05				3,913.05
Unsecured	271.52	324.41	5,886.41	14,501.11	23,033.13	10,600.00	11,660.00	14,840.00
Total Debt	2,739.70	2,516.15	9,645.33	18,021.69	26,946.18	10,600.00	11,660.00	14,840.00
Preference				5,472.52	5,472.66			
Total Capital Employed	9,799.62	12,271.45	23,741.48	39,849.70	51,648.58	21,200.00	21,200.00	21,200.00
Average Equity	3,529.96	8,407.61	11,925.73	17,962.08	23,265.21			
Market Capitalisation					71,822.30	10,600.00	9,540.00	6,360.00
WACC								
Cost of Equity					17.70%	17.70%	17.70%	17.70%
Cost of Debt					11.75%	11.75%	11.75%	11.75%
Post Tax Cost of Debt					8.48%	8.48%	8.48%	8.48%
WACC on book value					12.89%	13.09%	12.63%	11.25%

	of Capital Employed								
	WACC at Market Capitalisation of Equity					15.18 %	13.09%	12.63%	11.25%
Operating Details	Sales Value	14,498.95	15,215.50	17,551.09	19,691.03	24,315.77	14,463.00	14,463.00	14,463.00
	COGS	7,731.18	8,618.90	9,818.52	10,521.50	13,727.67	8,424.86	8,424.86	8,424.86
	Gross Profit	6,767.77	6,596.61	7,732.58	9,169.54	10,588.10	6,038.14	6,038.14	6,038.14
	Operating Expenses	1,341.19	1,434.13	1,578.60	1,990.37	2,428.07	1,490.14	1,490.14	1,490.14
	Other Income	148.03	254.76	433.67	242.80	308.27			
	EBIT	5,574.61	5,417.24	6,587.65	7,421.97	8,468.30	4,548.00	4,548.00	4,548.00
	Exceptional Item	-90.53	-52.77	-152.10	430.89	0.00			
	Interest	186.80	124.51	173.90	786.50	1,152.69	530.00	583.00	742.00
	PBT	5,297.28	5,239.96	6,261.65	7,066.36	7,315.61	4,018.00	3,965.00	3,806.00
	Tax	1,823.12	1,733.58	2,039.50	2,379.33	2,113.87	571.00	571.00	571.00
	PAT	3,474.16	3,506.38	4,222.15	4,687.03	5,201.74	3,447.00	3,394.00	3,235.00
	Preference Div	0.00	0.00	0.00	-109.45	-109.45			
	PAT- Pref.Divid.	3474.16	3506.38	4222.15	4577.58	5092.287	3,447.00	3,394.00	3,235.00
	Avg Interest Rate	7%	5%	2%	4%	4%	5%	5%	5%
	Average Tax Rate	34%	33%	33%	34%	29%			
Leverage	EPS - Annual Report	62.77	63.35	65.28	66.8	69.45			
	% Change in EPS		1%	3%	2%	4%			
	% Change in Sales		5%	15%	12%	23%			
	% Change in EBIT		-3%	22%	13%	14%			
	% Change in PAT		1%	20%	11%	11%			
	Operating Leverage – DOL		-0.6	1.4	1.0	0.6			
	Financial leverage – DFL		-0.33	0.14	0.18	0.28			
	DCL	0.19	0.20	0.19	0.17				0.52
Ratio's	Debt-Equity ratio	0.39	0.26	0.68	0.83	1.09			
	Debt ratio	0.28	0.21	0.41	0.45	0.52			
	Interest Coverage Ratio	29.84	43.51	37.88	9.44	7.35			
	Sales/ Capital	1.48	1.24	0.74	0.49	0.47			

	Employed							
	Sales/ Equity	2.05	1.56	1.25	0.90	0.98		
	ROE	42%	35%	25%	22%			28%
	Return on Avg Net worth - Annual Report	62%	43%	36%	23%	18%		
	Gross Profit Ratio	0.47	0.43	0.44	0.47	0.44		
	Net Profit Ratio	0.24	0.23	0.24	0.24	0.21		

(Source: Annual Report of Tata steel)

ANNEXURES-2

Summarised Annual Report of Tata Steel (2010-15)

PARTICULARS	2014-15 Rs. Cr.	2013-14 Rs. Cr.	2012-13 Rs. Cr.	2011-12 Rs. Cr.	2010-11 Rs. Cr.
NET SALES	24315.77	19691.03	17551.09	15215.5	14498.95
less- Cost of goods sold	13727.67	10521.5	9818.515	8618.895	7731.18
GROSS PROFIT/(LOSS)	10588.1	9169.535	7732.575	6596.605	6767.77
less-Operating expenses	2428.07	1990.365	1578.595	1434.125	1341.19
OPERATING PROFIT/(LOSS)	8160.03	7179.17	6153.98	5162.48	5426.58
Add- Other Income	308.27	242.8	433.67	254.76	148.03
NET OPERATING PROFIT/(LOSS)	8468.3	7421.97	6587.65	5417.24	5574.61
less-Interest	1152.69	786.5	173.9	124.51	186.8
PROFIT/(LOSS) AFTER INTEREST BEFORE TAX & EXCEPTIONAL ITEM	7315.61	6635.47	6413.75	5292.73	5387.81
Add- Exceptional Items	0	430.89	-152.1	-52.77	-90.53
PROFIT/(LOSS) AFTER EXCEPTIONAL ITEM	7315.61	7066.36	6261.65	5239.96	5297.28
less-TAX	2113.87	2379.33	2039.5	1733.58	1823.12
NET PROFIT	5201.74	4687.03	4222.15	3506.38	3474.16
GROSS PROFIT MARGIN	43.5%	46.6%	44.1%	43.4%	46.7%
NET OPERATING PROFIT MARGIN	34.8%	37.7%	37.5%	35.6%	38.4%
NET PROFIT	21.4%	23.8%	24.1%	23.0%	24.0%

(Source: Annual Report of Tata steel)

Annexure-3

CASH FLOW STATEMENT:					
Particulars	2014-15 Rs. Cr.	2013-14 Rs. Cr.	2012-13 Rs. Cr.	2011-12 Rs. Cr.	2010-11 Rs. Cr.
Cash Flow from operating Activities:					
(a) Net Profit before Tax and Extraordinary item	7,315.61	7,066.36	6,261.65	5,239.96	5,297.28
Adjustment for Non-cash & Non-operating items					
- Depreciation	973.4	834.61	819.29	775.1	618.78
-(Profit)/loss on sale of Assets	6.43	-28.26	-11.19	-41	-32.42
-(Profit)/loss on sale of other investments	-186.46	-0.03	-15.63	-9.95	-4.19
-Impairment of Assets		0.06	6.22	-3.33	
-(Profit)/loss on sale of long term investments					-28.58
-Amount received on cancellation of forward covers	-26.62	-124.3	-82.69	-37.73	0.34
-provision for diminution in value if Investments	0.1		0.1		
-Interest and Income from current Investment	-336.81	-142.3	-77.35	-50	-42
-Income from other investments	-101.62	-88.42	-324.16	-166.08	-111.4

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-Interest charged to profit and loss account	1,489.50	929.03	251.25	168.44	228.8
-Amortisation of employee separation compensation	222.34	226.18	152.1	52.77	119.11
-Provision for Wealth Tax	1	0.95	0.97	0.8	0.7
-Contribution for sports infrastructure written off		150			
-Exchange (Gain)/loss on revaluation of foreign currency loans	67.91	-743.6	-222.1		
-Amortisation of long term loan expenses	32.71	57.99	65.1	4.98	3.58
	2141.88	1071.91	561.91	694	752.72
Operating Profit before Working Capital changes	9,457.49	8,138.04	6,823.56	5933.96	6050
Adjustment for Current Assets and Current Liabilities:					
-Trade and other Receivables	-159.25	-143.44	-21.94	-175.94	-24.09
- Inventories	-875.49	-272	-158.22	-302.35	-623.32
-Trade payables and other liabilities	1,772.03	591.8	512.04	139.6	456.76
	737.29	176.36	331.88	-338.69	-190.65
Cash generated from operations					
less: Direct taxes paid	-2,797.56	-2060.2	-2,034.59	1747.11	-1818.24
Cash flow before exceptional Item					
-Employee Separation Compensation paid		-214.54	-224.85	216.77	-226.76
Net Cash from operating Activities	7,397.22	6,254.20	5,120.85	3,848.16	4,041.11
Cash Flow From investing Activities:					
-Purchase of fixed assets	-2,786.29	-2,458.97	-2,009.58	-1527.58	-1978.36
-Sale of fixed assets	15.18	63.88	17.85	44	40.13
-Purchase of Investments	-59,903.25	-31,605.12	-18,306.13	-8037.32	-7070.21
-Purchase of Investments in Subsidiaries	-4,439.80	-29,587.40	-118.17	-277.4	-159.75
-Sale of Investements	57,181.61	34,110.46	14,623.48	7089.51	6969.19
-Inter-corporate deposits	90.73	-85.8	-20		113
-Shareholder's loan to subsidiary					-673.04
-Interest received	312.12	63.75	58.89	78.12	12.14
-Dividend received	101.62	170.67	324.16	166.08	111.4
Exceptional Items:					
-Sale of long term investments in subsidiary					0.75
-Sale of other long term investments					30.62
Net cash used in investing Activities	-9,428.08	-29,328.53	-5,429.50	-2,464.59	-2,604.13
Cash Flow From Financing Activities:					
-Issue of Equity Capital	0.25	4,881.45	1,393.20		
-Issue of Cumulative Convertible Preference Shares	0.14	5,472.52			
-Issue of share Warrants			147.06		
-Capital contributions received			5.59		1.22
-Proceeds from borrowings	6,494.43	17,632.70	8,043.69	535.64	219.2
-Repayment of borrowings	-894.39	-10,386.61	-692.31	-758.96	-859.23
-Amount received on cancellation of forward covers	-10.17	134.41	93.65		
-Long term loan expenses	-32.51	-202.38	-118.88	-57.97	

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-Interest paid	-1,213.96	-746.07	-227.85	-174.14	-207.67
-Dividends paid	-1,187.37	-937.95	-717.69	-713.46	-367.76
Net Cash from Financing Activities	3156.42	15848.07	7926.46	-1168.89	-1214.24
Net Increase/(Decrease) in cash or cash equivalents (A+B+C)	1,125.56	-7,216.31	7,392.96	41.67	-4.02
Opening cash and cash equivalents	465.04	7,681.35	288.39	246.72	250.74
Closing cash and cash equivalents	1,590.60	465.04	7,681.35	288.39	246.72

(Source:Annual Report of Tata steel)