# Financial Statements Analysis

## Tata Steel & SAIL

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01

# BRIEF COMPANY BACKGROUND

| TATA STEEL | सेल SAIL |
|---|---|
| Founded in 1907, 114 years back | Founded in 1954, 67 years back |
| Private Company, owned by TATA group | Public Sector Undertaking, owned by Indian government |
| Mumbai, Maharashtra | New Delhi, India |

TATA STEEL

Revenue: US $24 Billion (2021)
1.81 Lakh Crore INR

Employee Number: 32,364 (2021)

Products: Long Steel products, Wire products, Steel casting pipes, household goods

सेल SAIL

Revenue: US $8.8 Billion (2021)
62569 crores INR

Employee Number: 63,433 (1 Nov 2021)

Products: Flat Steel products, Long Steel Products, wheel and axle for Indian Railways

# 02

# INDUSTRY OUTLOOK

## Market Size

- India is the world’s **second-largest steel producer**
- India's crude steel and finished steel production increased to 108.5 MT and 101.03 MT in FY20, respectively. Between April 2020 and January 2021, India's cumulative production of finished steel at 76.04 Million Tonnes

## Government Policies and Road Ahead

- Steel Research & Technology Mission of India. (SRTMI)
- **Steel Development Fund**
- National Steel Policy 2017.
- After declining 13.7% in 2020, India's steel demand is expected to **rebound by 19.8%** in 2021, the highest rate among the top-10 consuming nations

# 03

# Balance Sheet, P&L and Cash Flows (for last three years)

# Balance Sheet
(In Crores)

- Total assets saw a 7.2% increase between F19 to F20 and a decrease of 1.97% between F20 and F21
- Total liabilities saw a 7.37% increase between F19 to F20 and a decrease of 3.6% between F20 and F21
- This is because the non-current liabilities have gone down by 13.7% between F20 and F21
- Gross debt fell 24 per cent year-on-year (YoY) to Rs 88,500 crore at the end of March in 2021.

| EQUITIES AND LIABILITIES | ------------------ in Rs. Cr. ------------------ | | |
|---|---|---|---|
| **SHAREHOLDER'S FUNDS** | Mar 21 | Mar 20 | Mar 19 |
| Total Shareholders Funds | 73,459.99 | 71,301.30 | 66,650.08 |
| Equity Share Application Money | 3.78 | 0 | 0 |
| Hybrid/Debt/Other Securities | 775 | 2,275.00 | 2,275.00 |
| Minority Interest | 3,269.68 | 2,586.60 | 2,364.46 |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Long Term Borrowings | 72,408.79 | 94,104.97 | 80,342.73 |
| Deferred Tax Liabilities [Net] | 9,241.42 | 9,261.38 | 12,459.89 |
| Other Long Term Liabilities | 10,769.50 | 4,994.22 | 4,409.89 |
| Long Term Provisions | 4,691.92 | 4,235.07 | 4,046.21 |
| Total Non-Current Liabilities | 97,111.63 | 112,595.64 | 101,258.72 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Short Term Borrowings | 9,492.11 | 19,184.48 | 10,802.08 |
| Trade Payables | 25,967.49 | 21,380.85 | 21,716.96 |
| Other Current Liabilities | 30,682.21 | 19,431.91 | 27,266.37 |
| Short Term Provisions | 4,725.32 | 1,663.67 | 1,248.72 |
| Total Current Liabilities | 70,867.13 | 61,660.91 | 61,034.13 |
| Total Capital And Liabilities | 245,487.21 | 250,419.45 | 233,582.39 |

| ASSETS | ------------------ in Rs. Cr. ------------------ | | |
|---|---|---|---|
| **NON-CURRENT ASSETS** | Mar 21 | Mar 20 | Mar 19 |
| Tangible Assets | 128,454.45 | 128,053.76 | 118,450.97 |
| Intangible Assets | 2,976.04 | 2,442.37 | 1,994.32 |
| Capital Work-In-Progress | 18,128.74 | 18,862.06 | 17,956.51 |
| Intangible Assets Under Developme | 878.66 | 634.77 | 684.7 |
| Fixed Assets | 150,437.89 | 149,992.96 | 139,086.50 |
| Non-Current Investments | 3,463.04 | 2,853.31 | 3,213.31 |
| Deferred Tax Assets [Net] | 1,578.02 | 1,270.33 | 808.95 |
| Long Term Loans And Advances | 336.57 | 488.71 | 613.34 |
| Other Non-Current Assets | 25,115.10 | 33,026.89 | 26,872.69 |
| Total Non-Current Assets | 185,275.31 | 191,686.73 | 174,591.41 |
| | | | |
| **CURRENT ASSETS** | | | |
| Current Investments | 7,218.89 | 3,431.87 | 2,524.86 |
| Inventories | 33,276.38 | 31,068.72 | 31,656.10 |
| Trade Receivables | 9,539.84 | 7,884.91 | 11,811.00 |
| Cash And Cash Equivalents | 5,782.18 | 8,054.72 | 3,341.37 |
| Short Term Loans And Advances | 64.72 | 215.68 | 239.7 |
| OtherCurrentAssets | 4,329.89 | 8,076.82 | 9,417.95 |
| Total Current Assets | 60,211.90 | 58,732.72 | 58,990.98 |
| Total Assets | 245,487.21 | 250,419.45 | 233,582.39 |

# Balance Sheet
(In Crores)

सेल SAIL

- Total assets saw a 7.6% increase between F19 to F20 and a decrease of 6.05% between F20 and F21
- Total liabilities saw a 9.08% increase between F19 to F20 and a decrease of 13.55% between F20 and F21
- SAIL had decreased its net debt by Rs 16,131 crore to Rs 35,350 crore during the 2020-21 financial year.

| EQUITIES AND LIABILITIES | ------------------- in Rs. Cr. ------------------- | | |
|---|---|---|---|
| SHAREHOLDER'S FUNDS | Mar 21 | Mar 20 | Mar 19 |
| Total Shareholders Funds | 45,406.22 | 41,510.23 | 39,646.15 |
| Minority Interest | 0.01 | 0.01 | 0.01 |
| | | | |
| NON-CURRENT LIABILITIES | | | |
| Long Term Borrowings | 19,726.03 | 34,560.03 | 30,802.66 |
| Deferred Tax Liabilities [Net] | 1,334.08 | 0 | 0 |
| Other Long Term Liabilities | 1,748.15 | 1,776.72 | 1,590.63 |
| Long Term Provisions | 4,533.75 | 4,115.81 | 4,295.64 |
| Total Non-Current Liabilities | 27,342.01 | 40,452.56 | 36,688.93 |
| | | | |
| CURRENT LIABILITIES | | | |
| Short Term Borrowings | 15,850.24 | 16,640.78 | 10,631.22 |
| Trade Payables | 7,015.00 | 6,322.37 | 7,225.24 |
| Other Current Liabilities | 21,590.99 | 19,644.45 | 21,445.35 |
| Short Term Provisions | 2,041.40 | 2,357.24 | 2,315.40 |
| Total Current Liabilities | 46,497.63 | 44,964.84 | 41,617.21 |
| Total Capital And Liabilities | 119,245.87 | 126,927.64 | 117,952.30 |
| ASSETS | ------------------- in Rs. Cr. ------------------- | | |
| NON-CURRENT ASSETS | Mar 21 | Mar 20 | Mar 19 |
| Tangible Assets | 66,188.78 | 67,590.67 | 59,923.36 |
| Intangible Assets | 1,429.38 | 1,443.61 | 1,451.14 |
| Capital Work-In-Progress | 8,880.63 | 8,753.33 | 16,013.61 |
| Fixed Assets | 76,498.79 | 77,787.61 | 77,388.11 |
| Non-Current Investments | 3,442.26 | 3,240.39 | 2,974.83 |
| Deferred Tax Assets [Net] | 0 | 2,022.17 | 2,866.77 |
| Long Term Loans And Advances | 756.99 | 665.28 | 563.98 |
| Other Non-Current Assets | 2,127.36 | 2,086.73 | 1,765.56 |
| Total Non-Current Assets | 82,825.40 | 85,802.18 | 85,559.25 |
| | | | |
| CURRENT ASSETS | | | |
| Inventories | 19,570.43 | 23,836.27 | 19,510.33 |
| Trade Receivables | 7,153.70 | 8,844.73 | 4,497.48 |
| Cash And Cash Equivalents | 796.35 | 445.02 | 287.69 |
| Short Term Loans And Advances | 50.47 | 49.67 | 54.04 |
| OtherCurrentAssets | 8,849.52 | 7,949.77 | 8,043.51 |
| Total Current Assets | 36,420.47 | 41,125.46 | 32,393.05 |
| Total Assets | 119,245.87 | 126,927.64 | 117,952.30 |

# Cash Flow
(In Crores)

- The net profit before tax grew at a CAGR of 2 % between between FY19 and FY21, which is totally attributed to COVID, as the drop between FY19-20 is 90 % while the PBT increased by 90% from FY20-21
- The CFF is large and negative in the year 2021 indicating that the company has reduced its debt by a significant amount.

| CASH FLOW OF TATA STEEL (in Rs. Cr.) | MAR 21 | MAR 20 | MAR 19 |
|---|---|---|---|
| | 12 mths | 12 mths | 12 mths |
| **NET PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAX** | **13,843.69** | **-1,380.44** | **15,807.12** |
| Net CashFlow From Operating Activities | 44,326.68 | 20,168.72 | 25,335.95 |
| Net Cash Used In Investing Activities | -9,322.88 | -14,530.35 | -29,901.82 |
| Net Cash Used From Financing Activities | -37,089.67 | -1,694.62 | -672.70 |
| Foreign Exchange Gains / Losses | -114.39 | 518.29 | 34.48 |
| Adjustments On Amalgamation Merger Demerger Others | 0.00 | 0.00 | 0.00 |
| **NET INC/DEC IN CASH AND CASH EQUIVALENTS** | **-2,200.26** | **4,462.04** | **-5,204.09** |
| Cash And Cash Equivalents Begin of Year | 7,732.34 | 3,270.30 | 8,179.62 |
| Cash And Cash Equivalents End Of Year | 5,532.08 | 7,732.34 | 2,975.53 |

# Cash Flow
(In Crores)

- The net profit before tax grew at a CAGR of 30% between between FY19 and FY21, which is totally attributed to COVID, as the drop between FY19-20 is 6 % while the PBT increased by 54% from FY20-21.
- Although CFO fell in the year 2020, it recovered in the year 2021.

| CASH FLOW OF STEEL AUTHORITY OF INDIA (in Rs. Cr.) | MAR 21 | MAR 20 | MAR 19 |
|---|---|---|---|
| | 12 mths | 12 mths | 12 mths |
| **NET PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAX** | **7,205.65** | **3,301.58** | **3,549.24** |
| Net CashFlow From Operating Activities | 23,430.37 | -617.67 | 7,215.15 |
| Net Cash Used In Investing Activities | -3,412.69 | -4,260.52 | -3,694.49 |
| Net Cash Used From Financing Activities | -19,689.94 | 5,003.15 | -3,549.08 |
| Foreign Exchange Gains / Losses | 0.00 | 0.00 | 0.00 |
| Adjustments On Amalgamation Merger Demerger Others | 0.00 | 0.00 | 0.00 |
| **NET INC/DEC IN CASH AND CASH EQUIVALENTS** | **327.74** | **124.96** | **-28.42** |
| Cash And Cash Equivalents Begin of Year | 190.54 | 65.58 | 94.00 |
| Cash And Cash Equivalents End Of Year | 518.28 | 190.54 | 65.58 |

TATA STEEL

# P&L
(In Crores)

- Total revenue saw a decrease of 11.3% between FY19 to FY20 and but an increase of 11.9% between FY20 and FY21
- Similarly, EBITDA decreased by 48.6% in F19-20 and increased by 91.6% in F20-21.

| Field | Mar-21 | Mar-20 | Mar-19 |
|---|---|---|---|
| **Total Revenue/Income (Cr)** | **156294.18** | **139816.65** | **157668.99** |
| Cost Of Revenue (Cr) | 56940.15 | 76244.23 | 79448.51 |
| Gross Profit (Cr) | 99354.03 | 63572.42 | 78220.48 |
| **Total Operating Expense (Cr)** | **135023.56** | **132398.81** | **136743.15** |
| **Operating Income/Profit (Cr)** | **20277.2** | **6233.79** | **22706.43** |
| **EBITDA (Cr)** | **30684.04** | **16009.41** | **31145.14** |
| Reconciled Depreciation (Cr) | 9233.64 | 8707.67 | 7579.32 |
| **EBIT (Cr)** | **21450.4** | **7301.74** | **23803.31** |
| Interest Expense (Cr) | -7329.11 | -6704.95 | -7124.55 |
| **Income/Profit Before Tax (Cr)** | **13843.69** | **-231.72** | **15905.72** |
| Income Tax Expense (Cr) | 5653.9 | -2552.9 | 6718.43 |
| **Net Income From Continuing Operation (Cr)** | **8189.79** | **2336.69** | **9187.29** |
| **Net Income (Cr)** | **7490.22** | **1556.54** | **10218.33** |
| **Net Income Applicable to Common Share (Cr)** | **7308.87** | **1357.36** | **10045.2** |
| **EPS (Earning Per Share)** | **62.6** | **13.82** | **90.71** |

# P&L
# (In Crores)

- Total revenue saw a decrease of 7.9% between F19 to F20 and but an increase of 12.08% between F20 and F21
- EBITDA increased by 4% in F19-20 and increased by 34.3% in F20-21. This is due to the decrease in the cost of goods sold over time.

| Field | Mar-21 | Mar-20 | Mar-19 |
|---|---|---|---|
| **Total Revenue/Income (Cr)** | **69113.61** | **61664.16** | **66973.58** |
| Cost Of Revenue (Cr) | 27490.23 | 36017.81 | 41401.03 |
| Gross Profit (Cr) | 41623.38 | 25646.35 | 25572.55 |
| **Total Operating Expense (Cr)** | **60477.65** | **54041.58** | **60351.9** |
| **Operating Income/Profit (Cr)** | **8635.96** | **6114.04** | **6297** |
| **EBITDA (Cr)** | **14125.58** | **10517.48** | **10112.06** |
| Reconciled Depreciation (Cr) | 4102.78 | 3755.73 | 3385.34 |
| **EBIT (Cr)** | **10022.8** | **6761.75** | **6726.72** |
| Interest Expense (Cr) | -2349.41 | -3266.65 | -2877.43 |
| **Income/Profit Before Tax (Cr)** | **7205.65** | **3301.58** | **3549.24** |
| Income Tax Expense (Cr) | 3057.52 | 1180.87 | 1200.53 |
| **Net Income From Continuing Operation (Cr)** | **4148.13** | **2120.71** | **2348.71** |
| **Net Income (Cr)** | **4148.13** | **2120.71** | **2348.71** |
| **Net Income Applicable to Common Share (Cr)** | **4148.13** | **2120.71** | **2348.71** |
| **EPS (Earning Per Share)** | **10.04** | **5.13** | **5.69** |

04

# GENERIC RATIO ANALYSIS

# TATA Steel Limited

| Turnover Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Asset Turnover Ratio (%) | 63.66 | 59.48 | 67.50 | 63.00 |
| Inventory Turnover Ratio (X) | 4.70 | 4.79 | 4.98 | 4.66 |
| Return on Equity (%) | 87.14 | -180.10 | 168.43 | 0.00 |
| Return on Assets (%) | 8.24 | 4.48 | 7.66 | 3.33 |

# Steel Authority of India Limited

| Turnover Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Asset Turnover Ratio (%) | 57.95 | 48.58 | 56.78 | 49.86 |
| Inventory Turnover Ratio (X) | 3.53 | 2.59 | 3.43 | 3.38 |
| Return on Equity (%) | 8.85 | 5.08 | 5.71 | -1.34 |
| Return on Assets (%) | 3.28 | 1.61 | 1.87 | -0.42 |

# TATA Steel Limited

| Margin Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Gross Profit Margin (%) | 27.40 | 18.10 | 23.73 | 20.21 |
| Operating Margin (%) | 33.55 | 24.59 | 29.12 | 24.74 |
| Net Profit Margin (%) | 5.03 | 0.66 | 5.62 | 13.30 |

# Steel Authority of India Limited

| Margin Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Gross Profit Margin (%) | 12.48 | 10.45 | 9.48 | 2.69 |
| Operating Margin (%) | 18.41 | 16.54 | 14.53 | 8.02 |
| Net Profit Margin (%) | 5.32 | 3.12 | 3.17 | -0.98 |

# TATA Steel Limited

| Liquidity Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Current Ratio (X) | 0.85 | 0.95 | 0.95 | 0.97 |
| Quick Ratio (X) | 0.38 | 0.45 | 0.45 | 0.71 |

Tata Steel's Cash Conversion Cycle (CCC) for the three months ended in June 2021 was 56.96
As of September 2021, TATA Steels Days Sales Outstanding is 17.90
As of November 2021, TATA Steels Days Payable Outstanding is 141.45

# Steel Authority of India Limited

| Liquidity Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Current Ratio (X) | 0.78 | 0.91 | 0.78 | 0.69 |
| Quick Ratio (X) | 0.36 | 0.38 | 0.31 | 0.29 |

Steel Authority Of India Cash Conversion Cycle as of today (September 25, 2021) is 167.44
As of November 2021, SAIL Days Sales Outstanding is 27.61
As of September 2021, TATA Steels Days Payable Outstanding is 120.69

# TATA Steel Limited

| Leverage Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Debt to Equity (X) | 1.11 | 1.59 | 1.37 | 1.51 |
| Interest Coverage Ratios (%) | 2.91 | 1.44 | 3.06 | 3.06 |

# Steel Authority of India Limited

| Leverage Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Debt to Equity (X) | 0.78 | 1.23 | 1.05 | 1.14 |
| Interest Coverage Ratios (%) | 3.37 | 2.11 | 2.18 | 0.70 |

# TATA Steel Limited

| Valuation Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Price/BV (x) | 1.32 | 0.43 | 0.89 | 1.12 |
| Earnings Yield | 0.08 | 0.05 | 0.17 | 0.21 |
| EV/EBITDA (x) | 5.63 | 7.06 | 4.86 | 6.45 |
| Price/Net Operating Revenue | 0.08 | 0.05 | 0.17 | 0.21 |

# Steel Authority of India Limited

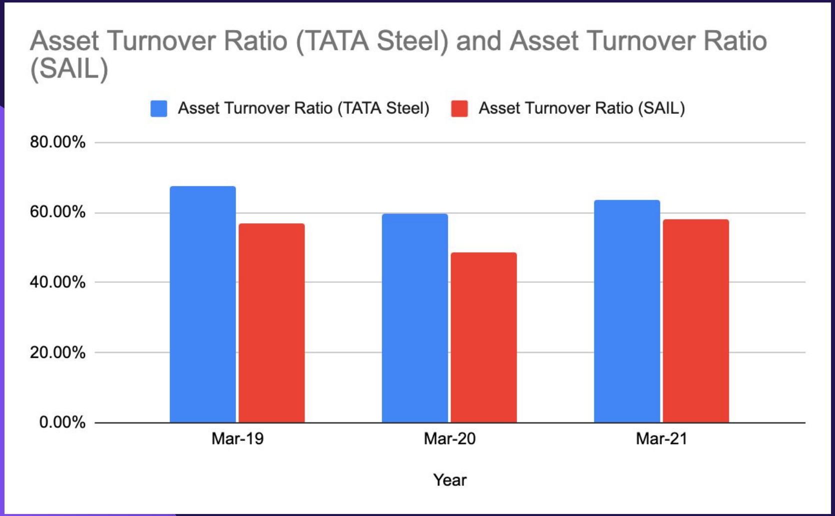
| Valuation Ratios | March 2021 | March 2020 | March 2019 | March 2018 |
|---|---|---|---|---|
| Price/BV (x) | 0.72 | 0.23 | 0.56 | 0.78 |
| Earnings Yield | 0.13 | 0.22 | 0.11 | -0.01 |
| EV/EBITDA (x) | 4.95 | 5.42 | 6.17 | 13.99 |
| Price/Net Operating Revenue | 0.47 | 0.15 | 0.33 | 0.5 |

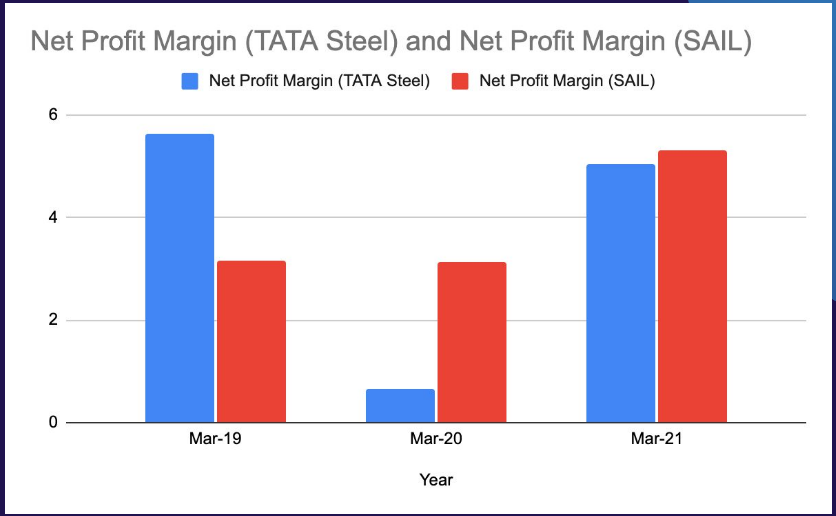
# 05

# PERFORMANCE OF THE COMPANIES

# A. Efficiency vs Profitability

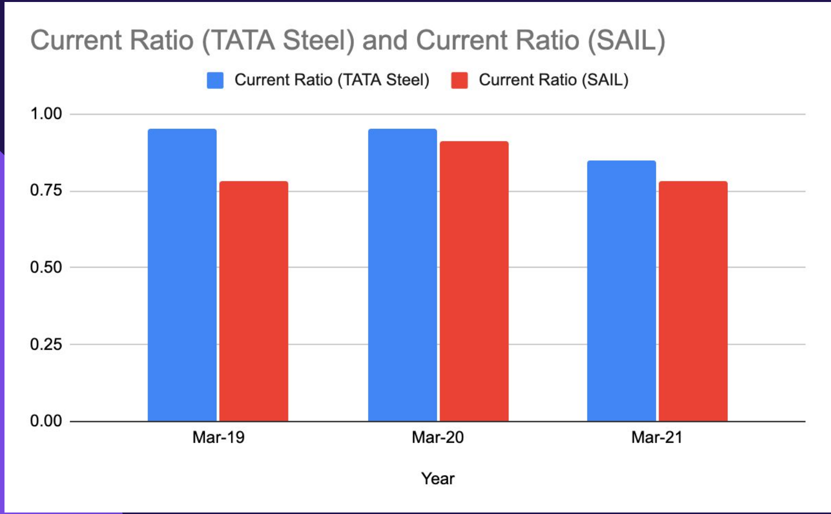
## Asset Turnover Ratio vs. Profitability

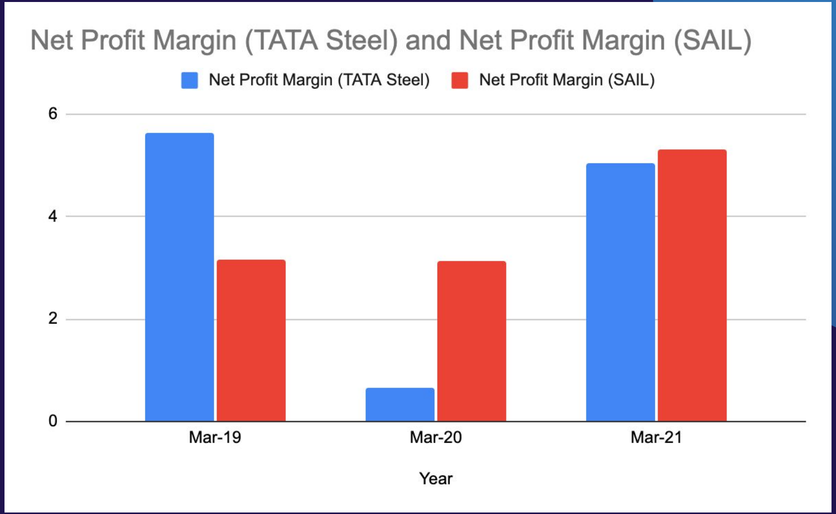


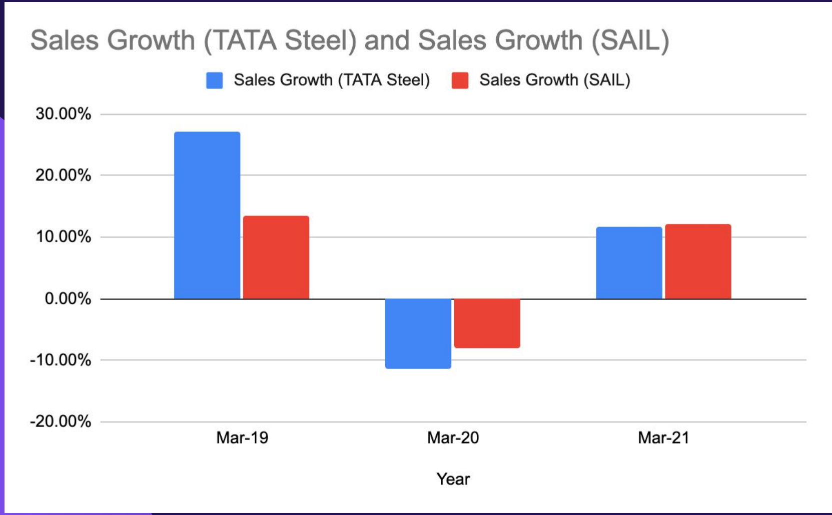
# B. Liquidity vs Profitability

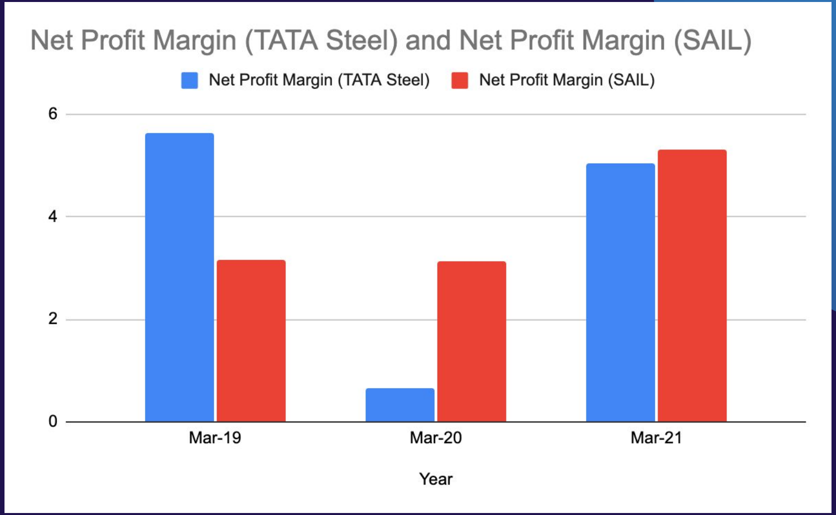
## Current Ratio vs Profitability



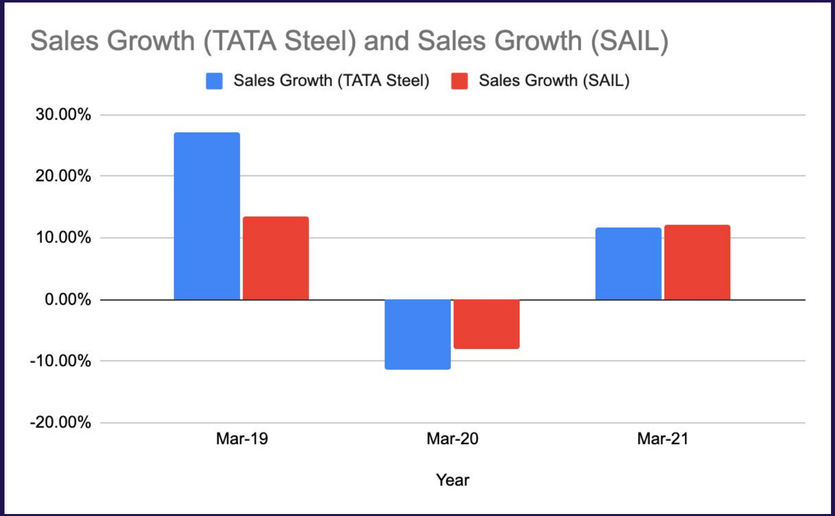
# C. Sales Growth vs Profitability

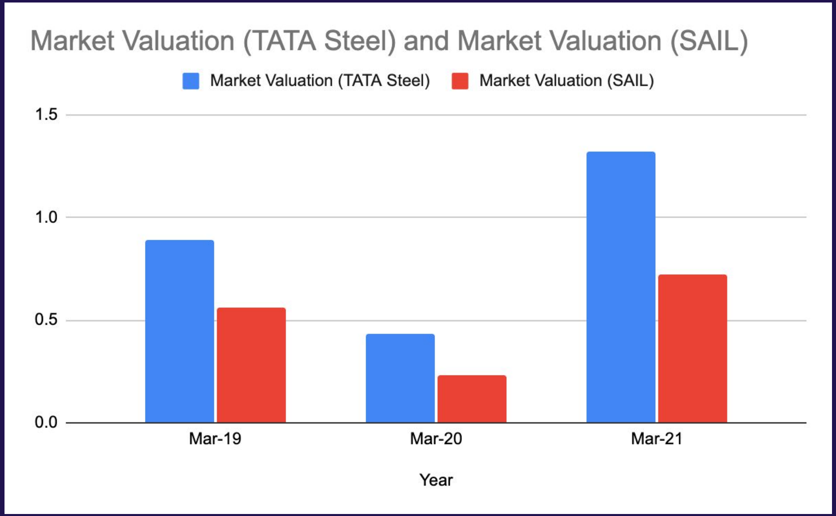


# D. Sales Growth vs Market Valuation

## Sales Growth vs Price to Book Value Ratio



# Conclusion

- In the three previous financial years, T**ata Steel has performed better than SAIL in terms of efficiency ratios and market valuation.** On the other hand, **SAIL has outperformed Tata Steel in terms of net profit margin** in the last two years (although the net profit margins are roughly the same in 2021)

- Both companies have seen a decline in performance in the year 2020 owing to Covid-19. However, they still show promise as their performance has recovered in the year 2021.

- The **operating efficiency of Tata Steel is consistently highe**r than that of SAIL. High operating efficiency indicates that the **management is effective** in controlling costs.

- The liquidity ratios (current ratio and quick ratio) of TATA Steel are consistently higher than that of SAIL. Higher liquidity indicates that the company has a greater amount of cash and easily convertible-to-cash assets which can be used to finance short-term debt obligations.

- Considering the above factors, for stability of returns, one may consider investing in TATA Steel.

- A person who is looking for a higher percentage gain and is willing to undertake risk may consider investing in SAIL.

# Thank You!