

FINANCIAL PERFORMANCE OF TATA STEEL INDUSTRY IN INDIA USING DUPONT MODEL**Dr. D. SILAMBARASAN¹, Dr. R. RAJA² and Mr. P. MATHIVANAN³**¹Assistant Professor of Commerce, Saradha Gangadharan College, Puducherry²Assistant Professor of Commerce, Hindustan College of Arts and Science, Chennai³Assistant Professor of Commerce, Theivanai Ammal College for Women, Villupuram
E-mail: ¹dsarasansss@gmail.com, ²jaihindiraja73@gmail.com, ³mathipdy20@gmail.com**ABSTRACT**

This study attempts to determine the financial performance of Tata steel industry in India based on secondary data considering a 10-year period from 2012 to 2021. This study has measured the financial ratios like ROE, NPM, ATR and EM applying the DuPont model. The results show that the performance of the company is a good and showed a good trending position of return on equity during the study period. The future research directions, we recommend extending the research to a larger sample of firms to assess the factors influencing the performance of the Tata Steel industries.

Keywords: Financial Performance, DuPont Model, Tata Steel Industry.**INTRODUCTION**

This study covers the objective of the study, methodology, variables, analysis, findings, conclusion, and limitations are also presented in this paper. It also explains the financial performance and DuPont analysis discussed in the study. Financial performance is a subjective measure of how well a company can generate revenue from its primary mode of business assets. It is also used to assess a company's overall financial health over a given time period¹. It consists of financial statements in order to conduct a full diagnosis of the business's profitability and financial soundness². The basic DuPont analytical model is a method that breaks down the original equation for "ROE" into three components: operating efficiency, asset efficiency, and leverage. Operating efficiency is measured by the net profit margin and refers to the amount of net income. Asset performance is measured by total asset turnover and refers to the number of sales. Finally, financial leverage is determined by the equity multiplier³.

REVIEW LITERATURE

Sanny and Yanti (2019), the study deals with "DuPont analysis integrative approach to ratio analysis at PT/ federal international finance" Using DuPont analysis based on PT. Federal International Finance during the period from 2009 to 2013 and DuPont analysis found significant differences between "ROI and ROE". This means that analysis using DuPont makes better use of "ROE".

Kim (2016), Studied the "financial performance using DuPont analysis in food distribution market" during the period from 2013 to 2015 using DuPont model based on the food distribution companies. The study used financial ratios and Correlation. The study concluded that ROE and ROI are the most comprehensive measure of business profitability.

It considers the operating and investing decisions that can be made as well as the financing and their leverage-related decisions.

Bhagyalakshmi and Saraswathi (2019), Analyzed the "financial performance evaluation using DuPont Analysis in select Automobile Companies" with 10 automobile companies during the period from 2013 to 2017. The study used the DuPont model to measure EM, NPM, and AT to calculate ROE. The result shows there is a positive relationship with all the variables except EM and there is significance difference exists in the financial performance of selected automobile companies with respect to return on equity and return on assets.

Objectives

To objective of the study is to analysis the financial performance of Tata Steel Industry in India with the help of Du Pont Model.

METHODOLOGY

The present study is based on the secondary data, which are collected from Money Control during the period from 2012 to 2021. The DuPont equation of ROE into three components: Net Profit Margin, Asset Turnover Ratio, and Equity Multiplier.

Return on Equity

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Assets}} \times \frac{\text{Total Revenue}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Equity}}$$

Asset Turnover Ratio

$$\text{Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Total Assets}}$$

Net Profit Margin

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Total Revenue}}$$

Equity Multiplier

$$\text{Equity Multiplier} = \frac{\text{Total Asset}}{\text{Total Earnings}}$$

**Analysis Table 1
Du Pont Analysis of Tata Steel Industry from 2012 to 2021**

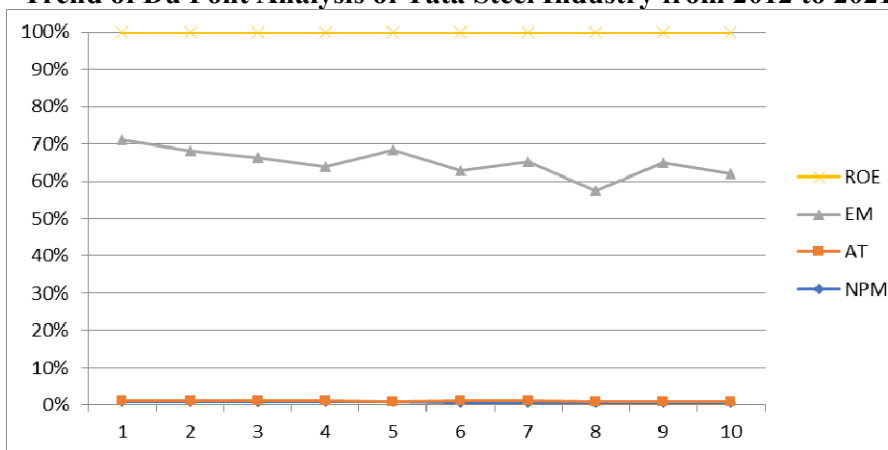
Year	NPM	AT	EM	ROE
2012	1.12	0.35	98.02	41.06
2013	1.08	0.37	90.88	43.30
2014	1.08	0.37	91.31	47.16
2015	1.14	0.36	92.08	52.84
2016	1.11	0.31	97.83	46.10
2017	1.10	0.42	91.75	55.16
2018	1.02	0.46	93.16	50.60
2019	1.11	0.50	94.97	71.23
2020	1.03	0.40	98.22	53.55
2021	1.11	0.39	99.67	61.82

Source: Money Control

The table 1 shows that the DuPont analysis of Steel Industry from 2012 to 2021. The study has been done by the considering the Net Profit Margin, Assets Turnover and Equity Multiplier for calculating Return on Equity. The highest net profit margin of 1.14 reported in the year 2015 and it finally the lowest of the net profit margin of 1.02 reported in the year 2018; the highest asset turnover

of 0.50 reported in the year 2019 and it finally the lowest of the asset turnover of 0.31 reported in the year 2016; the highest equity multiplier of 99.67 reported in the year 2021 and it finally the lowest of the equity multiplier of 90.88 reported in the year 2013; the highest return on equity of 71.23 reported in the year 2019, and it finally the lowest of the return on equity of 41.06 reported in the year 2012.

**Figure A
Trend of Du Pont Analysis of Tata Steel Industry from 2012 to 2021**



Source: Money Control

The figure A shows the trends of DuPont analysis of Steel Industry from 2012 to 2021. The net profit margin shows a balancing trend in the study period. The asset turnover shows a decreasing trend during

the study period. The equity multiplier shows a decreasing trend during the study period. The return on equity shows increasing trend during the study period.

FINDINGS

- Finding of this study shows the highest net profit margin of 1.14 was reported in the year 2015. Further, the net profit margin trend shows that balancing the trend in the study period.
- The highest asset turnover of 0.50 reported in the year 2019. Further, the asset turnover trend shows that decreasing the trend in the study period.
- The highest equity multiplier of 99.67 reported in the year 2021. Further, the equity multiplier trend shows that decreasing the trend in the study period.
- The highest return on equity of 71.23 reported in the year 2019. Further, the return on equity shows that increasing the trend in the study period.

CONCLUSION

The present study was conducted to analyze the financial performance of Steel Industry. Through the analysis, it can be seen that the performance of the company is a good and showed a good trending position of return on equity during the study period. The future research directions, we recommend extending the research to a larger sample of firms to assess the factors influencing the performance of the Tata Steel industries.

LIMITATIONS AND SCOPE

- The study considered Tata Steel Industry in India only.
- The study covers analysis of 10 years period only.
- Studies may be undertaken a large sample of the industry.

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