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A Study on Comparative Financial Performance of JSW Steel with Tata Steel

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ABSTRACT

The Indian steel industry forms a vital pillar of the nation's infrastructure and economic development, contributing significantly to industrial growth and employment generation. Among the major players, JSW Steel and Tata Steel stand as two dominant forces that shape the competitive landscape of the sector. This study seeks to undertake a comparative analysis of the financial performance of JSW Steel and Tata Steel to understand their operational efficiency, profitability, liquidity, and overall financial stability. By examining these parameters, the research aims to provide valuable insights into corporate performance and investor decision-making in the Indian steel sector.

The objectives of this study include analyzing revenue and total income trends of both companies to gauge their market performance; comparing total expenses and net profit or loss to assess the impact of cost management on profitability; evaluating profit before and after tax to measure earning capability; examining total equity trends to determine the strength of shareholder funds; and analyzing current assets, current liabilities, and working capital ratios to understand liquidity and short-term solvency. Furthermore, the study measures Return on Equity (ROE) to evaluate how effectively each company utilizes shareholder investments to generate profit.

A descriptive research approach based on secondary data has been employed for this study. The analysis relies on financial statements and annual reports of JSW Steel and Tata Steel covering the period from FY2022 to FY2024. The study uses key financial indicators such as revenue from operations, profit before and after tax, total equity, working capital ratio, and return on equity to perform trend and ratio analyses. These tools help identify patterns of growth, profitability, and financial health over time.

The findings reveal distinct differences in financial performance between the two companies. JSW Steel displayed consistent growth in revenue during FY2022–FY2024, while Tata Steel experienced a steady decline in revenue across the same period. Although JSW Steel's expenses rose moderately, the company managed to sustain profits. In contrast, Tata Steel's expenses increased faster than its income, leading to losses by FY2024. Profitability analysis indicated that while JSW Steel's profits declined, they remained positive, whereas Tata Steel's profit margins deteriorated significantly, culminating in a net loss.

In terms of working capital management, JSW Steel maintained a stable working capital ratio, reflecting efficient short-term financial management and liquidity control. Tata Steel, however, showed a sharp fall in its working capital ratio, signaling rising financial strain. Similarly, JSW Steel's total equity improved by FY2024, implying enhanced shareholder value and financial resilience. On the other hand, Tata Steel's equity declined consistently, reflecting reduced investor confidence and weakening financial strength. The Return on Equity analysis further reinforced these findings: JSW Steel sustained positive ROE, though declining slightly, while Tata Steel's ROE turned negative by FY2024, indicating poor utilization of shareholders' funds.

In conclusion, the comparative analysis highlights JSW Steel's stronger and more resilient financial performance compared to Tata Steel during the study period. Effective cost management, liquidity control, and stable equity growth enabled JSW Steel to sustain profitability, while Tata Steel's financial position weakened due to declining revenues and rising expenses. The study emphasizes the importance of strategic financial management in maintaining competitiveness and long-term sustainability in India's steel industry.

Keywords: Financial Performance, Working Capital Management, Return on Equity, Steel Industry Analysis, Profitability Trends

INTRODUCTION

The steel industry is one of the most important sectors in the global economy. It involves the production and processing of steel, which is an alloy mainly made from iron and carbon. Steel is widely used in almost every aspect of modern life, including construction, transportation, machinery, automobiles, household appliances, and energy infrastructure. The industry consists of several stages such as primary steelmaking, where iron ore is converted into steel through processes like the blast furnace–basic oxygen furnace route, and secondary or electric arc furnace production, which relies on recycled steel scrap. Because of its versatility, strength, and durability, steel has become the backbone of industrialization and economic development across the world.

Historically, the steel industry expanded rapidly during the 20th century as industrialization spread around the globe. The invention of new technologies such as continuous casting, automation, and large-scale furnaces helped boost production and efficiency. Over the decades, the industry has undergone globalization and consolidation, with Asia—particularly China and India—emerging as the major steel-producing regions. Today, steel production and demand are seen as key indicators of a nation's economic performance because steel consumption reflects growth in construction, infrastructure, and manufacturing activities.

Globally, the steel industry produces close to 1,884 million tonnes of crude steel annually. China remains the largest producer, accounting for more than half of total global output, while India ranks second with about 149 million tonnes. Japan, the United States, and Russia follow as other major producers. The demand for steel continues to be driven by construction, automotive manufacturing, machinery, and energy sectors. However, growth has been uneven across regions. Developed economies have seen a slowdown due to weaker construction and investment activity, while emerging markets continue to fuel demand through infrastructure expansion.

As of 2025, global steel demand is expected to remain flat at around 1,750 million tonnes, with a modest increase projected for 2026. Although this reflects a period of stability, it also signals limited growth potential in mature economies. In contrast, countries such as India, Vietnam, and Indonesia are witnessing higher steel consumption as they invest heavily in housing, transportation, and industrial projects. However, one of the major challenges facing the global steel industry is overcapacity. With nearly 165 million tonnes of new capacity expected to come online between 2025 and 2027, global utilization rates could fall below 70 percent in some regions. Overcapacity leads to reduced prices, lower profitability, and financial strain on producers.

Another pressing concern for the industry is the rise in raw material and energy costs. Iron ore, metallurgical coal, and scrap metal prices have been volatile, and supply chain disruptions have further increased production costs. For example, Indian steel producers have recently faced shortages of metallurgical coke, a key raw material used in blast furnaces. Such supply challenges, combined with fluctuating global prices, have impacted steel output and profitability.

In addition to economic challenges, the industry faces increasing environmental and regulatory pressure. Steelmaking is responsible for nearly 10 percent of global carbon dioxide emissions, making it one of the most carbon-intensive industries in the world. As nations commit to carbon neutrality goals, the steel sector is under growing pressure to decarbonize its operations. To address this, many producers are shifting towards greener technologies such as electric arc furnaces that rely on scrap steel instead of coal, and hydrogen-based direct reduction processes that eliminate the use of coke. Investments in carbon capture and storage technologies are also gaining attention. The transition towards green steel is creating new opportunities, but it also involves high costs, technological challenges, and unequal progress across regions.

Geographically, the structure of the industry is changing. China continues to dominate production but faces slowing domestic demand due to its real estate and manufacturing slowdowns. Meanwhile, India is becoming a major growth center, with the government promoting new policies under the National Green Steel Mission and aiming to increase both production capacity and per capita steel consumption. India's per capita steel use stands at around 108 kilograms, which is much lower than the global average of 214 kilograms, indicating strong potential for future growth. However, Indian steelmakers are currently dealing with falling prices, weak demand from construction and automotive sectors, and inventory buildup, forcing some smaller mills to cut production.

The steel trade remains highly globalized, with significant cross-border flows of semi-finished and finished products. However, trade disputes, tariffs, and anti-dumping measures are common. Many countries, including those in Europe and North America, have introduced import controls to protect domestic industries from cheaper foreign steel, especially from markets where government subsidies make production costs artificially low. These trade tensions contribute to price instability and uncertainty for global producers.

At the same time, the industry is moving toward higher-value products such as automotive-grade steel, stainless steel, and high-strength alloys. The demand for specialized steel with superior performance characteristics is rising due to its application in electric vehicles, renewable energy infrastructure, and advanced manufacturing. Digital transformation is another emerging trend, with steelmakers adopting smart technologies, automation, and artificial intelligence to enhance efficiency and quality control.

Despite its challenges, the steel industry also presents major opportunities. Global infrastructure development, particularly in developing countries, will continue to support long-term demand. The growing emphasis on sustainability and recycling means that scrap-based production and circular economy practices will gain greater importance. Producers who invest early in green steel technologies, value-added products, and digital efficiency are likely to remain competitive and profitable.

Looking ahead, the global steel market in 2025 is expected to stay stable before gradually recovering in 2026 and beyond. The industry's future will depend on how effectively it balances supply and demand, adapts to environmental regulations, and embraces innovation. Overcapacity, emission control, raw material availability, and trade dynamics will remain key issues. In India, sustained infrastructure investment and policy support could help the sector achieve strong growth in the next decade, especially if environmental and raw material challenges are managed efficiently.

In conclusion, the steel industry continues to be a pillar of industrial development, but it stands at a crossroads. While traditional production methods and markets face stagnation, new opportunities are emerging in sustainable production, recycling, and advanced materials. The next phase of growth will not only depend on how much steel is produced but also on how clean, efficient, and specialized that production becomes. The global steel industry must therefore focus on quality, innovation, and sustainability to remain relevant in an evolving economic and environmental landscape.

OBJECTIVE

 To compare the financial performance of Tata Steel and JSW Steel by analyzing their key financial ratios over a five-year period (2021–2025).
The project focuses on understanding how both companies have performed in terms of profitability, liquidity, solvency, and efficiency.

 To study the liquidity position of both companies by using ratios such as the *Current Ratio* and *Quick Ratio*. This helps in assessing the firms' ability to meet short-term obligations and maintain financial stability.

 To analyze the profitability of Tata Steel and JSW Steel through the *Net Profit Ratio* and *Return on Investment (ROI)*.
The objective is to evaluate how effectively each company generates profit from its operations and investments.

 To assess the solvency position of both companies by using the *Debt-Equity Ratio* and *Return on Equity (ROE)*. This provides insight into the financial structure and long-term stability of each organization.

 To evaluate the efficiency of asset utilization through the *Return on Assets (ROA)* ratio. This shows how efficiently the companies are using their total assets to generate profits.

 To identify financial trends and growth patterns in both Tata Steel and JSW Steel across the study period. The project aims to observe improvements or declines in key financial indicators to understand overall performance trends.

 To draw a comparative conclusion highlighting which company maintains better financial health and operational efficiency based on ratio analysis.

 To provide insights and recommendations for improving financial performance and maintaining competitiveness in the Indian steel industry.

RESEARCH METHODOLOGY

The research methodology adopted in this project is based on a **descriptive research design**, which focuses on studying and analyzing the existing financial data of **Tata Steel** and **JSW Steel** to compare their financial performance over a five-year period (2021–2025). The study aims to describe and interpret the current financial position of both companies using various accounting and financial ratios.

1. Research Design

The study follows a **descriptive research design**, as it involves the systematic collection and presentation of data to describe the present financial condition of the selected companies. It does not involve any experimental or manipulative procedures but rather focuses on analyzing the facts and figures available from secondary sources. The design helps to understand the trends, growth patterns, and performance differences between Tata Steel and JSW Steel.

2. Nature of the Study

The research is **quantitative** in nature because it uses numerical financial data from the companies' annual reports and other published records. The study is also **comparative**, as it compares financial indicators of two major companies in the Indian steel industry to evaluate their relative performance.

3. Sources of Data

The study is entirely based on **secondary data**, which have been collected from reliable and published sources such as:

 Annual Reports of Tata Steel and JSW Steel for the financial years 2021–2025.

 Official Company Websites – www.tatasteel.com and www.jsw.in.

 Moneycontrol Website – www.moneycontrol.com (for financial statements, ratio data, stock trends, and performance summaries).

4. Data Collection Method

The method used for data collection is the **documentary and analytical method**. The researcher extracted relevant financial data such as current assets, current liabilities, revenue, net profit, shareholder funds, and total assets from published financial statements. These figures were organized into tables and analyzed through ratio calculations to understand financial performance trends.

5. Tools for Analysis

The study uses **financial ratio analysis** as the main analytical tool. The following ratios were calculated and compared for both Tata Steel and JSW Steel:

- **Liquidity Ratios:** Current Ratio, Quick Ratio
- **Profitability Ratios:** Net Profit Ratio, Return on Investment (ROI), Return on Equity (ROE)

- **Solvency Ratios:** Debt-Equity Ratio, Return on Assets (ROA)

These ratios were analyzed year-wise (2021–2025) to interpret the financial strength, profitability, and efficiency of both companies.

6. Data Analysis Techniques

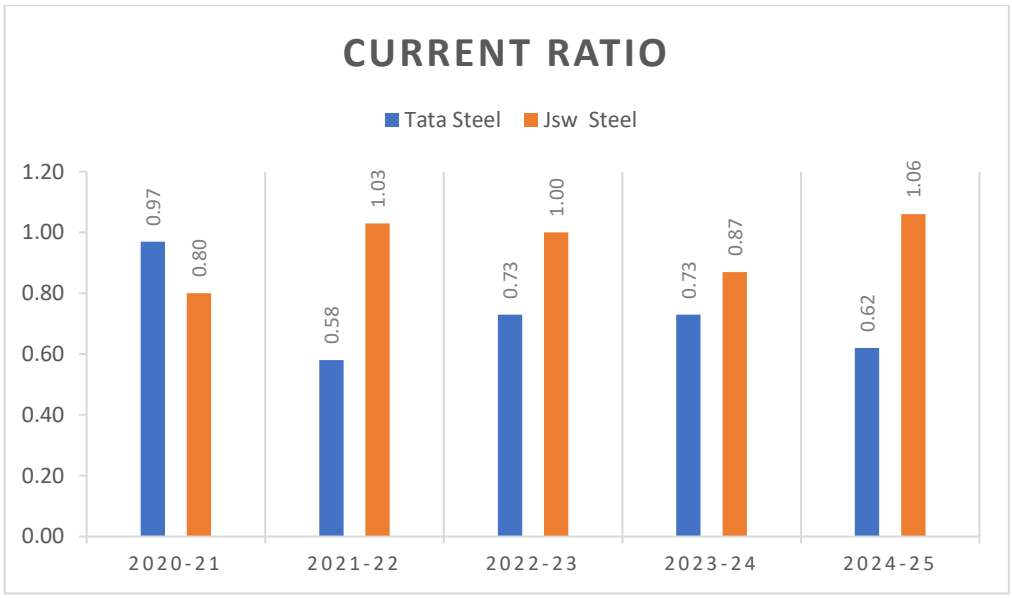
The analysis is **descriptive and comparative**. The calculated ratios were presented in tabular form to observe variations and performance trends over time. Interpretations were made for each ratio to explain the reasons for increase or decrease in financial performance. Comparative analysis was done between Tata Steel and JSW Steel to identify which company performed better in each aspect.

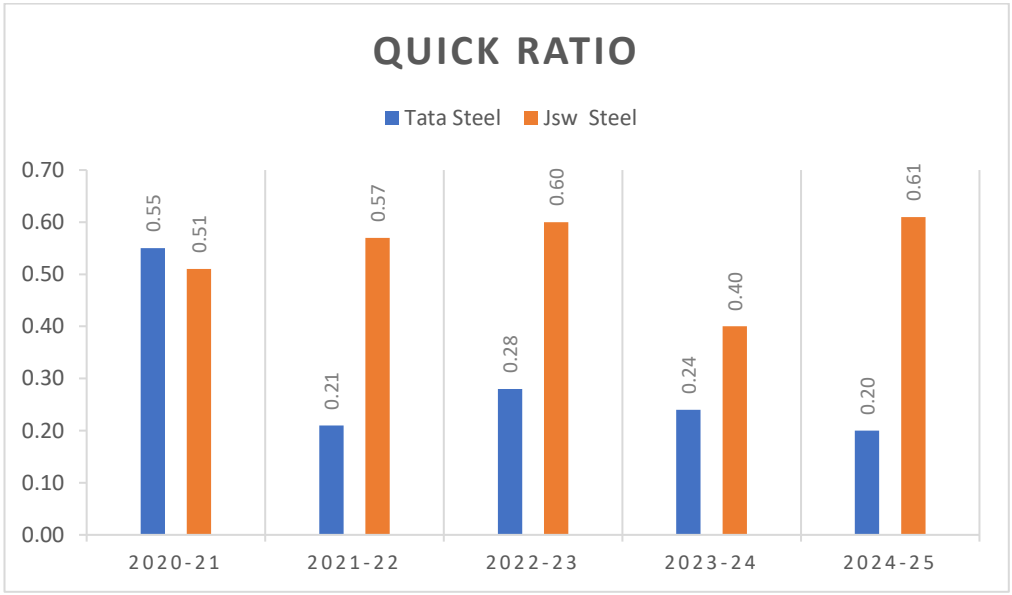
7. Period of Study

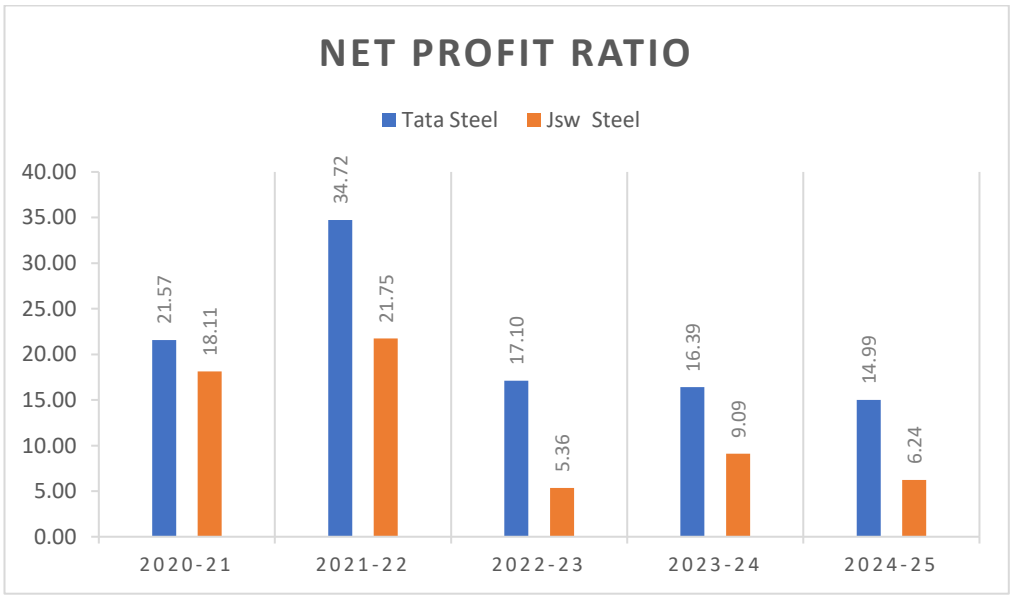
The study covers a **five-year period from 2021 to 2025**, which provides a sufficient timeframe to evaluate financial trends, operational growth, and overall performance stability of both companies.

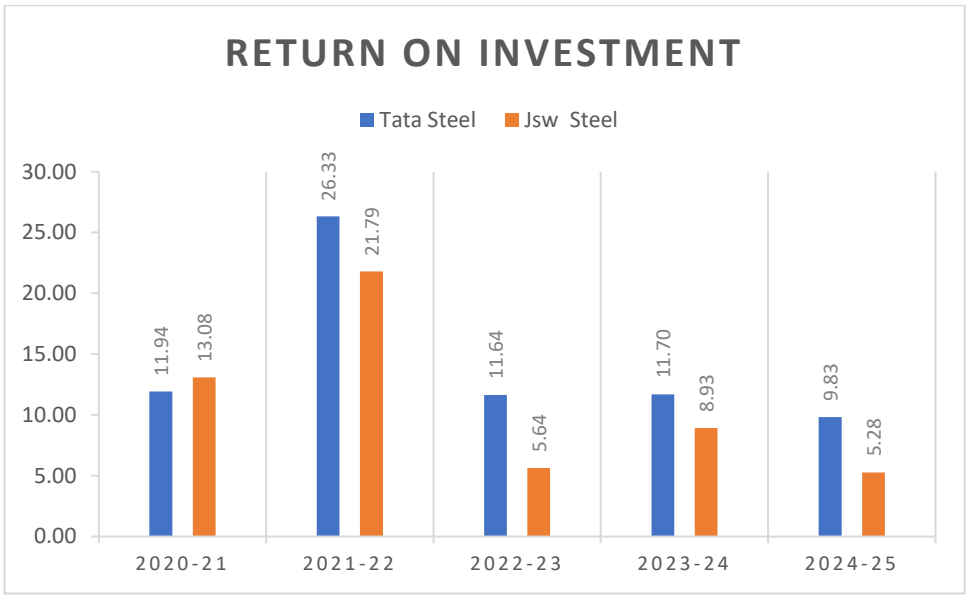
DATA ANALYSIS AND INTERPRETATION

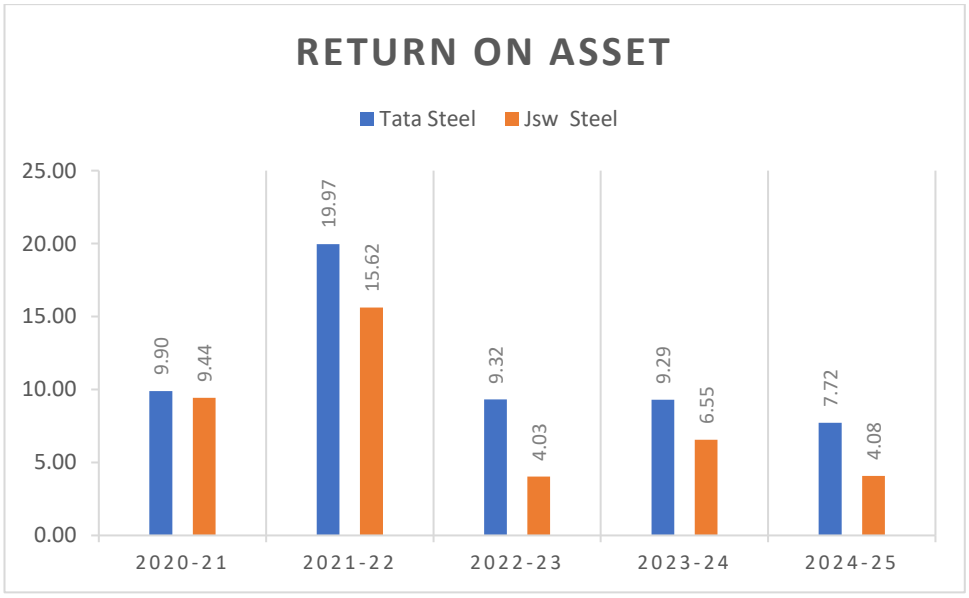
Year	Current Ratio (Tata)	Current Ratio (JSW)	Quick Ratio (Tata)	Quick Ratio (JSW)	Net Profit Ratio (Tata)	Net Profit Ratio (JSW)	ROI (Tata)	ROI (JSW)	ROA (Tata)	ROA (JSW)	Debt-to Equity (Tata)	Debt-to Equity (JSW)	ROE (Tata)	ROE (JSW)
2020-21	0.97	0.80	0.55	0.51	21.57	18.11	11.94	13.08	9.90	9.44	0.59	1.05	18.93	26.78
2021-22	0.58	1.03	0.21	0.57	34.72	21.75	26.33	21.79	19.97	15.62	0.34	0.84	35.34	40.06
2022-23	0.73	1.00	0.28	0.60	17.10	5.36	11.64	5.64	9.32	4.03	0.39	0.94	16.17	10.95
2023-24	0.73	0.87	0.24	0.40	16.39	9.09	11.70	8.93	9.29	6.55	0.42	0.81	16.56	16.13
2024-25	0.62	1.06	0.20	0.61	14.99	6.24	9.83	5.28	7.72	4.08	0.58	0.86	15.48	9.83

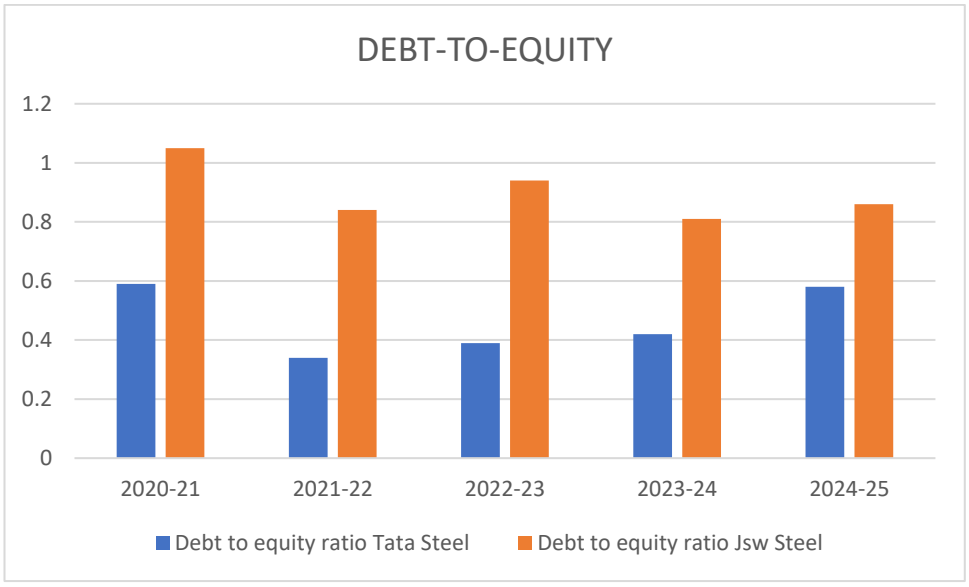

CURRENT RATIO
Tata Steel
Jsw Steel
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.97
0.80
0.58
1.03
0.73
1.00
0.73
0.87
0.62
1.06
2020-21
2021-22
2022-23
2023-24
2024-25

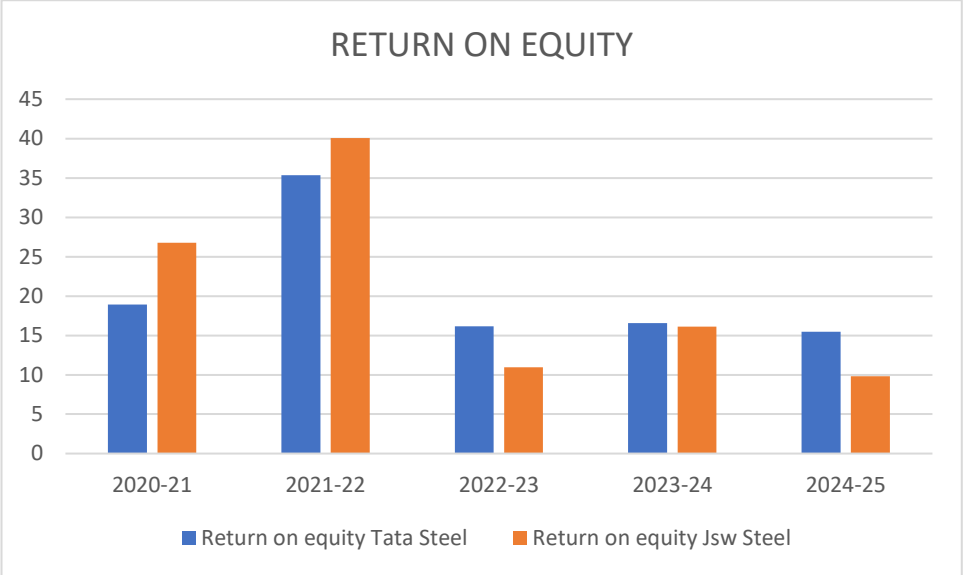

QUICK RATIO
Tata Steel
Jsw Steel
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
0.55
0.51
0.21
0.57
0.28
0.60
0.24
0.40
0.20
0.61
2020-21
2021-22
2022-23
2023-24
2024-25


NET PROFIT RATIO
Tata Steel
Jsw Steel
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
21.57
18.11
34.72
21.75
17.10
5.36
16.39
9.09
14.99
6.24
2020-21
2021-22
2022-23
2023-24
2024-25


RETURN ON INVESTMENT
Tata Steel
Jsw Steel
30.00
25.00
20.00
15.00
10.00
5.00
0.00
11.94
13.08
26.33
21.79
11.64
5.64
11.70
8.93
9.83
5.28
2020-21
2021-22
2022-23
2023-24
2024-25


RETURN ON ASSET
Tata Steel
Jsw Steel
25.00
20.00
15.00
10.00
5.00
0.00
9.90
9.44
19.97
15.62
9.32
4.03
9.29
6.55
7.72
4.08
2020-21
2021-22
2022-23
2023-24
2024-25


DEBT-TO-EQUITY
1.2
1
0.8
0.6
0.4
0.2
0
2020-21
2021-22
2022-23
2023-24
2024-25
Debt to equity ratio Tata Steel
Debt to equity ratio Jsw Steel



INTERPERTATION

1. Current Ratio (Liquidity Analysis)

- **Tata Steel:** The current ratio declined from 0.97 in 2021 to 0.62 in 2025. This indicates a weakening short-term liquidity position, suggesting that Tata might struggle more to meet short-term obligations over time.
- **JSW Steel:** The current ratio fluctuates, starting at 0.80 in 2021 and increasing to 1.06 in 2025, which suggests JSW has maintained a relatively healthier liquidity position compared to Tata, particularly in 2025.

Observation: JSW Steel shows better liquidity management than Tata Steel over these years.

2. Quick Ratio (Acid-Test Ratio)

- **Tata Steel:** Dropped from 0.55 in 2021 to 0.20 in 2025, indicating that Tata Steel's immediate liquidity (excluding inventory) is deteriorating.
- **JSW Steel:** Improved from 0.51 in 2021 to 0.61 in 2025, showing better ability to cover short-term liabilities with liquid assets.

Observation: JSW maintains a stronger liquidity buffer than Tata, making it more capable of meeting urgent obligations.

3. Net Profit Ratio (Profitability)

- **Tata Steel:** Peaked at 34.72% in 2022 but dropped to 14.99% by 2025. This shows that Tata Steel's profitability is declining after a strong performance in 2022.
- **JSW Steel:** Remained relatively stable, though low, declining from 18.11% in 2021 to 6.24% in 2025.

Observation: Tata Steel had a strong profit spike in 2022, but overall JSW Steel shows a steady, though lower, net profit ratio trend.

4. Return on Investment (ROI)

- **Tata Steel:** ROI shows an increase in 2022 (26.33%) but drops to 9.83% in 2025.
- **JSW Steel:** ROI peaked at 21.79% in 2022 and fell to 5.28% in 2025.

Observation: Both companies had strong returns in 2022, likely due to market conditions or operational efficiency, but ROI is declining steadily, indicating reduced effectiveness in generating returns from investments in recent years.

5. Return on Assets (ROA)

- **Tata Steel:** Slight fluctuations, with ROA highest in 2022 (19.97%) and declining to 7.72% in 2025.
- **JSW Steel:** ROA increased in 2022 (15.62%) but fell to 4.08% in 2025.

Observation: Tata Steel utilizes its assets more efficiently than JSW Steel across the period, despite the decline.

6. Debt-to-Equity Ratio (Leverage)

- **Tata Steel:** Declined from 0.59 in 2021 to 0.58 in 2025, indicating a stable debt management approach.
- **JSW Steel:** Declined from 1.05 in 2021 to 0.86 in 2025, showing reduced reliance on debt and improved financial stability.

Observation: Both companies are managing their leverage prudently, but JSW has a higher debt proportion, although it is decreasing.

7. Return on Equity (ROE)

- **Tata Steel:** ROE peaked in 2022 (35.34%) and dropped to 15.48% in 2025, showing a decline in shareholder returns.
- **JSW Steel:** ROE decreased sharply from 26.78% in 2021 to 9.83% in 2025.

Observation: Shareholder returns for both companies are declining, with JSW showing a more significant drop.

FINDINGS

1. Liquidity Position (Current & Quick Ratios)

- **Tata Steel** showed relatively low liquidity across the period, with current ratios below 1, indicating potential short-term solvency concerns.
- **JSW Steel**, however, maintained a stronger liquidity position, especially in 2022 and 2025, with current ratios exceeding 1.
- Quick ratios for both firms are below 1, reflecting high inventory dependence and limited immediate liquid assets.

2. Profitability (Net Profit Ratio, ROA, ROE)

- **Tata Steel** achieved its peak net profit ratio in 2022 (34.72%), demonstrating strong profitability that year. However, profits declined gradually through 2025.
- **JSW Steel** displayed more volatility in profitability, peaking in 2022 but dropping sharply in 2023.
- **ROA** and **ROE** follow similar trends—Tata Steel generally maintained more consistent returns, while JSW Steel had higher peaks but greater fluctuations.

3. Efficiency & Investment Returns (ROI)

- **Tata Steel**'s ROI was notably high in 2022 (26.33%), suggesting effective capital use during that period.
- **JSW Steel** also performed well in 2022 (21.79%) but saw a more pronounced decline thereafter.
- Overall, Tata Steel displayed more stability in its return-generating capability.

4. Leverage (Debt-to-Equity Ratio)

- **Tata Steel** maintained a conservative debt structure (average D/E ≈ 0.46), implying moderate financial risk.

- **JSW Steel** had consistently higher leverage (average D/E ≈ 0.90), suggesting greater reliance on debt financing, which could amplify both returns and risk exposure.

SUGGESTIONS

For Tata Steel:

- Improve **liquidity** by optimizing working capital management and reducing reliance on short-term borrowing.
- Maintain consistent **profit margins** through cost control and value-added product diversification.
- Continue prudent debt management to preserve financial stability.

For JSW Steel:

- Reduce **debt dependence** to lower financial risk, especially during industry downturns.
- Focus on **profitability improvement** through operational efficiency and better cost management.
- Strengthen liquidity by increasing liquid asset reserves and managing inventory turnover efficiently.

For Both Companies:

- Implement stronger **risk management** strategies to mitigate volatility in steel prices and global demand.
- Invest in **sustainable steel production** and green technologies to enhance long-term competitiveness.
- Maintain a balanced approach between growth, leverage, and shareholder returns.

CONCLUSION

The comparative financial ratio analysis of JSW Steel and Tata Steel from 2021 to 2025 highlights key differences in their financial performance, strategies, and risk approaches. Both companies are leaders in India's steel industry, yet their financial patterns reveal contrasting management philosophies.

Tata Steel demonstrates a more conservative and stable financial structure, focusing on consistent profitability and controlled leverage. Its Debt-to-Equity Ratio remained low, indicating limited dependence on debt financing. Although its Current and Quick Ratios were below one, suggesting lower short-term liquidity, Tata Steel effectively managed its operations and maintained steady returns. The company achieved its highest Net Profit Ratio (34.72%) and ROI (26.33%) in 2022, reflecting efficient capital utilization during a strong industry phase.

In contrast, JSW Steel pursued a more aggressive and growth-oriented strategy, maintaining stronger liquidity but higher financial risk. Its Current Ratios were often above one, signifying better ability to meet short-term obligations. However, the company's Debt-to-Equity Ratio averaged around 0.9, showing heavy reliance on borrowed funds. Profitability was more volatile, with sharp gains in 2022 followed by declines in later years.

Overall, Tata Steel emerges as financially stable and sustainable, prioritizing long-term resilience, while JSW Steel focuses on expansion and liquidity strength, albeit with greater exposure to risk. Together, their performances reflect the dual nature of India's steel sector — one driven by strategic stability, the other by dynamic growth.

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WEBSITE

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