

CORPORATE GOVERNANCE PRACTICES: THE WAY OF TATA STEEL LTD IN INDIA

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Abstract: *Corporate governance is the key to enhance the long-term value of the company for the benefit of shareholders and other stakeholders. It becomes very essential for every organization to achieve high standards of corporate governance. The scope of corporate governance in India has increased largely in the recent period, particularly in the financial sector reforms. As Indian corporate are finding new space in domestic and international markets for business growth, their interaction with the financial markets and investing community too witnessed significant surge. In this process, corporate governance became as an effective tool for companies to communicate with the various types of stakeholders in general and investors in particular. In India, SEBI guidelines clause 49 lays emphasis on good corporate governance. In spite of this, many of the reforms that have been adopted fail to address the basic areas of concern such as the relationship between controlling and minority shareholders, the role of promoters, the limited activism of shareholders, including institutional investors, and issues with director independence. But, even with various challenges, Tata steel Ltd stands for trust and confidence for past several decades. This research paper, attempts to study corporate governance with special reference to Tata Steel Ltd in India. Present Status of Corporate Governance of Tata Steel Ltd will also be analyzed at this juncture. Various financial performance of Tata Steel Ltd will be evaluated in this paper. Moreover, Shareholders value, Market Price Information, Corporate Social Responsibility, Code of Conduct and Core Values of the company will also be discussed.*

Keywords: *Activism, Core Values, Enhances, Long-Term Value, Status.*

INTRODUCTION

In recent years, corporate governance has attained significance all over the world. In fact, Corporate Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and includes the rules and procedures for making decisions in corporate affairs (Notre Dame Law Review 351, 2011). It is also noteworthy that corporate governance includes the processes through which corporations'

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objectives are set and pursued in the context of the social, regulatory and market environment. Besides this, Corporate Governance mechanisms include monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders. As a results, Corporate Governance practices are affected by attempts to align the interests of stakeholders (G20/OECD Principles of Corporate Governance, 2015).

Tata Steel believes in adopting the best practices in the areas of Corporate Governance. Even in a fiercely competitive business environment, the Management and Employees of the company are committed to uphold the core values of transparency, integrity, honesty and accountability which are fundamental to the Tata Group. The Company retains focus on its resources, strengths and strategies for creation and safeguarding of shareholders' wealth and at the same time protects the interests of all its shareholders (Soni, 2013). The company is also capable to create and enhance long-term sustainable value for the stakeholders through ethically driven business process. As a result, Tata Steel Ltd honoured for good corporate governance in December, 2014 (Tata steel, 2014).

REVIEW OF LITERATURE

The review of literature is connected with Corporate Governance Practices of Tata Steel Ltd in India. The literature on Corporate Governance Practices of Tata Steel Ltd in India is not numerous and it is scattered. No such book is available on Tata Steel Ltd in India, but few reports are available of this company. The few literatures regarding to Tata Steel Ltd in India, are as follows:

Kumar and Reddy (2016), explained about good corporate governance system of Tata Steel. They showed that Tata Steel Limited is a stalwart and the exemplary performance of the company in the field of corporate governance, with strong code of ethics and excellence in performance. It has already set very high standards for corporate governance which has to be revered, appreciated and followed by the generations to come. They have also explained the mechanisms of corporate governance in Tata Steel Limited.

Singla (2013), in his paper, an attempt is made by to compare the financial performance of the selected units *i.e.* Steel Authority of India (SAIL) and Tata Steel Ltd. in India. While analyzing the financial performance of the selected units, he has analyzed the working capital and profitability of Steel Authority of India (SAIL) and Tata Steel Ltd.

Soni (2013), in his article, discussed about India's initial corporate governance reform efforts, as well as reforms adopted in the aftermath of the Satyam scandal. An evaluation of India's corporate governance reforms demonstrates that although

extensive reforms have been instituted, there remain significant lapses in implementation and enforcement. But, Tata Steel Ltd in India is playing a vital role in good corporate governance.

Srivastava *et al.* (2012), explicate around developing an understanding about the Corporate Social Responsibility (CSR), delving into its concept and finding out its scope taking the case study of the Tata Group towards the upliftment of common masses and protection of the environment and development of the nation.

Waknis (2010), in his research paper, attempts to study corporate governance with special reference to Tata Steel Ltd in India. For the company, customer satisfaction, employee welfare, and returns to shareholders all go hand in hand. He showed that the company maintains higher standards of Corporate Governance. For this company, corporate governance is a way of life.

Nadkarni *et al* (2008), discuss how the comprehensive approach for the execution of sustainability strategies can strengthen the connection between corporate social responsibility and global competitiveness. It is also found that Tata companies have evolved a collective commitment to evolving stronger connections between their values and first-in-class business practice—not by putting either one ahead of the other, but by finding mutually beneficial bridges between them.

From the study of the different literature of the company, it is found that there is a considerable gap in the research area associated with the regulation, quality, issues and policies relating to Tata Steel Ltd in India. Hence, a comprehensive study incorporating the above issues is felt necessary. Against this background, it is proposed to study the regulation, financial performance, governance quality, accountability, transparency, ethics, issues and policies relating to Corporate Governance of Tata Steel Ltd in India.

METHODOLOGY

The research focuses on the various initiatives and business practices under taken by the Tata Steel Ltd in India in relation to corporate governance. The secondary data is gathered by the review of literature pertaining to both 'Corporate Governance' and the Tata Steel Ltd in India. The research also involves a few unstructured discussions with some of the executives working with the Tata Steel Ltd, to get the information on the research topic. Annual Reports of different years of Tata Steel Ltd were also reviewed. Secondary data inclusive of quantitative and qualitative data as well, collected from various sources including books, research papers, newspapers, magazines, and websites is used for the purpose of study.

For understanding the financial position of the company, Tata Steel Reports of Consolidated Financial Results have been analyzed for three different quarters

(Q3 FY'16, Q2 FY'16 and Q3 FY'15). The Consolidated Financial Results for the nine-month practices has been analyzed for two different division (9M FY'15 and 9M FY'16). For that purpose, different years Annual Reports of Tata Steel Ltd have collected and reviewed. For Tata Steel Ltd, Ratio analysis is an invaluable tool to determine the performance of a business entity and to take cost controlling measures as and when necessary. In this context, 11 ratios have calculated and comparative financial ratios statements were made between Tata Steel Ltd. and Tata Steel Group. The formula and calculation techniques of 11 ratios have shown in Table 1.

Table 1
Calculation of different Ratio

<i>Sl. No.</i>	<i>Name of the Ratio</i>	<i>Formula and Calculation Techniques</i>
1.	EBITDA/Turnover	EBITDA/Turnover Ratio: EBITDA/Turnover (EBITDA: PAT after minority and share of associates Tax +/ (-) Exceptional Items + Net Finance Charges + Depreciation and amortization) (Net Finance Charges: Finance costs - Interest income - Dividend income from current investments - Net gain/(loss) on sale of current investments) (Turnover: Revenue from Operations less Excise Duty).
2.	PBT/Turnover	PBT/Turnover Ratio: PBT/Turnover (PBT: PAT after minority and share of associates + Tax +/(-) Exceptional Items) (Turnover: Revenue from Operations less Excise Duty).
3.	Return on Average Capital Employed	Return on Average Capital Employed: EBIT/Average Capital Employed (Capital Employed: Net worth + Minority interest + Long-term Borrowings + Current maturities of long-term borrowings + Short-term Borrowings + Deferred tax liabilities)(EBIT: PAT after minority and share of associates + Tax +/(-) Exceptional Items + Net Finance Charges).
4.	Asset Turnover	Asset Turnover: Turnover/(Total Assets - Investments - Advance Against Equity).
5.	Inventory Turnover	Inventory Turnover: Average Inventory/Sale of roducts in days.
6.	Net Debt to Equity	Net Debt to Equity: Net Debt/Average Net Worth (Net Debt: Long-term borrowings + Current maturities of long-term borrowings + Short-term borrowings - Current Investments - Non-current balances with anks-Cash and Bank Balances)

Cont. table 1

<i>Sl. No.</i>	<i>Name of the Ratio</i>	<i>Formula and Calculation Techniques</i>
		(Net worth: Shareholders' funds + Preference Shares issued by subsidiary companies + Warrants issued by a subsidiary company + Hybrid Perpetual Securities).
7.	Current Ratio	Current Ratio: Current Assets (excluding current investments)/Current Liabilities (Current liabilities: Trade Payables + Other current liabilities + Short-term provisions - Current maturities of long-term borrowings).
8.	Interest Cover Ratio	Interest Cover Ratio: EBIT/Net Finance Charges (Net Finance Charges: Finance costs - Interest income - Dividend income from current investments - Net gain/(loss) on sale of current investments).
9.	Basic Earnings per share	Basic Earnings per share: Profit attributable to Ordinary Shareholders/Weighted average number of Ordinary Shares
10.	Dividend Payout	Dividend Payout: Dividend/Profit after tax
11.	P/E Ratio	P/E Ratio: Market Price per share/Basic Earnings per share

Source: Design by author, from, Tata Steel (2015), Financial Highlight, available at <http://www.tatasteel.com/investors/annual-report-2013-14/html/financial-ratios.html>

The annual report of Tata Steel Ltd has analyzed to evaluate the structure and procedure of corporate governance adopted the company in India. From the different reports of the company, Dividend Payout, Shareholders information and Market Price Information have been analyzed. The collected data have been analyzed and presented in different sections in a tabular form and percentage form, as and where necessary.

STATUS OF TATA STEEL LIMITED IN INDIA

Corporate governance is creation and enhancing long-term sustainable value for the stakeholders through ethically driven business process. At Tata Steel Ltd, it is imperative that the company affairs are managed in a fair and transparent manner. At present, company follows the corporate governance guidelines very strictly. The Tata Steel Ltd discloses timely and accurate information regarding the company's financials and performance as well as the leadership and governance of the Company. The Board of Directors is at the core of the corporate governance practice and oversees how the management serves and protects the long-term interests of all our stakeholders (Corporate Governance Report, 2016).

The Tata Steel Groups vision is to be the world's steel industry benchmark in "Value Creation" and "Corporate Citizenship" through the excellence of its people,

regulation, its innovative approach and overall conduct. Underpinning this vision is a performance culture committed to aspiration targets, safety and social responsibility, continuous improvement, openness and transparency. It is notable that Tata Steel's larger production facilities comprise those in India, the UK, the Netherlands, Thailand, Singapore, China and Australia. Operating companies within the Group include Tata Steel Limited (India), Tata Steel Europe Limited (formerly Corus), Tata Steel Singapore and Tata Steel Thailand (Tata Steel, 2014).

In similar way, The Tata Steel Ltd vision is to be the global steel industry benchmark for value creation and corporate citizenship. The company expects to realize its vision by taking such actions as may be necessary in order to achieve its goals of value creation, safety, environment and people. The important point is that company has adopted the Tata Code of Conduct for Senior Management Personnel (SMP) and other Executives of the Company. The Company has received confirmations from the Senior Management Personnel regarding compliance of the code during the year under review (Corporate Governance Report, 2016).

Tata Steel founded India's first industrial city, now Jamshedpur, where it established India's first integrated steel plant in 1907. The Jamshedpur works currently comprises of a 9.7 mtpa crude steel production facility and a variety of finishing mills. At present, company has taken various kind of steel projects in different sites of the country and as well as abroad. Three new Greenfield steel projects in the states of Odisha, Jharkhand and Chhattisgarh are underway to augment production capacity further by 23 mtpa. But, one remarkable point is that Mines and collieries in India give the Company a distinct advantage in raw material sourcing. Iron Ore mines are located at Noamundi (Jharkhand) and Joda (Odisha) both located within a distance of 150 km from Jamshedpur. The Company's captive coal mines are located at Jharia and West Bokaro (Jharkhand) (Tata Steel, 2015).

At present, Tata Steel Group is among the top-ten global steel companies with an annual crude steel capacity of over 29 million tonnes per annum. It is now the world's second-most geographically-diversified steel producer, with operations in 26 countries and a commercial presence in over 50 countries. It has various ongoing projects in different parts of the world. The Tata Steel Group, with a turnover of Rs. 1, 48,614 crores in FY 14, has over 80,000 employees across five continents and is a Fortune 500 company (Tata Steel, 2014). Tata Steel has adopted an integrated business model to support its vision of being a global leader in creation of value, while being a steel industry benchmark organization in Corporate Citizenship in its efforts towards Social Responsibility and Environmental performance (Tata Steel reports Consolidated Financial Results, 2016).

Step by step, Tata Steel Ltd. is performing better in India and abroad. The company has already set high standards for corporate governance which has to be revered, appreciated and followed by the generations to come. It is noteworthy that the current policy is to have an appropriate mix of Executive, Non-Executive and Independent Directors (IDs) to maintain the independence of the Board, and separate its functions of governance and management. Besides this, it also found that, year-wise, the financial performance of the company is better than the previous year (FY 2016 is better than FY 2015) (Corporate Governance Report, 2016). Now, Company is giving tremendous efforts for making financial position greater.

TATA STEEL LIMITED: INDIAN BUSINESS

Indian steel demand remained subdued post monsoon quarter due to sluggish uptick across key steel consuming sectors like construction, general engineering and infrastructure. In India, Rural demand of steel is also remained muted. The oversupply in global steel markets coupled with relative stability of Indian rupee versus dollar as compared to other and currencies has made India a favoured import destination. As a result, the domestic steel prices retreated sharply in line with international steel prices. The declination of steel prices has affected Indian steel Industries very severely.

Over the last year, global steel prices have declined sharply from around US\$460/tonne to around US\$260/*t* in line with the glut in supply and the sharp decline in raw material prices (Tata Steel reports Consolidated Financial Results, 2016). The declination of global steel prices has also affected Indian steel Industries very severely. Steel exports from countries such as China, Russia, Korea and Japan have surged to all-time highs on the back of lacklustre domestic demand, excess capacity and competitive currencies. Imports to India are now around 12 mtpa, with China being the largest exporter to India. Similarly, imports to Europe have increased to around 30mtpa million tonnes, with shipments from China surging by 57 % (Tata Steel reports Consolidated Financial Results, 2016). These unfairly priced imports are distorting the demand-supply balance in many regions, depressing domestic prices and undermining the profitability of many large steel producers. Due to this consequence, it has become typical challenges for Tata Steel Ltd in India.

On an underlying basis, 9M FY'16 EBITDA declined to '5,200 crores from '8,441 crores in 9M FY'15 reflecting the drop in steel price realizations by almost '7,800 per tonne on a year (on year basis). Accordingly, EBITDA is poorer than the previous division of 9M practices. On the otherhand, Q3 FY'16 EBITDA stood at '1,523 crores compared to '1,963 crores in Q2 FY'16 and '1,979 crores in Q3 FY'15 (Times of India, 2014). Hence, EBITDA is also poorer than the previous quarter.

PAT (Profit After Tax) in 9M FY'16 was '4,224 crores compared to '5,625 crores in 9M FY'15. Q3 FY'16 profit was '453 crores compared to '2,523 crores in Q2 FY'16 and '881 crores in Q3 FY'15. Profits for 9M FY'16 included sale of investments of '3,508 crores and exceptional loss of '1,255 crores largely towards regulatory related provisions and employee separation scheme while 9M FY'15 included exceptional gain of '1,935 crores from the sale of land at Borivali and investments in Dhamra Port Company (Times of India, 2014). For that company, PAT has reduced in 9M FY'16 than 9M FY'15. It is also notable that, quarter-wise, profit has also reduced for the company.

Despite of these macro headwinds, the Indian operations of the Company reported strong growth in production and deliveries in the third quarter of current fiscal. The company's investments in developing marketing franchise, new products and customer service teams helped us in growing faster than the markets during the quarter. Branded segment sales continue to increase with brands such as Astrum, Galvano and Steelium registering healthy growth while value-added segment such as LPG also increased significantly. Hence, it can be accomplished that in spite of these critical situations, the company is performing extremely well in all aspects.

Financial Performance of Tata Steel Limited

Financial Performance is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. But, efficient management of finance is very important for the success of an enterprise. At present, the company has given utmost importance for maintaining financial performance.

Looking further into the future, the company plans to continue to increase its capacity significantly through both brown field and green field developments. The first phase of the 6 million tonnes per annum green field project in Kalinganagar, with stage-wise commissioning has started in Financial Year 2015-16 (Tata Steel, 2015). At present, the Company continued to witness significant financial performance in India and abroad. In this context, the Consolidated Financial Results for the three quarters of Tata Steel Ltd (Q3 FY'16, Q2 FY'16 and Q3 FY'15) have shown in Table 2.

From table 2, it is found that Group deliveries (Q3 FY'16) increased to 6.37 million tonnes while Group turnover came in at '28,039 crores and EBITDA at

Table 2
Consolidated Financial Results for three different quarters (Q3 FY'16, Q2 FY'16 and Q3 FY'15)

Sl. No	Particulars	All figures in crores		
		Q3 FY'16	Q2 FY'16	Q3 FY'15
1.	Steel Deliveries (million tons)	6.37	6.29	6.29
2.	Turnover	28,039	29,305	33,633
3.	EBITDA	841	4,694	3,090
4.	EBITDA Underlying*	838	1,985	2,790
5.	Depreciation	1,133	1,371	1,451
6.	Finance Costs	964	1,049	1,167
7.	Exceptional Items	(712)	(564)	-
8.	PBT	(1,937)	1,785	578
9.	Profit after Taxes, Minority Interest and Share of Associates	(2,127)	1,529	157
10.	Basic and Diluted Earnings perShare	(22.38)	15.31	1.16

Source: Design by author, from, Tata Steel Honoured for Corporate Governance (2014), The Economics Times, December 04, available at http://articles.economictimes.indiatimes.com/2014-12-20/news/57257383_1_tata-steel-corporate-governance-jamshedpur.

'841 crores for the quarter ended December 31, 2015. It is also found that, In Q3 FY'16, only Depreciation and Finance Costs have decreased, whereas, Profit Before Tax (PBT), Profit after Taxes, Minority Interest and Basic and Diluted Earnings per share have increased. Hence, financial performance of Tata Steel Ltd. has improved in Q3 FY'16 than the previous two Quarters (Q2 FY'16 and Q3 FY'15). On the otherhand, The Consolidated Financial Results for the nine-months practice of 9M FY'15 and 9M FY'16 have covered in Table 3.

Table 3, describe the financial outcome for the nine-months ended December 31, 2015, the Group recorded deliveries of 19 million tonnes, consolidated turnover of '87,644 crores and EBITDA of '9,031 crores (Tata Steel Reports Consolidated Financial Results, 2016). It is also found that, in 9M FY'16, Depreciation and Finance Costs, Profit Before Tax (PBT), Profit after Taxes and Minority Interest and Basic and Diluted Earnings per share have decreased. Hence, financial performance of Tata Steel Ltd. is not as good as in 9M FY'16 than 9M FY '15.

For Tata Steel Ltd, Ratio analysis is an important tool for analyzing the company's financial performance. Ratio analysis is helpful to understand the financial statements, for identifying trends over time and for measuring the overall financial state of the business. In this context, Tata Steel Ltd. and Tata Steel Group have taken for measuring the overall financial state of business. The comparative financial ratios between Tata Steel Ltd. and Tata Steel Group have shown in Table 4.

Table 3
Consolidated Financial Results for 9M practice (9M FY'16 and 9M FY'15)

SL. No	Particulars	All figures in crores	
		9M FY'16	9M FY'15
1.	Steel Deliveries (million tons)	18.98	19.25
2.	Turnover	87,644	105,838
3.	EBITDA	9,031	11,165
4.	EBITDA Underlying*	5,622	11,112
5.	Depreciation	3,850	4,431
6.	Finance Costs	3,111	3,653
7.	Exceptional Items	(1,117)	883
8.	PBT	1,099	4,449
9.	Profit after Taxes, Minority Interest and Share of Associates	164	1,749
10.	Basic and Diluted Earnings per Share (₹)	0.35	16.64

Source: Design by author, from, Tata Steel Honoured for Corporate Governance (2014), The economics Times, December 04, available at http://articles.economictimes.indiatimes.com/2014-12-20/news/57257383_1_tata-steel-corporate-governance-jam-shedpur.

From, Table 4, it is found that EBITDA/Turnover, PBT/Turnover, Return on Average Capital Employed and Basic Earnings per share are better in Tata Steel Ltd than Tata Steel Group. On the other hand, Net Debt to Equity, Current Ratio, Dividend payout and P/E Ratio are high in Tata Steel Group than Tata Steel Ltd. It is notable that financial ratios are the most common and widespread tools used to analyze a business' financial standing. Financial ratios don't take into consideration the size of a company or the industry. Ratios are just a raw computation of financial position and performance. In that case, after making the comparative analysis of both Tata Steel Ltd and Tata Steel Group, it is found that performance of Tata Steel Ltd. is better than the Tata Steel Group.

Dividend Payout of Tata Steel Limited

The dividend payout ratio measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits the company decides to keep funding operations and the portion of profits that is given to its shareholders. Investors are particularly interested in the dividend payout ratio because they want to know if companies are paying out a reasonable portion of net income to investors. In this regard, dividend payout ratio is very important for investors' as well as corporate benefit. The Dividend Payout Ratio for Tata Steel Limited has shown in table 5.

Table 4
The comparative financial ratios between Tata Steel Ltd. and Tata Steel Group
(2011-12, 2012-13 and 2013-14)

Sl. No.	Particulars	Tata Steel Ltd.			Tata Steel Group		
		Year	2013-14	2012-13	2011-12	2013-14	2012-13
1.	EBITDA/Turnover	31.78%	30.62%	34.06%	11.02%	9.39%	10.18%
2.	PBT/Turnover	23.63%	22.28%	27.54%	4.50%	2.64%	4.26%
3.	Return on Average Capital Employed	12.57%	11.94%	13.07%	8.83%	6.42%	8.47%
4.	Asset Turnover	74.14%	77.84%	76.26%	89.23%	93.77%	93.05%
5.	Inventory Turnover (in days)	46	45	45	62	67	68
6.	Net Debt to Equity	0.41	0.44	0.41	1.77	1.42	1.22
7.	Current Ratio	0.62	0.88	0.96	1.64	1.75	1.82
8.	Interest Cover ratio	7.69	6.50	9.80	2.73	2.01	2.69
9.	Basic Earnings per share (₹)	64.21	50.28	67.84	35.19	(74.54)	54.27
10.	Dividend Payout	16%	18%	20%	29%	(14%)	25%
11.	P/E Ratio	6.13	6.21	6.93	11.19	(4.19)	8.67

Source: Tata Steel (2015), Financial Highlight, available at <http://www.tatasteel.com/investors/annual-report-2013-14/html/financial-ratios.html>.

Table 5
Dividend Payout Ratio (2003-04 to 2014-15)

Sl. No.	Financial Year	Dividend Date	Rate	Dividend Per Share	Dividend Payout
1.	2014-15	14.08.15	80%	Rs. 8	Not meaningful
2.	2013-14	19.08.14	100%	Rs. 10	29%
3.	2012-13	16.08.13	80%	Rs. 8	Not Meaningful
4.	2011-12	17.08.12	120%	Rs.12	25%
5.	2010-11	05.08.11	120%	Rs.12	15%
6.	2009-10	14.08.10	80%	Rs. 8	Not Meaningful
7.	2008-09	28.08.09	160%	Rs. 16	30%
8.	2007-08	29.08.08	160%	Rs. 16	11%
9.	2006-07	30.08.07	155%	Rs. 15.5	26%
10.	2005-06	06.07.06	130%	Rs. 13	22%
11.	2004-05	28.07.05	130%	Rs. 13	23%
12.	2003-04	23.07.04	100%	Rs. 10	23%

Source: Tata Steel (2015), available at <http://www.tatasteel.com/investors/shareholding-information/stock-exchange-information.asp>.

From table 5, it is found that the dividend payout has not increased uniformly. In 2010-11, 2011-12 and 2013-14, dividend payout ratios are 15%, 25% and 29% respectively. In the year 2012-13 and 2014-15 the dividend payout are not meaningful. In spite of this, a number of considerations go into interpreting the

dividend payout ratio, most importantly the company's level of maturity. Above all, the payout ratio is also useful for assessing a dividend's sustainability. For Tata steel limited, it is found that dividend rate is irregular for different financial year. As a result, Investors are not satisfied regarding to the dividend payout ratio of Tata Steel Ltd.

Risk Management of Tata Steel Limited

As a global entity, Tata Steel is exposed to risks as well as opportunities in equal measure. Recognizing the circumstances, the Company has a robust Enterprise Risk Management (ERM) framework that allows the organization to take certain risks in order to be competitive and to mitigate other risks to drive sustainable results. By identifying and proactively addressing risks and opportunities, stakeholder value is protected at all times (Tata Steel, 2015).

Different kinds of risks are analyzed by Tata Steel Ltd. These are:

- (a) strategic risks,
- (b) operational risks,
- (c) financial risks and
- (d) legal risks.

Tata Steel Ltd aims to address risks, opportunities and threats posed by the business environment by developing appropriate risk mitigation measures. Presently, Tata Steel Ltd has given tremendous effort for minimizing the risks. For that reason, company focused on:

- (a) Macro environment,
- (b) Industry Cyclicalilty,
- (c) Growth Projects,
- (d) Raw Materials Security and Price Volatility,
- (e) Health, Safety and Environmental Risks,
- (f) Technology Risks,
- (g) Financing,
- (h) Pensions Risk,
- (i) Forex, Credit, Liquidity and Counterparty Risk,
- (j) Regulatory and Compliance Risks (Tata Steel, Management Discussion and Analysis, 2013).

Tata Steel Limited objective is to assure uncertainty does not deflect the endeavor from the business goals. In terms of Clause 49 of the Listing Agreement;

the Company has constituted a Risk Management Committee (RMC) on 17 December, 2014 for framing, implementing and monitoring the risk management policy of the Company. The terms of reference of the Committee are:

- (a) Overseeing key risks, including strategic, financial, and operational and compliance risks,
- (b) Assisting the Board in framing, implementing and monitoring the risk management plan for the Company and reviewing and guiding the risk policy,
- (c) Developing risk management policy and risk management system/framework for the Company.

Auditors' Report of Tata Steel Ltd

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 (Auditor Report of Tata Steel Ltd, 2015). It is also noteworthy that this responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

In the company, Auditor's Responsibility is to express an opinion on these standalone financial statements based on company audit. The company has taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. The company conducted audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that the company comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement (Auditor Report of Tata Steel Ltd, 2015).

In Tata Steel Ltd, Audit Committee was constituted in the year 1986. The Board has approved a Charter for the functioning of the Committee, on 31 March, 2015. The terms of reference of the Audit Committee is as set out in Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 177 of the Companies Act, 2013. The primary objective of the Committee is to monitor and provide an effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting (Corporate Governance Report-Tata

Steel, 2016). The Committee oversees the work carried out in the financial reporting process by the Management, the internal auditor, the statutory auditor and the cost auditor and notes the processes and safeguards employed by each of them (Corporate Governance Report-Tata Steel, 2016). The Auditors' Report stated that Company emphasizes the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders.

TATA STEEL LIMITED: SHAREHOLDERS INFORMATION

Tata Steel shares are tradable compulsorily in electronic form. The company has established connectivity with both the depositories, that is, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). 94, 01, 69,546 Ordinary Shares of the Company representing 96.80% of the Company's share capital is dematerialized as on 31 March, 2015. To serve the shareholders better, the company request shareholders whose shares are in physical mode to dematerialize shares and to update their bank accounts with their respective depository participants. Information about total number of shareholders of company represent in table 6.

Table 6
Information about total number of shareholders (2014 and 2015)

Sl.No	Shareholding	Total No. of Shareholders		% to total holders	
		31-03-2015	31-03-2014	31-03-2015	31-03-2014
1.	1	25,007	25,595	2.51	2.53
2.	2-10	1,31,899	1,38,554	13.23	13.71
3.	11-50	3,10,222	3,18,879	31.11	31.54
4.	51-100	1,71,061	1,69,840	17.15	16.80
5.	101-200	1,65,105	1,66,474	16.56	16.47
6.	201-500	1,16,714	1,16,228	11.70	11.50
7.	501-1,000	41,104	40,107	4.12	3.97
8.	1,001-5,000	31,028	30,234	3.11	2.99
9.	5,001-10,000	2,922	2,866	0.29	0.28
10.	10,001 to 1,00,000	1,931	1,850	0.19	0.18
11.	1,00,001 and above	329	344	0.03	0.03
<i>Total</i>		9,97,322	10,10,971	100.00	100.00

Source: Designed by author, from, Corporate Governance Report (2015), available at <http://www.tatasteel.com/investors/pdf/corporate-governance-report.pdf>

From the table 6, it is found that total number of shareholders decreases from 10, 10,971 (2014) to 9, 97,322 (2015). To overcome this problem, the company sends quarterly financial results to shareholders through e-mail. The financial results are also posted on the Company's website and published in The Indian Express, Financial Express, Nav Shakti, Free Press Journal and Loksatta. Earnings calls are

held with analysts and investors and their transcripts are published on the website thereafter. Any specific presentations made to analysts and others are also posted on the Company's website. All price sensitive information and matters which are material and relevant to shareholders are intimated to the Stock Exchanges where the securities of the Company are listed. On the otherhand, the information about shares percentage to total capital has represented in Table 7.

Table 7
Information about shares percentage to total capital (2014 and 2015)

Sl.No	Shareholding	Total No. of Shares		% to total capital	
		31-03-2015	31-03-2014	31-03-2015	31-03-2014
1.	1	25,007	25,595	0.00	0.00
2.	2-10	9,28,059	9,77,786	0.10	0.10
3.	11-50	94,20,050	95,85,042	0.97	0.9
4.	51-100	1,37,62,068	1,35,31,218	1.42	1.39
5.	101-200	2,45,54,566	2,45,60,803	2.53	2.53
6.	201-500	3,68,52,529	3,62,93,225	3.80	3.74
7.	501-1,000	2,96,39,337	2,87,27,333	3.05	2.96
8.	1,001-5,000	6,13,06,069	5,96,44,835	6.31	6.14
9.	5,001-10,000	2,03,14,625	1,98,93,507	2.09	2.05
10.	10,001 to 1,00,000	4,65,45,870	4,48,46,005	4.79	4.62
11.	1,00,001 and above	72,78,67,259	73,31,30,056	74.94	75.48
	<i>Total</i>	97,12,15,439	97,12,15,405	100.00	100.00

Source: Designed by author, from, Corporate Governance Report (2015), available at <http://www.tatasteel.com/investors/pdf/corporate-governance-report.pdf>

From the table 7, it is found that total numbers of shares have increased from 2014 to 2015. There is no significant effect in shares percentage to total capital of the company. The important point is that the payment of dividend and other cash benefits through electronic mode has many advantages like prompt credit, elimination of fraudulent encashment/ delay in transit, etc. That's why; shareholders have provided the facility of electronic modes of transaction. Those Shareholders who do not wish to avail of the electronic facility of remittance, are requested to furnish to the DPs/ RTA, the Name and Branch of the Bank and the Bank Account Number allotted by their banks after implementation of Core Banking Solutions, which will be printed on the warrants. These facilities will increase percentage of total number of shares to total capital.

TATA STEEL LIMITED: MARKET PRICE INFORMATION

The Company's shares are regularly traded on BSE Limited. The Company has also complied with filing submissions through BSE's, BSE Online portal. BSE

Table 8
Market Price Data: High, Low (based on the closing prices) and volume during each month in last financial year.

<i>BSE Limited</i>				
SL. No.	Month	High (')	Low (')	Volume (No of shares)
1.	April-14	426.60	398.55	1,46,72,980
2.	May-14	477.55	390.75	2,51,14,929
3.	June-14	573.70	492.80	1,95,50,248
4.	July-14	567.50	500.95	1,71,99,488
5.	August-14	561.70	511.85	1,48,04,047
6.	September-14	525.75	459.30	1,57,03,519
7.	October-14	489.35	439.85	1,38,42,160
8.	November-14	489.15	460.50	1,21,92,132
	December-14	464.80	389.40	1,57,28,367
9.	January-15	416.65	376.75	1,71,92,976
10.	February-15	388.75	345.45	1,55,74,694
11.	March-15	353.50	315.00	1,67,96,078
	Yearly	573.70	315.00	19,83,71,618

Source: Design by author, Corporate Governance Report (2015), available at <http://www.tatasteel.com/investors/pdf/corporate-governance-report.pdf>

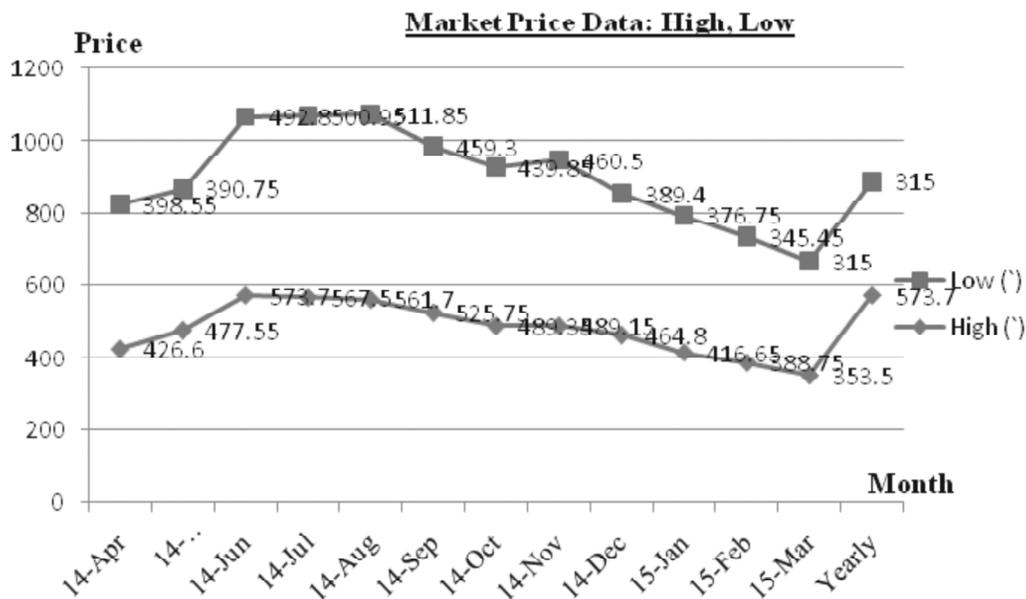


Figure 1: Market Price Data: High, Low (based on the closing prices)

Data Source: Corporate Governance Report (2015), available at <http://www.tatasteel.com/investors/pdf/corporate-governance-report.pdf>

provides an efficient and transparent market for trading in equity, debt instruments, derivatives, mutual funds. BSE also provides a host of other services to capital market participants including risk management, clearing, settlement, market data services and education. BSE's popular equity index-the SandP BSE Sensex-is India's most widely tracked stock market benchmark index. The market price and volume of shares of Tata Steel limited are as follows in Table 8.

The BSE disseminates information on Market Price Data: High, Low (based on the closing prices).It is also notable that BSE disseminates information on the Price-Earnings Ratio, the Price to Book Value Ratio and the Dividend Yield Percentage of all its major indices on day-to-day basis. The values of all BSE indices are updated on a real-time basis during market hours and displayed through the BOLT system, the BSE website, and news wire agencies. All BSE Indices are reviewed periodically by the BSE Index Committee. This Committee, which comprises eminent independent finance professionals, frames the broad policy guidelines for the development and maintenance of all BSE indices.

From Table 8, it is found that Market Price Data (high); the utmost price is 573.70 in the month of June, 2014 and the lowest price is 353.50 in the month of March 2015. Similarly, Market Price Data (Low); the utmost price is 511.85 in the month of August, 2014 and the lowest price is 315.00 in the month of March 2015. There is no drastic effect on the Market Price of the company. On the basis of the Market Price Data: High, Low (based on the closing prices), the graphical representation is as follows in figure 1.

The Company's shares are regularly traded on National Stock Exchange of India Limited. NSE was set up by a group of leading Indian financial institutions at the behest of the government of India to bring transparency to the Indian capital market. Based on the recommendations laid out by the government committee, NSE has been established with a diversified shareholding comprising domestic and global investors. The Company submits to NSE all compliances, disclosures and communications through NSE's NEAPS portal. The market price and volume of shares of Tata Steel limited has shown in Table 9.

From Table 9, it is found that Market Price Data(high),the utmost price is 575.25 in the month of June, 2014 and the lowest price is 353.15 in the month of March 2015. Similarly, Market Price Data (Low), the utmost price is 512 in the month of August, 2014 and the lowest price is 315.10 in the month of March 2015. There is no drastic effect on the Market Price of the company. On the basis of the Market Price Data: High, Low (based on the closing prices), the graphical representation is as follows in Figure 2.

Table 9
Market Price Data: High, Low (based on the closing prices) and volume during each month in last financial year.

<i>National Stock Exchange of India Limited</i>				
SL. No.	Month	High (')	Low (')	Volume (No of shares)
1.	April-14	426.90	397.65	9,14,71,607
2.	May-14	478.20	390.05	14,88,90,074
3.	June-14	575.25	492.90	11,80,23,046
4.	July-14	568.10	501.90	11,25,65,560
5.	August-14	562.20	512.00	9,92,99,414
6.	September-14	526.00	459.05	10,04,56,484
7.	October-14	490.00	439.10	9,30,84,781
8.	November-14	489.15	460.20	7,92,10,243
	December-14	465.20	389.65	9,32,87,159
9.	January-15	416.70	376.85	9,31,86,213
10.	February-15	389.20	345.20	9,08,90,829
11.	March-15	353.15	315.10	9,08,63,215
	Yearly	575.25	315.10	121,12,28,625

Source: Designed by author, from, Corporate Governance Report (2015), available at <http://www.tatasteel.com/investors/pdf/corporate-governance-report.pdf>.

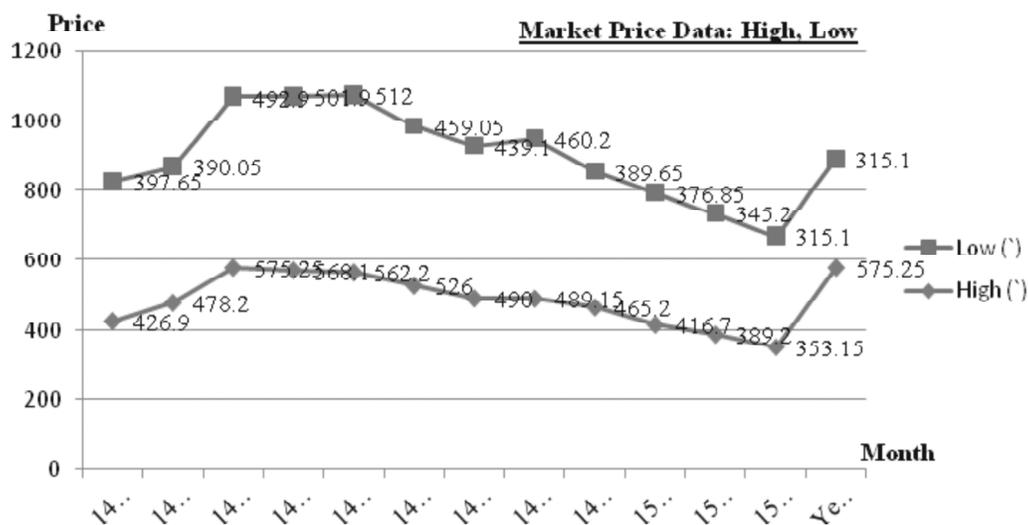


Figure 2: Market Price Data: High, Low (based on the closing prices)

Data Source: Corporate Governance Report (2015), available at <http://www.tatasteel.com/investors/pdf/corporate-governance-report.pdf>.

The Company's website is a comprehensive reference on Tata Steel's management, vision, mission, policies, corporate governance, sustainability, investor relations, sales network, updates and news. The section on 'Investors' serves to inform the shareholders, by giving complete financial details, shareholding patterns, corporate benefits, information relating to stock exchanges, Registrars and Transfer Agents and frequently asked questions. Investors can also submit their queries and get feedback through online interactive forms. The section on 'Media' includes all major press reports and releases, awards, campaigns, etc. In this way, the company is providing various kinds of information to its stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

The company has always endeavoured to conduct its business responsibly, mindful of its social accountability, respecting applicable laws and with regard for human dignity. The company's long-term CSR objective is

"to improve the quality of life of the communities we serve globally through long term value creation for all stakeholders",

which is in alignment with the Tata Group Core Purpose (Tata Steel CSR Policy, 2015). The company has given efforts to rationalize and streamline the CSR spent to are as of high impact, both in terms of quality and scale. The company core areas of intervention remain Livelihood, Education, Employability, Health and Drinking Water, supported by initiatives for Renewable Energy, Sports and Adventure, Rural Infrastructure Development and Ethnicity through which we reach out to about 2500 villages touching more than 1.5 million lives(2015).

In terms of Section 135 of the Companies Act, 2013, the Board on 11 April, 2014 constituted a Corporate Social Responsibility (CSR) Committee to monitor the Corporate Social Responsibility Policy of the Company and the activities included in the policy. The Board has approved a Charter for the functioning of the Committee, on 31 March, 2015. The terms of reference of the Committee are:

- (a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013,
- (b) To recommend the amount of expenditure to be incurred on CSR activities and
- (c) To monitor from time to time the CSR Policy of the Company (Corporate Governance Report-Tata Steel, 2016).

CONCLUSION

Tata Steel follows the corporate governance guidelines very strictly. The company considers that it is their inherent responsibility to disclose timely and accurate

information regarding the financials and performance as well as the leadership and governance of the Company. The Company emphasizes the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders. The Board considers itself as a Trustee of its Shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

Tata Steel Ltd is the major player in steel manufacturing sector in India. After analysis the company, it is found that Tata Steel Ltd. is performing better in India and as well as abroad. EBITDA/Turnover, PBT/Turnover, Return on Average Capital Employed, Dividend payout and Basic Earnings per share are better in Tata Steel Ltd than Tata Steel Group. From the Consolidated Performance Highlights, it is found that the financial performance of the company is better than the previous year. Financial performance is an important yardstick to measure a company operational and financial efficiency. Hence, efforts should constantly be made by the company to improve the financial position. This will yield greater efficiencies and improve investor's satisfaction.

The company has already set high standards for corporate governance which has to be revered, appreciated and followed by the generations to come. Over the years this one company has discovered different avenues of effective steel utilization and its story defines and re-defines conventional wisdom in more ways than one. The Tata Steel Ltd has set itself the objective of expanding its capacities and becoming globally competitive in its business. The Company is focussed not only on the execution of the plant facilities but also on addressing the socio-economic infrastructure needs of an industrial enterprise of this scale.

The role of the Board should be that of governance to ensure that corporate direction and management are executed in the best interest of the shareholders, to ensure that shareholder value is not eroded and that the corporation fully recognized and bears its social responsibility. To be more effective, the Board needs to focus on strategic direction and implementation, monitoring financial performance, CEO development, evaluation and succession and monitoring legal and ethical performance.

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