Tata Steel: Pre and Post Corus Acquisition

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Abstract

In 2007, Tata Steel Ltd. acquired Corus Group Ltd., a British-Dutch steel making company, with an intention to grow in Europe. After the acquisition, this unit of the Tata Steel got a new name ─Tata Steel Europe Ltd and became the second largest steel making company in Europe. However, post-acquisition the Company went for a tailspin. The Company had to take some unpleasant measures like layoffs, sale of assets, and modernisations to arrest declining performance. The case captures the pre- and post-acquisition performance, reasons thereof and gives recommendation for future.

Keywords: Tata Steel, Corus Group, acquisition, performance, unpleasant measures, future

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successful or unsuccessful managerial decision making or endorse the views of the management.

Introduction

In 2005, the Anglo-Dutch Steel Company Corus was looking for an opportunity to strategically partner with another company for securing its future. Corus was world's ninth largest steel making company; much larger than the Tata Steel. It was not alone in the race to acquire Corus; Companhia Siderurgica Nacional (CSN), a Brazilian steel maker, was also a serious bidder (Dash, 2010).

On 2 April 2007, the Tata Steel finally acquired the Corus with a bid of US$ 12 billion (Annexure I). This deal made it the world's fifth largest steel making company. At the time of the acquisition, Tata Steel was four times smaller than the company it acquired but its operating profit was US$ 840 million in the year 2006 in comparison to Corus's US$ 860 million. Tata Steel paid 608 pence per share of Corus; although, the first price offered per share was only 455 pence, 33.6 per cent less than the final price. Many thought, it was a bad deal; however, Tata Steel was satisfied with one of the biggest international acquisition deal in the history of Indian economy. Out of US$ 12 billion, at which the deal had closed, Tata Steel added only US$ 4.1 billion from internal resources; the rest came from debt (Dash, 2010). It was a questionable decision in the minds of many but Muthuraman, the then Managing Director of Tata Steel, said in an interview with CNBC that the decision was not taken to increase the tonnage but to develop synergies. He, further, stated, 'There are synergies in operations, manufacturing, marketing etc.' (Quigley, 2007).

This deal, however, did not become as fruitful for Tata Steel or Corus, as was expected. The trouble of Tata Steel has been never ending with Corus under its umbrella. In fact, many newspaper articles have given the tagline 'A deal from hell' to this acquisition.[1]

Literature Review

Acquisition is defined as follows:

> A corporate action in which a company buys most, if not all, of the target company's stakes in order to assume control of the target firm. Acquisitions are often made as a part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own. Acquisitions are often paid in cash or by acquiring company's stock or a combination of both.[2]

The reasons for acquisition may include, cost effective technology or labour, expanding market size, increased efficiency, reduced cost, etc. Such transactions are a good way to reach wider markets and to effectively deal with legal frameworks (VN Kumara and Satyanarayana, 2013). Literature shows mixed results on the performance of the acquired and the target. Some studies show significant improvement in their operating performance, profitability, and liquidity (Cornett and Tehranian, 1992; Switzer, 1996; Ghosh, 2001; Sankar and Rao, 1998; Hitt, Harrison and Best, 1998) while others state that most of the mergers and acquisition (M&A) fail (Eccles, Lanes and Wilson, 1999).

The target firm, generally, has a choice to accept or reject an offer or further negotiate with the bidders. However, there have been incidences of takeover (when the target company is unwilling). Generally, a mutually acceptable deal is convenient to both the acquirer and target as a detailed analysis of its opportunities and disadvantages that come along with the target companyis feasible (Kumara VN and Satyanarayana, 2013). Though most of the mergers fail, some studies have shown that the acquirers have had positive trends of profitability and liquidity. In their study of bidders who underperform post M&A, Rau and Vermaelen (1997) conclude that the prolonged under-performance of the acquiring firm may be the result of 'low book-to-market ratio', which further results in poor decisions by the acquirer. It is important to note that taking the employees into confidence of both the acquirer and target firms is vital for the long-term performance of the newly formed company (Appelbaum, Gandell, Yortis, Proper and Jobin, 2000).

Steel Industry

The Steel Industry processes iron ore into iron and further into steel. It also covers the downstream activities like converting steel into semi or finished products. Another sector of Steel Industry is that of recycling where steel scrap is recycled. This Industry played a key role in developing economies as we see them today. Automobiles, bridges, railways, and variety of other steel products changed our way of living.[3] The raw materials used in making steel includes iron ore, coal, limestone, and recycled steel. The steel makers are constantly researching ways to increase the cost effectiveness of producing steel as the advent of other materials like plastic have slowed down the growth of the industry. Another challenge facing the Industry is to make its production process environment friendly, which has become an urgency.[4]

Global Steel Industry

China leads the pack though the growth rate of Chinese Steel Industry of late had slowed down and presently has negative growth. Despite this, the world economy is facing difficulty in adjusting to the glut due to oversupply of steel. In the financial year (FY) 2015, the total crude steel production had reduced to 1,621 million tonnes, 2.9 per cent less than the FY 2014, which was 1,670 million tonnes (Table 1), where China contributed 44.8 per cent of the total production compared 45.6 per cent during the previous year.

Table 1: World Crude Steel Production 1995─2015 (in million tonnes)

Years	Production	Years	Production	Years	Production	Years	Production

1995	753	2000	850	2005	1,148	2010	1,433
1996	751	2001	852	2006	1,250	2011	1,538
1997	800	2002	905	2007	1,348	2012	1,560
1998	779	2003	971	2008	1,343	2013	1,650
1999	790	2004	1,063	2009	1,239	2014	1,670
						2015	1,621

Source: 'World Steel in Figures 2016', World Steel Association, retrieved from http://www.worldsteel.org/dms/internetDocumentList/bookshop/2016/World-Steel-in-Figures-2016/document/World%20Steel%20in%20Figures%202016.pdf, accessed on 2016, May 30

The highest crude steel producing company in the world, ArcelorMittal, an Indo-European steel making company, produced 97.14 million tonnes in the FY 2015, followed by He Steel Group Ltd., a Chinese steel making company, with a production of 47.75 million tonnes. The third in the pecking order was Nippon Steel & Sumitomo Metal (NSSMC), a Japanese steel manufacturer, which produced 46.37 million tonnes. Others among the top ten steel producers in the world were POSCO, Baosteel Group, Shagang Group, Ansteel Group, JFE Steel Corporation and Shougang Group; Tata Steel Group[5] (Table 2) occupying tenth position.

Table 2: Crude Steel Production by Top 10 Steel Makers in the World 2015 (in million tonnes)

Rank	Company	Tonnage
1	ArcelorMittal	97.14
2	He Steel Group Ltd.	47.75
3	NSSMC	46.37
4	POSCO	41.97
5	Baosteel Group	34.94

6	Shagang Group	34.21
7	Ansteel Group	32.50
8	JFE Steel Corporation	29.83
9	Shougang Group	28.55
10	Tata Steel Group	26.31

Source: 'World Steel in Figures 2016', World Steel Association, retrieved from www.worldsteel.org/media-centre/press-releases/2016/World-Steel-in-Figures-2016-is-available-online/content/0/text_files/file1/document/WordSteelinFigures2016.pdf, accessed on 2016, May 30

European Steel Industry

The European Steel Industry has a turnover of € 170 billion. It employs approximately 3,30,000 people and produces on an average 170 million tonnes of steel per year. In 24 European Union (EU) nations, more than 500 steel producing sites are located.[6]

However, the British Steel Industry has been suffering terribly since the 2008 recession. Since then, the production of steel in Asia and other parts of Europe has reduced considerably; hence, importing steel has become cheaper than producing in Britain. In October 2015, the Redcar Steel Works, a 98-year-old steel maker, closed resulting in loss of 2,200 jobs. Many other steel companies are looking for selling their business or closing them, which would result in loss of thousands of more jobs.[7] According to the World Steel Association Report 2015, Europe produces 12.4 per cent of the total world steel. The top ten steel producers in Europe are given in Table 3.

Table 3: Top Ten Steel Producers of Europe

Serial Number	**Company Name**	**Serial Number**	**Company Name**

1.	ArcelorMittal	6.	MMK
2.	Tata Steel Europe	7.	Severstal
3.	Thyssenkrupp	8.	METINVEST Holding
4.	Novolipetsk	9.	Erdemir Group
5.	EVRAZ plc	10	Voestalpine Group

Source: 'World Steel in Figures 2016', World Steel Association, retrieved from www.worldsteel.org/media-centre/press-releases/2016/World-Steel-in-Figures-2016-is-available-online/content/0/text_files/file1/document/WordSteelinFigures2016.pdf, accessed on 2016, May 30.

The Indian Steel Industry

The Indian Steel Industry plays a vital role in the development of the economy. Since 1951, the finished steel production in India has increased to 91.46 million tonnes in 2014─15 from 1.1 million tonnes at the time of independence. In the year 1991, the Indian Steel Industry was de-licensed and in 1992, it was de-controlled. Today, India is the third largest steel producing country in the world. The easy availability of the raw material like iron ore along with cheap labour had helped the domestic Steel Industry to achieve its growth. Its constant up-gradation and modernisation of the mills have resulted into modern state of art steel mills, making the industry highly efficient.[8] Table 4 represents the top ten steel makers of India.

Table 4: Top Ten Steel Makers of India

Serial Number	Company Name	Serial Number	Company Name
1.	Rashtriya Ispat Nigam	6.	Bhushan Steel

	Limited		
2.	Tata Steel	7.	Essar Steel
3.	JSW Steel	8.	The Ferro Alloys Corporation Limited
4.	SAIL	9.	Mahindra Ugine Steel
5.	VISA Steel	10.	Welspun Corp. Ltd.

Source: Retrieved from http://companiesinindia.net/top-10-steel-companies-in-india.html, accessed on 2016, May 18

About Tata Steel

Tata Steel Ltd. (formerly known as Tata Iron and Steel Company Ltd.–TISCO), now a Fortune 500 company, was the first integrated steel company in private sector, established in 1907. With employee strength of over 80,000, it has operations running in 26 countries and is commercially active in around 50 countries. Tata Steel is among the top ten steel making companies in the world. Its geographical-diversity can be understood by the fact that its production facilities is spread in the Netherlands, the United Kingdom, Singapore, Thailand, China, and Australia apart from India (Freeman, Gopalan and Bailey, 2009).

Tata Steel Group's vision:

> World's Steel Industry benchmark in Value Creation and Corporate Citizenship through the excellence of its people, its innovative approach, and overall conduct. Underpinning this vision is a performance culture committed to aspiring targets, safety and social responsibility, continuous improvement, openness and transparency.[9]

About Corus Group

Corus holds the position of Europe's second largest steel producer with revenues of £ 9.2 billion and crude steel production of 18.2 million tonnes in 2005, primarily in the United Kingdom and the Netherlands. Corus can be viewed through a series of four vivid images. First image was that of tumult and euphoria over its birth. The second was that of merger of British Steel, for long a symbol of British industrial nationalism, with the Dutch Koninklijke Hoogovens in 1999 resulting in creation of Corus, which was then the world's third largest steel maker and Europe's largest. The third was the image of Corus eventually facing a lot of issues due the non-availability of cost effective labour and raw materials resulting in its continuous decline, and the fourth was that of Tata Steel acquiring it in 2007 (Quigley, 2007).

Objectives of the Research

As the surveyed literature showed diametrically opposite view about the outcome of M&As, the authors were tempted to analyse the post-merger performance through the case study of Tata Steel's acquisition of Corus. In this study, the pre- and post-Corus acquisition performance of Tata Steel has been analysed.

Research Methodology

The paper uses comparative analysis method to examine the variation in sales and cost of sales pre- and post-acquisition in order to understand whether there, in fact, has been a fall in performance of Tata Steel post-acquisition of Corus. Further, with the use of ratio analysis, financial position of Tata Steel from 2000 to 2015 is determined. Financial data is captured from annual reports of Tata Steel and other secondary sources taking into account the period of 2000 to 2015.[10] During this period, Foreign Direct Investment (FDI) in steel sector increased substantially. The year 2000 also witnessed higher exports of Indian steel products, which was much more than the total steel exports of the entire previous decade.[11]

Analysis

Pre-Acquisition: Sales and Expenses

During the pre-acquisition period under consideration from 2000 to 2006, there was steady increase in sales except for the year 2002 when the sales dropped as compared to the previous year. All the other years show growth (Appendices III and IV). In the year 2001, sales increased by 12.62 per cent while in 2002, it declined by 1.95 per cent. In 2005, the sales shot up to 40.75 per cent owing to the acquisition of NatSteel, the Singapore steel making company; in 2006 the sales growth rate came down to 27.89 per cent. A similar trend was seen in the increase of expenses during the pre-acquisition period with 6.97 per cent increase in 2001 and 37.97 per cent in 2006 but none of these years saw any decrease in expenses (Appendices V and VI).

Post-Acquisition: Sales and Expenses

In 2007, there was decent increase in sales, it being Rs 27,437.29 crore (US$ 6,311 million) as compared to Rs 22,272.14 crore (US$ 5,001 million) in the previous year. This increase was due to Tata Steel's acquisition of Corus which reflected well next year (see Appendix I), the sales reaching a figure of Rs 1,34,089.02 crore (US$ 33.6 billion) with a per cent increase of 388.71 (see Appendices III and IV). This dream run, however, stopped in 2008 when global meltdown took place, Steel Industry, which faced double whammy, was no exception. Costs started significantly rising while demand was constantly falling due to fall in infrastructure development, automobile production, and demand from other steel consuming sectors. Expenses of Tata Steel shot up in the year 2008 by 536.13 per cent amounting to Rs 1,14,081.10 crore (US$ 28.6 billion), while in 2007 (see Appendix I) it was Rs 17,933.61 crore (US$ 4,125 million). The year 2010 experienced low rates of revival in the United Kingdom and other European countries compared to Asian and American countries. Major job cuts happened during the year in Tata Steel Europe to control the losses. The number of employees came down to 35,400 compared to 40,700 in the previous year, 2009.[12] The demand for steel in the United Kingdom fell by 57 per cent and in Europe, it fell by 44 per cent. Some aggressive cost reduction, product rationalization, and process improvement steps were taken by the Company to face the difficult time.[13] In the following year, sales were stable, but the price of the raw materials reached new high; inflation, thus, became the next challenge faced by the economy. The demand in Europe was still as low as the previous year, making it difficult for the European operations to revive from the recession.[14] To avoid more loses, 1,500 more jobs were cut during the year.[15] In 2013, the demand of steel in Europe further reduced by 9.7 per cent while in India, steel consumption increased by 3.3 per cent[16] which was less than the previous year but the sales increased marginally from the previous year with a percentage increase of 2.09 and expenses reduced by 0.25 per cent. In 2015, the price and demand of steel fell in India due to import of steel from countries like Korea, Japan, and China. During the year, Tata Steel also increased their debt by US$ 7 billion with a view of refinancing their current debt.[17] The overall steel demand in Europe was still below the level of sustainability, which calculated to 25 per cent less than what the demand was during pre-recession period[18] (Appendices V and VI).

Pre-acquisition: Market Share Price Trend

In 2000, the share price of Tata Steel was Rs 68.29 (US$ 1.33). It dipped in 2002 but substantially increased in 2004 to Rs 225.96 (US$ 5.17), from Rs 78.81 (US$ 1.66), in the previous year. This was because the year 2003 showed high growth in sales and profit, which made the management to declare bonus shares to the shareholders.[19] It continued to increase until 2006 (Appendix II) when it reached Rs 474.07 (US$ 10.63).

Post-acquisition: Market Share Price Trend

The following years saw ups and downs in the market share price of the Company. In 2007, its share price reduced to Rs 397.36 (US$ 9.22), which was owed to its acquisition of Corus resulting in huge borrowing. It increased significantly in the following year 2008 to Rs 693.15 (US$ 17.53) as the sales increased considerably owing to the additional capacity added and market being positive. However, following the recession, share price dipped to Rs 206 (US$ 4.08) in 2009. It reached again a new high of Rs 632.65 (US$ 14.09) by March end, 2010. Better performance in high value market of Europe coupled with Customer First programme resulted in this.[20] Since then the stock has been falling as the European markets did not revive significantly and China became a major threat as it acquired a big share in declining market. [21] This declining trend brought down the share price to Rs 316.85 (US$ 5.08) in 2015 (Appendix II).

Pre-acquisition: Ratio Analysis

During the pre-acquisition period from 2000 to 2006 Debt Equity Ratio (DER) has been reducing. It reached down to 0.26 in 2006 from 1.08 in 2000, indicating that the company has been increasing its assets as compared to debts over the years. The Current Ratio (CR) of more than one over the years shows that the company had been in a comfortable position to pay off its currents debts. The Fixed Asset Turnover Ratio (FATR) had shown an improvement from 2000 to 2006. In 2000, the FATR was 0.84, which reached to 1.60 in 2006. Thus, the company had shown increasing efficiency in the use of assets to increase sales. The Interest Coverage Ratio (ICR) has also been increasing representing that the company had been able to pay its interest on debts and the principal loan amount timely. In 2000, the ICR was 1.91, which increased to 47.57 in 2006. A similar trend is seen with the Capital Employed Turnover Ratio (CETR). In 2000, it was 0.73 which reached to 1.55 in 2006 showing an improvement in the use of capital employed in generating revenues. Finally, the Net Profit Ratio has also been on a rise during the years, it being 6.14 in 2000 and 16.71 in 2006 (Appendix VIII). These ratios show a continuous improvement in performance during the pre-acquisition period.

Post-acquisition: Ratio Analysis

During the post-acquisition period, DER remained below 1 for the entire period of assessment from 2007 to 2015, mainly because of huge loan taken for Corus acquisition. The Current Ratio was comfortably high until 2011. It, however, dipped below 1 from 2012 onward showing an unstable position of the company in capacitating it to pay off the current debts. FATR shot up to 8.02 in 2008, the succeeding year of the acquisition but had been stable (close to 1 or 2) during the remaining years of assessment (In 2015, the FATR was 1.44). It can be said that the fixed assets were being utilised efficiently. ICR had been fluctuating ever since the acquisition. In 2013, it reached an alarming level of (−)0.04. CETR had been above 1 during the 9-year period post-acquisition; hence, the company was showing a decent performance although the European markets were sluggish. Net profits, though fluctuating, showed negative ratios (Appendix IX); in 2010 (−2.03), 2013 (−5.30) and 2015 (−2.74). The Eurozone economy contracted by 2.7 per cent; the United Kingdom falling by 3.7 per cent in the first half of the financial year 2010. Although the conditions were better in second half of the financial year, it was not significant to increase the net profit compared to the previous year. [22] In 2013 and 2015, as stated earlier the economic conditions and global competition became a challenge for the company.

In 2011, there was improvement in demand of steel in India coupled with increase in operating performance of the European business, despite lack of demand in some sectors including construction.[23] In 2012, the demand in Europe fell again, while it increased significantly in Asia and Africa which helped increasing net profit. In 2014, the net profit increased as compared to previous year due to mild recovery indications in the western countries [24] however, it did not last and the net profits saw a major setback in the following year.

Conclusion

The analysis clearly shows declining post-acquisition performance. However, the research cannot confirm either the views expressed in literature as there are many external factors affecting the performance. In this case, the Company could not foresee the global economic crisis of 2008, which was the major cause not only for Tata Steel but also for Steel Industry as a whole. Notwithstanding, high leverage for acquisition of Corus does not seem to be justified as the financial statements do not project a strong CR and Net Profit Ratio. Further, big capacity built in China and low internal demand, resulted in China flooding the global steel market. Under the circumstances, the best option for Tata Steel is to divest all loosing units in its steel portfolio.

Appendix I

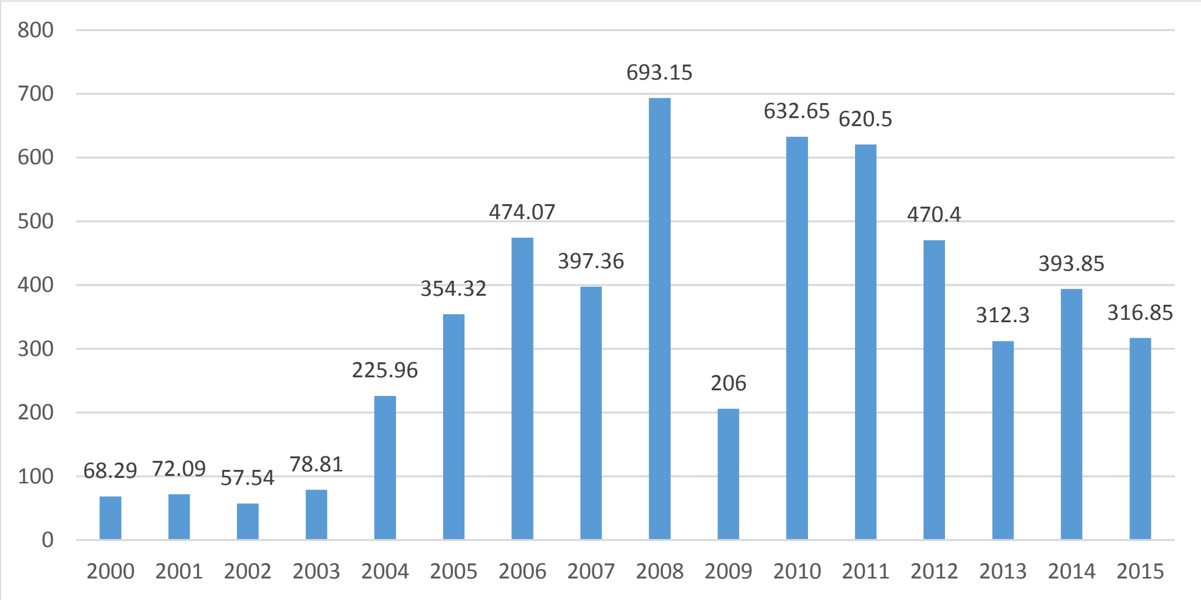
Particulars of Tata Steel (2000-2015)

Year	PBIT	Interest	EPS (Rs)	MPS (Rs)	Net Profit	Sales	Expenses
2000	1008.32	529.00	11.29	68.29	422.59	6,886.28	4,683.38
2001	1079.61	481.90	14.64	72.09	553.44	7,755.37	5,009.79
2002	647.65	403.15	5.51	57.54	189.19	7,604.27	5,641.04
2003	1559.31	342.41	27.43	78.81	1,012.31	9,788.49	6,664.73
2004	2844.17	129.30	47.32	225.96	1,778.62	12,372.53	7,701.00
2005	5602.51	238.60	62.77	354.32	3,571.20	17,414.52	10,162.88
2006	5691.52	206.41	63.35	474.07	3,721.07	22,272.14	13,952.69
2007	7054.28	635.67	65.28	397.36	4,165.61	27,437.29	17,933.61
2008	21099.42	4,588.64	67.17	693.15	12,321.76	1,34,089.02	1,14,081.10
2009	10550.75	3,790.69	69.45	206	4,849.24	1,49,984.94	1,27,214.25
2010	3713.91	3,659.77	60.26	632.65	−2,120.84	1,04,229.83	93,378.28
2011	16057.73	3,955.78	75.63	620.50	8,856.05	1,21,345.75	1,03,362.43
2012	12835.09	4,250.11	67.84	470.40	4,948.52	1,35,975.56	1,21,268.84
2013	−164.84	3,968.11	50.28	312.30	−7,362.39	1,38,821.14	1,20,971.40
2014	11058.96	4,336.83	64.21	393.85	3,663.97	1,53,212.79	1,32,717.21
2015	3459.66	4,847.75	64.49	316.85	−3,955.50	1,44,298.36	1,25,875.03

Source: Compiled from http://www.moneycontrol.com/financials/tatasteel/profit-lossVI/TIS#TIS accessed on 2016, May 16

Appendix II

Market Price Per Share of Tata Steel from 2000-2015 (Rs.)



Source: Compiled from https://in.finance.yahoo.com/q/hp?s=TATASTEEL.NS, accessed on 2016, May 15

Appendix III

Tata Steel's Percentage Increase of Sales during Pre-Acquisition (2000-06) and Post-Acquisition (2007-2015) period

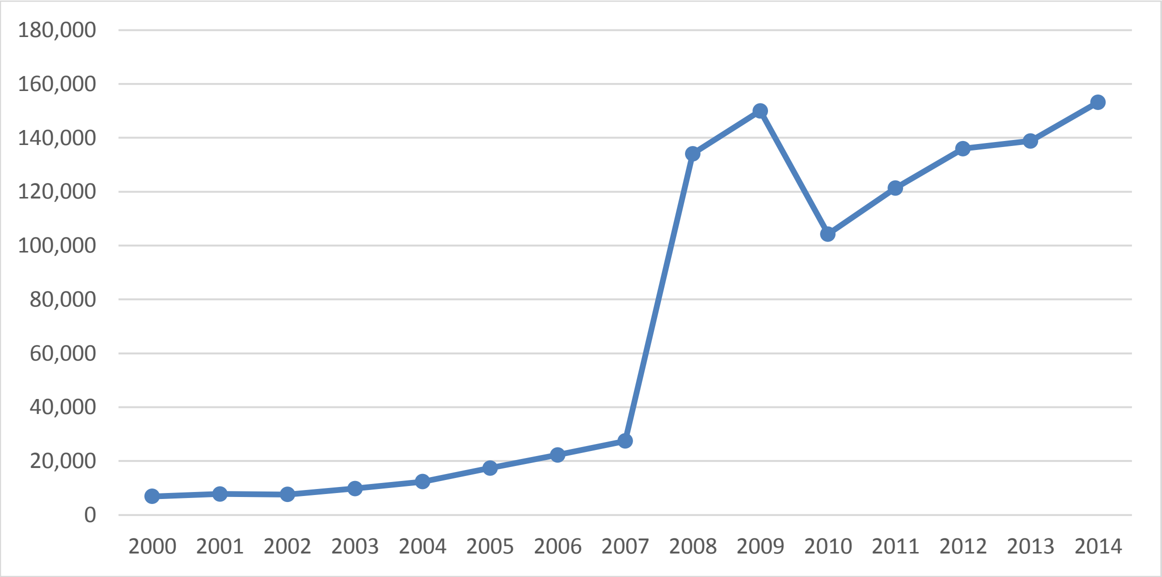
Pre-acquisition			Post-acquisition		
Year	Sales	Percentage Increase	Year	Sales	Percentage Increase
2000	6,886.28	-	2007	27,437.29	23.19
2001	7,755.37	12.62	2008	1,34,089.02	388.71
2002	7,604.27	−1.95	2009	1,49,984.94	11.85
2003	9,788.49	28.72	2010	1,04,229.83	−30.51
2004	12,372.53	26.40	2011	1,21,345.75	16.42
2005	17,414.52	40.75	2012	1,35,975.56	12.06
2006	22,272.14	27.89	2013	1,38,821.14	2.09

			2014	1,53,212.79	10.37
			2015	1,44,298.36	−5.82

Source: Calculated from Appendix II

Appendix IV

Increase of Sales in Tata Steel over the Years 2000-2015



Source: Graph based on Appendix III

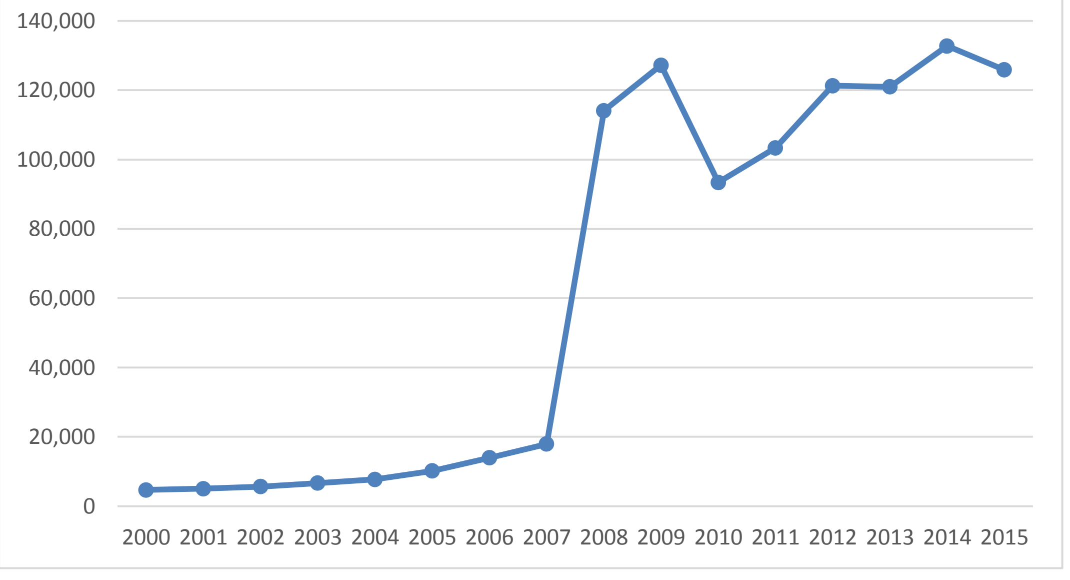
Appendix V

Tata Steel's Percentage Increase of Expenses during Pre-Acquisition (2000-06) and Post-Acquisition (2007-2015) period

Pre-acquisition			Post-acquisition		
Year	Expenses	Percentage Increase	Year	Expenses	Percentage Increase
2000	4,683.38	-	2007	17,933.61	28.53
2001	5,009.79	6.97	2008	1,14,081.1	536.13
2002	5,641.04	12.60	2009	1,27,214.25	11.51
2003	6,664.73	18.15	2010	93,378.28	−26.60
2004	7,701.00	15.55	2011	1,03,362.43	10.69
2005	10,162.88	31.97	2012	1,21,268.84	17.32
2006	13,952.69	37.97	2013	1,20,971.40	−0.25
			2014	1,32,717.21	9.71
			2015	1,25,875.03	−5.16

Source: Calculated from Appendix II

Appendix VI
Increase of Expenses in Tata Steel Over the Years 2000-2015



Source: Graph based on Appendix III

Appendix VII

Financials of Tata Steel (From 2000 to 2009)

Year	Shareholders Fund	Loan Funds	Current Assets	Current Liabilities	Fixed Assets	Total Assets	Capital Employed
2000	4,558.40	4,907.23	3,025.11	2,614.76	8,227.16	12,080.39	9,465.63
2001	4,888.43	4,672.22	3,225.61	2,087.13	14,978.25	12,530.91	9,523.49
2002	3,518.55	4,995.57	3,562.33	2,181.42	8,563.15	13,137.26	9,544.64
2003	3,294.16	4,315.08	3,878.15	2,796.74	8,871.68	12,760.08	9,695.87
2004	4,515.86	3,373.28	4,083.01	3,998.79	10,051.97	14,290.95	10,136.19
2005	7,059.92	2,739.70	4,083.58	3,699.99	11,544.89	15,843.29	11,928.48
2006	9,755.30	2,516.15	4,237.60	3,808.72	13,935.01	18,425.88	14,363.89
2007	14,096.15	9,645.33	13,701.89	5,453.66	17,146.74	31,051.16	25,394.97
200	27,300.73	18,021.6	36,962.4	6,768.78	16,726.75	53,844.3	92,037.98

8		9	4				
2009	30,176.26	26,946.18	10,285.09	8,974.05	56,854.00	67,715.82	90,777.94
2010	36,961.80	25,239.80	12,246.69	8,999.61	60,985.70	73,232,39	79,962.30
2011	46,944.63	28,301.14	24,212.30	10,995.81	65,339.42	89,551.72	1,00,837.25
2012	52,621.36	24,391.06	12,864.50	16,903.64	76,503.10	96,191.06	1,08,422.88
2013	55,209.68	27,903.60	11,530.60	16,488.65	83,528.14	1,01,876.93	1,09,800.11
2014	61,147.99	28,735.64	11,564.60	18,881.78	95,550.30	1,11,040.41	1,28,769.10
2015	66,663.89	30,114.44	11,849.17	16,623.79	10,0449.43	1,15,677.12	1,18,934.06

Source: Compiled from http://www.moneycontrol.com/financials/tatasteel/balance-sheet/TIS accessed on 2016, May 16,

Appendix VIII

Pre-acquisition Ratio Analysis Tata Steel (2000–06)

Year	Debt Equity Ratio (DER)	Current Ratio (C.R)	Fixed Assets Turnover Ratio (FATR)	Interest Coverage Ratio (ICR)	Net Profit (N.P) (%)	Capital Employed Turnover Ratio (CETR)

2000	1.08	1.16	0.84	1.91	6.14	0.73
2001	0.96	1.55	0.52	2.24	7.14	0.81
2002	1.42	1.63	0.89	1.61	2.49	0.80
2003	1.31	1.39	1.10	4.55	10.34	1.01
2004	0.75	1.02	1.23	22.00	14.38	1.22
2005	0.39	1.10	1.51	23.48	20.51	1.46
2006	0.26	1.11	1.60	47.57	16.71	1.55

Source: Calculated from appendices I and VII

Appendix IX

Post-acquisition Ratio Analysis Tata Steel (2007–2015)

Year	Debt Equity Ratio (DER)	Current Ratio (CR)	Fixed Assets Turnover Ratio (FATR)	Interest Coverage Ratio (ICR)	Net Profit Ratio (N.P) (%)	Capital Employed Turnover Ratio (CETR)
2007	0.68	2.51	1.60	11.10	15.18	15.18
2008	0.66	5.46	8.02	4.60	9.19	9.19
2009	0.84	1.15	2.64	2.78	3.23	3.23
2010	0.77	1.36	1.71	1.01	−2.03	−2.03
2011	0.52	2.20	1.86	4.06	7.30	7.30
2012	0.53	0.76	1.78	3.02	3.64	3.64
2013	0.52	0.70	1.66	−0.04	−5.30	−5.30

2014	0.49	0.61	1.60	2.55	2.39	2.39
2015	0.45	0.71	1.44	0.71	−2.74	−2.74

Source: Calculated from appendices I and VII

Annexures

Annexure I

Highlights of Tata Corus Deal

The process acquisition commenced on November 2005 and concluded on July 17, 2007. The process was not smooth. A systematic detail of the deal is presented as under. (Freeman, Gopalan and Bailey, 2009; Quigley, 2007)

November 2005: Ratan Tata and the top management of Corus have a meeting in Mumbai.

September 20, 2006: In order to gain strategic partnership Corus Steel decides to join hands with a cost effective steel maker.

October 5, 2006: Tata Steel plans to expand its market and technological advancements.

October 6, 2006: Corus considers the initial terms of the acquisition put forward by Tata Steel to be non-satisfactory.

October 17, 2006: Tata Steel offers 455 pence per share in cash amounting to $ 4.1 billion.

October 20, 2006: Corus accepts terms offered by Tata Steel.

November 17, 2006: Companhia Siderurgica Nacional (CSN) a steel company of Brazil makes an offer to Corus by proposing to pay 475 pence per share.

November 27, 2006: Corus suspends a shareholders' meet in order to offer more time to CSN to revamp its counter offer against Tata Steel.

December 10, 2006: Tata Steel makes another offer by proposing to buy Corus at $ 4.7 billion at a share price of 500 pence.

December 11, 2006: CSN further increases its bid and makes an offer of $ 4.9 billion with a share price of 515 pence.

December 19, 2006: January 30, 2007, a dead line is set by the Britain's takeover watchdog for Tata Steel and CSN to revise their offers.

December 22, 2006: The European Commission approves Tata Steel to buy Corus.

January 26, 2007: Britain's takeover watchdog announces to open auction for Corus on January 30, 2007.

January 29, 2007: European Union approves CSN to bid for Corus.

January 31, 2007: Britain's Takeover Panel announces the winning bid of Tata Steel stating that it closed at 608 pence amounting to 6.2 billion pounds ($ 12 billion) against CSN last bid at 603 pence per share.

April 2, 2007: Tata get official approval to acquire Corus.

April 11, 2007: The Board of Tata Steel deliberate on raising funds for the acquisition.

April 18, 2007: Tata Steel announces that they are strategically planning the synergies and have deployed teams to strategize on areas of concern like logistic, marketing, procurement, etc., and should be ready with an action plan by end of May.

April 28, 2007: Tata Steel announces its plan to chip in $ 4.1 billion as partial payment of the acquisition and the rest of the money will be raised by other financial methods.

May 4, 2007: Tata Steel announces to borrow long-term loan in order to raise the remaining $ 7.3 billion through leveraged loan market.

May 17, 2007: Tata Steel announces to increase the manufacturing capacity to 40 million by 2012 and 50 million by 2015 from its then manufacturing capacity of 25 million.

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