

Pestel analysis of tata steel



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PESTEL ANALYSIS OF TATA STEEL:

INTRODUCTION OF THE TATA STEEL:

TATA STEEL is one of the major companies in INDIA. TATA STEEL is also known as TISCO. (Tata Iron and Steel Company). Tata steel is producing the 31 million tons of the crude capacity every year. Tata steel is the largest private company in India which is ranked number one in the domestic production of the steel in the country. Tata steel is a part of the Tata group of companies. Tata steel is also ranked number 2nd position as for the most profit earning company in the private sector. When the survey is conducted by the BRAND FINANCE and the ECONOMIC TIMES it is reported to be in the 8th most valuable brand. Tata steel operates in the various countries apart from the India. It conducts its business in Asian countries, Europe and Australia. It is also ranked 258th number in the FORTUNE GLOBAL 500. On 16th February, 1912 first iron steel was rolled in the company which was the most memorable day in the history of steel industry.

Tata produces the hot and cold rolled coils, sheets, tubes, rods, bearings, and other equipment and services which are dealt with the steel. Tata steel is listed on the Bombay (Mumbai) stock exchange, and national stock exchange. The registered office of the Tata steel is located in the Mumbai. As growing and successful company Tata steel is ambitious in nature and want to achieve the target of the around 100 million tones by the year 2015. To achieve this target Tata steel is planning to do some acquisitions and green field projects with different companies. On 20th October 2006, TATA STEEL signed the agreement with the Anglo-Dutch CORUS COMPANY along with the 100% stake for 455pence per share. The whole deal done as a cash deal.

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This was the only offer price introduced to the CORUS COMPANY. The Brazilian company COMPANHIA SIDERURGICAL NACIONAL also launched the counter offer for the acquisition to CORUS. But finally on 31st Jan 2007, the bid was won by the TATA STEEL with the value Of CORUS in 6. 7 million euros. With this acquisition TATA STEEL becomes the 7th largest steel company in the world. NATSTEEL COMPANY which is a Singapore steel company Tata also entered with this company in august 2004, with the value of 486. 4million dollars (approx...1313crs rs.). The next acquisition is done with the THAILAND based company along with the 40% stake the company is known as MILLENNIUM COMPANY.

Along with this TATA STEEL launched the green field projects also the main projects can be described as follow:

- Plan of 6 million tones in Orissa
- Plan in Jharkhand for about 12 million tones
- Plan in Chhattisgarh for about 5million tones
- Plan of 3million tones in Iran
- Bangladesh plant which costs approx. 2. 4. million
- Capacity expansion plan which cost 5million at Jamshedpur.

From above information we come to know about the expansion plans and achievements of the TATA STEEL so far in the steel industry sector in India and across the globe. The picture regarding the TATA STEEL becomes very clear from above information.

PESTEL ANALYSIS OF TATA STEEL:

The PESTEL terms include the political, economic, socio-culture, environmental and legal aspects from by which the company influenced. The growth or the progress of the particular sector or the industry is depends upon these factors. These factors are important because these factors are bound with each and every aspect of the society internally as well as externally.

(P)OLITICAL ASPECT:

MEANING OF THE POLITICAL ASPECT:

Political aspect means the aspect which includes the government intervention in the particular sector or the for the company it is basically a political environment under which the company have to perform in well manner to achieve the stability and target goals in sector under which the business is running. This political aspect includes, taxation policy by which government decides the various tax implication on the company it includes the import and export regulation and other point which can be helpful for the growth of the company. Privatization and deregulation. The next important aspect in the political factor is of international trade regulations in which the government and various special ministry decides the various rules and regulations regarding the international trade done by the company.

Government may also introduce a general initiative which can helpful in the encouragement of the business which is ultimately leads to the growth of the company. Government stability is also one of the important factor in the business as the many of the important rules and regulations are decided by the government regarding the business it is important that the government

should be stable in nature otherwise with change of the government the policies introduced by the government may also change which can be lead into instability in the business. it is also noted that the international stability is also important in the growth of the business. International stability includes the no war situation and other things which can be dangerous from the point of view of the company.

POLITICAL FACTOR OF THE TATA STEEL:

INVESTMENT IN THE UNSTABLE POLITICAL COUNTRIES:

Though the Tata steel made the various acquisitions for the growth of the company and for the reason of the expansion of the business they took a very high amount of risk by investing in the countries like Bangladesh, Iran, and And Thailand. For example: the plan set up in the Bangladesh is getting delayed by the question of gas supply, whereas the issue of lease of the mining of the iron ore in the Iran country is responsible for the increase in the cost of the production.

INFRASTRUCTURAL DEVELOPMENT IN THE INDIA:

Now a day's government is launching the various schemes for the development of the infrastructure of roads and transport. Every year Tata steel and other steel industries in India spends a huge amount on the freight and transportation with the launch of various schemes in infrastructure company could be able to save some amount which company spends on the freight and transportation.

EFFECTS OF THE LIBERALIZATION:

The various liberalization schemes launched by the government after the year 1991. when the Indian economy opened globally, is responsible for the

tremendous growth in the various sectors but the particularly in this sector.

Various features can be discussed as follows:

- The licensing is required for the capacity creation which is removed
- Foreign equity investment got the permission up to 74%.
- Reduction in import and tariff reduced from the 105% in year 1992-1993 to 30% in the year 1996-1997.
- Apart from this restrictions on the import and export have been reduced
- These are the some important features of the liberalization policy which leads to Tata steel to be on the growth path.

Apart from this the mining policies of the government and other policies helped the Tata steel in reduction of import a duty and export duty and other things which are responsible for the high growth of the Tata steel industry globally.

(E)CONOMICAL FACTOR:

Another important aspect in the PESTEL ANALYSIS is of the economic point of view . the growth and the stability of a particular company is depends on the economic conditions of the country. It may be nation economy or international economy. Various factors are responsible for the change in the economic conditions and with the change in these factors many times the company also got affected if the economic condition is very unstable in the nature the business may get affected from it as many times the business strategy got affected by this. The economic aspect of pestel analysis includes market trends, inflation rate, demand and supply of the particular commodity and globalization. If these factors are in unstable in nature the <https://assignbuster.com/pestel-analysis-of-tata-steel/>

company may face the tremendous loss. With the change in the economic conditions a company should change its policy accordingly and to sustain in the depression period a detail research and survey should be done by the particular country.

ECONOMIC FACTOR OF TATA STEEL:

Two years back the United States economy faces the SUBPRIME CRISIS which affected the each and every strong economy in a very negative way. During this period there was a very high risk in the international capital markets regarding the liquidity. In the year 2007, many foreign investments and equities got dampened because of the reduction in the confidence in the liquidity and the returns on the investment. Due to the subprime crisis in us European markets faced the problems of the recession this creates the bad impact on the Tata steel as the Netherlands, United Kingdom and Germany are the main markets for the CORUS COMPANY.

Steel industry may got affected because of the cyclical economic condition because many industries like automobiles, appliances and construction are depends on the steel industry and if industries faces any kind of downturn in the economy Tata steel also may also face the losses . steel production process are completely dependent on the energy market which can affect the Tata steel in the economic manner. With the acquisition of CORUS company gained the growth prospective in nature but, the cost of acquisition goes beyond the financial expectations.

(S)OCIO-CULTURE FACTOR:

Socio-culture aspect means the achievements or the willingness of the company to do the welfare of the people in society without the profit earning motive . it is deal with social responsibility . it includes the initiatives taken by the company in the form of the skills, and attitudes towards work and other aspects which can be dealt under the development of the society.

SOCIO-CULTURE FACTOR OF TATA STEEL

TATA STEEL got awarded for the commitments in the business ethical behavior and improving the lives of the employees and their families. For this purpose Tata steel got awarded by the GOLDEN PEACOCK GLOBAL AWARD. TATA STEEL also focused to create the social environment. They constantly made the improvements in the health issues, economic wellbeing and education facilities provided to the nation. This policy works out in near 800 villages in Jharkhand . Orissa and Chhattisgarh. Hospital on wheels is the basic innovation of the Tata's whereas Tata is also responsible for the habitation in slum areas in urban developing cities.

(T)ECHNOLOGICAL FACTOR:

Technological aspect in the pestel analysis means that how company is able to use the present technologies in the productions process it can also state as how company is using the technology for the maximum utilization of the resources. It includes the material process and it development, speed in adaption of new technology, and software up gradation in the company for the convenience.

TECHNOLOGICAL FACTOR OF THE TATA STEEL:

Technological aspect should be always in the nature of changing as per the new circumstances. Tata steel and the sail(steel authority of India) started the E-PORTAL system in middle of year 2000. this technology is also known as the METAL JUNCTION which is helpful for not only to Tata steel but also to entire industry. With the help of this technology e market is the biggest market for the purchasing and selling of the steel in the world. To reduce the emersions of the co2nin the environment the Tata steel is on with the research of the ultra-low carbon steel . Tata is also engaged with the objective of the energy conservation schemes where Tata is doing research to reduce the energy consumption in the production process.

(E)NVIRONMENTAL FACTOR;

Environmental aspect means how the company is protecting the environment from the pollution and other factors which are harmful for the society and nature . it includes the pollution problem, waste disposal methods of the company, noise control and other factors which can be included under the environmental aspect.

ENVIRONMENTAL FACTOR FOR THE TATA STEEL:

In the steel industry there is a major problem of the emersion of the co2 gas during the production process which is extremely harmful for the nature and human being itself. Tata steel is designing a programme in which Tata steel would be able to reduce the co2 emersion by 20 %.

The DHAMRA port is the joint venture of the LASRSEN AND TOURBO and TATA STEEL. This joint venture came into existence for the protection of the Olive Ridley sea Turtles. These project is established near the Orissa .

DHAMRA port is also supporting for the saving in the saltwater crocodiles as well as it is contributing the help to save the wildlife in india. it is also providing the breeding grounds for the horse shoe crabs and other rare species of the reptiles and amphibians.

(L)EGAL FACTOR:

Every company is bound with some internal and external rules and regulations which is helpful for the smooth flow of the company. It also includes the international laws and regulations that company is bound to follow it also include the safety and health regulations of the employees of the company.

LEGAL FACTOR OF THE TATA STEEL:

The main importance is given to the employee's safety at the work place Tata steel ensures the EHS (ENVIRONMENTAL HEALTH AND SAFETY) under which the each and every employee's activity is managed by the EHS framework. Along with this positive aspect the company is also facing some legal problems. Though he Tata steel is not concern with the problem of land acquisitions in singur west Bengal it is affecting the name of Tata.

Unstable government in Jharkhand and various tribal protestors are creating some legal issues for the Tata steel. It should be noted that from past 100 years the company work is not disturbed because of any kind of the strikes and internal issues. The introduction of provident fund is introduced by the Tata steel in the year1920. 1920 Tata introduced the leave pay scheme to the employees which was actually applied later on in the year 1945 after the

independence. Soon these schemes introduced become the legal part of the INDIAN LAW.

CONCLUSION:

From above the discussion we came to across that Tata steel is one of the strongest player in the steel industry. They are private player in the sector they follow the every aspect of the PESTEL ANALYSIS. Tata steel is also putting many efforts in the development in the industry.

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