

A STUDY ON FINANCIAL PERFORMANCE OF TATA MOTORS LIMITED

Dr. P. DHANYA ¹, Mr. SRIRAM.S²

¹Associate Professor, Department of Commerce with Professional Accounting, Dr. N.G.P. Arts and Science College

²Student of III B.Com.(PA), Department of Commerce with Professional Accounting, Dr. N.G.P. Arts and Science College

Abstract –Financial performance analysis is a multifaceted approach to evaluating a company’s financial performance. It is the process of examining a business enterprise’s financial records, statements, tools, and processes. A financial performance analysis is an evaluation of one or more aspects of the business’s finances. Different stakeholders, such as management, investors, regulators, and lenders, will assess the financial performance of a business from varying vantage points and with distinct objectives. Provide insight into a company’s financial condition and performance.

Keywords: Financial Performance, Liquidity, Solvency, Profitability.

INTRODUCTION

The financial performance tells investors about the general well- being of a concern. It's a shot of its profitable health and the job its operation is doing. Financial performance is a whole evaluation of a company’s overall standing in orders similar as assets, liabilities, equity, expenses, revenue, and overall profitability. It's scaled through varied business- related formulas that allow users to calculate exact details regarding a company’s possible effectiveness. Financial performance signifies a concern’s capability to handle its finances. Grounded on the analysis, concerns map the enhancement of capital structure, increase in profit, improvement of cash flow, and deduction in charges. For internal users, financial performance is examined to determine their different companies’ well- being and standing, among other criteria. For external users, financial performance is analyzed to mandate possible investment chances and to determine if a company is worth their while.

STATEMENT OF THE PROBLEM

The high degree of business threat input cost escalation, severe competition, preface of new and innovative technology and models day by day and financial threat(high debt capital and service burden) affected the normal operations and posed a trouble towards financial fundamentals of Indian Automobile Industry. The interest of the colorful groups related to a establishment is affected by the financial performance of the establishment. So, it's important of significance for these groups to dissect the financial performance of the establishment they're interested in. The study is major important to the operation from the point of

decision- making purpose, to identify the strength, weakness areas of the company and eventually helps to maximize the natural value of the company.

SCOPE OF THE STUDY

The financial analysis of Tata Motors is to evaluate the company's financial performance and position, and provide recommendations to improve its financial health. The analysis will cover a period of at least five years, from 2018 to 2022, to provide a comprehensive understanding of the company's financial performance over time. The study will analyze the company's debt levels, liquidity, and solvency to evaluate its financial position. the study will analyze the company's future growth prospects and the potential impact of new technologies and market trends on its financial performance. Overall, the scope of the financial analysis of Tata Motors is to provide a comprehensive understanding of the company's financial health, opportunities, and risks for investors. The analysis will provide insights into the key drivers of the company's financial performance and identify opportunities for improvement.

OBJECTIVES OF THE STUDY

- To analyze the profitability of the company.
- To evaluate the liquidity, solvency and profitability of Tata Motors Private Limited.
- To know the growth of the company for the last five years of balance sheet.

RESEARCH METHODOLOGY

PERIOD OF THE STUDY

The study has been undertaken for the period of 5 years from 2017-2018 to 2021-2022.

SOURCE OF DATA.

Both the primary and secondary data are used for the study. The primary data has been collected from the respondents through questionnaire and secondary data has been collected from articles, books, magazines and newspaper.

STATISTICAL TOOL

- Liquidity Ratio
- Solvency Ratio
- Profitability Ratio

LIMITATIONS OF THE STUDY

The study covers a period of only five years from 2017-2018 to 2021-2022. The statistical tools used for analyzing the collected data, especially the ratios used in the study have certain limitations.

REVIEW OF LITERATURE

A. Moses Joshuva Daniel (2013)¹, The financial statement provides the basic data for financial performance analysis. The main aim was to compare and analyze the financial statements for the past FIVE financial years. The study has been undertaken for the period of 5 years from 2006 -07 to 2010 -11 and various tools were used for financial performance. The company has stable growth and it shows a greater status in all the areas it works. It was suggested to improve the status the company will strive for better performance and increase the loan levels of the company.

Dr.K.Jothi and Ms.P.Kalaivani (2015)², The automobile industry is one of the key drivers that boost the economic growth of the country. The main objective was to study the comparison of financial performance of Honda and Toyota Automobile company. The period for this study covered five years from 2009-2010 to 2013-2014 and the essential data for this study have been collected from the annual reports of two companies (Honda & Toyota). It appears safe to summarize that the Honda & Toyota seems to be sound financial management practice.

DATA ANALYSIS AND INTERPRETATION

LIQUIDITY RATIO

TABLE-1

CURRENT RATIO OF TATA MOTORS

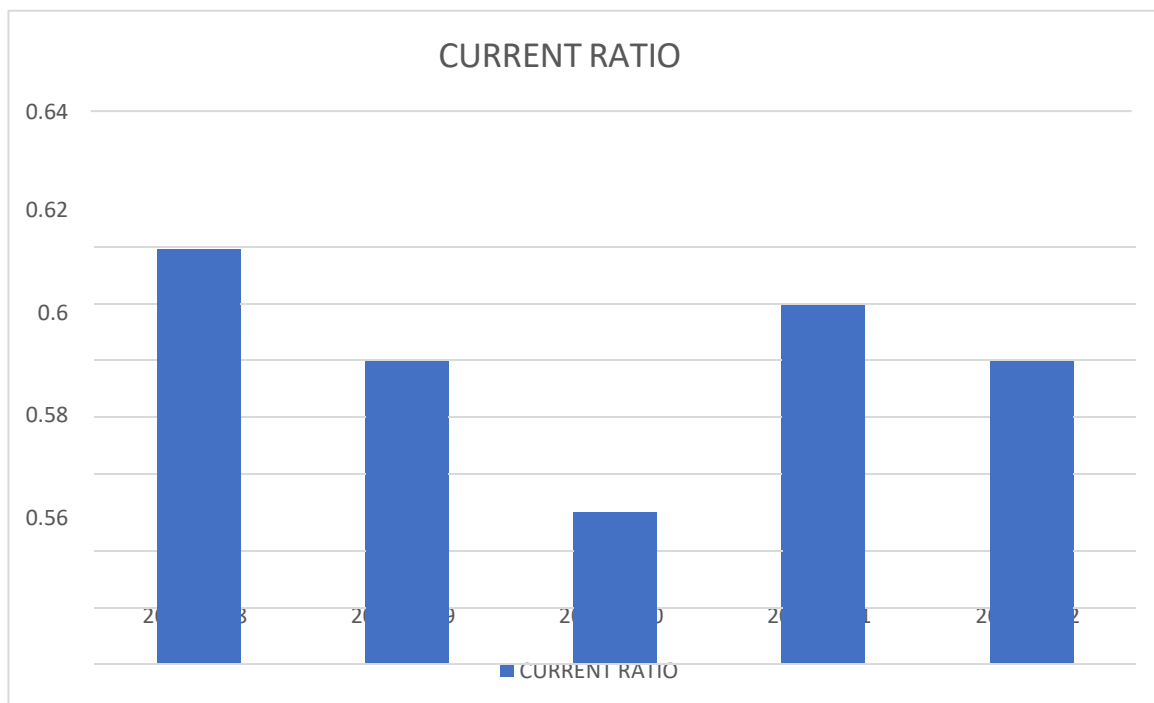
YEAR	CURRENT ASSETS(LKS)	CURRENT LIABILITIES(LKS)	CURRENT RATIO
2017-2018	14971.66	24218.95	0.62
2018-2019	13229.30	22940.81	0.58
2019-2020	13568.76	25810.82	0.53
2020-2021	15854.59	26251.55	0.60
2021-2022	15619.61	26992.81	0.58

INTERPRETATION

The minimum current ratio over the five-year period was 0.53, which was recorded in 2019-2020, while the maximum current ratio was 0.62, which was recorded in 2017-2018. The average current ratio over the five-year period was 0.58. Overall, the data indicates that the company's current ratio has fluctuated over the past five years, with a general trend of declining from 0.62 in 2017-2018 to 0.58 in 2021-2022, with the lowest ratio being recorded in 2019-2020.

CHART - 1

CURRENT RATIO OF TATA MOTORS



QUICK RATIO

TABLE - 2

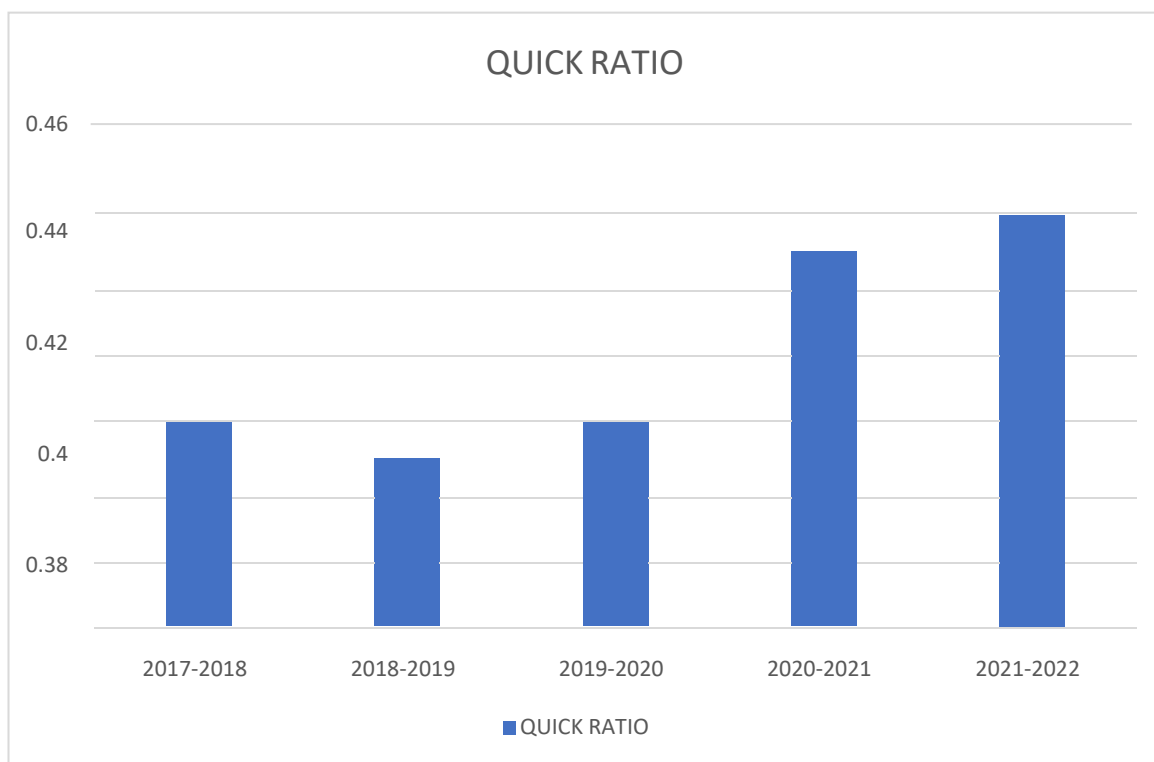
QUICK RATIO OF TATA MOTORS

YEAR	QUICK ASSETS(LKS)	CURRENT LIABILITIES(LKS)	QUICK RATIO
2017-2018	93015.30	24218.95	0.38
2018-2019	85673.00	22940.81	0.37
2019-2020	97368.40	25810.82	0.38
2020-2021	11302.88	26251.55	0.43
2021-2022	11901.12	26992.81	0.44

INTERPRETATION

The minimum quick ratio over the five-year period was 0.37, which was recorded in both 2018-2019 and 2019-2020, while the maximum quick ratio was 0.44, which was recorded in 2021-2022. The average quick ratio over the five-year period was 0.40. The data indicates that the company's quick ratio has remained relatively stable over the past five years, with a general trend of increasing from 0.38 in 2017-2018 to 0.44 in 2021-2022.

CHART - 2
QUICK RATIO OF TATA MOTORS



CASH RATIO

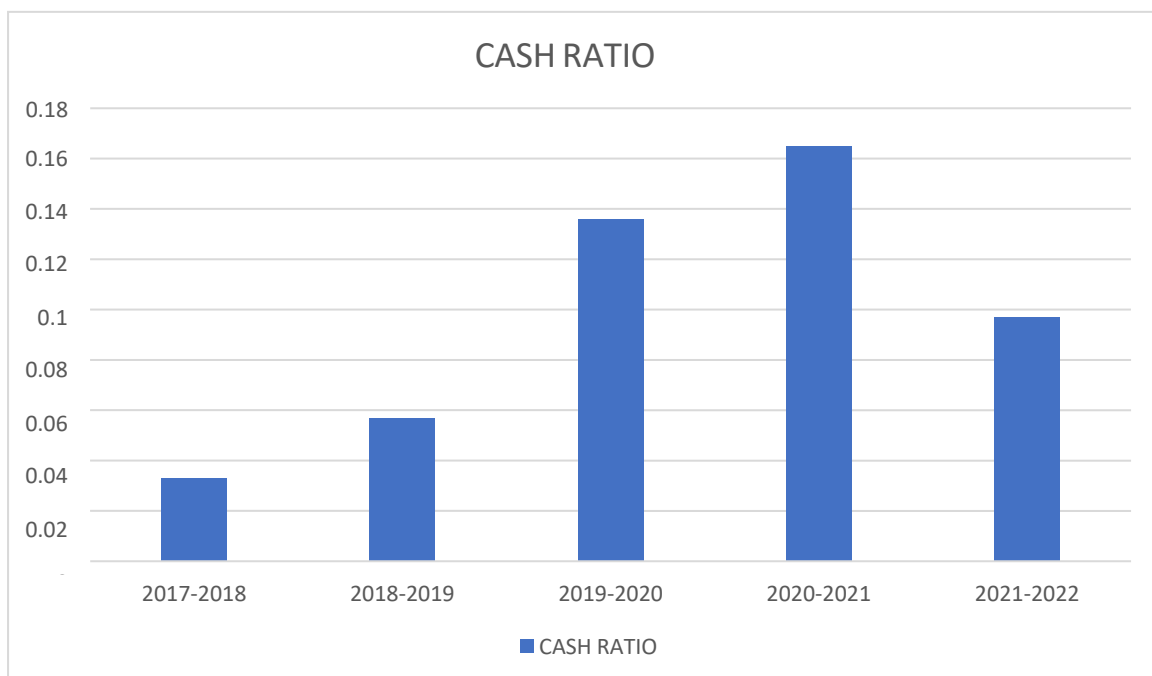
TABLE - 3
CASH RATIO OF TATA MOTORS

YEAR	CASH + CASH EQUIVALENT(LKS)	CURRENT LIABILITIES(LKS)	CASH RATIO
2017-2018	795.42	24218.95	0.033
2018-2019	1306.61	22940.81	0.057
2019-2020	3532.19	25810.82	0.136
2020-2021	4318.94	26251.55	0.165
2021-2022	2605.43	26992.81	0.097

INTERPRETATION

The minimum cash ratio over the five-year period was 0.033, which was recorded in 2017-2018, while the maximum cash ratio was 0.165, which was recorded in 2020-2021. The average cash ratio over the five-year period was 0.098. The data indicates that the company's cash ratio has fluctuated significantly over the past five years, with a general trend of increasing from 0.033 in 2017-2018 to a peak of 0.165 in 2020-2021, before dropping to 0.097 in 2021-2022.

CHART - 3
CASH RATIO OF TATA MOTORS



SOLVENCY RATIO: DEBT TO EQUITY RATIO

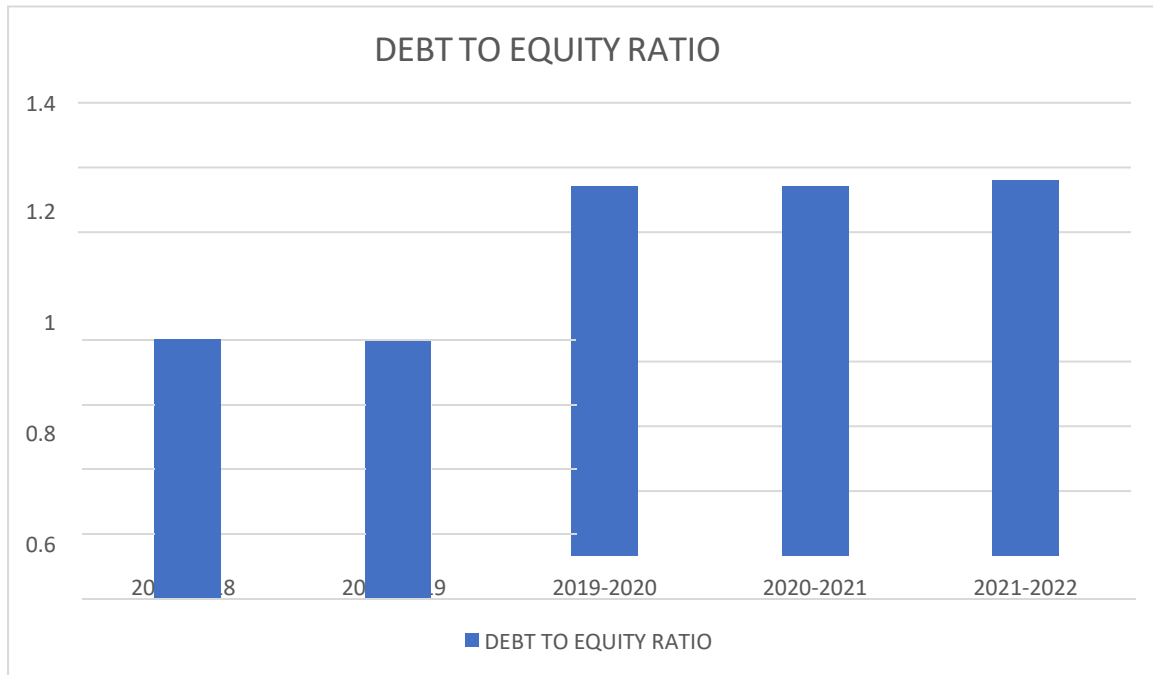
TABLE - 4
DEBT TO EQUITY OF TATA MOTORS

YEAR	TOTAL DEBT (CR)	TOTAL SHAREHOLDERS EQUITY (CR)	DEBT TO EQUITY RATIO
2017-2018	16255.78	20170.98	0.81
2018-2019	17532.46	22162.52	0.79
2019-2020	20897.87	18387.65	1.14
2020-2021	21748.72	19055.97	1.14
2021-2022	23232.65	19944.15	1.16

INTERPRETATAION

The minimum debt-to-equity ratio over the five-year period was 0.79, which was recorded in 2018-2019, while the maximum debt-to-equity ratio was 1.16, which was recorded in 2021-2022. The average debt-to-equity ratio over the five-year period was 1.00.

CHART - 4
DEBT TO EQUITY OF TATA MOTORS



PROPRIETARY RATIO

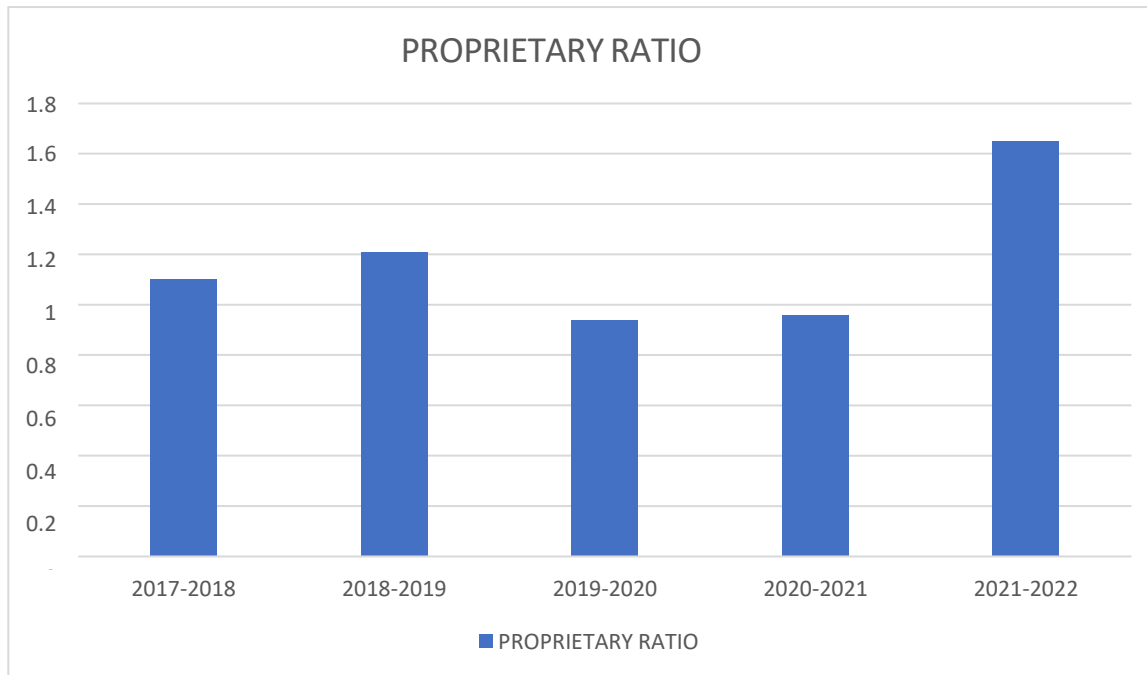
TABLE - 5
PROPRIETARY RATIO OF TATA MOTORS

YEAR	SHAREHOLDERS FUND	TANGIBLE ASSETS	PROPRIETARY RATIO
2017-2018	20170.98	18192.52	1.10
2018-2019	22162.52	18316.61	1.21
2019-2020	18387.65	19540.25	0.94
2020-2021	19055.97	19922.06	0.96
2021-2022	19937.76	12065.89	1.65

INTERPRETATION

The minimum proprietary ratio over the five-year period was 0.94, which was recorded in 2019-2020, while the maximum proprietary ratio was 1.65, which was recorded in 2021- 2022. The average proprietary ratio over the five-year period was 1.17.

CHART - 5
PROPRIETARY RATIO OF TATA MOTORS



DEBT TO ASSET RATIO

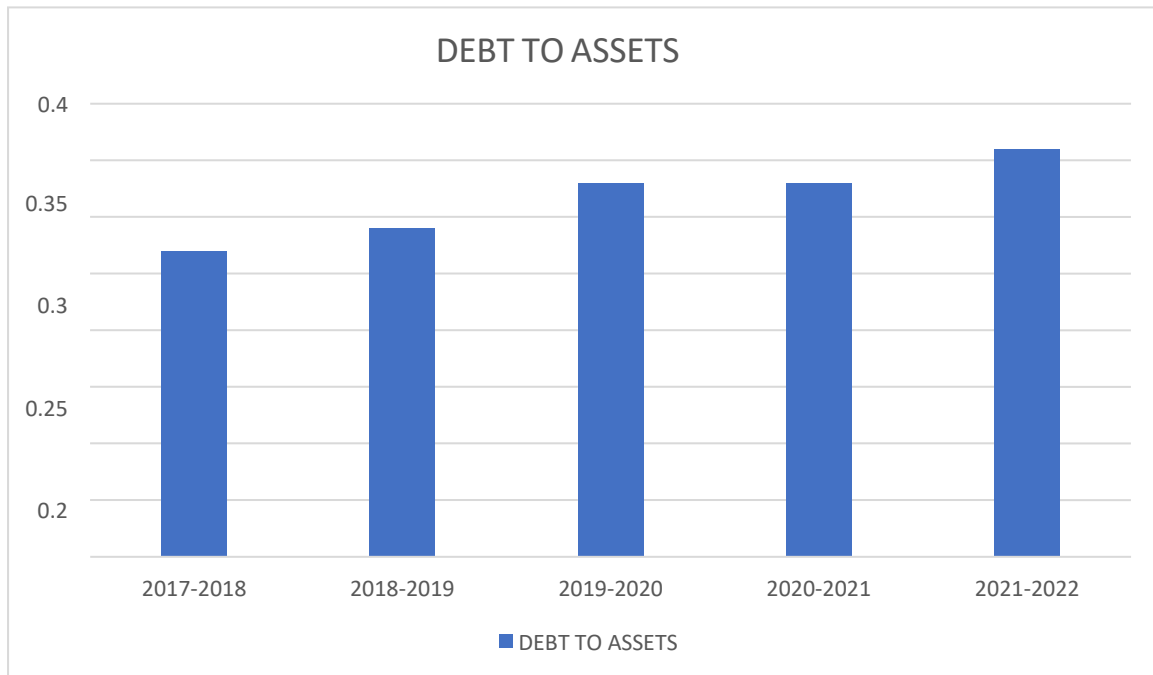
TABLE 4.6
DEBT TO ASSET RATIO OF TATA MOTORS

YEAR	TOTAL DEBT	TOTAL ASSETS	DEBT TO ASSETS
2017-2018	16255.78	59212.30	0.27
2018-2019	17532.46	60909.63	0.29
2019-2020	20897.87	62589.87	0.33
2020-2021	21748.72	65059.66	0.33
2021-2022	23232.65	63899.87	0.36

INTERPRETATION

The minimum debt-to-assets ratio over the five-year period was 0.27, which was recorded in 2017-2018, while the maximum debt-to-assets ratio was 0.36, which was recorded in 2021-2022. The average debt-to-assets ratio over the five-year period was 0.32.

CHART - 6
DEBT TO ASSET RATIO OF TATA MOTORS



NET PROFIT RATIO

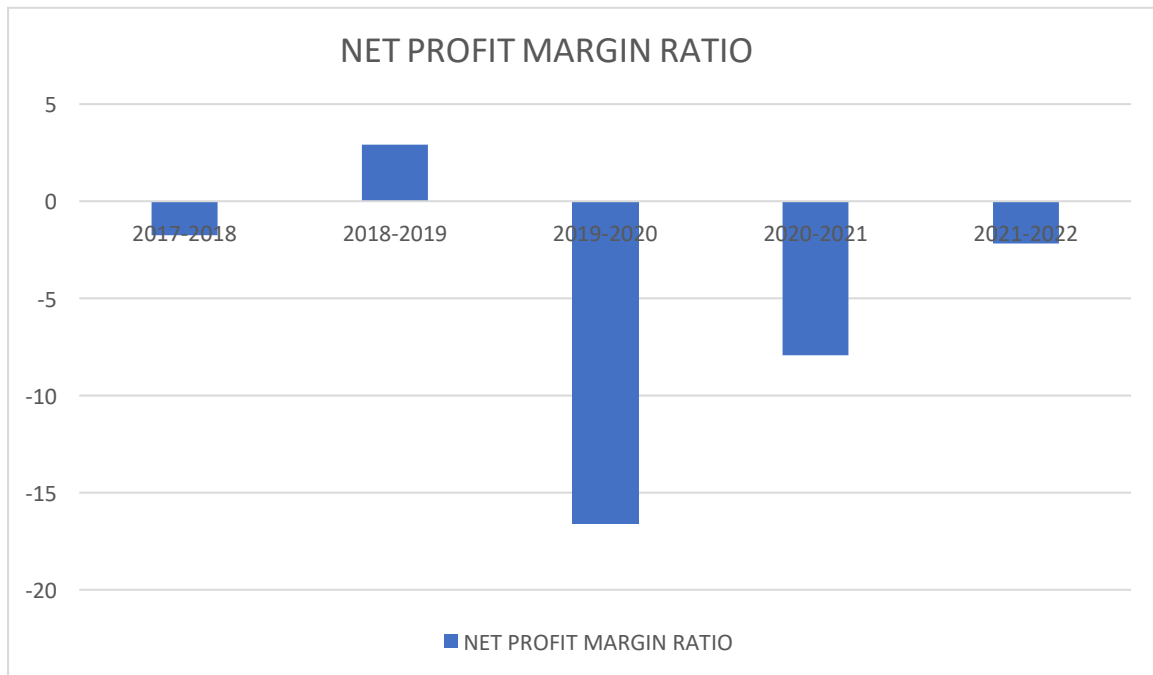
TABLE - 7
NET PROFIT MARGIN RATIO OF TATA MOTORS

YEAR	NET PROFIT	NET SALES	NET PROFIT MARGIN RATIO
2017-2018	(1034.85)	58831.41	(1.75)
2018-2019	2020.60	69202.76	2.91
2019-2020	(7289.63)	43928.17	(16.59)
2020-2021	(2395.44)	30175.03	(7.93)
2021-2022	(1390.86)	47263.68	(2.17)

INTERPRETATION

The maximum net profit margin ratio was 2.91%, which was recorded in 2018-2019. The average net profit margin ratio over the five-year period was -5.11%. The data suggests that the company has struggled to maintain a positive net profit margin over the five-year period, with an average net profit margin ratio of -5.11%. The company experienced a significant loss in 2019-2020, with a net profit margin ratio of -16.59%. The company's net profit margin ratio improved in 2021-2022 to -2.17%, indicating that the company has made progress in improving its profitability.

CHART - 7
NET PROFIT MARGIN RATIO OF TATA MOTORS



GROSS PROFIT

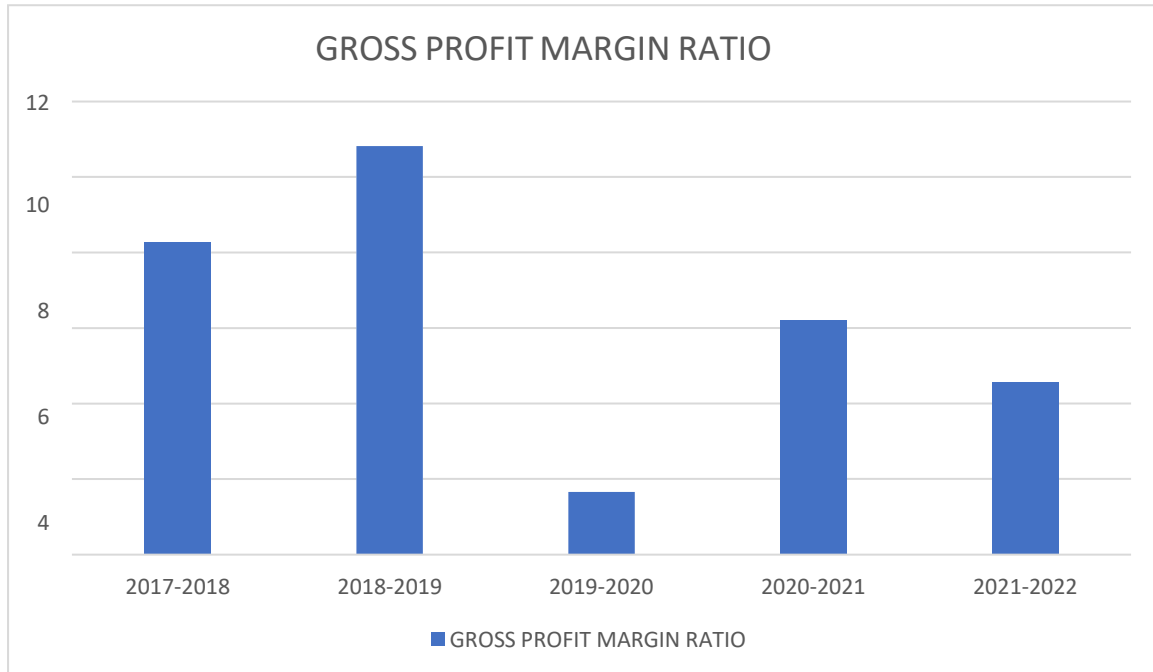
TABLE - 8
GROSS PROFIT MARGIN RATIO OF TATA MOTORS

YEAR	GROSS PROFIT	NET SALES	GROSS PROFIT MARGIN RATIO
2017-2018	4865.36	58831.41	8.27
2018-2019	7487.73	69202.76	10.82
2019-2020	729.20	43928.17	1.66
2020-2021	1873.86	30175.03	6.21
2021-2022	2155.22	47263.68	4.56

INTERPRETATION

In 2018-2019, the company had the highest ratio of 10.82%, indicating that the company was generating a higher gross profit on its sales during that period. However, in 2019-2020, the ratio dropped to 1.66%, which could indicate a decrease in sales or an increase in the cost of goods sold. The ratio increased in 2020-2021 to 6.21%, but then decreased again in 2021- 2022.

CHART - 8
GROSS PROFIT MARGIN RATIO OF TATA MOTORS



OPERATING PROFIT RATIO

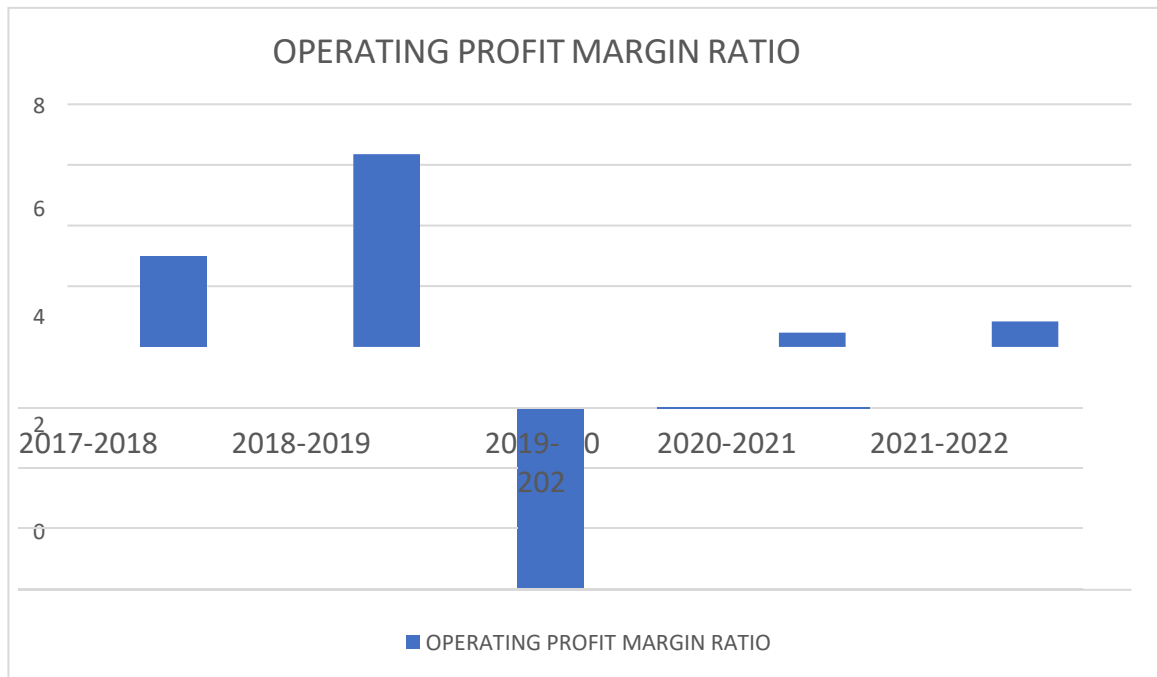
TABLE - 9
OPERATING PROFIT MARGIN RATIO OF TATA MOTORS

YEAR	OPERATING PROFIT	NET SALES	OPERATING PROFIT MARGIN RATIO
2017-2018	1759.06	58831.41	2.99
2018-2019	4394.37	69202.76	6.35
2019-2020	(2640.08)	43928.17	-6.01
2020-2021	141.82	30175.03	0.47
2021-2022	397.01	47263.68	0.84

INTERPRETATION

The operating profit margin ratio for the company ranged from a minimum of (6.01)% to a maximum of 6.35% over the five-year period. The average operating profit margin ratio was 0.93%, which is relatively low.

CHART - 9
OPERATING PROFIT MARGIN RATIO OF TATA MOTORS



FINDINGS

- The data indicates that the company's current ratio has fluctuated over the past five years, with a general trend of declining from 0.62 in 2017-2018 to 0.58 in 2021-2022, with the lowest ratio being recorded in 2019-2020.
- The data indicates that the company's quick ratio has remained relatively stable over the past five years, with a general trend of increasing from 0.38 in 2017-2018 to 0.44 in 2021-2022.
- The data indicates that the company's cash ratio has fluctuated significantly over the past five years, with a general trend of increasing from 0.033 in 2017-2018 to a peak of 0.165 in 2020-2021, before dropping to 0.097 in 2021-2022.
- The minimum debt-to-equity ratio over the five-year period was 0.79, which was recorded in 2018-2019, while the maximum debt-to-equity ratio was 1.16, which was recorded in 2021-2022. The average debt-to-equity ratio over the five-year period was 1.00.
- The minimum proprietary ratio over the five-year period was 0.94, which was recorded in 2019-2020, while the maximum proprietary ratio was 1.65, which was recorded in 2021-2022. The average proprietary ratio over the five-year period was 1.17.
- The minimum debt-to-assets ratio over the five-year period was 0.27, which was recorded in 2017-2018, while the maximum debt-to-assets ratio was 0.36, which was recorded in 2021-2022. The average debt-to-

assets ratio over the five-year period was 0.32.

- The company experienced a significant loss in 2019-2020, with a net profit margin ratio of -16.59%. The company's net profit margin ratio improved in 2021-2022 to -2.17%, indicating that the company has made progress in improving its profitability.
- In 2018-2019, the company had the highest ratio of 10.82%, indicating that the company was generating a higher gross profit on its sales during that period. However, in 2019-2020, the ratio dropped to 1.66%, which could indicate a decrease in sales or an increase in the cost of goods sold. The ratio increased in 2020-2021 to 6.21%, but then decreased again in 2021-2022.
- The operating profit margin ratio for the company ranged from a minimum of (6.01) % to a maximum of 6.35% over the five-year period. The average operating profit margin ratio was 0.93%, which is relatively low.

SUGGESTIONS

- The company is struggling in maintaining and improving its profitability. So, it is suggested to manage its activities efficiently in order to improve its profitability.
- The company should focus on increasing its deposits and cash & cash equivalents to increase its liquidity ratio.
- The company should focus on managing its risk efficiently to enjoy the solvency position.

CONCLUSION

Tata Motors is a major player in the Indian automotive industry, producing a wide range of vehicles including passenger cars, trucks, buses, and commercial vehicles. Analysing the company's financial performance over the past five years, it is clear that Tata Motors has faced some challenges, particularly in terms of profitability. Tata Motors has experienced both ups and downs in recent years. To continue to succeed in a highly competitive market, the company should focus on innovation, supply chain management, branding and marketing, sustainability, and employee development. By addressing these areas, Tata Motors can improve its financial performance and maintain its position as a leading automotive manufacturer.

Reference:

¹A. Moses Joshuva Daniel (2013), “A Study on Financial Status of Tata Motors Ltd”, Indian Journal of Applied Research, ISSN - 2249-555X, Volume: 3, Issue: 4, April 2013, pp.no. 320-322.

² Dr.K.Jothi and Ms.P.Kalaivani (2015), “A Study on Financial Performance of Honda and Toyota Automobile Company a Comparative Analysis”, Journal of Progressive Research in Social Sciences ISSN: 2395-6283, Volume 2, Issue 1, June 2015, pp.no. 33-35.