



Assessment of Financial Performance Analysis of Tata Motors PVT Limited

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Abstract –

The paper studies about financial performance evaluation of the Tata Motors Company. As the financial oriented activities plays and significance its role in each and every organization and industry. Without finances nothing is possible like land, labour and machinery etc. The performance and the level of growth and development can be measured only in terms of financial evaluation like profit and loss account and balance sheet. The financial position of every organization can be indicated. For that purpose Tata Motors immediate last five years data of balance sheet and profit and loss account have been analyzed. The ratio analysis has been found to study about last five years financial performance from 2018-2019 to 2022-2023. The Ratios like Net Profit; Debt-Equity Ratios have been used to find out the position of the company.

Key Words: Tata motors, financial performance- ratio analysis.

Introduction

Finance is the important factor of all the transactions. A Company's financial position is studied through profit and loss and balance sheet. The paper studies about the Tata Motors Company where cars, trucks, motor vehicles were manufactured and sold towards all over the world. The company also plays an important role in financial development of India, and corporate responsibility towards the society.

Body of Paper

The paper is divided into 5 parts .Introduction, Profile of the company, scope of the study, review of literature, research methodology, limitation, findings and suggestions, and conclusion with reference.

Profile of the Company

The TATA Motors Company place an important role in the society. It is an international level leading and manufacturing cars, vehicles, lorry and other electricity vehicle which is eco-friendly and supportive to the government. Giving back to the society” is the motive of the company. The goal of the company is to provide best vehicles throughout the world. The company earns revenue around USD 42 billion .with the help of engineers, scientist and research Centre, the company began to move towards new upcoming technology. Their motives are as follows, we believe in ‘Connecting aspirations’, by offering innovative mobility solutions that are in line with customers' aspirations. We are India's largest automobile manufacturer, and we continue to take the lead in shaping the Indian commercial vehicle landscape, with the introduction

of leading-edge powertrains and electric solutions packaged for power performances and user comfort at the lowest life-cycle costs. (HQ - Pune, 2021).

Scope of the Study

The study focuses on financial position of the company with the help of Ratios, Analysis for five years of Tata Motors Company have been selected through website, Journals.

Review of Literature

In the study about Tata motors financial and performance analysis and interpretation. The researcher (April 2023) studies about verification of financial performance how effectively the company has been carried so far and what is the current situations position of finance .from the analysis, it was found that the current ratio has been decreased from year to year(i.e) from 2017 to2020. The Assessment of TATA Motor's Financial Performance – a Review Case Study In the case study review the researcher the current ratio has been found changing and in the slightly increasing and decreasing level from the year 2015-2019,also the quick ratio and super quick ratio was not satisfied with the eligible fixed ratio level. They suggested improving and focusing on over all ratios in all aspects to make a sound and successful company. In the study, A Comparative Study on Financial Performance of Tata Motors and Toyota Motor Corporation Cars, The Researcher (April 2020), studies about Tata motors five years performance from 2015-2020.the study explains about working capital for Tata and Toyota Cars, and finds that the Tata motors shows negative values for working capital, so the company must maintain

current assets to settle the current liabilities. While studying about sales. The Tata Company shows negative balance for few years, so the company must make use of effective cost of production and gain profit in future.

(B.SUREKHA, 2015) in her study A Study on Financial Analysis of Tata Motors ,she studies about financial performance and growth of tata motors for five years and find out that the companys profit before and after tax,and concluded has the company must try to reduce the financial and operating expense to earn maximum profit in future .high taxation and highest amount of borrowed funds may causes change in profit. The Researcher ,Lavanya in her Study (April 2003). A Study on Financial Performance of Tata Motors Limited analysed about the financial performance and finds that the operating expenses must be maintained to get good profit . the firm must focus on current assets to maximize net profit .it must maintain some techinques which is need to follow to improve the profit level.

Research Methodology

The secondary data has been used to the study and balance sheet of the company, annual
Calculation of Liquid Ratio

Liquid Ratio = Liquid Assets/ Liquid Liabilities

Years	Liquid Assets	Liquid Liabilities	Liquid Ratio
01.04.2022 - 31.03.2023	151,528.47	155,027.33	0.98
01.04.2021 - 31.03.2022	146,977.54	150,682.81	0.98
01.04.2020 - 31.03.2021	146,887.64	157,749.18	0.93
01.04.2019 - 31.03.2020	119,587.25	140,454.05	0.85
01.04.2018 - 31.03.2019	123,431.16	145,457.43	0.85

Source of Data Table & Chart No- 1

The liquid ratio means the source of assets and liabilities available for effective and essential requirements of the firm. In the Tata motors firm the liquid ratio shows below 1. And it shows that the firm has to concentrate more on maintaining liquid assets to balance the liquid liability

Calculation of Debt -Equity Ratio

Debt/equity = Total debt/ total shareholder's equity.

Years	Total Debt	Share Holders Equity	Debt -Equity Ratio
01.04.2022 -31.03.2023	131,104.82	44,554.85	2.94
01.04.2021 -31.03.2022	128,556.41	55,246.72	2.33
01.04.2020 -31.03.2021	117,775.12	63,078.53	1.87
01.04.2019 -31.03.2020	101,034.48	60,179.56	1.68
01.04.2018 -31.03.2019	92,178.07	95,427.91	0.97

Source of Data Table -2

The Table -2 explains about the five years total debt and shareholders' equity fund availability of the Tata Motors Pvt Limited. How much the debt available and how much the equity funds available to solve the debts. Generally the standard ratio is 2:1. Which means the funds available must be 2 times then the debt of 1 ratio. But in the Tata motors company, the ratio found was below the limit from

report, journals, had been used to find the data, analysis and interpretation.

Tools of the study:-

Ratio analysis has been used to find out the ratio evaluation

Sample size:-

The Tata Motors five years sample has been used for the study.

Limitations

Time limitation is the most important factor to find has limitation. The data used was secondary information. So bias may occur based on the second hand information. The study focused on only the financial data of the company and exclusion of non-financial data may not give full information about the company.

Findings and Suggestions

The Financial performance of the company is analyzed with statistical tools like ratio analysis and other tests.

Liquid Ratio

Liquid Ratio means the assets available for the firm to make use or change of assets with in a short term period i.e. within one year except inventories and bank overdraft or cash credit

Debt-To-Equity Ratio

The debt –equity ratio is founded to understand the usage of finance towards the betterment of the company

2018 to 2020. This is in sufficient for clearing the liabilities. But at the year 2021 and 2022 the ratio have been increased to the nearest standard ratio 2 times of availability of funds and liabilities with below 1 show the well utilized and sound position of the company

Net Profit Ratio: The net profit ratio is calculated in order to find the profit earning capacity of the

company after meeting all the expenses and tax paid

and amount of revenue received is net profit.

Year	Net Profit	Sales	Net Profit Ratio
01.04.2022 - 31.03.2023	2,353.49	345,966.97	0.01
01.04.2021- 31.03.2022	-11,234.70	278,453.62	-0.04
01.04.2020- 31.03.2021	-13,016.14	249,794.75	-0.05
01.04.2019- 31.03.2020	-10,975.23	261,067.97	-0.04
01.04.2018- 31.03.2019	-28,933.70	301,938.40	-0.10

Source of Data TABLE -3

The Table -3 explains about the five years net profit ratio from 2018-2023. In most of the years the profit is in negative .the company must develop all its activities in the way of reducing the expenses and maximize profit by all means.

Return on Equity Ratio

Return on equity means the capacity of profit earned after tax and the relationship with shareholders equity.it explains how effectively the companies make use of the available resources and retention capacity to its investors.

Year	Profit After Tax	Total Equity	Return On Equity
01.04.2022-31.03.2023	2,414.29	45,321.79	5.33
01.04.2021-31.03.2022	-11,441.47	44,554.85	-25.68
01.04.2020-31.03.2021	-13,451.39	55,246.72	-24.35
01.04.2019-31.03.2020	-12,070.85	63,078.53	-19.14
01.04.2018-31.03.2019	-28,826.23	60,179.56	-47.90

Source of Data TABLE -4

The Table -4 explains about the return on equity capacity of the Tata Motors Company. The ideal or good rate of return on equity is above 15 to 20 %. But here it shows all negative ratios and in the year 2022-2023 5.33 %, so the company must focus on increasing sales, assets, investments in most effective way and try to reduce the liabilities and

increase the payment of dividend to its shareholders in future.

Current Ratio

The Current ratio is to find the availability of the current assets and current liabilities for one year in terms of ratio. The current assets are needed to pay the current liabilities.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Period	Current Assets	Current Liabilities	Current Ratio
01.04.2022- 31.03.2023	151,528.47	155,027.33	0.98
01.04.2021- 31.03.2022	146,977.54	150,682.81	0.98
01.04.2020- 31.03.2021	146,887.64	157,749.18	0.93
01.04.2019- 31.03.2020	119,587.25	140,454.05	0.85
01.04.2018- 31.03.2019	123,431.16	145,457.43	0.85

Source of Data TABLE -5

The Table -5 explains the relationship between current assets and current liabilities .the sound or needed current ratio is 2:1..here the ratio is only 0.85 to increase by 0.98 ,the available current assets is not sufficient to pay or meet the current liabilities requirement. So the company must make use of resource maximum level,amortitalize the prepaid expenses ,avoid the drawings for personal

uses, by way of selling the capital assets which are not given any return or low return for business may be helpful to reduce the current debts.

Long Term Fund Ratio

The Long term fund ratio explains the relationship between the available fixed assets and long term funds by dividing them.

$$\text{Long Term Fund Ratio} = \text{Fixed Assets} / \text{Long Term Funds}$$

Period	Fixed Assets	Long Term Funds	Long Term Fund Ratio
01.04.2022- 31.03.2023	184,552.91	128,454.54	1.44
01.04.2021- 31.03.2022	183,642.39	131,104.82	1.40
01.04.2020- 31.03.2021	196,238.16	128,556.41	1.53
01.04.2019- 31.03.2020	202,534.01	117,775.12	1.72
01.04.2018- 31.03.2019	183,763.37	101,034.48	1.82

Source of Data TABLE -6

The Table -6 describes about long term fund and fixed assets .the fixed assets must be 2 times more than the long term funds. The company

must focus on stability of fixed assets for the usage of long term funds.

Operating Ratio

Operating Ratio is calculated to find the relationship between total operating expenses and net sales.

$$\text{OPERATING RATIO} = \text{Total Operating Expenses} / \text{Sales} * 100$$

Period	Total Operating Expenses	Sales	Operating Ratio (%)
01.04.2022- 31.03.2023	349,133.13	345,966.96	100.92
01.04.2021- 31.03.2022	287,881.08	278,453.62	103.39
01.04.2020- 31.03.2021	249,151.20	249,794.75	99.74
01.04.2019- 31.03.2020	271,749.66	261,067.97	104.09
01.04.2018- 31.03.2019	306,623.30	301,938.40	101.55

Source of Data TABLE -7

The Table -7 shows the percentage of operating ratio of Tata Motors Company, operating expenses is calculated after deducting all expenses like cost of goods sold, selling expenses ,administrative expenses etc

Suggestions:-

- ✓ It was found that the liquid ratio moves from 0.85 to 0.98 ratio. Still the company has to focus on maintaining liquid assets to satisfy the needs of liquid liabilities.
- ✓ The debt- equity ratio was found that 1.98 and moved towards 2.9 and above. The company must prepare its debt-equity ratio into 2:1 ratio in order to meet in favorable situations.
- ✓ The net profit plays an effective role of the firm. Here the study finds that the net profit ratio is not satisfied and even in negative impact in few years. The firm has to concentrate more on receivables and handle the expenses and payments in a limit.
- ✓ The firm must concentrate on current assets and reduction of current liabilities.

Conclusion

To conclude the study the Tata motors have to focus on improving net profit, reducing expenses, increase the level of fixed and current assets, decrease all liabilities, improve return on equity to its shareholders, and overall financial aspects in order to make effective use of financial and non-financial sources. The company have to focus on providing dividend.

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