Research Paper | E-ISSN NO : 2455-295X | VOLUME : 10 | ISSUE : 3 | SPECIAL ISSUE MARCH-2024

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF TATA MOTORS LIMITED

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ABSTRACT:

This study aims at analyzing the financial performance of Tata Motors by calculating financial ratios. The primary of this study is to evaluate the performance of Tata Motors during last decade. The reference period taken for study is 5 years starting from 2018 to 2022. Five Ratios were calculated to serve the purpose of the assessing the financial performance of the company that includes net profit margin, return on capital employed, inventory turnover ratio, asset turnover and current ratio. Secondary data was collected from annual reports of Tata Motors to derive relevant information. The results reveal that the company has performed reasonable well during the reference period. The company has shown a good potential by earning returns for their shareholders.

KEYWORDS:

FINANCIAL PERFORMANCE, RATIO ANALYSIS, PROFITABILITY RATIO, LIQUIDITY RATIO, EFFICIENCY RATIO.

1.1 INTRODUCTION

The topic for the project is a study on the financial performance of Tata Motors Limited. There are many stakeholders in this company, including trade creditors, bondholders, investors, employees, and management. Each group has its own interest in tracking the financial performance of a company. Understanding financial performance is necessary because they help in the decision- making process of the company

1.2 STATEMENT OF THE PROBLEM

The effectiveness of the financial performance involves decision making in the organization with the help of various analytical tools to recognize the profitability. Solvency and liquidity and efficiency position to meet their obligations in properly and timely manner. Here the problem is to study about the financial performance of Tata Motors Ltd. To take certain important decision for their business various uses like management of the companies, bankers , investors and creditors etc… uses the accounting ratios for analyzing financial position of Tata Motors ltd.

1.3 REVIEW OF LITERATURE

1) Pai, Vadivel and Kamal (2017) have studied the diversified companies and financial performance. An effort was made to study the relationship between diversified firms and their financial performance. An effort was made by large firms having different products both related and otherwise in the portfolio and operating in divers industries where analyzed however variation in performance from one firm to another ahs been observed and statically established.

2) Sidhu and Gurpreeth Bhatia (|2018) as studied the factors affecting profitability in Indian motor industry. An attempt was made in this to identify the major determinacy of profitability in Indian motor industry with the help of empirical data taken from directory of Bombay star exchange for the year 2013. The regression analysis applied for the study revealed that there exist no clear cut relationship between current profitability capital intensity thus t6he industry are absolute and need to be modernized.

1.4 OBJECTIVE OF THE STUDY

- To study the financial performance of Tata motors over a period of five years (2018 – 2022)
- To evaluate financial position of the company in terms of solvency, profitability, liquidity and efficiency.
- To estimate the trend in sales and profit of the firm.
- To analyze the balance sheet and income statement and to identify the trends and relationship between financial statement items.

1.5 RESEARCH DESIGN

The data needed for the study was gathered from various secondary sources including yearly reports, journals, the internet and other relevant resources.

1.5.1 SOURCE OF DATA:

The research design is a combination of both primary and secondary data for financial performance analysis of TATA MOTORS LTD.

PRIMARY DATA

The given financial statements and comparative balance sheets are analysed and interpreted by our own.

SECONDARY DATA

Secondary data is collected from various books, journals, publications and companies website

TOOLS FOR ANALYSIS:

For analysis, the data collected through secondary source especially the financial statement of the company, statistical tools such as ratio analysis and comparative balance sheet are used and the results are interrupted using tables, graphs and bar diagrams

PERIOD OF THE STUDY:

The Study covers the period of 5 years covering from 2018 – 2022 in order to study the financial performance of the company.

1.6 DATA ANALYSIS

TABLE – I LIQUIDITY RATIOS FOR 2018 -2022

Current Ratio = Current Assets/ Current Liabilities

Quick Ratio = (Current Assets – Inventories) / Current Liabilities Cash Ratio = Cash and Cash Equivalents/ Current Liabilities

FINANCIAL YEAR	CURRENT RATIO	QUICK RATIO	CASH RATIO
2017-2018	0.62	0.38	0.03
2018-2019	0.58	0.37	0.06
2019-2020	0.53	0.38	0.14
2020-2021	0.60	0.43	0.16
2021-2022	0.58	0.44	0.10
Average	0.58	0.40	0.10

INTERPRETATION:

Liquidity ratios for 2018-2022 shows that current assets are limited and current liabilities are moderately shown by the company and inventories are in a declined rate.

TABLE – II EFFICIENCY RATIOS FOR 2018 -2022

Financial Year	Net Interest	Non Interest	Provision for credit Loss
2017-2018	1.94	0.66	1.13
2018-2019	1.75	0.64	145.07
2019-2020	2.40	0.71	-233.98
2020-2021	2.41	0.71	-93.19
2021-2022	2.20	0.69	-81.23
Average	2.14	0.68	-52.44

INTERPRETATION:

Efficiency ratios for 2018-2022 shows that short term financial position has been improved by increasing its working capital. It has no sufficient funds to finance even short term liabilities. The company is dependent on creditors for working capital which may lead to increased liabilities.

TABLE – III PROFITABILITY RATIOS FOR 2018 -2022

ROA = Net Income / Total Assets

ROE = Net Income / Shareholders Equity

Asset Turnover Ratio = Revenue / Total Assets

EPS = Net Income – Divided to preferred shareholders/ Average outstanding share

Net Profit Margin = (Net Profit/ Total Revenue) X 100%

Profit before tax margin = (Profit before tax / Total revenue) X 100

FINANCIAL YEAR	RETURN ON ASSET RATIO	RETURN ON EQUITY RATIO	ASSET TURNOVER RATIO	BASIC EARNINGS PER SHARE	NET PROFIT MARGIN	PROFIT TAX MARGIN
2017-2018	-1.75	-5.13	99.36	-3.05	-1.76	-1.61
2018-2019	3.32	9.12	113.62	5.94	2.92	3.47
2019-2020	-11.65	-39.64	70.18	-21.06	-16.59	-16.22
2020-2021	-3.68	-12.57	46.38	-6.59	-7.94	-7.54
2021-2022	-2.18	-6.98	73.97	-3.63	-2.94	-3.47
Average	-3.19	-11.04	80.70	-5.68	-5.26	-5.08

INTERPRETATION:

Profitability ratios shows that the return on assets improved drastically by earnings per share. The asset turnover is mentioned as moderate revenue. The net profit margin has been in satisfactory level.

1.7 FINDINGS AND CONCLUISION FINDINGS:

- The company is in loss for the past five years except 2019, which means that the company is not able to pay their turns to share holders. The company has to improve its net profit.
- In comparative balance sheet, the company's long term financial position, liquidity position and profitability are satisfactory.
- The company use share holders' funds and shorter funds to finance the fixed assets o The company's equity share capital is less than fixed income bearing funds, which is a satisfactory element to the shareholders

CONCLUSION:

In conclusion the study suggest that the company needs to focus on improving its short-term liquidity, reducing its debt burden, and implementing better cash management practices to stabilize its financial ratios and improve its financial performance. The company should also aim to increase its profitability, improve its asset utilization, and reduce its losses. Additionally, the company should regularly monitor its financial performance and identify areas for improvement to make informed business decision.

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