# A Study on Financial Performance of Tata Marcopolo Motors Ltd

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***Abstract-*** *Every organizations need finance to start and carry out operations. So, Finance is life blood of business. Financial statement analysis refers to the process of determining financial strength and weakness of the firm by properly establishing strategic relationship between the items of balance sheet and statement of profit and loss account. It is also known as Accounting Analysis and Analysis of Finance. Financial statements produce a summary of data from which important analysis and interpretation can be made. This study is based on financial performance of Tata Marcopolo Motors Ltd by using a tool ratio analysis for a period of 2016-17 to 2020-21. Ratio analysis is used to depict the measure of performance.*

## I. INTRODUCTION

Tata Marcopolo (officially Tata Marcopolo Motors Ltd) is a bus and coach manufacturing company headquartered in Karnataka, India and a joint venture between Tata motors and Marcopolo. It is a public company, incorporated on 20-sep-2006. It is classified as non govt company and is registered at Registrar of Companies located in Roc-Mumbai. As per registration of company it involves under the main activity manufacture of heavy motor vehicles, buses and vans.
"Tata Motors and Marcopolo S.A. have entered into share purchase agreement where the company will purchase the balance 49% shareholding in Tata Marcopolo Motors Ltd (TMML) for a cash consideration of Rs.99.96 crore. Post the purchase, TMML will become a wholly owned subsidiary of the company"

Tata Marcopolo Motors was one of the first bus manufacturers to introduce low-floor passenger buses for public transportation in Delhi, Mumbai and other cities. A low-floor bus has a relatively lower ground clearance ascompared to regular buses at Tata Motors production units in Lucknow and Dharwad where it builds bus bodies on chassis supplied by the homegrown CV maker. The vehicles are marketed by Tata Motors under its Starbus and Starbus Ultra brands. After a successful venture in India, and as a consequence of its refreshed business strategy, Marcopolo S.A. has decided to exit from the joint venture and offered to sell its 49% shareholding in TMML.

### STATEMENT OF THE PROBLEM

The company developments depend on various factors such as financial, technological, outsourcing and marketing. Analysis and interpretation of financial statement is a regular exercise to review the performance of the company. It was proposed to conduct a review to study the short-term prospects as well as the long-term trends and to arrive at the conclusions on the performance of the company. The main purpose of the study is to analyze the financial performance and its capital utilization.

### OBJECTIVE OF THE STUDY

- To study liquidity position of the company.
- To analyze the profitability of the company.
- To evaluate financial growth, strength and weakness of the company.
- To make recommendation based on the analysis of financial statement.

### SCOPEOFTHESTUDY

- This study clearly defines the financial status of the company.
- The financial study helps us to analyze the financial background and the utilization of the income earned through the organization.
- This study proposes to study the financial performance of Marcopolo Tata Motors Ltd.

### NEED FOR THE STUDY

- To understand the meaning of financial statement analysis.
- To calculate the liquidity ratio, profitability ratio and turnover ratio of the organization.

- To make a study and give solution for the organizational improvement.

**LIMITATION OF THE STUDY**

- The information given from the company was limited.
- The financial details are collected only for the period of 5 years.
- In this study, only the selected ratios are used.
- The study has been made by secondary data only.

## II. REVIEW OF LITERATURE

**Jothi, k. & Geethlakshmi, A.(2016)**this study tries to evaluate the profitability & financial position of selected companies of Indian automobile industry using statistical tools like, ratio analysis, mean, standard deviation, correlation.

**Kaur Harpreet (2016)**the author tries to examine the qualities & quantities performer of Maruti Suzuki co. & how had both impact on its market share in India. For this study secondary data has been collected from annual reports, journals, report automobile sites. Result shows that MSL has been successfully leading automobile sector in India for last few years.

**Rashid (2017)** asserts that an assessment of the financial ratios helps the shareholders and potential investors to evaluate a company's value and sustainability in the market.

**J. Pavithra...et.al (2017)** a study on the analysis of the financial performance with reference to Jeppiar cements pvt ltd. The period of the study was taken for 5 years from 2009-2013. Comparative financial statements, ratio and trend analysis was employed to study the financial position over the years. It was found that the debtor's turnover ratio had an increasing trend which is not considered good sign for the company and concluded overall profitability position to be good. The current ratio showed fluctuation but the creditworthiness of the company was observed to be good.

**Ugoani (2018)** asserts that key performance ratios outline the performance level of enterprises in the global market. The research indicates that understanding the inferential elements of the financial statements derive an effective means to evaluate the ratio analysis.

**Nanda and Panda(2018)** assessing the performance variables maintains a considerable growth option by deriving a substantive performance initiative that ascertains meaningful profitability mechanisms globally.

**Almansoori et.al(2021)**assess that the financial performance indicators such as ratio analysis have generated a coherent corporate performance mechanism in the global setting.

## III. RESEARCH METHODOLOGY

The research involved is extensive and intensive studies of Tata Marcopolo Motors Ltd, in this project the report is based on study of financial performance of the company.

**DATA COLLECTION**

**SECONDARY DATA**

The data has been collected from the annual report & balance sheet and statement of profit & loss account of Tata Marcopolo Motors Ltd.

**PERIOD OF STUDY**

The study has been undergone for the period of 3 months.

**TOOLS FOR ANALYSIS**

The financial and statistical tool is used in the study on ratio analysis due to the time. The ratios areprofitability, activity, liquidity and solvency ratio.

## IV. ANALYSISAND INTERPRETATION

**NET PROFIT RATIO**

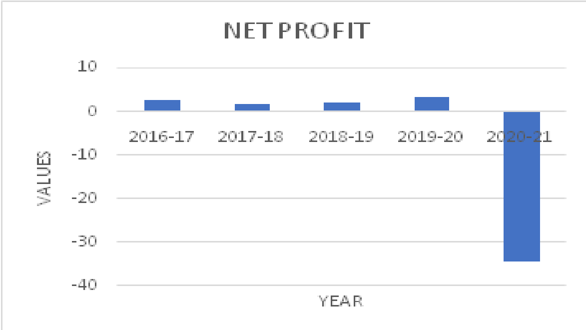
It measures the relationship between net profit and sales of the business. Depending on the concept of net profit, it can be calculated as:

**Net profit ratio =Net profit ÷ sales * 100 or Earnings after taxes÷ sales *100**

**TABLE:1**

| YEAR | NET PROFIT | NET REVENUE OF OPERATIONS (SALES) | NET PROFIT |
|---|---|---|---|
| 2016-17 | 1414.46 | 57224.44 | 2.47 |
| 2017-18 | 980.05 | 57230.87 | 1.71 |
| 2018-19 | 1402.62 | 70574.70 | 1.99 |
| 2019-20 | 2063.43 | 64340.23 | 3.21 |
| 2020-21 | (9025.08) | 26330.56 | (34.28) |

**EXHIBIT:1**




## INTERPRETATION

From the calculation it is inferred that the net profit ratio is lower to the value of (34.28) in the year 2020-21 when compared to the value of 3.21 during the year of 2019-20. It shows loss to the year 2020-21.

## RETURN ON EQUITY

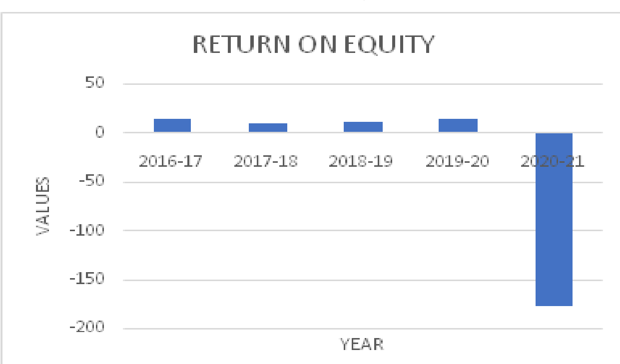
Return on equity measures the profitability of equity funds invested in the firm. This ratio reveals how profitably of the owners' funds have been utilized by the firm. It also measures the percentage return generated to equity shareholders. This ratio is computed as:

**Return on equity= Net profit after taxes ÷ Net worth / equity shareholders fund *100**

**TABLE:2**

| YEAR | PROFIT AFTER TAX | NET WORTH | RETURN ON EQUITY |
|---|---|---|---|
| 2016-17 | 1414.46 | 10027.63 | 14.11 |
| 2017-18 | 980.5 | 11029.98 | 8.89 |
| 2018-19 | 1402.62 | 12261.40 | 11.44 |
| 2019-20 | 2063.43 | 14107.73 | 14.63 |
| 2020-21 | (9025.08) | 5093.08 | (177.18) |

**EXHIBIT:2**




## INTERPRETATION

From the above it is interpreted that the return on equity is lower to the value of (177.18) in the year 2020-21. When compared to the value of 14.11 in the year of 2016-17. Again, decreased to the value of 8.89 and 11.44 in the year 2017-18 and 2018-19. ROE is increased in the year 2019-20 to the value of 14.63.

## RETURN ON INVESTMENT

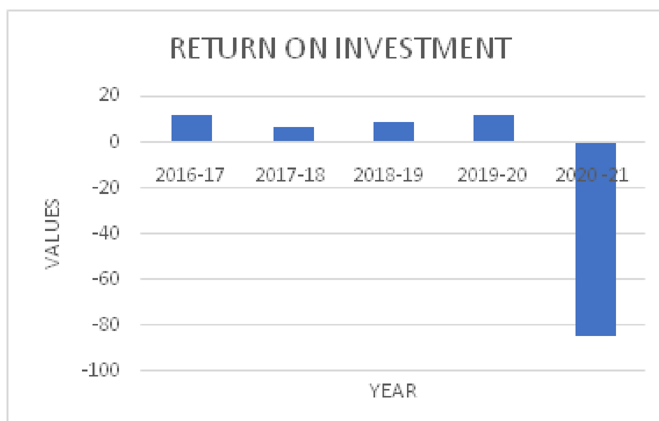
This ratio measures the earning per rupee of assets invested in the company. A high ratio represents the company is better.

**ROI=Profitbefore tax and interest ÷ capital employed *100**

**TABLE:3**

| YEAR | PROFIT BEFORE TAX AND INTEREST | CAPITAL EMPLOYED | RETURN ON INVESTMENT |
|---|---|---|---|
| 2016-17 | 1414.45 | 12351.4 | 11.45 |
| 2017-18 | 1129.25 | 18200.95 | 6.20 |
| 2018-19 | 1494.58 | 17172.72 | 8.70 |
| 2019-20 | 2104.43 | 18469.72 | 11.39 |
| 2020 -21 | (9028.82) | 10633.25 | (84.911) |

**EXHIBIT:3**




## INTERPRETATION

From the calculation it is interpreted that the return on investment is high in 2016-17 by 11.45. In 2020-21 it is in negative (84.91) indicates that total costs are greater than returns.

## NET ASSET TURNOVER RATIO

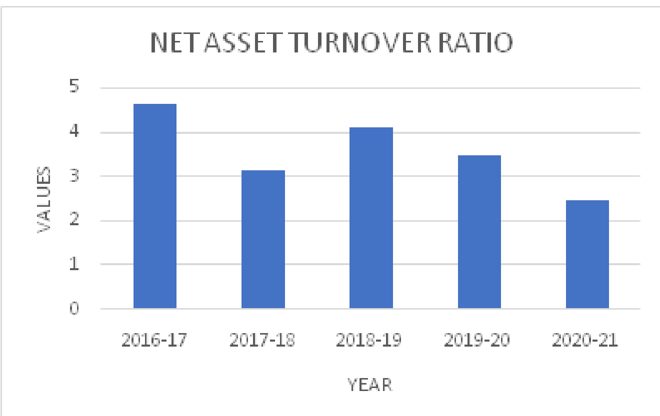
It reflects the relationship between revenue from operations and net assets (capital employed) in the business. Higher turnover means better activity and profitability. It is calculated as follows:

**Net assets or capital employed turnover ratio = Revenue from operations÷ capital employed**

**TABLE:4**

| YEAR | REVENUE FROM OPERATIONS | CAPITAL EMPLOYED | NET ASSET TURNOVER RATIO |
|---|---|---|---|
| 2016-17 | 57224.99 | 12351.3 | 4.63 |
| 2017-18 | 57230.87 | 18200.95 | 3.14 |
| 2018-19 | 70574.70 | 17172.72 | 4.11 |
| 2019-20 | 64340.23 | 18469.72 | 3.48 |
| 2020-21 | 26330.56 | 10633.25 | 2.48 |

**EXHIBIT:4**




## INTERPRETATION

From the calculation it is interpreted that the company shows lower value 2.48 in 2020-21. It indicates that the company is not efficiently using its assets to generate sales.

## WORKING CAPITAL TURNOVER RATIO

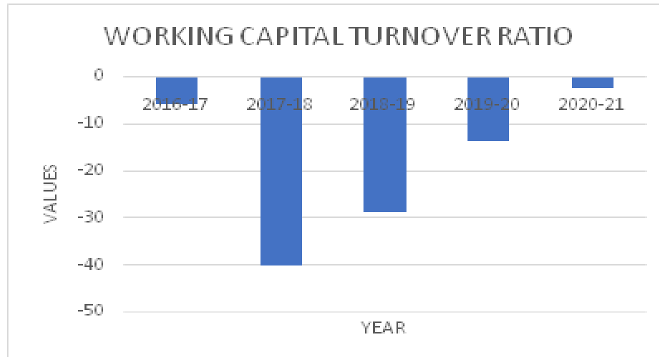
It measures how efficiency a company is at generating sales for every rupee of working capital put to use.

**Working capital turnover ratio = Net Revenue from operations ÷ working capital**

**TABLE:5**

| YEAR | NET REVENUE FROM OPERATIONS | WORKING CAPITAL | WORKING CAPITAL TURNOVER RATIO |
|---|---|---|---|
| 2016-17 | 57224.99 | (9714.55) | (5.89) |
| 2017-18 | 57230.87 | (1423.78) | (40.196) |
| 2018-19 | 70574.70 | (2440.52) | (28.92) |
| 2019-20 | 64340.23 | (4704.1) | (13.68) |
| 2020-21 | 26330.56 | (11038.41) | (2.38) |

**EXHIBIT:5**




## INTERPRETATION

From the calculation it is interpreted that the working capital turnover ratio is (5.89), (40.196),(28.92), (13.68), (2.38) in the year 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21. It is less than 1, indicates that the company has not sufficient short-term funds for fulfilling the sales during the year.

## FIXED ASSETS TURNOVER RATIO

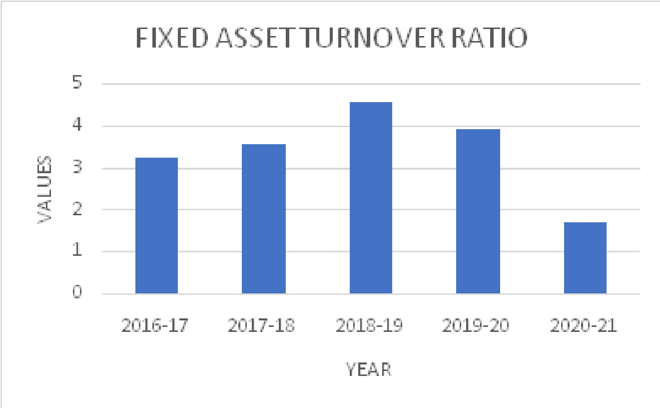
It measures the efficiency with which the firm uses its fixed assets.

**Fixed Asset Turnover Ratio= Revenue from operations ÷Net fixed assets.**

**TABLE:6**

| YEAR | REVENUE FROM OPERATIONS | NET FIXED ASSETS | FIXED ASSET TURNOVER RATIO |
|---|---|---|---|
| 2016-17 | 57224.99 | 17764.49 | 3.22 |
| 2017-18 | 57230.87 | 16177.29 | 3.54 |
| 2018-19 | 70574.70 | 15512.60 | 4.55 |
| 2019-20 | 64340.23 | 16430.22 | 3.92 |
| 2020-21 | 26330.56 | 15705.8 | 1.68 |

**EXHIBIT:6**




## INTERPRETATION

From the calculation it is interpreted that the fixed asset turnover ratio is high 4.55 in the year 2018-19, it shows that the company had efficiently used their fixed asset to generate the revenue. During the year 2016-17,2017-18,2019-20 and 2020-21 the fixes asset turnover is decreased to the value of 3.22,3.54,3.92 and 1.68 respectively, it shows that the company had over invested in fixed asset.

## CURRENT RATIO

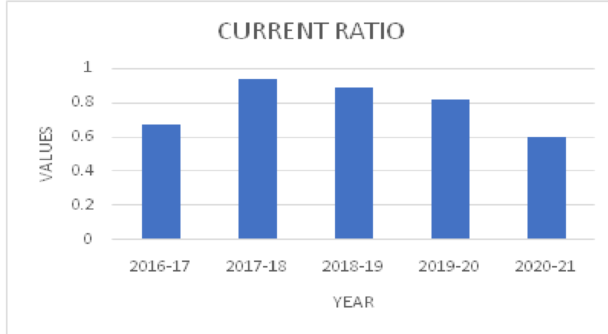
It is the most common measure of short-term liquidity. Current ratio measures whether a firm has enough resources to meet its current obligations. It is measured as follows:

**Current Ratio = Current asset ÷ Current liabilities**

**TABLE:7**

| YEAR | CURRENT ASSET | CURRENT LIABILITIES | CURRENT RATIO |
|---|---|---|---|
| **2016-17** | 19973.22 | 29687.77 | 0.67 |
| **2017-18** | 22356.85 | 23780.63 | 0.94 |
| **2018-19** | 19036.00 | 21476.52 | 0.89 |
| **2019-20** | 21929.08 | 26633.18 | 0.82 |
| **2020-21** | 16620.67 | 27695.08 | 0.60 |

**EXHIBIT:7**




## INTERPRETATION

From the calculation it is interpreted that the current ratio is 0.67,0.94,0.89,0.82and 0.60 during the year 2016-17,2017-18,2018-19,2019-20 and 2020-21. When current ratio is lower than 1, it shows that the company is unable to pay off their liabilities.

## QUICK RATIO OR ACID TEST RATIO

It is one of the best measures of liquidity. The quick ratio is a much more conservative measure of short-term liquidity than the current ratio.

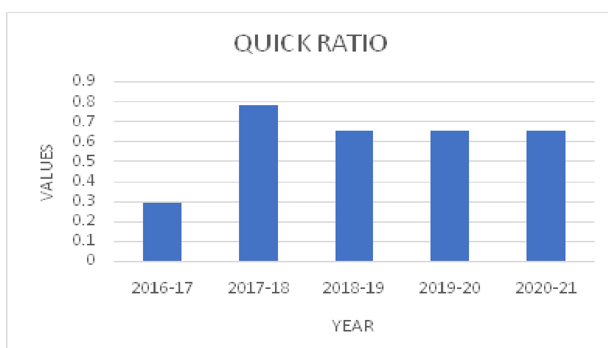
**Quick ratio = quick assets ÷ current liabilities**

**Quick assets = current assets – inventories – prepaid expenses**

**TABLE:8**

| YEAR | LIQUID ASSET | CURRENT LIABILITIES | QUICK RATIO |
|---|---|---|---|
| **2016-17** | 8821.22 | 29687.77 | 0.29 |
| **2017-18** | 18634.27 | 23780.63 | 0.78 |
| **2018-19** | 13974.82 | 21476.52 | 0.65 |
| **2019-20** | 17389.16 | 26633.18 | 0.65 |
| **2020-21** | 12120.18 | 27695.08 | 0.65 |

**EXHIBIT:8**



**INTERPRETATION**

From the calculation it is interpreted that the quick ratio is 0.29,0.78,0.65,0.65 and 0.65 during the year 2016-17,2017-18,2018-19,2019-20 and 2020-21 respectively. The quick ratio is less than 1, it shows that the company cannot currently pay back their liabilities fully.

**DEBT- EQUITY RATIO**

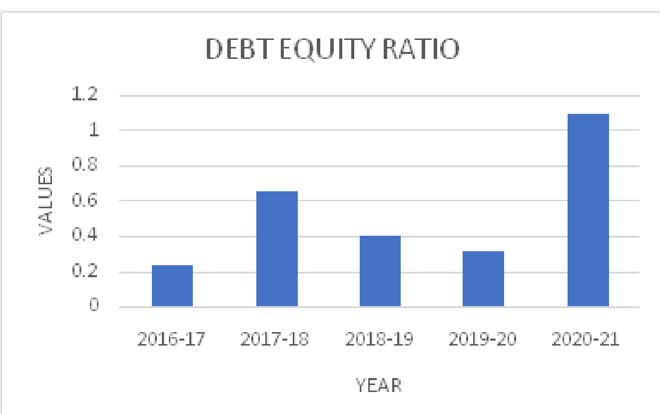
Debt - Equity ratio measures the relationship between long term debt and equity. This ratio is very often used for making capital structure decisions such as issue of shares and debentures. Debt equity ratio is the indicator of firm's financial leverage.

**Debt – Equity Ratio= Long Term Debts ÷ Shareholders Funds**

**TABLE:9**

| YEAR | LONG TERM DEBTS | SHAREHOLDERS FUND | DEBT EQUITY RATIO |
|---|---|---|---|
| 2016-17 | 2323.67 | 10027.63 | 0.23 |
| 2017-18 | 7170.97 | 11029.98 | 0.65 |
| 2018-19 | 4911.32 | 12261.40 | 0.40 |
| 2019-20 | 4361.99 | 14107.73 | 0.31 |
| 2020-21 | 5539.46 | 5093.79 | 1.09 |

**EXHIBIT:9**




**INTERPRETATION**

From the calculation it is interpreted that the debt equity ratio is 0.23 in the year 2016-17 and it is increased to the value of 0.65 in the year 2017-18. Again, it is decreased to the value of 0.40 and 0.31 in the year 2018-19 and 2019-20 respectively. During the year 2020-21, it is increased to the value of 1.09.

**TOTALDEBTTO TOTAL ASSETRATIO**

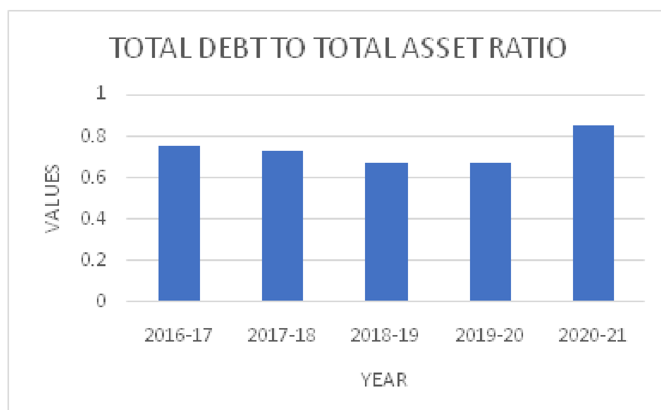
The total debt to total assets ratio shows the degree to which a company has used debt to finance its assets. Total debt or total outside liabilities includes short- and long-term borrowings from financial institutions,debentures/bonds,deferred payment arrangements for buying capital equipment, bank borrowings, public deposits and any other interest-bearing loan. It is calculated as

**Total debt to total asset ratio = Total debt÷total asset**

**TABLE:10**

| YEAR | TOTAL DEBT | TOTAL ASSET | TOTAL DEBT TO TOTAL ASSET RATIO |
|---|---|---|---|
| 2016-17 | 31503.01 | 42034.07 | 0.75 |
| 2017-18 | 30483.63 | 41981.58 | 0.73 |
| 2018-19 | 25824.52 | 38649.24 | 0.67 |
| 2019-20 | 30277.76 | 45102.90 | 0.67 |
| 2020-21 | 32489.79 | 38328.33 | 0.85 |

**EXHIBIT:10**




**INTERPRETATION**

From the calculation it is interpreted that the total debt to total asset ratio is 0.75, 0.73, 0.67, 0.67 and 0.85 in the year 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 respectively. The ratio less than 1 indicates safer the company, greater than 1 indicates that a significant portion of assets is funded with debt and that the company has higher default risk.

## V. FINDINGS

- Net profit ratio is negative (34.28) in the year 2020-21. This shows that the company had not efficient cost structure.
- Return on equity is negative (177.18) in the year 2020-21. This shows that the company has not increased its capital.
- Return on investment is negative (84.911) in the year 2020-21. This shows that the company total costs are greater than returns.
- Net asset turnover ratio is lower 2.48 in the year 2020-21. This shows that the company has not efficiently used its asset to generate income.
- Working capital turnover ratio is negative (2.38) in the year 2020-21. This shows that the company has not sufficient short-term funds for fulfilling the sales.
- Fixed assets turnover ratio is lower 1.68 in the year 2020-21. This shows that the company had not efficiently used its fixed asset to earn revenue.
- Current ratio is less than 1-0.60. This shows that the company is unable to pay off their liabilities.
- Quick ratio is less than 1-0.65. This indicates that the company is unable to pay off liabilities through readily convertible current asset.
- Debt equity ratio is higher 1.09 in the year 2020-21. This shows that the company is financing more creditors fund than shareholders equity.
- Total debt to total asset ratio is higher 0.85 in the year 2020-21. This shows that the company is ability to pay debt with its asset.

## VI. SUGGESTIONS

- Return on equity shows thatthe management has not able to generate income from the equity available to it.Therefore, the company is advised to make changes in policies and the use of optimum resources to increases it.
- Netasset turnover shows that it is decreasing gradually through the year. So., the company is not good at generating income with the use of asset without the need of muchcapital.Further, the company wants to rise the net asset by reducing expenses, increase revenues and so on.
- The profitability ratio shows that the company is not able to efficiently control its cost and / or provide goods /services at a price significantly higher than cost. Therefore, the companyshould make good decision for making profit and to maintain their ratio as long as they can, if not, make necessary changes.
- From the liquidity ratios, debt equity ratio is more than 1.5 which is not desirable. For making ideal debt equity, the company is required to increase revenue so that the money reinvested in the company and therefore paying down debt.
- The company is establishing inadequatemanagement in maintaining their current ratio and advised to maintain their ratio.

## VII. CONCLUSION

The financial performance of Tata Marcopolo Motors Ltd isdone by ratio analysis. Ratio analysis is done by selected ratios based on financial statements of the company. On the study of financial performance of Tata Marcopolo Motors Ltd reveals that the company hasnoteffectively and efficiently utilized fund. The company should focus on raising funds by borrowing, issuing of shares, debentures etc. Besides, there is more debt the company is unable to pay off their liabilities. This shows that the company is financially weaker. So, the company should increase it’s production and to generate profit by making strategies. Only by analyzing the performance of the company investors, stakeholders etc will invest the fund in the company’s share. So, for that the company should be financially sound.

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