

An Analysis on Financial Performance Of Tata Motors Limited

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Abstract- This research paper is all about the financial performance of Tata motors limited. This paper shows the financial performance of tata motors with the tools used for calculations. Finance is the lifeline for any business and it is rightly said that 'Businesses need money to make money'. Finance is defined as the management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting. Since it is regarded as the cornerstone of every business, effective management and monitoring of the same is vital for conduct, growth and expansion of the entity. In order to manage finance, a new management discipline was conceived. Such discipline is known as financial management. Tata Motors Group (Tata Motors) is a \$37 billion organization. It is a leading global automobile manufacturing company. Its diverse portfolio includes an extensive range of cars, sports utility vehicles, trucks, buses and defense vehicles. Tata Motors is one of India's largest OEMs offering an extensive range of integrated, smart and e-mobility solution.

Keywords- Tata motors, financial performances, Trend analysis, Ratio analysis, Working capital management, Comparative statement, Leverages, Cash flow statement, Excel forecast sheet.

I. INTRODUCTION

Financial management and financial analysis are interlinked to each other, hence lack in one will lead to poor performance of an entity. Managing and utilising of funds & examining the stability and profitability of the company must be in a definite status which could possibly darg the entity to next stage of conduct, growth and expansion. So, in today's modern business world finance, financial management and financial analysis plays a prominent role in making the organisation or company sustainable. Formerly known as Tata Engineering and Locomotive Company (TELCO), the company was founded in 1945 as a manufacturer of Locomotives. The company manufactured its first commercial vehicle in 1954 in collaboration with Daimler Benz AG, which ended in 1969. Tata Motors entered the passenger vehicle market in 1988 with the launch of the Tata Mobile followed by the Tata Sierra in 1991, becoming the first Indian

manufacturer to achieve the capability of developing a competitive indigenous automobile. In 1998, Tata launched the first fully indigenous Indian passenger car, the Indica, and in 2008 launched the Tata Nano, the world's most affordable car. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004. the Tata Motors group is present in over 125 countries, with a worldwide network comprising over 8,800 touch points. Tata Motors has R&D centres in UK, Italy, India and South Korea. With vast global experience, the company brings deep understanding of customer expectations from diverse markets, and is well positioned to cater to ever changing automotive norms and consumer trends across the globe.

STATEMENT OF THE PROBLEM

Finance is regarded to be the life blood of every enterprise. It is a broad term which describes the activities connected with debts, money, credit, investments, savings and forecasting. Since it is considered as the main element for company survival, the need for financial performance analysis is essential to know the company's finance health. Financial performance analysis evaluates the company's overall financial metrics and assists them in reviewing and recommending the alternate investments plans for potential earnings of the company.

OBJECTIVES OF THE STUDY

Primary objective

The main focus of the study is to analyse the financial performance of Tata Motors ltd.

Secondary objectives

1. To identify the growth of the company before and after covid.
2. To examine the short-term solvency position of the company.
3. To measure the long-term solvency position of the company.
4. To find out the financial projection of the company.

LIMITATIONS OF THE STUDY

- The study is based on secondary data viz., published annual report of Tata motors. The reliability and accuracy of calculation depends very much on the information available in the balance sheet.
- The study is confined only through limited period of financial statements and financial data used for analysis is prepared based on going concern concept, so it does not always reflect the current situation.

II. REVIEW OF LITERATURE

Devaki (2022)¹ conducted a study on financial performance of Tata Motors for the financial year 2017 to 2021. The research was studied by calculating the financial ratios of Tata Motors. Mainly three ratios were used to identify the financial status of the company which includes net profit margin, fixed assets turnover and current ratio. Using these accounting ratios, it was found that company has failed to ascertain the profit due to decreasing in demand and overall, it was concluded that financial performance of Tata Motors is not sufficient.

Vinit Kumar and et.al (2022)² conducted a study to determine the determinants of solvency, liquidity and profitability of Tata Motors for the period of 5 years (i.e., financial year 2017 to 2021). Under this research it was identified that performance of Tata Motors was bad in all parameters. It also found that, company need to concentrate on the areas such as non-current assets, total assets and net sales operations as they are the matters of concern for investors as it directly impacts the company's financial performance. The study also stated that the company has performed well in 2019 (i.e., Before COVID) because of few policies adopted by the company.

Vivek Hamal and et.al (2022)³ conducted a study on inventory management of TATA Motors. This study was based on inventory management, stock of materials, and stock control for the previous financial year. It was concluded that the inventory control is efficient as long as inventory level is going down. Thus, the two-basic object of inventory control appear to be conflicting in nature

ChinnaSanjeevaiah and et.al (2021)⁴ studied about the financial performance of Tata motors. In this study the financial performance was analysed through ratio analysis. The research was across 5 years that is from financial year 2015-2016 to 2019-2020. Various accounting ratios had been used to analysis the financial status in terms of profitability, solvency and financial ability. It was found that the company's

profitability is not strong and the financial performance is not sufficient. It was also stated that net sales and net profit was declining since 2015, which can be improved by opting a sound financial management strategy.

III. OVERVIEW OF THE STUDY

The automotive industry comprises a wide range of companies and organizations involved in the design, development, manufacturing, marketing, and selling of motor vehicles. It is one of the world's largest industries by revenue. The automotive industry does not include industries dedicated to the maintenance of automobiles following delivery to the end-user [citation needed] such as automobile repair shops and motor fuel filling stations.

The word automotive comes from the Greek autos (self), and Latin motivus (of motion), referring to any form of self-powered vehicle. [clarification needed] This term, as proposed by Elmer Sperry [need quotation to verify] (1860-1930), first came into use with reference to automobiles in 1898.

Mission

Tata Motors ltd innovate mobility solutions with passion to enhance the quality of life.

Vision

By FY 2024, the company will become the most aspirational Indian auto brand, consistently winning, by

- Delivering superior financial returns.
- Delivering sustainable mobility solutions.
- Exceeding customer expectations, and
- Creating a highly engaged work force.

TATA MOTORS PRODUCTS LIST

Passenger Car: Indica Vista, Indica V2, Indica V2 Turbo, Indica V2 Xeta, Indica V2 Dicor, Aria, Zest, Bolt, Indigo XL, Indigo, Indigo Marina, Indigo CS, Nano

Utility Vehicles: Safari Dicor, Sumo Grande, Sumo Xenon XT, Nixon, Harrier

Trucks: Medium & Heavy Comm Vehicles, Tata Novus, Intermediate Comm Vehicles, Light Commercial Vehicles, TL 4×4, Small Commercial Vehicles

Commercial Passenger Vehicles: Buses, Winger, Magic

FINANCIAL PERFORMANCE ANALYSING TOOLS

The financial performance of Tata Motors Limited has been analysed by following objectives

To identify the growth of the company before and after covid.

- Trend Analysis

To examine the short-term solvency position of the company.

- Ratio Analysis
 - Current ratio
 - Liquid ratio
 - Absolute liquid ratio
 - Debt equity ratio
 - Proprietary ratio
 - Capital gearing ratio
 - Net profit ratio
- Working Capital Analysis

To measure the long-term solvency position of the company.

- Comparative Statement
- Cash Flow Statement
- Leverage

To find out the financial projection of the company.

- Projection

IV. CONCLUSION

Tata Motors Limited is a leading player in the automobile industry. The automobile sector was affected by external factors such as introduction of GST in India which had varying tax rates and rules every now and then, BREXIT and COVID in earlier years (i.e. from FY 2017-2018 to 2019-2020) and early recession effects in global markets in FY 20-21. These external factors affected all organisations in the industry including Tata Motors as it does not allow the company to throw its actual performance. Hence, on an overall view, the years under the study period were not particularly the best years of performance of the company. In this study, by analysing the last five financial years it is found that the performance of the company is in downward trend but we can expect it to rebound by revisiting the cost optimisation, asset management and debt financing areas to increase profitability.

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