

FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS LTD.

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ABSTRACT

Tata Motors Ltd. (TML) which is one of the leading automakers in India with good global presence and presents complex aspect for financial statement analysis. This paper investigates deeply the financial performance of TML through the lens of key ratios and metrics, by considering account into diversified operations across passenger vehicles, commercial vehicles, Jaguar Land Rover, and many other segments. The research analysis delves into assessing the company's efficiency and overall financial stability using various metrics like profitability ratios, liquidity ratios, leverage ratios, and efficiency ratios while this paper also identifies the trends, patterns, and potential areas of improvement.

The objective of this research is to examine the position of TML and compare the effect of ratios on the day to day working of the company. The aim of this inquiry is to provide valuable insights to the investors, stakeholders and analysts about the TML's financial health, performance and their long term sustainability by using the combination of quantitative and qualitative methodologies by using the key financial statements like P/L A/c, B/L Sheet and company's cash flow statement.

Keywords: Tata Motors Ltd; Financial Statement Analysis; Profitability; Liquidity; Solvency; Efficiency; Automotive Industry; Electric Vehicles; Jaguar Land Rover (JLR).

1. INTRODUCTION

Tata motors which hold a significant position in the automotive sector is a flagship company of Tata groups and they have a much diversified portfolio ranging from passenger vehicles to commercial vehicles. The company has many challenges like working in a complex and competitive environment which is marked by very advanced technology and regulatory changes. With facing these challenges this paper has an inter examination of Tata motors financial statements which is useful for analyst stakeholders in seeking in formed investment decisions and to gain insights into the strategic positioning of the company. Tata motors is known for its innovative and advance technology vehicles as the company focuses on research and development and invest in new technology heavily which results in development of a number of innovative vehicles such as Tata Hexa, Tata Nano, and premium SUV. The company has been grown to become a global joint in the automotive industry while it operates in over 125 countries and has over 80000 employees working in the company.

Analyzing the financial statement involved multifaceted approach while examining the P/l A/c and B/L sheet of Tata motors and scrutinizing the key Metrics which includes all the ratios and providing a granular understanding of the year financial performance over a specific period. This analysis will explore qualitative factors like corporate governance practices sustainability initiative and innovation strategies to provide a different view of Tata motors long term viability.

2. REVIEW OF LITERATURE

1. As per the study submitted to International study of Scientific Research in Multidisciplinary Studies in Research Gate Publications by (Jain et al., 2019) "the financial performance reflects the company's day to day working by investigating the financial ratios and statistical tools. They found out that the company didn't have any profits in the year 2013 to 2018 because the ratio was decreasing every year and they are not able to pay their debts with their available resources and after doing a comparative analysis, Maruti Suzuki is earning more compared to Tata Motors while checking their Earnings per share".
2. In the project submitted to mahatma Gandhi University, kottayam by (Kochi, n.d.) "the company's financial performance according to the report submitted by them is satisfactory and they demonstrated the impact on the industry. As per their report the strongest financial year of Tata Motors is 2019 as the company's profitability increased in 2019 and projected that Tata Motors will recover from their losses if they control the revenue from company's sales and their available assets. They suggested through this report that they need to increase their working capital to develop their short-term financial condition".
3. In the paper submitted to International journal IRJMETS by (Js, n.d.) "The study indicated that Tata motors limited had positive working capital and they utilized the borrowed funds perfectly .They also reveal that the analysis is positive and showing a strong relationship between liquidity ratio, effective inventory management and conversion period which show increase liquidity for the companies. This study also concluded that the Tata

motors output satisfactory while doing a comparative analysis between Mahindra and Mahindra motors and Tata motors limited. The stock holders would like to risk with the investments in Mahindra and Mahindra motors while compared to Tata motors as they would receive a good returns and their investment should be safe & secure in the other companies”.

- As per the research paper submitted to SJCC Management Research Review by Gandhi, K. (2017) “The study found that NP (net profit) of Tata motors was gradually decreasing during the period and NP of their competitor company Mahindra was increasing while doing a comparative analysis. They conducted Anova analysis and indicated that there is a significant difference in the net profit ratio (NPR), return on assets ratio and earnings per share(EPS) among these companies and there were no significant differences found on operating profit ratio and return on investments in this company is while doing a comparative analysis”.
- As per the paper submitted to ASM Business Review by Choudhari, A. A., & Jagnade, M. S. (2018) “This study recommends that the Tata motors must hen the performance of the company the grab other opportunities. The company must reduce sundry debtors by entering real time debit note to other SBU’s of Tata motors and they also must get advance from the third party vendors before entering into the concept of zero inventory for raw material”.

3. RESEARCH METHODOLOGY

POPULATION

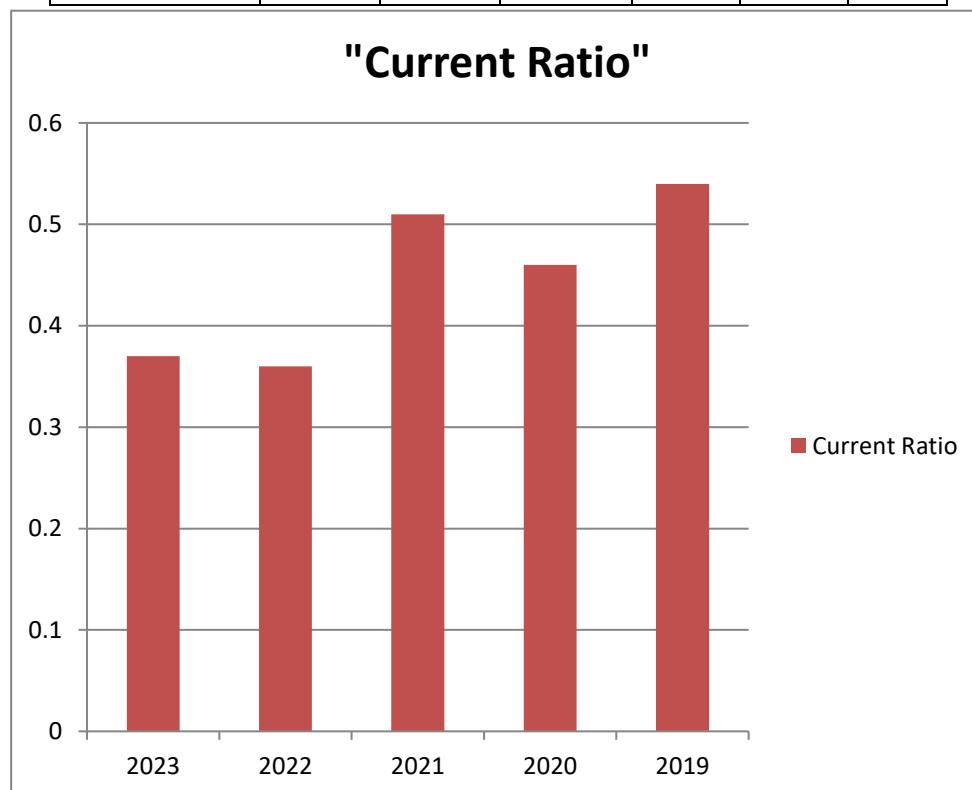
In this paper the information collected is secondary data from their various websites like Tata motor’s official website, Money control website, Groww website for the financial statements.

4. DATA COLLECTION AND ANALYSIS

We have collected the information related to the financial ratios from different websites for the past 5 years and interpreted the results based on the findings.

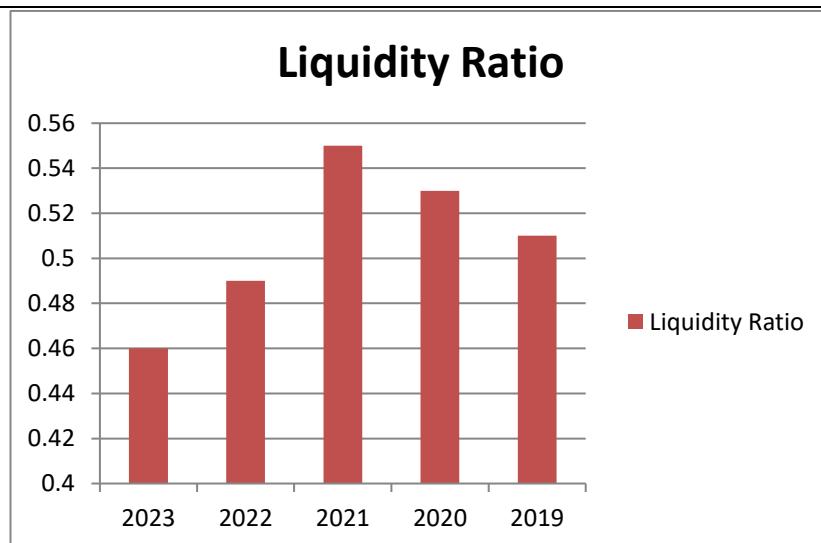
1. Current Ratio (2019-2023)

	Year	2023	2022	2021	2020	2019
Tata Motors Ltd.	CR	0.37	0.36	0.51	0.46	0.54



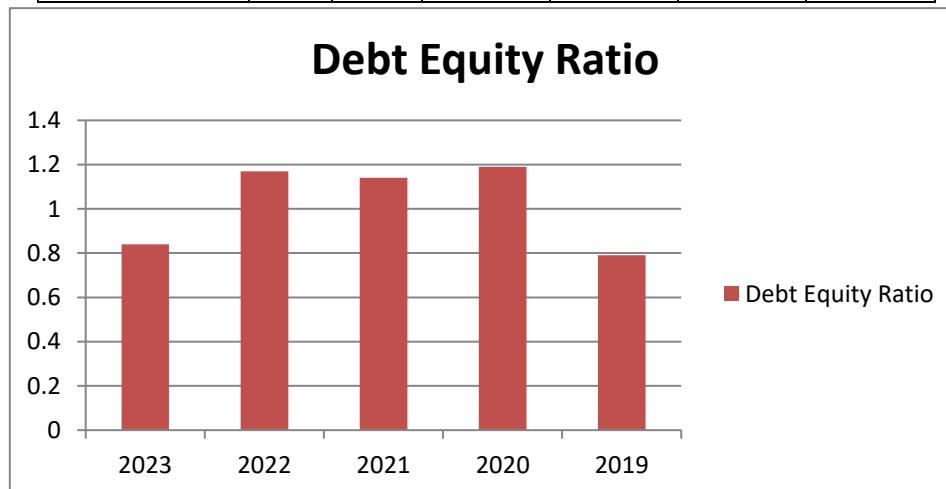
2. Liquidity Ratio or Quick Ratio (2019-2023)

	Year	2023	2022	2021	2020	2019
Tata Motors Ltd.	Liquidity Ratio	0.46	0.49	0.55	0.53	0.51



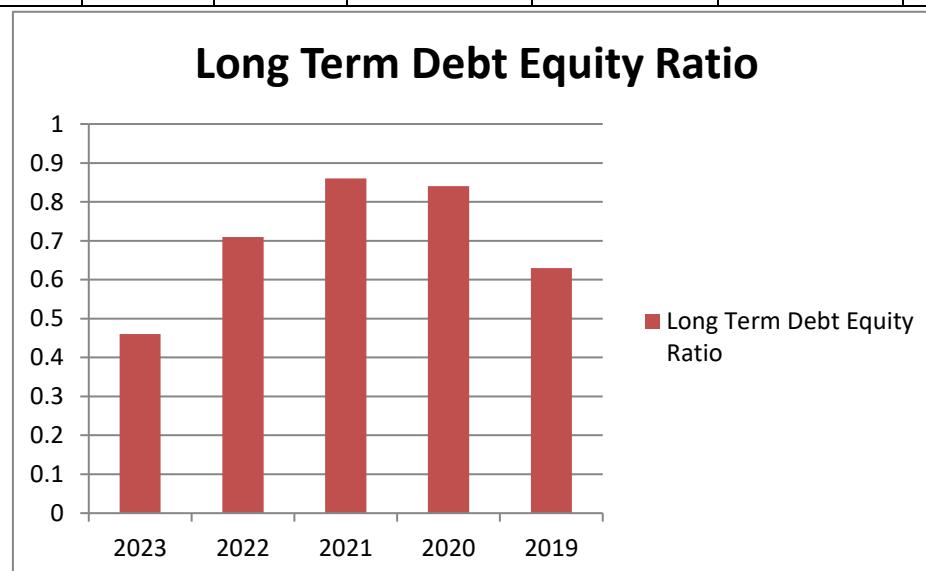
3. Debt-equity Ratio (2019-2023)

	Year	2023	2022	2021	2020	2019
Tata Motors Ltd.	DER	0.84	1.17	1.14	1.19	0.79



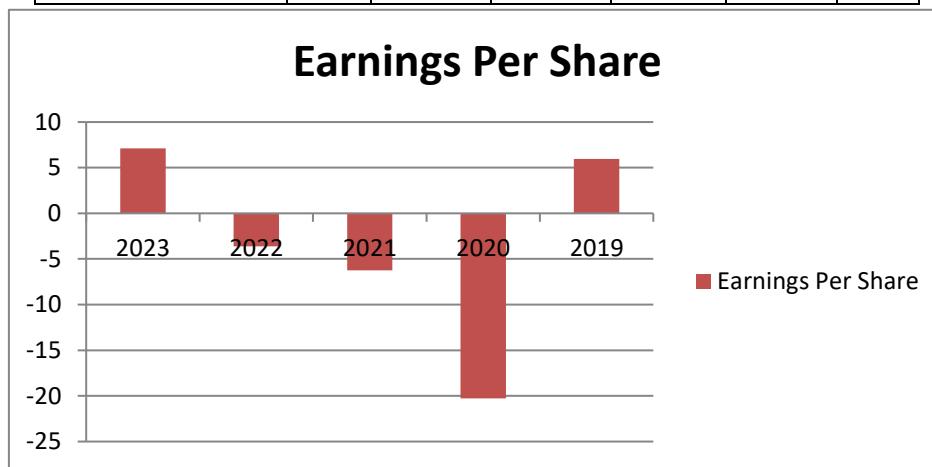
4. Long term debt Equity ratio

	Year	2023	2022	2021	2020	2019
Tata Motors Ltd.	LTDER	0.46	0.71	0.86	0.84	0.63



5. Earnings per share

Tata Motors Ltd.	Year	2023	2022	2021	2020	2019
	EPS	7.12	-3.63	-6.26	-20.26	5.95



5. DU PONT ANALYSIS- (RETURN ON EQUITY)

- The ROE has been decreased from 10.88% in 2017 to -37.05% in 2019 as of past 3 years and then it increased drastically and came to the point 5.37% in the year 2023.
- Assets remained constant but the net margin decreased making the main reason for the fall of ROE.

ROE - Dupont Equation							
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Net Profit	7,454.4	8,988.9	-28,826.2	-12,070.9	-13,451.4	-11,441.5	2,414.3
Revenue	2,69,692.5	2,91,550.5	3,01,938.4	2,61,068.0	2,49,794.8	2,78,453.6	3,45,967.0
Net Profit Margin (A)	2.76%	3.08%	-9.55%	-4.62%	-5.38%	-4.11%	0.70%
Revenue	2,69,692.5	2,91,550.5	3,01,938.4	2,61,068.0	2,49,794.8	2,78,453.6	3,45,967.0
Average Total Assets	2,67,882.2	2,99,886.1	3,16,447.7	3,12,941.4	3,30,874.7	3,35,315.7	3,31,868.0
Asset Turnover Ratio (B)	1.0x	1.0x	1.0x	0.8x	0.8x	0.8x	1.0x
Average Total Assets	2,67,882.2	2,99,886.1	3,16,447.7	3,12,941.4	3,30,874.7	3,35,315.7	3,31,868.0
Average Shareholder Equity	68,507.2	76,744.9	77,803.7	61,195.3	58,728.9	49,904.0	44,941.5
Equity Multiplier (C)	3.91x	3.91x	4.07x	5.11x	5.63x	6.72x	7.38x
Return on Equity (A*B*C)	10.88%	11.71%	-37.05%	-19.73%	-22.90%	-22.93%	5.37%

<https://www.scribd.com/document/659494860/Tata-Motors-Dupont-and-Altman-Z-score-Analysis>

DU PONT ANALYSIS- (RETURN ON ASSETS)

ROA - Dupont Equation							
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Asset Turnover Ratio (B)	1.0x	1.0x	1.0x	0.8x	0.8x	0.8x	1.0x
Return on Asset (A*B)	2.78%	3.00%	-9.11%	-3.86%	-4.07%	-3.41%	0.73%

<https://www.scribd.com/document/659494860/Tata-Motors-Dupont-and-Altman-Z-score-Analysis>

ROA has significantly decreased from 2.78% to 0.73% in the year 2023. The main reason for this fall is due to fall of net margin of the company.

6. RESULTS AND FINDINGS

1. The ideal value of CR must be 2:1 which means that the assets in a company must be twice the liability. The table shows that the ratio of the previous 5 years is less than the ideal ratio which states that the ratio of this company is highly dissatisfactory.
2. The Standard LR is 1:1 which means that the Quick assets must be equal to current liabilities. The ratio shows less in past five years which means that the company is not able to pay off their current liabilities.
3. The Standard DER is 1:1 and Tata motors shows lower ratio for the past five years compared to the standard rate. This shows that this company is better for the creditors and for the shareholders, this is unsatisfactory as the ratio explains that the company is not been able to control the earnings using by them outside the funds.
4. LTDER ratio explains how much leverage the company is willing to take. The standard ratio is 0.5 which the company is very close to, but it is lesser than the standard value for the present year but higher in the preceding previous years.
5. This ratio explains that the higher the EPS, company is more profitable and can distribute more earnings to its shareholders. This helps in comparing the performance of Tata Motors to other competitors in the industry. As per the calculations the earnings per share of the year 2023 is 7.12 which shows a higher EPS compared to preceding previous years.

6. CONCLUSION

By using various financial ratios and statistical tools, we have analyzed the financial performance of the company by revealing areas of strengths and areas of improvement. The report also suggested that the potential areas for improvement and they must enhance its performance and consider reducing sundry debtors, improve working capital and exploring various new opportunities to strengthen its financial position. This paper offers stakeholders and analysts a Good and proper understanding of the TML's long-term viability and strategic positioning in the competitive automobile industry.

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