International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A STUDY ON FINANCIAL PERFORMANCE ON TATA MOTORS

FATHIMA JENIFER J[1], Ms. V. SINDHU[2]

REGISTER No: 212AK0849
[2] M.Com., MBA., MPhil.,(PhD)
Assistant Professor
Sri Krishna Adithya College of arts and science

INTRODUCTION:

Finance is an integral aspect of every business. The success of an organization depends on how competently the firm is managing the funds available to them. The topic for the project is "a study on the financial performance of Tata Motors Limited". There are many stakeholders in a 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 essential for every organization because most of the organization's crucial decisions depend on the financial. Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports.

OBJECTIVE OF THE STUDY:

- To assess the profitability and efficiency of selected company.
- To evaluate the liquidity and solvency.

STATEMENT OF THE PROBLEM:

The process of assessing the common elements of financial statements in order to gain a deeper comprehension of the position and performance of the company is known as financial performance analysis. Investors and creditors can assess performance in the past, present, and future, as well as make predictions about financial status through financial performance analysis. Financial statements are used to assess a company's profitability and soundness. The analysis gathers the necessary financial data from a variety of sources. The company's own data, as disclosed in its annual report and other mandatory disclosures, serves as the main source.

SCOPE OF THE STUDY:

In order to get a precise and comprehensive picture of the financial aspects of the organization, a research was carried out at Tata Motors Ltd. to evaluate the efficacy of the financial performance of the company during the last seven years, from 2016–2017 to 2022–2023. This was done by employing a variety of analysis tools.

LIMITATION OF FINANCIAL ANALYSIS:

- Financial Analysis overlooks the data.
- It relies too much on history.
- Financial Analysis ignores qualitative factors**.**
- It fails to consider external factors.

REVIEW OF LITERATURE

1. **Tzokasa, and et al (2000)**, in the research was described, initiated by the apparent conceptual and empirical neglect of the industrial export pricing area. Capitalizing upon calls for a strategic pricing orientation in contemporary firms the study seeks to empirically explore the export pricing practices of industrial exporters in the UK and assess their influence upon their strategic export pricing.

2. **Dean and et al (2000)**, in the research described, the purpose of this study is to examine differences between low vs. high performance exporters. For this purpose, the effects of selected firm-related and export strategy-related variables on three selected measures of export performance (i.e., annual export sales, export growth, and percentage of total sales from export) are tested. The results of discriminates analysis demonstrate significant differences between low- vs. high-performance exporters.

3. **Knudsen and et al (2002),** in the research described, It is argued here that traditional export strategy research (encompassing the study of internationalization processes and export performance) is characterized by weak theoretical foundations and could benefit from a reorientation towards a dynamic capabilities perspective (DCP). We seek to draw on insights from DCP in order to devise a theoretical basis that could enrich export strategy research. Although our development of DCP insights builds on previous work, it also adds a crucial distinction between knowledge stocks and informational architecture. Changes in architecture are of greater importance.

4. **Lagesa, and et al (2011),** in the research described , While a great deal of research has explored how international marketing strategy influences performance, researchers have paid scant attention to understanding changes to international marketing strategy resulting from firm reaction to past performance. In this study, organizational learning theory addresses when and how international marketing strategy will change.

COMPANY PROFILE

Tata Motors Limited (TML) is one of India’s largest Original Equipment Manufacturers (OEMs) offering an extensive range of integrated, smart and e-mobility solutions. TML’s Commercial Vehicle (CV) offerings include sub-1 tonne to 55-tonne Gross Vehicle Weight (GVW) trucks and small, medium and large buses and coaches. TML’s Passenger Vehicle (PV) offerings include the NEW FOREVER range that exemplifies the IMPACT 2.0 design language across cars and utility vehicles and is developed using pioneering technologies that are sustainable.

TATA MOTORS FINANCE:

TMF’s mission statement has always been to realise our customers' dreams of owning Tata vehicles, which is also borne out in its customer segment covering the full spectrum of borrowers from first-time users and small business owners to fleet operators, dealers and vendors in the Tata Motors ecosystem. Drivers-cum-owners constitute a significant part of the CV segment. Many of TMF’s customers belong to MSMEs. TML, along with TMF, works diligently to support under-banked customers and aims to help them in augmenting their earnings and improving their livelihood by offering financing solutions to own a vehicle for commercial use.

- ✓ Ranked 31st out of 2,000 and 5th among global automobile manufacturers in Forbes World’s Best Regarded Companies 2019
- ✓ Ranked second highest in the JD Power India Customer Service Index Study 2019 for a third consecutive year
- ✓ CV business received several awards during the year at platforms like Apollo CV, ET Now, CII Award for Customer Obsession and CII Maturity Model
- ✓ PV business received a strong response and accolades, with 13 awards during the year
- ✓ Tata Harrier received several awards and accolades, including Most Awaited Car of the Year award, Car of the Year award and Best Design award at various forums
- ✓ Tata Sierra Concept EV received Best Design award at Car & Bike – Auto Expo Excellence Awards

MISSION:

With a passion for improving people's lives, we develop innovative mobility solutions.

VISION:

- ✓ Delivering superior financial returns
- ✓ Driving sustainable mobility solutions
- ✓ Exceeding customer expectations
- ✓ Creating a highly engaged work force

History:

Tata Motors was founded in 1945, as a locomotive manufacturer. Tata Group entered the commercial vehicle sector in 1954 after forming a joint venture with Daimler-Benz of Germany in which Tata developed a manufacturing facility in Jamshedpur for Daimler lorries. By November 1954 Tata and Daimler manufactured their first goods carrier chassis at their Jamshedpur plant with 90-100 hp and capacity of 3-5 tons.] After years of dominating the commercial vehicle market in India, Tata Motors entered the passenger vehicle market in 1991 by launching the Tata Sierra, a sport utility vehicle based on the Tata Mobile platform. Tata subsequently launched the Tata Estate (1992; a station wagon design based on the earlier Tata Mobile), the Tata Sumo (1994, a 5-door SUV) and the Tata Safari (1998).

Tata launched the Indica in 1998. A newer version of the car, named Indica V2, later appeared. Tata Motors also exported cars to South Africa. In the 2000s, Tata Motors made a series of acquisitions and partnerships, acquiring Daewoo's South Korea-based truck manufacturing unit, a joint venture with the Brazil-based Marco polo, Tata Marco polo Bus, Jaguar Land Rover., Hispano Carrocera, and an 80% stake in the Italian design and engineering company Trilix.

ANALYSIS AND INTERPRETATION OF DATA

RATIO ANALYSIS:

Ratio analysis is referred to as the study or analysis of the line items present in the financial statements of the company. It can be used to check various factors of a business such as profitability, liquidity, solvency and efficiency of the company or the business.

CURRENT RATIO:

The current ratio is also referred to as the working capital ratio. This ratio compares a company's current assets to its current liabilities, testing whether it sustainably balances assets, financing, and liabilities. Typically, the current ratio is used as a general metric of financial health since it shows a company's ability to pay off short-term debts. The ideal Ratio of current ratio is **2.1.**

$$\textbf{Current Ratio} = \frac{\textbf{Current Assets(CA)}}{\textbf{Current Liabilities(CL)}}$$

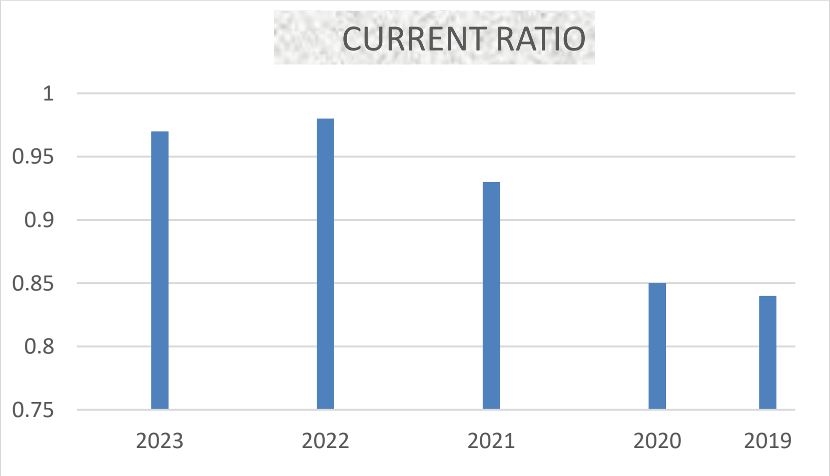
(CR= CA/CL)

TABLE SHOWING CURRENT RATIO:

YEAR	CURRENT ASSETS (CA)	CURRENT LIABILITIES (CL)	CURRENT RATIO (CA/CL)
2023	1,51,528.47	1,55,027.33	0.97
2022	1,46,977.54	1,50,682.81	0.98
2021	1,46,887.64	1,57,749.18	0.93
2020	1,19,587.25	1,40,454.05	0.85
2019	1,23,431.16	1,45,457.43	0.84

INTERPRETATION:

- The above table shows the current ratio for 5 years and it was concluded that the ratio has been 0.84 in 2019 and 0.85 in 2020 and 0.93 in the year 2021 and 0.98 in 2022 and 0.97 in 2023.
- All the past 5 years current ratio shows the negative impact on the company, which denotes the entire ratio or not satisfactory.
- The below chart shows that current ratio is increased in the year 2019 till 2022 and by 2023 it declines.



ACID-TEST RATIO:

The Acid-Test Ratio, also known as the quick ratio, is a liquidity ratio that measures how sufficient a company's short-term assets are to cover its current liabilities. In other words, the acid-test ratio is a measure of how well a company can satisfy its short-term (current) financial obligations. The Ideal Ratio is **1.1.**

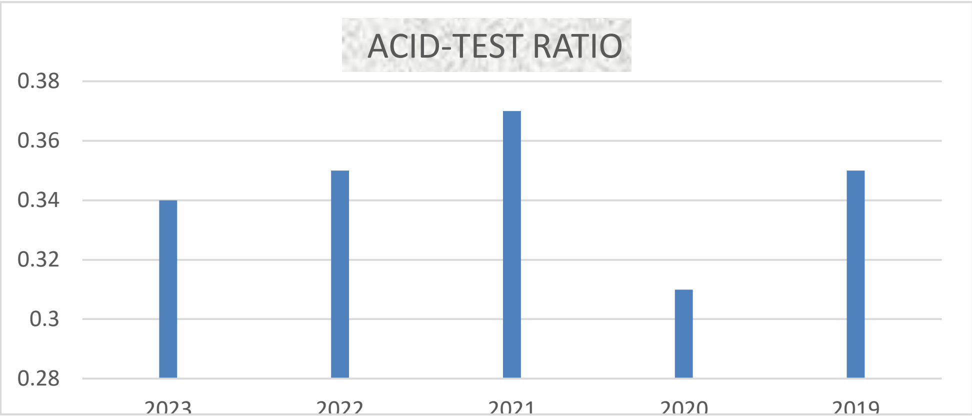
$$\textbf{Acid-Test Ratio} = \frac{\textbf{Cash and Cash Equivalents + Trade Receivables}}{\textbf{Current Liabilities}}$$

TABLE SHOWING ACID-TEST RATIO

YEAR	CASH AND CASH EQUIVALENTS (A)	TRADE RECEIVABLES (B)	CURRENT LIABILITIES (C)	ACID-TEST RATIO [(A+B)/C]
2023	37,015.56	15,737.97	1,55,027.33	0.34
2022	40,669.19	12,442.12	1,50,682.81	0.35
2021	46,792.46	12,679.08	1,57,749.18	0.37
2020	33,726.97	11,172.69	1,40,454.05	0.31
2019	32,648.82	18,996.17	1,45,457.43	0.35

INTERPRETATION:

- The above table shows the Quick Ratio (Acid-Test Ratio) for the past 5 years and it was concluded that the ratio has been 0.35 in 2019 and 0.31 in 2020 and 0.37 in the year 2021 and 0.35 in 2022 and 0.34 in 2023.
- The Quick Ratio should be equal to or greater than one, the above conclude ratio suggests that the company have a lower level of liquidity compared to its ideal ratio.
- The Quick Ratio is continuously fluctuating, this can evidently prove through the below chart 4.2.2



OPERATING PROFIT RATIO:

The operating profit ratio is the amount of money a company makes from its operations. It demonstrates the financial sustainability of a company's basic operations prior to any financial or tax-related repercussions. As a result, it is one of the better indicators of how successfully a management team runs a company.

$$\textbf{Operating Profit Ratio} = \frac{\textbf{Operating Profit}}{\textbf{Revenue From Operation}} \times 100$$

Operating Profit = Gross Profit – Operating Expenses

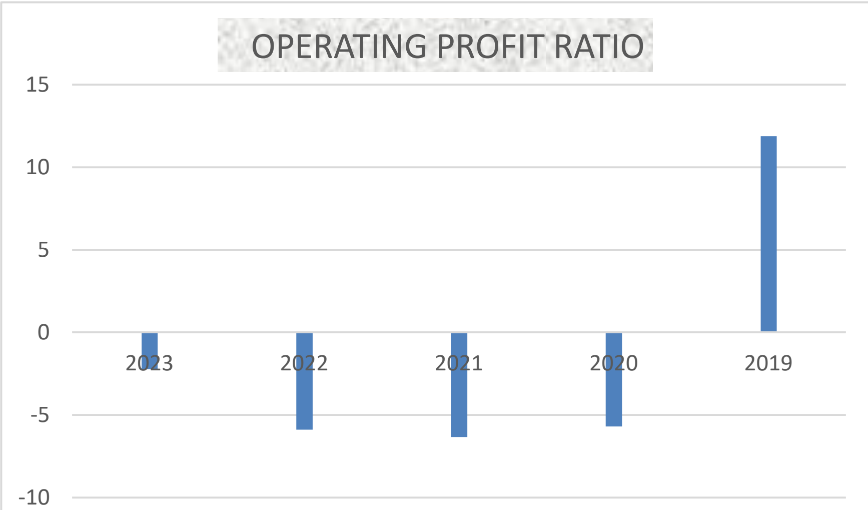
TABLE SHOWING OPERATING PROFIT RATIO:

YEAR	OPERATING PROFIT (A)	REVENUE FROM OPERATION (B)	OPERATING PROFIT RATIO [(A/B)*100]
2023	- 7618.16	3,42,874.58	-2.22
2022	-16,227.36	2,75,235.23	-5.89
2021	-15,700.91	2,46,972.17	-6.35
2020	-14,768.47	2,58,594.36	-5.71

2019	35,595.72	2,99,190.59	11.89

INTERPRETATION:

- The above table shows the Operating Profit Ratio for the past 5 years and it was concluded that the ratio has been 11.89 in 2019 and -5.71 in 2020 and -6.35 in the year 2021 and -5.89 in 2022 and -2.22 in 2023.
- Through the above concluded ratio it clearly denotes that the Operating Profit Ratio is negative.
- It indicates that the company's operating expenses exceed its operating income, this suggests that the company is operating at loss which is not ideal.



CASH FLOW STATEMENT ANALYSIS

A cash flow statement is a financial statement that provides aggregate data regarding all cash inflows a company receives from its ongoing operations and external investment sources. It also includes all cash outflows that pay for business activities and investments during a given period.

Cash flows from financing (CFF) is the last section of the cash flow statement. The section provides an overview of cash used in business financing. It measures cash flow between a company and its owners and its creditors, and its source is normally from debt or equity.

TABLE SHOWING CASH FLOW STATEMENTOF TATA MOTORS

PARTICULARS	2023	2022	2021	2020	2019
Net Profit Before Tax	2689.87	-11308.76	-13395.10	-11975.23	-28724.20
Net Cash From Operating Activities	35388.01	14282.83	29000.51	26632.94	18890.75
Net Cash (used in)/from Investing Activities	-16804.16	-4775.12	-26126.25	-34170.22	-19711.09
Net Cash (used in)/from Financial Activities	-26242.90	-3380.17	9904.20	3389.61	8830.37
Net (decrease)/increase in Cash and Cash Equivalents	-6272.06	6459.00	13232.21	-3092.00	6599.11
Opening Cash & Cash Equivalents	38159.01	31700.01	18467.90	21559.80	14960.80
Closing Cash & Cash Equivalents	31886.95	38159.01	31700.01	18467.80	21559.80

INTERPRETATION:

The cash flow statement of the company for the past five years shows that the company has both inflows and outflows that varies year-to-year accordingly. The opening balances of cash and cash equivalents are tallied with the previous years' closing balances of cash and cash equivalents. As of present status, there as a decrease in cash and cash equivalent by Rs.6, 272.06 Crore.

FINDINGS

- The current ratio of TATA MOTORS was 0.91 in the year 2019 and it was increased to 0.92 in the 2020 and it again increased to 0.93 in 2021 and then again increased to 0.98 in 2022 and in the year 2023 the ratio decreased to 0.97. The highest current ratio was in the year 2022 (0.98) compared to all the year.

- The Quick Ratio (Acid-Test Ratio) of TATA MOTORS was 0.35 in the year 2019 and it was decreased to 0.31 in the year 2020 then it again increased to 0.37 in the year 2021 and then again it decreased to 0.35 in the year 2022 and then it again decreased to 0.34 in the year 2023. The highest Quick Ratio was in the year 2021 (0.37)

- The Operating Profit Ratio of TATA MOTORS was 11.89 in the year 2019 and then it decreased to -5.71 in the year 2020 and then it increases to -6.35 in the year 2021 and then it decreases to -5.89 2022 and it decreased to -2.22 in the year 2023.

- The Net Profit was in negative stage which concludes the loss from 2019 to 2022 and then in the year 2023 the company has attained the huge profit.

- The net cash and cash equivalents was in the stage of positive in 2019 and then it decreased in the year 2020 then increased in the year 2021 and 2022 and then again decreased in the year 2023

SUGGESTION

- The increasing trend in the current ratio over the past five years indicates improving liquidity and potentially a healthier financial position. However, the slight decrease from 2022 to 2023 may warrant further investigation to understand any underlying factors affecting liquidity. The consistent fluctuation in the quick ratio over the past five years suggests potential instability in the company's short-term liquidity position It's essential to investigate the underlying reasons for these fluctuations and consider strategies to improve liquidity management, such as reducing inventory levels, optimizing accounts receivable collection, or securing additional lines of credit
- The consistent negative trend in the operating profit ratio over the past five years indicates significant challenges in generating profits from the company's core operations. A negative operating profit ratio suggests that the company's operating expenses are exceeding its revenues, resulting in operating losses. It's crucial to conduct a thorough analysis of the company's cost structure, revenue streams, and operational efficiency to identify areas for improvement.

CONCLUSION

It is clear from the TATA MOTORS' performance study of numerous financial ratios, balance sheets, and statements during the previous five years that the company's performance has been inconsistent in a number of areas related to its financial health. Liquidity, profitability, and asset utilization have all improved, but there are still issues, as seen by negative ratios and swings in some measures.

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