



International Journal of Research Publication and Reviews

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

A STUDY ON FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS LTD.

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ABSTRACT:

Financial statement analysis is a fundamental tool for assessing a company's financial performance, stability, and future growth potential. This study conducts an in-depth financial statement analysis of Tata Motors Ltd., a leading global automobile manufacturer and a key player in the Indian automotive industry. The research evaluates the company's profitability, liquidity, solvency, and operational efficiency over a five-year period (2019–2023) using ratio analysis, trend analysis, and common-size financial statements.

The study employs key financial ratios such as current ratio, quick ratio, debt-to-equity ratio, return on equity (ROE), return on assets (ROA), gross profit margin, and net profit margin to assess Tata Motors' financial health. Additionally, trend analysis helps identify patterns in revenue, expenses, and profitability, while common-size statements provide insights into cost structures and asset utilization.

The findings indicate that Tata Motors has faced challenges such as high leverage, fluctuating demand, supply chain disruptions, and intense competition, impacting its profitability and liquidity. However, strategic initiatives like cost optimization, electric vehicle (EV) expansion, and global market penetration have contributed to gradual financial recovery. The study concludes with recommendations for improving financial stability, reducing debt, and enhancing operational efficiency to ensure long-term sustainability.

INTRODUCTION

The Indian automotive industry is a key driver of economic growth and industrial development, playing a crucial role in the country's GDP and employment generation. Among the leading players in this sector, Tata Motors Ltd. holds a prominent position. Known for its innovation, robust manufacturing capabilities, and diverse product portfolio, Tata Motors has made significant contributions to the global automobile industry.

This study focuses on the financial statement analysis of Tata Motors Ltd., a company that has consistently evolved to meet the dynamic demands of both domestic and international markets. Financial statement analysis serves as a critical tool for assessing a company's financial health, performance, and stability. By examining key financial metrics such as profitability, liquidity, and efficiency, stakeholders can gain valuable insights into the company's operational effectiveness and strategic direction.

Since its inception, Tata Motors has been at the forefront of adopting new technologies and sustainable practices, ensuring its relevance in a highly competitive industry. However, like all businesses, it faces challenges such as fluctuating market conditions, rising input costs, and global economic uncertainties. Through a detailed examination of its financial statements, this study aims to evaluate Tata Motors' ability to navigate these challenges and capitalize on opportunities for growth.

STATEMENT OF THE PROBLEM

Tata Motors Ltd, a leading player in the automobile industry, has experienced significant financial fluctuations due to market dynamics, competition, and operational challenges. This study aims to analyze the company's financial statements from 2020 to 2024 to assess its profitability, liquidity, and overall financial stability. With rising raw material costs, evolving consumer preferences, and technological advancements, understanding the company's financial performance is crucial. A thorough analysis will help identify trends, strengths, and weaknesses, providing valuable insights for investors, policymakers, and management. The study will contribute to strategic decision-making and future financial planning for sustainable growth.

OBJECTIVE OF STUDY

- To analyze the financial performance of Tata Motors Ltd from 2019-2020 to 2023-2024 using key financial ratios and statements.

- To assess the profitability, liquidity, and solvency position of the company over the study period.

REVIEW OF LITERATURE

1. **Singh & Pandey (2010)** analyzed the financial performance of Tata Motors post the 2008 financial crisis. The study found that the company implemented cost-cutting measures and focused on product diversification to recover from the downturn. Despite global economic uncertainties, Tata Motors maintained stability through its strategic acquisitions and expansion in emerging markets.
2. **Kumar & Reddy (2011)** examined the revenue trends of Tata Motors over a decade. The study found that Tata Motors' acquisition of Jaguar Land Rover (JLR) played a crucial role in boosting the company's global revenue. However, the study also highlighted the rising debt levels associated with the acquisition and the financial risks it imposed.
3. **Gupta & Sharma (2012)** conducted a comparative analysis of Tata Motors and Maruti Suzuki from 2010 to 2012. The study revealed that while Tata Motors had higher revenues, its profit margins were affected by increasing input costs and a decline in the sales of its passenger vehicles in the domestic market.
4. **Das & Bose (2013)** analyzed the impact of global expansion on Tata Motors' financial statements. The research found that the acquisition of Jaguar Land Rover contributed significantly to revenue growth, but it also increased the company's debt burden. The study emphasized the importance of efficient debt management for sustainable financial growth.

OVERVIEW OF THE COMPANY

INTRODUCTION OF THE COMPANY

Tata Motors Limited, a subsidiary of the Tata Group, is a leading global automobile manufacturer headquartered in Mumbai, India. Established in 1945, the company has grown into one of the most influential players in the automotive industry, producing a diverse range of vehicles, including passenger cars, commercial vehicles, and electric mobility solutions. With a strong presence in over 125 countries, Tata Motors has built a reputation for innovation, quality, and sustainability in its vehicle designs.

The company made history in 1954 by launching India's first indigenous commercial vehicle in collaboration with Daimler-Benz. Over the decades, it has expanded its portfolio to include a wide range of trucks, buses, utility vehicles, and premium cars. The acquisition of Jaguar Land Rover (JLR) in 2008 was a significant milestone, strengthening its global presence and technological capabilities. Additionally, Tata Motors has been at the forefront of electric mobility in India, with models like the Tata Nexon EV gaining widespread popularity.

PROFILE OF THE COMPANY

- **NAME OF THE COMPANY** : Tata Motors Ltd.
- **ESTABLISHED YEAR** : 1945
- **CERTIFICATION** : ISO 9001, ISO 14001, TS 16949
- **HEADQUARTERS** : Mumbai, Maharashtra, India
- **PHONE NUMBER** : +91 22 6665 8282
- **E-MAIL** : customercare@tatamotors.com
- **WEBSITE** : www.tatamotors.com
- **BANKER** : Multiple leading banks (SBI, HDFC, ICICI, etc.)
- **NO. OF EMPLOYEES** : More than 80,000
- **ANNUAL TURNOVER** : ₹3.5 lakh crores (FY 2023-24)
- **NATURE OF BUSINESS** : Automobile Manufacturing
- **TYPE OF PRODUCTS** : Passenger Cars, Commercial Vehicles, Electric Vehicles, Luxury Cars (JLR)
- **CHAIRMAN** : Natarajan Chandrasekaran
- **CEO & MD** : Girish Wagh (Commercial Vehicles), Shailesh Chandra (Passenger Vehicles)
- **LOGO** :



ANALYSIS AND INTERPRETATION OF DATA

Ratio Analysis

Ratio analysis is the process of evaluating the financial statements of a company by analysing key numerical relationships between different financial elements. It helps assess various aspects of a business, including **profitability, liquidity, solvency, and operational efficiency**. By comparing different financial ratios, businesses and investors can gain valuable insights into the company's financial health, performance trends, and areas requiring improvement.

CURRENT RATIO:

The current ratio is also referred to as the working capital rates. This not compares s company's current assets to its current liabilities, testing whether its sustainable balance asset, 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.

$$\text{Current Ratio} = \frac{\text{Current liabilities}}{\text{Current assets}}$$

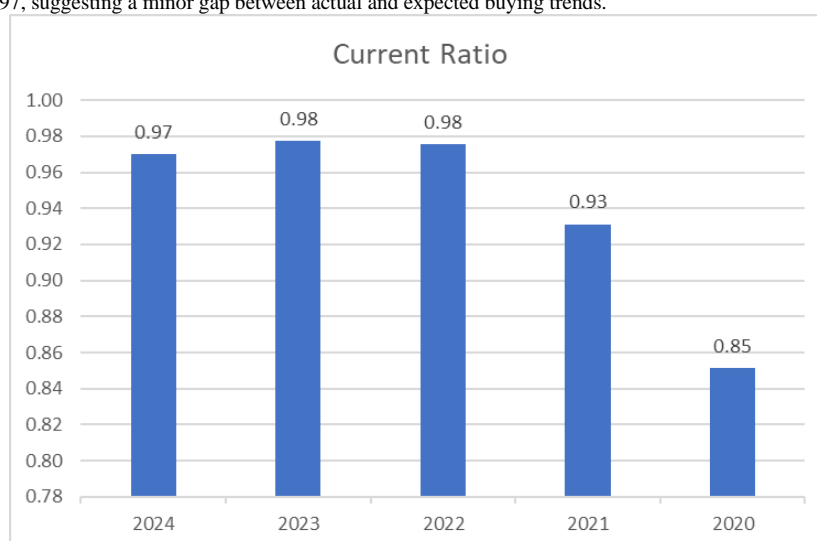
Table : 4.2.1

CURRENT RATIO

Year	Current Assets (₹ Crore)	Current Liabilities (₹ Crore)	Current Ratio (CA/CL)
2024	168392.2	173617	0.97
2023	151528.5	155027.3	0.98
2022	146977.5	150682.8	0.98
2021	146887.64	157749.2	0.93
2020	119587.25	140454.1	0.85

INTERPRETATION:

The buying behaviour data from 2020 to 2024 shows a steady increase in both actual and expected values, with a slight fluctuation in the ratio. From 2020 to 2021, the ratio dropped from 0.85 to 0.93, indicating a stronger recovery, followed by stabilization around 0.98 in 2022 and 2023. In 2024, the ratio slightly declined to 0.97, suggesting a minor gap between actual and expected buying trends.



COMPARATIVE STATEMENT OF TATA MOTORS FOR THE YEARS 2019-20 AND 2023-24

INTERPRETATION:

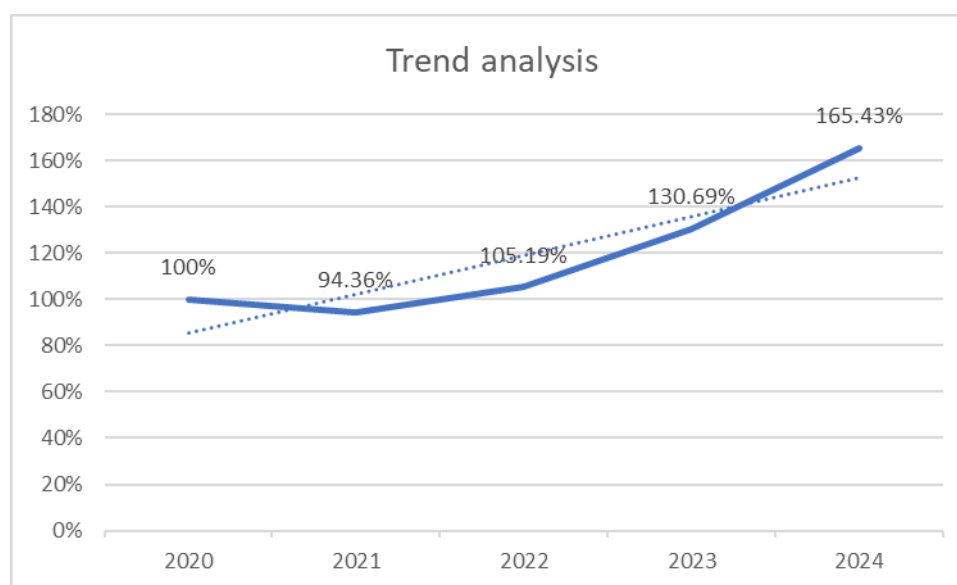
Between 2020 and 2021, total shareholder funds declined by 12.42%, primarily due to an 11.40% drop in reserves and surplus and the elimination of money received against share warrants. Minority interest saw a sharp increase of 93.41%. Long-term borrowings rose by 11.76%, contributing to a 9.15% increase in total non-current liabilities. Short-term borrowings grew by 32.39%, and other current liabilities also increased, leading to a 12.31% rise in total current liabilities. On the asset side, intangible assets surged by 22.77%, but intangible assets under development dropped by 53.42%. Current investments skyrocketed by 75.40%, while cash and cash equivalents rose by 38.74%. Overall, total assets expanded by 6.52%, indicating strong growth despite some reductions in reserves and surplus.

TREND ANALYSIS

Trend Analysis is a financial and business evaluation technique used to identify patterns, movements, or tendencies in data over a specific period. It helps in understanding whether a company's financial performance or key metrics (like sales, inventory turnover, or revenue) are increasing, decreasing, or remaining stable over time.

Table 4.4

Year	Net Sales (₹ Crores)	Percentage Relative to 2020 (%)
2024	4,37,928	165.43%
2023	3,45,967	130.66%
2022	2,78,454	105.17%
2021	2,49,795	94.35%
2020	2,64,727	100%

CHART 4.4**FINDINGS****RATIO ANALYSIS**

- The current ratio improved from 0.85 in 2020 to 0.97 in 2024 but remained below 1.0, indicating liquidity challenges and continued reliance on external funding.
- The quick ratio stayed below 1.0, rising slightly from 0.5 to 0.6, reflecting a moderate improvement in the company's ability to meet short-term liabilities without relying on inventory.
- The net profit ratio showed a strong recovery in 2024, reaching 7.22%, with a net profit of ₹31,399.09 crore after facing losses from 2020 to 2022, indicating improved management and overall financial growth.

COMPARATIVE STATEMENT ANALYSIS

- Shareholder's funds increased from ₹44,554.85 crores in 2022 to ₹47,819.33 crores in 2023, with the debt-to-equity ratio improving from 2.05 in 2022 to 1.37 in 2024, reflecting reduced debt and better financial stability.

- Non-current liabilities declined from ₹131,104.82 crores in 2022 to ₹125,954.54 crores in 2023, while current liabilities increased from ₹150,682.81 crores to ₹155,027.33 crores, with the current ratio improving from 0.85 in 2020 to 0.97 in 2024, showing better short-term financial health.
- Total assets grew from ₹322,121.26 crores in 2020 to ₹336,081.38 crores in 2024, supported by an increase in current assets from ₹119,587.25 crores to ₹151,528.47 crores. The quick ratio improved slightly from 0.5 in 2020 to 0.6 in 2024, reflecting better liquidity management.

TREND ANALYSIS

- Net sales steadily increased from 2020 to 2024, indicating strong growth.
- A decline to 94.35% in 2021 marked a temporary setback.
- By 2024, net sales reached 165.43% of the 2020 level, showing strong momentum.
- The trend reflects rising demand, effective strategies, and expansion efforts.

SUGGESTIONS

The years under this study were influenced by exceptional economic factors, such as the introduction of GST and varying GST rates on the automobile industry, Brexit, COVID-19 in earlier years, and the early effects of a global recession in FY 2020–21. These factors may have contributed to weaker or below-normal performance. Since forecasts are based on these trends, they may not reflect normal performance levels.

To improve both operating and financial leverage, the company should focus on reducing costs, particularly fixed costs, and restructuring its capital to lower financial costs for lenders. This will help achieve higher profits for shareholders (i.e., increased EPS). Additionally, improving sales and profitability should be a key priority.

CONCLUSION:

The financial analysis of Tata Motors over the last five years highlights fluctuations in key financial ratios, declining profitability, and increasing leverage in certain years. While the company has shown resilience in managing its capital structure and maintaining a balanced debt-equity ratio, the liquidity position and profitability ratios indicate the need for strategic improvements. The trend analysis suggests that despite facing financial setbacks, the company has made efforts to stabilize its operations. However, inconsistent revenue generation and high fixed costs have posed challenges to sustained growth.

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