**Project synopsis**

**A Study on “FINANCIAL STATEMENT ANALYSIS OF**

**TATA MOTORS LIMITED”**

**Submitted By**

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**Project submitted in partial fulfillment for the award of the degree of**

**MASTER OF BUSINESS ADMINISTRATION**



**Department of Business Management**

**Stanley College Of Engineering And Technology For Women**

**Affiliated to Osmania University, Hyderabad.**

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**DECLARATION**

I hereby declare that this project report titled **“A STUDY ON FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS LIMITED''** is submitted by me bearing Hall ticket no:160619672011 in fulfillment for award of Master Of Business Administration at Stanley College Of Engineering And Technology For Women. I further declare that this project undertaken by me is not copied or lent and it is not submitted to any other university or institute for the award of any degree/diploma/certificate or published anytime before.

**STUDENT NAME:C.NAVYA**

**H.T.NO:160619672011 SIGNATURE OF STUDENT**

**CERTIFICATE**

This is to certify that the project report titled **“A STUDY ON FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS LIMITED”** for the award of MBA Programme Of Department Of Business Management,Osmania University,Hyderabad, was carried out by **C.NAVYA** with **H.T NO.160619672011** under my guidance has not been submitted to any other university or Institution for the award of any Degree/Diploma/Certificate

**Internal Guide**   **Head Of Department**

**ACKNOWLEDGEMENT**

Research projects are an important milestone in completion of any professional course.As a student of Masters Of Business Administration in Finance,got a golden opportunity to do the research work.

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**PLACE:HYDERABAD STUDENTNAME:C.NAVYA**

**DATE: H.T.NO:160619672011**

**CHAPTER-1**

**INTRODUCTION**

**INTRODUCTION:**

Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.Financial performance analysis involves the use of financial statements. A financial statement is a collection of data that is organized according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm.It may show a position of company's financial status for a period of time as in the case of a Balance Sheet, or may reveal a series of activities over a given period of time, as in the case of an Income Statement. Thus, the term ‘financial statements’ generally refers to two basic statements- the Balance Sheet and the Income statement

The Balance Sheet shows the financial position (condition) of the firm at a given point of time. It provides a snapshot that may be regarded as a static picture. “Balance sheet is a summary of a firm’s financial position on a given date that shows Total assets = Total liabilities + Owner’s equity.”

The Income statement reflects the performance of the firm over a period of time. “Income statement is a summary of a firm’s business revenues and expenses over a specified period, ending with net income or loss for the period.

**SIGNIFICANCE OF FINANCIAL STATEMENT ANALYSIS:**

* Assessing the operational efficiency and managerial effectiveness of the company.
* Analyzing the financial strengths and weaknesses and creditworthiness of the company.
* Analyzing the current position of financial analysis,
* Assessing the types of assets owned by a business enterprise and the liabilities which are due to the enterprise.
* Providing information about the cash position company is holding and how much debt the company has in relation to equity.
* Studying the reasonability of stock and debtors held by the company.

**METHODS/TECHNIQUES OF FINANCIAL STATEMENT ANALYSIS :**

Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial analyst program provides vital methodologies of financial analysis, financial performance analysis methodology and usage of techniques varies from firm to firm.

Financial analysts often assess the firm's production and productivity performance (total business performance), profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance. Various financial ratios analysis includes

* **Working capital Analysis:**It is also called liquidity ratio analysis,which measures short term financial health of a company. It includes components **Current assets** both tangible and intangible assets that it can easily turn into cash within one year or one business cycle whichever is less. current assets include checking and savings accounts; highly liquid marketable securities such as stocks, bonds, mutual funds and exchange-traded funds (ETFs); money market accounts; cash and cash equivalents,accounts receivable, inventory, and other shorter-term prepaid expenses. **Current liabilities** also included in working capital analysis current liabilities are all the debts and expenses the company expects to pay within a year or one business cycle, whichever is less. This typically includes the normal costs of running the business such as rent, utilities, materials and supplies; interest or principal payments on debt; accounts payable; accrued liabilities and accrued income taxes.Dividends payable, capital leases due within a year, and long-term debt that is now coming due also fall into this category.

Working capital is calculated by using the Current ration which is current assets divided by current liabilities. A ratio above 1 means current assets exceed liabilities, and, generally, the higher the ratio, the better.

**[Current Ratio=Current Liabilities/Current Assets]**​

* **Financial structure Analysis:**Financial analysis involves using [financial data](https://corporatefinanceinstitute.com/resources/data/) to assess a company’s performance and make recommendations about how it can improve going forward. [Financial Analysts](https://corporatefinanceinstitute.com/certifications/financial-modeling-valuation-analyst-fmva-program/) primarily carry out their work in [Excel](https://courses.corporatefinanceinstitute.com/courses/free-excel-crash-course-for-finance), using a spreadsheet to analyze historical data and make projections of how they think the company will perform in the future. Most common types of financial structure analysis:
* **Vertical:**This type of financial analysis involves looking at various components of the [income statement](https://corporatefinanceinstitute.com/resources/knowledge/accounting/income-statement/) and dividing them by revenue to express them as a percentage. For this exercise to be most effective, the results should be benchmarked against other companies in the same industry to see how well the company is performing.This process is also sometimes called a common-size income statement, as it allows an analyst to compare companies of different sizes by evaluating their margins instead of their dollars.
* **Horizontal:**Horizontal analysis involves taking several years of financial data and comparing them to each other to determine a growth rate. This will help an analyst determine if a company is growing or declining, and identify important trends.When building [financial models](https://corporatefinanceinstitute.com/resources/knowledge/modeling/what-is-financial-modeling/), there will typically be at least three years of historical financial information and five years of forecasted information. This provides 8+ years of data to perform a meaningful trend analysis, which can be benchmarked against other companies in the same industry.
* **Leverage:** A single financial metric, like total debt, may not be that insightful on its own, so it’s helpful to compare it to a company’s total equity to get a full picture of the capital structure. The result is the debt/equity ratio

Common examples of ratios include: Debt/equity, Debt/EBITDA,EBIT/interest ([interest coverage](https://corporatefinanceinstitute.com/resources/knowledge/finance/interest-coverage-ratio/)),Dupont analysis – a combination of ratios, often referred to as the pyramid of ratios, including leverage and liquidity analysis.

* **Profitability analysis:**Profitability is a type of [income statement](https://corporatefinanceinstitute.com/resources/knowledge/accounting/income-statement/) analysis where an analyst assesses how attractive the economics of a business are. Common examples of profitability measures include:Gross margin,EBITDA margin,EBIT margin, Net profit margin.
* **Efficiency analysis:**Efficiency ratios are an essential part of any robust financial analysis. These ratios look at how well a company manages its assets and uses them to generate revenue and cash flow.Common efficiency ratios include:Asset turnover ratio,Fixed asset turnover ratio,Cash conversion ratio,Inventory turnover ratio.
* **Cash Flow:**A cash flow analysis is a method for checking up on your firm’s financial health. It is the study of the movement of cash through your business, also called a cash budget, to determine patterns of how you take in and pay out money.With information from an income statement, such as profit or loss and depreciation, as well as the information from the comparative balance sheets, particularly how current assets and liabilities may have changed, you can develop your statement of cash flows.cash flow is how much money your business has left over to use for other purposes after it has paid for capital expenditures, including buildings and equipment, and other expenses needed to sustain its ongoing operation.
* **Rates of Return analysis:**  rate of return (RoR) is the net gain or loss of an investment over a specified time period, expressed as a percentage of the investment’s initial cost. When calculating the rate of return, you are determining the percentage change from the beginning of the period until the end.
* **Activity Analysis:** Activity ratios are financial analysis tools used to gauge the ability of a business to convert various asset, liability and capital accounts into cash or sales. The faster a business is able to convert its assets into cash or sales, the more efficient it runs. Activity ratios become more meaningful when compared to industry-average activity ratios. Different industries have different industry-average activity ratios and pitting your ratios against those of peer businesses allows you to know if your ratios are better or worse.
* **Profitability Analysis:** profitability ratios are the evaluation method for an organization. Profit is the main motive of every organization and these ratios help judge the organization's achievement of profits. There are 2 types such as profit margin & rate of return ratios. Profit margin ratios include gross profit margin and a net profit margin and it judges the profitability at different stages. The rate of return ratios include return on equity, return on asset, earning power, return on capital employed

**ABOUT THE COMPANY (TATA MOTORS):**

Tata Motors Limited (formerly TELCO, short for Tata Engineering and Locomotive Company) headquartered in Mumbai, is an Indian multinational automotive manufacturing company and a member of the Tata Group. Its products include passenger cars, trucks, vans, coaches, buses, sports cars, construction equipment and military vehicles. Tata Motors has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad, and Pune in India, as well as in Argentina, South Africa, Great Britain and Thailand. It has research and development centres in Pune, Jamshedpur, Lucknow, and Dharwad, India and in South Korea, Great Britain and Spain. Tata Motors' principal subsidiaries purchased the English premium car maker Jaguar Land Rover (the maker of Jaguar and Land Rover cars) and the South Korean commercial vehicle manufacturer Tata Daewoo. Tata Motors has a bus-manufacturing joint venture with Marcopolo S.A. (Tata Marcopolo), a construction-equipment manufacturing joint venture with Hitachi (Tata Hitachi Construction Machinery), and a joint venture with Fiat Chrysler which manufactures automotive components and Fiat Chrysler and Tata branded vehicles.

Founded in 1945 as a manufacturer of locomotives, the company manufactured its first commercial vehicle in 1954 in a collaboration with Daimler-Benz AG, which ended in 1969. Tata Motors entered the passenger vehicle market in 1991 with the launch of the Tata Sierra, 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 cheapest car. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004 and purchased Jaguar Land Rover from Ford in 2008. Tata Motors is listed on the (BSE) Bombay Stock Exchange, where it is a constituent of the BSE SENSEX index, the National Stock Exchange of India, and the New York Stock Exchange. The company is ranked 226th on the Fortune Global 500 list of the world's biggest corporations as of 2016. On 17 January 2017, Natarajan Chandrasekaran was appointed chairman of the company.

**OBJECTIVES OF THE STUDY:**

* To compare and analyze the financial statements for the past FIVE financial years.
* To know the Profitability, Activity and Financial stability position of TATA MOTORS.
* To forecast the annual growth rate of income of the com-pany with the help of Trend analysis.
* To provide suggestions for improving the overall finance performance of the TATA MOTORS.
* To know about overall profitability margins.
* To use various ratios to find firm's output of five years.
* To give necessary suggestions for improving its financial stability in future.

**LIMITATIONS OF THE STUDY:**

* This study is limited to individuals who are working in the company (TATA MOTORS LTD)
* This study is limited to overall branches of TATA MOTORS LTD established in India.
* This study is more relevant and limited to financial departments of the company.

**NEED FOR THE STUDY:**

* The financial performance of the company is known by calculating financial statements and ratios.
* To know the organizational activity.
* To know about organisation financial status for the tenure of past 5 years.
* To give necessary suggestions based on results of the profitability ratios.

**SCOPE OF THE STUDY:**

The study is based on the accounting information of TATA MOTORS. The study covers the period of FY 2016- FY2020 for analyzing the financial statement such as income statements and balance sheet. The scope of the study involves the vari-ous factors that affect the financial status of the company. This study finds out the operational status of the organization and allocation of resources to improve the status of the organization. The data of the past five years are taken into account for the study. The financial performance is compared within those periods. This study finds out the areas where TATA MOTORS can improve the status clarity of assets and funds employed.

**METHODOLOGY:**

The study consists of 5 years data of TataMotors from 2015-2020. Various ratios have been calculated to find out profitability, Various statistical techniques are utilized and comparisons made for the last five financial years.Using information from secondary data from published statements from official annual reports and other websites of the company to analyze the data.

**CHAPTER- 2**

**REVIEW OF LITERATURE**