15th Week Assignment

Following are the ratios calculated from the financial data of Tata Motors? What are your major inferences from this data?



based on the data in the image, here are some inferences about Tata Motors financial performance:

\*\*Profitability Ratios\*\*

\* \*\*Return on Networth/Equity:\*\* This ratio has fluctuated significantly over the five years, ranging from 24.86% to 48.73%. A return on equity (ROE) above 15% is generally considered good, so Tata Motors profitability has been strong in most years. The high ROE in 2011, 2012 and 2013 suggests that the company was very effective at generating profits from shareholders' equity in those years.

\* \*\*Net Profit Margin:\*\* The net profit margin has also fluctuated considerably, from 5.35% to 8.19%. This suggests that the company's profitability has varied over the years. Net profit margin has been below 10% for all the years shown, which is on the lower end for the automotive industry.

\*\*Efficiency Ratios\*\*

\* \*\*Asset Turnover Ratio:\*\* This ratio has remained fairly steady around 1.1 over the five years. An asset turnover ratio of 1 indicates that the company is generating one rupee of sales for every rupee of assets. A ratio slightly above 1, like Tata Motors has here, suggests they are using their assets fairly efficiently.

\* \*\*Inventory Turnover Ratio:\*\* Inventory turnover has also remained relatively stable, ranging from 8.54 to 9.09. This suggests that Tata Motors manages its inventory efficiently and avoids holding excessive stock.

\*\*Liquidity Ratios\*\*

\* \*\*Current Ratio:\*\* The current ratio has been below 1.2 for all the years shown, and even dipped below 1 in 2011 and 2013. This indicates that Tata Motors may not have enough current assets to cover its current liabilities in the short term. A current ratio below 1 is a sign of potential liquidity problems.

\* \*\*Quick Ratio:\*\* The quick ratio is even lower than the current ratio, falling below 0.7 for all the years shown, and reaching a low of 0.51 in 2013. This is a cause for concern as it suggests that Tata Motors may struggle to meet its short-term obligations even after selling off its most liquid current assets (inventory).

\*\*Solvency Ratio\*\*

\* \*\*Total Debt/Equity Ratio:\*\* The debt-to-equity ratio has increased significantly over the five years, from 1.16 to 1.6. This indicates that Tata Motors is relying more on debt financing than equity financing, which could increase its financial risk. A ratio above 1 generally suggests a company is more reliant on debt than equity, and Tata Motors debt ratio is approaching a level that could be risky.

\*\*Inferences\*\*

\* Tata Motors profitability has been strong in most years, but net profit margin has been consistently low.

\* The company appears to use its assets and inventory efficiently.

\* However, Tata Motors seems to be struggling with liquidity and solvency. The company may not have enough current assets to cover its short-term obligations, and it is increasingly reliant on debt financing.

\*\*It is important to note that this analysis is based on a limited set of data for five years. A more comprehensive financial analysis would consider trends over a longer period, along with the company's income statement and cash flow statement, to get a better understanding of Tata Motors' financial health and performance.\*\*