

Common Size Financial Statement Analysis: Tata Motors Ltd

Introduction: What is a Common Size Statement?

A **common size financial statement** expresses each line item as a percentage of a base figure, **sales** for the income statement and **total assets** for the balance sheet. This format enables easy comparison across different time periods and with peer companies by removing the effect of absolute size.

For Tata Motors Ltd, the common size income statement reveals how various costs and profits relate to total sales, helping assess operational efficiency. Similarly, the common size balance sheet shows how the company allocates its resources and structures its capital relative to total assets.

This report analyzes Tata Motors' common size income statement and balance sheet over the past ten years (FY2013–FY2022) to evaluate trends in cost structure, profitability, capital deployment, and financial stability.

Common Size Income Statement

Common Size Income Statement - TATA MOTORS LTD										
Particulars	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Raw Material Cost	65.21%	62.89%	62.03%	60.84%	64.26%	64.45%	64.34%	63.16%	61.49%	64.39%
Change in Inventory	1.60%	1.22%	1.27%	1.01%	2.74%	0.70%	-0.68%	-0.85%	-1.88%	-0.57%
Power and Fuel	0.57%	0.48%	0.43%	0.42%	0.43%	0.45%	0.53%	0.48%	0.45%	0.78%
Other Mfr. Exp	2.35%	5.93%	6.15%	4.43%	3.73%	3.76%	3.87%	4.42%	3.31%	3.39%
Employee Cost	8.81%	9.28%	9.74%	10.58%	10.51%	10.39%	11.01%	11.66%	11.07%	11.06%
Selling and admin	8.81%	9.60%	8.97%	8.05%	11.14%	10.63%	10.84%	11.20%	9.21%	10.49%
Other Expenses	2.82%	-1.94%	-0.97%	2.62%	1.71%	0.23%	0.57%	1.32%	-0.33%	0.44%
Other Income	0.11%	-0.07%	0.27%	-0.98%	0.69%	2.03%	-8.84%	0.04%	-4.45%	0.87%
Depreciation	4.03%	4.76%	5.09%	6.12%	6.64%	7.39%	7.81%	8.21%	9.43%	8.92%
Interest	1.89%	2.04%	1.85%	1.79%	1.57%	1.61%	1.91%	2.77%	3.24%	3.34%
Profit before tax	7.23%	8.10%	8.25%	5.17%	3.45%	3.83%	-10.39%	-4.05%	-4.19%	-2.52%
Tax	2.00%	2.05%	2.90%	1.11%	1.21%	1.49%	-0.81%	0.15%	1.02%	1.52%
Net profit	5.24%	6.01%	5.31%	4.24%	2.76%	3.08%	-9.55%	-4.62%	-5.38%	-4.11%
Dividend Amount	0.34%	0.28%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EBITDA	13.15%	14.85%	15.15%	13.26%	12.18%	13.57%	-0.63%	6.51%	8.30%	9.67%

Income Statement Analysis

The income statement, presented as a percentage of sales, helps evaluate Tata Motors' operational efficiency and cost dynamics over time.

1. Raw Material and Manufacturing Costs

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- **Raw material cost**, consistently the largest component of cost of goods sold, ranged between **60.84% and 65.21%** of sales. This reflects the high input cost sensitivity in the automotive sector.
- **Changes in inventory** show fluctuating values. A positive percentage (e.g., **2.74% in FY2017**) indicates inventory accumulation, while a negative percentage (e.g., **-1.88% in FY2021**) reflects stock drawdowns.
- **Other manufacturing expenses**, including power and production costs, remained relatively stable, contributing **~3% to 6%**.

2. Employee and Administrative Expenses

- **Employee costs** rose gradually and stabilized around **11% of sales** in recent years, signaling increasing wage and benefit obligations.
- **Selling and administrative expenses** peaked at **11.20% in FY2020**, possibly due to expanded marketing, customer acquisition, or restructuring costs during periods of slow growth.

3. Profitability Trends

- **EBITDA margin** peaked at **15.15% (FY2015)** and fell to **negative in FY2019**, showing volatility in operating performance.
- **Net profit margin** stayed positive until FY2017, then turned negative from FY2018 onward, hitting **-9.55% in FY2019** and staying in the red thereafter.
- **Other income and interest costs** showed volatility, with interest rising as a proportion of sales, indicating growing debt-related expenses.

Common Size Balance Sheet

Common Size Balance Sheet - TATA MOTORS LTD										
Particulars	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Total Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Equity Share Capital	0.38%	0.29%	0.27%	0.26%	0.25%	0.21%	0.22%	0.22%	0.22%	0.23%
Reserves	21.98%	29.74%	23.44%	29.74%	21.05%	28.96%	19.46%	19.21%	15.95%	13.31%
Borrowings	31.91%	27.76%	31.02%	26.35%	28.84%	27.19%	34.73%	38.97%	41.61%	44.51%
Other Liabilities	45.73%	42.20%	45.27%	43.65%	49.86%	43.65%	45.58%	41.60%	42.21%	41.95%
Total Assests	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Net Block	32.98%	31.63%	37.28%	40.74%	35.20%	37.11%	36.39%	39.70%	40.61%	42.20%
Capital Work in Progress	10.96%	15.23%	12.07%	9.85%	12.36%	12.24%	10.43%	11.13%	6.14%	3.12%
Investments	5.21%	4.89%	6.46%	9.03%	7.46%	6.36%	5.16%	5.09%	7.21%	8.93%
Other Assets	19.30%	17.32%	13.02%	11.24%	13.71%	14.76%	18.37%	18.36%	18.07%	18.91%
Receivables	6.51%	4.84%	5.30%	5.16%	5.16%	6.08%	6.21%	3.49%	3.71%	3.78%
Inventory	12.50%	12.49%	12.33%	12.41%	12.87%	12.88%	12.76%	11.70%	10.57%	10.71%
Cash & Bank	12.54%	13.60%	13.53%	11.57%	13.24%	10.58%	10.68%	10.53%	13.70%	12.36%

Balance Sheet Analysis

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The balance sheet common size view (expressed as a % of total assets) gives insights into Tata Motors' capital structure and resource allocation.

1. Capital Structure Evolution

- **Equity share capital** remained steady around **0.2% to 0.4%**.
- **Reserves**, representing retained earnings and capital surplus, declined significantly from **29.74% (FY2014)** to **13.31% (FY2022)**—signaling persistent losses or dividend outflows.
- **Borrowings** surged from **~27% to 45%** of total assets, suggesting a higher reliance on debt to fund operations and expansion.

2. Asset Composition Trends

- **Net block** (fixed assets) increased over time to **42.20%**, showing capital investment but raising questions on asset utilization amid declining profitability.
- **Capital work in progress (CWIP)** reduced drastically by FY2022, hinting at project completions or cuts in capital expenditure.
- **Cash & bank balances** remained healthy, accounting for **~10–13%** of total assets, possibly indicating prudent liquidity management.
- **Receivables and inventories** stayed proportionate and efficient, with inventory management slightly improving (e.g., **10.71% in FY2022** from **12.88% in FY2018**).

Conclusion

Tata Motors' financial trajectory over the last decade reflects the strain of rising input costs, volatile earnings, and growing leverage. While it continues to invest in fixed assets and maintain adequate liquidity, the erosion in reserves and persistent net losses suggest the need for operational turnaround strategies. Focus on margin recovery, deleveraging, and better asset productivity is essential to restore shareholder value and financial stability.