

**PROJECT ON**

**STUDY OF FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS**

**PROJECT SUBMITTED TO**

**“UNIVERSITY OF MUMBAI”**

**FOR PARTIAL COMPLETION OF THE DEGREE IN BACHELORS OF**

**COMMERCE (FINANCIAL MARKET) UNDER THE FACULTY OF**

**COMMERCE**

**BY**

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**ACADEMIC YEAR 2021-2022**

## **STUDENTS DECLARATION**

**I the undersigned MR. SARANG GAIKWAD hereby declare that the work embodied in this project work titled “A Study of financial statement analysis of Tata motors” forms my own contribution to the research work carried out under the guidance of Prof. Vinaya Marathe.**

**It is a result of my own research work and has not been previously submitted to any other University for any other Degree/ Diploma to this or any other University.**

**Whatever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.**

**I, hereby further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.**

**SARANG S. GAIKWAD**

**Certified by**

**PROF. VINAYA MARATHE**

## **ACKNOWLEDGMENT**

**I take this opportunity with great pleasure to present before you this project on “Study of financial statement analysis of Tata motors” which is a result of cooperation and hard work.**

**I would like to express my deep sense of gratitude toward all those people without whose guidance & inspiration this would never be fulfilled.**

**I take this opportunity to thank the University of Mumbai for giving me chance to do this project.**

**I find great pleasure in expressing my deepest sense of gratitude towards my project guide Prof. Vinaya Marathe whose guidance & inspiration right from the conceptualization to the finishing stages proved to be very essential & valuable in the completion of project.**

**Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my Parents and Peers who supported me throughout my project**

**A STUDY ON FINANCIAL STATEMENT ANALYSIS OF TATA  
MOTORS LTD: -**

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## **CHAPTER 1.**

### **INTRODUCTION**

Finance may be defined, as the provision of money to fulfil the needs. However, as management function it has a special meaning of funds and their effective utilization. Finance is concerned with everything that takes place to conduct the business. Finance is regarded as the life blood of a business enterprise. This is because in the modern money-oriented economy, finance is one of the basis of all kinds of economic activities. It has been rightly said, “Business needs money to make money”. It is also true that money gets more, only when it is properly managed.

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 is prepared mainly for decision-making purposes. The information given in the financial statements is of immense use in making decisions through analysis and interpretation of financial statements. Financial analysis is the process of identifying the financial strengths and weakness of a firm by properly establishing relationship between the items of the balance sheet and profit and loss account. 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.

Basic limitation of the financial statement comprising the balance sheet and the profit and loss account is that they do not give all the information regarding the financial operations of firm. Nevertheless, they provide some useful information to the extent the balance sheet mirrors the financial position on a particular date in terms of the structure of asset, liabilities and owner's equity, and so on. The profit and loss account shows the result of operation during a certain period of time in terms of the revenues obtained, a summarized

view of the financial position and operation of firm. Therefore, much can be learnt about a firm from a careful examination of its financial statement as invaluable document / performance report.

The strong and weak points of firms regarding liquidity, growth, the analysis of financial statements is, thus, an important aid to financial analysis. The focus of financial analysis is on key figures in the financial statements and the significant relationship that exists between them. The analysis of financial statements is a process of evaluation relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance.

The basic accounting information derived from financial reports does not indicate whether gained profit is sufficient or not; or are assets being used proficiently? Is the overall productivity efficient? Do the financial problems exist within the business? To answer such questions, ratio analysis can be performed in which required data are extracted from income statements and balance sheets. For several years, numerous studies in the literatures have revealed the benefits of the financial ratios. Financial ratio analysis responses to the amounts of information held in the set of financial statements and the problem of comparison between firms with different sizes. Using them, both analysts and investors would be able to summarize and analysed related quantitative information to obtain momentous data for appraising the firm's operation, investigating its situation in the sector, and making financial and profitability can be revealed using financial ratios. Therefore, it implies whether the firm is operating properly or corrective action is required. Moreover, ratios make it possible to audit, estimate the bankruptcy, rank the company, approve a loan, determine the company value, issue the stocks, rate the bond, proceed with acquisitions and mergers, and stop firm operations in a territory.

To study the progress is very important. Through this study, organization can recognize its strengths and weaknesses, so that they can be properly analysed. Profitability analysis helps to the organizations to identify whether investment is sufficient or not, management is capable

## **HISTORY OF AUTOMOBILE INDUSTRY**

The Indian auto industry became the 4th largest in the world with sales increasing 9.5 per cent year-on-year to 4.02 million units (excluding two wheelers) in 2017. It was the 7th largest manufacturer of commercial vehicles in 2017. The Two Wheelers segment dominates the market in terms of volume owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector. India is also a prominent auto exporter and has strong export growth expectations for the near future. Automobile exports grew 20.78 per cent during April- November 2018. It is expected to grow at a CAGR of 3.05 per cent during 2016- 2026. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the two-wheeler and four-wheeler market in the world by 2020.

## **MARKET SIZE**

With 29.07 million vehicles manufactured in the country in FY18. During April- November 2018, automobile production increased 12.53 per cent year-on-year to reach 21.95 million vehicle units.

Overall domestic automobiles sales increased at 7.01 per cent CAGR between FY13-18 with 24.97 million vehicles getting sold in FY18. During April- November 2018, highest year-on-year growth in domestic sales among all the categories was recorded in commercial vehicles at 31.49 per cent followed by 25.16 per cent year-on-year growth in the sales of three-wheelers.

Premium motorbike sales in India crossed one million units in FY18. . During January- September 2018, BMW registered a growth of 11 per cent year-on-year in its sales in India at 7,915 units. Mercedes Benz ranked first in sales satisfaction in the luxury vehicles segment according to J D Power 2018 India sales satisfaction index (luxury). Sales of electric two-wheelers are estimated to have crossed 55,000 vehicles in 2017-18.

## **INVESTMENTS**

In order to keep up with the growing demand, several automakers have started investing heavily in various segments of the industry during the last few months. The industry has attracted Foreign Direct Investment (FDI) worth US\$ 19.29 billion during the period April 2000 to June 2018, according to data released by Department of Industrial Policy and Promotion (DIPP). Some of the recent/planned investments and developments in the automobile sector in India are as follows: Ashok Leyland has planned a capital expenditure of Rs 1,000 crore (US\$ 155.20 million) to launch 20-25 new models across various commercial vehicle categories in 2018-19.

Hyundai is planning to invest US\$ 1 billion in India by 2020. SAIC Motor has also announced to invest US\$ 310 million in India.

Mercedes Benz has increased the manufacturing capacity of its Chakan Plant to 20,000 units per year, highest for any luxury car manufacturing in India.

As of October 2018, Honda Motors Company is planning to set up its third factory in India for launching hybrid and electric vehicles with the cost of Rs 9,200 crore (US\$1.31 billion), its largest investment in India so far.

## **GOVERNMENT INITIATIVES**

The Government of India encourages foreign investment in the automobile sector and allows 100 per cent FDI under the automatic route.

Some of the recent initiatives taken by the Government of India are -

The government aims to develop India as a global manufacturing centre and an R&D hub.

Under NATRiP, the Government of India is planning to set up R&D centres at a total cost of US\$ 388.5 million to enable the industry to be on par with global standards. The Ministry of Heavy Industries, Government of India has shortlisted 11 cities in the Country for introduction of electric vehicles (EVs) in their public transport systems under the FAME (Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India) scheme. The government will also set up incubation centre for start-ups working in electric vehicles space.



## **ABOUT TATA MOTORS**

Tata Motors Limited (formerly TELCO, short for Tata Engineering and Locomotive Company) is an Indian multinational automotive manufacturing company headquartered in Mumbai. It is a subsidiary of Tata Group, an Indian conglomerate. Its products include passenger cars, trucks, vans, coaches, buses, sports cars, construction equipment and military 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 1988 with the launch of the Tata Mobile followed by the Tata Sierra in 1991, 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.

Tata launched the Indica in 1998, a fully indigenous Indian passenger car tailor-made to suit Indian consumer needs though styled by I.D.E.A, Italy. Although initially criticised by auto analysts, its excellent fuel economy, powerful engine, and an aggressive marketing strategy made it one of the best-selling cars in the history of the Indian automobile industries. A newer version of the car, named Indica V2, was a major improvement over the previous version and quickly became a mass favourite. Tata Motors also successfully exported large numbers of the car to South Africa. The success of the Indica played a key role in the growth of Tata Motors.

Tata Motors Limited (TML), a \$42 billion organisation, is India's largest automobile company and is a leading global manufacturer of cars, utility vehicles, buses, trucks and defence vehicles. Incorporated in India in the year 1945, Tata Motors is a part of the over \$100 billion Tata Group founded by Jamshedji Tata in 1868. Recognised for its world-

class quality, originality, engineering and design excellence, the Company is on the path of shaping the future of mobility in India. Sustainability and the spirit of 'giving back to society' is our guiding philosophy and good corporate citizenship is strongly embedded in our DNA.

## **MISSION AND VISION**

### **Vendors and service providers: -**

To foster a long-term relationship for mutual growth

### **Employees: -**

To create seamless organization that inculcated and promote innovation, excellence, safe and high-performance work culture adhering to Tata code of conduct

### **Shareholders: -**

To consistently create shareholder value through sustained and profitable growth by continuously seeking new business opportunity and employing best method and practices and employing best in class technologies.

### **INFRASTRUCTURE FACILITIES: -**

#### **Manufacturing**

Our manufacturing amenities have extra than just trendy technology; we have the best and Passionate engineering and first-rate genius working to produce foremost vehicles. Striving for Excellence is a critical part of the tata motors culture. Our plant life is licensed for world Classification manufacturing and best standards. Our focal point on automation and technological Know-how has saved us at the forefront of the vehicle industry. That is why we are the chief in India's industrial automobile market and amongst the pinnacle vehicle makers in the world.

#### **Design**

At tata motors, format is essential definitely because a vehicle's colour, shape and facets are Indispensable to its being bought. Our graph unit in Coventry, up, specialises in clay modelling, Digital modelling and alias modelling, our unit in turin, Italy, specialises in styling, architecture, Packaging and surfacing; and our pune unit takes over plan execution from the technical aspect. Our recent offerings, bolt, zest and ultra, reflect international sketch dimensions. While

Designing business vehicles, our designers centre of attention on safety, renovation and factors

Such as driver fatigue. Our designers undergo in thought that to the man on the street, the vehicle ought to carry a trendy, straightforward message. Tata motors ultra-vans offer global styling, stronger driving alleviation and gasoline efficiency.

## **R&D centres**

Tata motors' mission is to offer the great vehicle journey to its world customers. Consequently,

Its R & D centres focus on a range of issues such as the look and sense of a vehicle, safety and

Effectivity and of course, gas economy. The fruits of its R&D centres can be seen in its quite a

Number product such as the zest and bolt and in its commercial vehicles such as the ultra and

Ace. Among our latest R&D centres is the brand-new centre in Pune, one in the U.K. and another

In south Korea. This worldwide confluence of cultures brings a unique flavour to the end

Product, one that is unmatched somewhere in the world

## **PROMOTERS: -**

## **BOARD OF DIRECTORS: -**

1. Mr Guenter Butschek CEO and Managing Director
2. Mr Ravindra Pisharody Executive DirectOr (Commercial Vehicles}
3. Mr Satish Borwankar Executive Director (Quality)
4. Mr C Ramakrishnan President and Group Chief Financial Officer
5. Dr Timothy Levert0n (President and Head, Advanced and Product Engineering)
6. Mr Mayank Pareek President (Passenger Vehicle Business Unit)
7. Mr Gajendra Chandel (Chief Human Resources Officer)

## **COMPANY PROFILE:**

The TATA Company is an Indian largest vehicle manufacturing employer Founded in 1945. Its Head office is Set in Mumbai Founder of the Tata Company is Jehangir two two Ratanji Dadabhoy" Tata CEO of Tata Firm is Guenter Karl Butschek, Founded by Jamsetji in 1868, the Tata crew is a world enterprise, headquartered in India, comprising ended 100 impartial operating companies. The group works in extra than a hundred countries across six lands, with a task "To recover the first-rate of life of the societies we aid worldwide, done lasting investor value introduction chiefly founded on

Control by Trust'. Tata Sons is the principal investment preserving organisation and promoter of Tata companies. Sixty-six per cent of the fairness share capital of Tata Sons is held by using philanthropic trusts, which assist education, health, livelihood and art and culture. In 2016-17, the income of Tata companies, taken together, was \$103.51 billion. These corporations collectively hire over 660,000 people. Revenue – USD 103.5 billion (2017) Total Assets – USD 200 billion (2017) No of staffs – 660,800 (2017) Tata Motors is India's largest automobile organization. Company bears to the user a demonstrated legacy of thought authority regarding patron centricity and innovation. Company is riding the alternate of the Indian business car scene via means of supplying customers driving part auto innovations, bundled for power exhibitions and most reduced life-cycle costs. Companies' new vacationer cars are intended for everyday solace, availability and execution. What maintains Company at the bleeding facet of the market is their emphasis on future-status and pipeline of tech-empowered items. TATA Motors outline and R&D focuses located in India, the UK, Italy and Korea endeavour to strengthen new gadgets that accomplish exhibitions that will hearth the creative power of GenNext clients.

## **THE CURRENT POSITION OF TATA MOTORS:**

The company started steadily growing year after year, indicating the figures that it achieved in the last financial year by the growth of 23.17% in its commercial vehicle segment, which in real numbers would be that they amounted to 3,76,456 units.

In the car segment, Tata overtook Honda Cars India to become the fourth-largest automaker in India. With the launch of new models of its British subsidiary Jaguar Land Rover also recovered its profitability and increased its market shares.

## **ROAD AHEAD: -**

The automobile industry is supported by various factors such as availability of skilled labour at low cost, robust R&D centres and low-cost steel production. The industry also provides great opportunities for investment and direct and indirect employment to skilled and unskilled labour. India is expected to emerge as the world's third-largest passenger-vehicle market by 2021. It took India around seven years to increase annual production to four million vehicles from three million. However, the next milestone—five million—is expected in less than five years. Hitting that mark will depend on today's rapid economic development continuing, with a projected annual GDP growth rate of 7 percent through 2020, ongoing urbanization, a burgeoning consuming class, and supportive regulations and policies. With this growth in mind, we set out to build a perspective on the trends shaping the Indian market, the value proposition for the automobile industry in India, and imperatives for winning in the market

## **BUSINESS OVERVIEW: -**

We primarily operate in the automotive segment. Our automotive segment includes all activities relating to the development, design, manufacture, assembly and sale of vehicles including financing thereof, as well as sale of related parts and accessories. The acquisition of the Jaguar Land Rover business has enabled us to enter the premium car market in developed markets such as the United Kingdom, the United States and Europe as well as in emerging markets, including China, Russia and Brazil. Going forward, we expect to focus on profitable growth opportunities in our global automotive business, through new products and market expansion. Within our automotive operations we continue to focus on integration and synergy through sharing of resources, platforms, facilities for product development and manufacturing, sourcing strategy and mutual sharing of best practices. Our business segments are

- (i) automotive operations and

- (ii) all other operations. Our automotive operations include all activities relating to development, design, manufacture, assembly and sale of vehicles including financing thereof, as well as sale of related parts and accessories. We provide financing for vehicles sold by dealers in India. The vehicle financing is intended to encourage sales of vehicles by providing financing to the dealers' customers and as such is an integral part of our automotive business. Our automotive operations segment is further divided into Tata and other brand vehicles (including financing thereof) and Jaguar Land Rover

## **BACKGROUND OF TATA MOTORS**

Tata Motors Ltd. is engaged in the business of automobile products consisting of commercial and passenger vehicles, including financing of the vehicles sold by the company. It provides engineering and automotive solutions, construction equipment manufacturing, automotive vehicle components manufacturing and supply chain activities, machine tools and factory automation solutions, high-precision tooling and plastic and electronic components for automotive and computer applications, and automotive retailing and service operations. The company operates its business in two segments: Automotive Operations and Other Operations. The Automotive Operations segment includes all activities relating to development, designing, manufacturing, assembling and sale of vehicles, including financing thereof, as well as sale of related parts and accessories. This segment is further divided into Tata and other brand vehicles, including spares and financing thereof, and Jaguar Land Rover. The Other Operations business segment includes information technology or IT services and machine tools and factory automation solutions. Tata Motors was founded on September 1, 1945 and is headquartered in Mumbai, India.

Jamshedji Nusserwanji Tata starts a private trading firm laying the foundation of the Tata group. The Tata group comprises of 96 operating companies in seven business sectors.

The Tata family of companies shares a set of five core values: Integrity, understanding, excellence, unity and responsibility. These values, which have been part of the group's beliefs and convictions from its earlier days, continue to guide and drive the business decisions of the Tata companies.

## **OPERATIONS**

Tata Motors has vehicle assembly operations in India, Great Britain, South Korea, Thailand, Spain, and South Africa. It plans to establish plants in Turkey, Indonesia, and Eastern Europe.



## **POLICIES OF TATA MOTORS**

### **PRODUCT SAFETY**

Tata Motors has been putting in a lot of effort to improve the safety (active & passive) of its products and to go beyond the safety regulations – example our model, ACE has been designed to meet more stringent crash safety norms that are not applicable to that class of products. ERC (Our Research and Development Centre) is adequately equipped with state-of-the-art facilities to address specifically the issues of customer health and safety. It has facilities like Crash Test facility for safety and the Hemi Anechoic chamber for NVH and engine emission testing. These facilities enable development of products meeting safety and environmental regulation

Examples of special features used in our products for preserving customer health and safety include Anti-skid braking systems; Air Bags; Ergonomically designed seating systems with lumbar support; Euro III complaint engines etc; non-CFC based vehicle air conditioners. Tata Motors was the first Indian manufacturer to develop & introduce airbags on its vehicles

### **ENVIRONMENT PROTECTION**

Tata Motors plans for the environment in its processes, products and services. “Facilities and Environment Management” is identified as a Business Process and is formally documented in our Enterprise Process Manual. Facilities and Environment Management” process is mapped in detail and the measures for “effectiveness and efficiency” of the process are specified. This has helped the Company to evolve a uniform approach across all manufacturing locations in the country.

### **CONTRIBUTION TOWARDS SUSTAINABLE ENVIRONMENT**

Tata Motors has participated in the Sustainable development (S-DEV) exhibition in Geneva through TERI showcasing the company’s contribution for sustainable development. Tata Motors is working with the steering committee of National Hydrogen Energy board to find the ways where India may harness hydrogen potential energy of future The company is represented on several National Committees working for improvement of environment throughout the country.

- 1) Technical committee for “Air quality monitoring, emission inventory and source apportionment studies for Indian cities” constituted by Central pollution control board, Delhi
- 2) Group on “Technical evaluation of ARAI reports on development of emission factors” constituted by Central pollution control board, Delhi
- 3) Technical committee for “Heavy-duty Diesel retrofit demonstration project” constituted by National environmental engineering research institute, Mumbai
- 4) Multi stakeholder committee to “Develop Better environmental sustainability targets for lead battery manufacturers” constituted by development alternatives, Delhi in collaboration occupational knowledge international, UK and national referral centre for lead poisoning, India
- 5) Steering committee for “Mobile Air conditioning Assessment project” constituted by TERI, Delhi.

## **EMPLOYEES PROTECTION**

Tata Motors' employees uphold the Tata Group's legacy and reputation of a "business built on foundations of trust and ethics", by adhering to the Tata Code of Conduct (TCoC). TCoC has been developed to ensure high standard of corporate and personal behaviour on which the Tata Group's reputation and respectability has been built over the past 120 years. The Code is a set of 25 principles, adherence to which ensures ethical conduct both by the employees as well as the Company at large. The chief clauses in the TCoc are as under:

- Competition
- Equal-opportunities employer
- Gifts and donations
- Political non-alignment
- Quality of products and services
- Corporate citizenship
- Ethical conduct
- Securities transactions and confidential information
- Integrity of data furnished

As an employee at Tata Motors, it is obligatory to not only adhere to the code but also to be concerned if there is an actual or possible violation of any clause and to bring it to the attention of the Ethics Counsellor. TCoC is prominently displayed at various locations in the manufacturing plants and offices and is also available in English and two vernacular languages at the company's internal website. Moreover, all current and new employees undergo training on TCoC.

## **PROVIDING EQUAL EMPLOYMENT OPPORTUNITIES**

At Tata Motors, there is a written policy on non-discrimination and equal opportunity for employment, which is the basis for all recruitment. The policy is as under: “As part of its Recruitment Practices, TATA MOTORS is committed to provide Equal Opportunity to all eligible applicants for employment without any discrimination against their gender, race, religion, caste, colour, ancestry, marital status, nationality and disability. Opportunity for employment will be solely based on eligibility and merit of the applicant. Career growth opportunities will be based entirely on individual merit.”

## **OBJECTIVE OF FINANCIAL STATEMENT ANALYSIS**

The term ‘financial analysis’, also known as analysis and interpretation of financial statements’, refers to the process of determining financial strengths and weaknesses of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data.

“Analysing financial statements,” according to Metcalf and Titard, “is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm’s position and performance.”

In the words of Myers, “Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set-of statements and a study of the trend of these factors as shown in a series of statements.”

The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. Just like a doctor examines his patient by recording his body temperature, blood pressure, etc. before making his conclusion regarding the illness and before giving his treatment, a financial analyst analysis the financial statements with various tools of analysis before commenting upon the financial health or weaknesses of an enterprise.

The term ‘financial statement analyses includes both ‘analyses, and ‘interpretation’. A distinction should, therefore, be made between the two terms. While the term ‘analysis’ is used to mean the simplification of financial data by methodical classification of the data given in the financial statements, ‘interpretation’ means, ‘explaining the meaning and significance of the data so simplified.’ Most of the authors have used the term ‘analysis’ only to cover the meanings of both analysis and interpretation as the objective of analysis is to study the relationship between various items of financial statements by interpretation. We have also used the term ‘Financial statement Analysis or simply ‘Financial Analysis’ to cover the meaning of both analysis and interpretation.

## **Importance of Financial Statement Analysis**

primary objective of financial statement analysis is to understand and diagnose the information contained in financial the statement with a view to judge the profitability and financial soundness of the firm, and to make forecast about future prospects of the firm. The purpose of analysis depends upon the person interested in such analysis and his object.

- (i) To assess the earning capacity or profitability of the firm.
- (ii) To assess the operational efficiency and managerial effectiveness.
- (iii) To assess the short term as well as long term solvency position of the firm.
- (iv) To identify the reasons for change in profitability and financial position of the firm.
- (v) To make inter-firm comparison.
- (vi) To make forecasts about future prospects of the firm.
- (vii) To assess the progress of the firm over a period of time.
- (viii) To help in decision making and control.
- (ix) To guide or determine the dividend action.
- (x) To provide important information for granting credit.

## **Limitations of Financial Statement Analysis:**

Financial analysis is a powerful mechanism of determining financial strengths and weaknesses of a firm. But the analysis is based on the information available in the financial statements. Thus, the financial analysis suffers from serious inherent limitations of financial statements.

The financial analyst has also to be careful about the impact of price level changes, window-dressing of financial statements, changes in accounting policies of a firm, accounting concepts and conventions, and personal judgment, etc.

### **Some of the important limitations of financial analysis are:**

- (i) It is only a study of interim reports
- (ii) Financial analysis is based upon only monetary information and non-monetary factors are ignored. It does not consider changes in price levels.
- (iii) As the financial statements are prepared on the basis of a going concern, it does not give exact position. Thus, accounting concepts and conventions cause a serious limitation to financial analysis.
- (iv) Changes in accounting procedure by a firm may often make financial analysis misleading.

### **Parties Interested in Financial Analysis:**

The following parties are interested in the analysis of financial statements:

- Investors or potential investor
- Creditors or suppliers.
- Bankers and financial institutions.
- Employees.
- Management
- Government
- Stock exchanges

## **SIGNIFICANT RECENT EVENTS OF TATA MOTORS**

Tata entered the commercial vehicle sector in 1945 after forming a joint venture with Daimler-Benz of Germany. 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 multi utility vehicle. Tata subsequently launched the Tata Estate (1992; a station wagon design based on the earlier 'TataMobile' (1989), a light commercial vehicle), the Tata Sumo (1994; LCV) and the Tata Safari (1998; India's first sports utility vehicle).

Tata launched the Indica in 1998, the first fully indigenous Indian passenger car. Although initially criticized by auto-analysts, its excellent fuel economy, powerful engine and an aggressive marketing strategy made it one of the best-selling cars in the history of the Indian automobile industry. A newer version of the car, named Indica V2, was a major improvement over the previous version and quickly became a mass-favourite. Tata Motors also successfully exported large quantities of the car to South Africa. The success of Indica played a key role in the growth of Tata Motors.

Certain recent significant events that took place in Tata motors are as follows:

1. In 2004 Tata Motors acquired Daewoo's South Korea-based truck manufacturing unit, Daewoo Commercial Vehicles Company, later renamed Tata Daewoo.
2. On 27 September 2004, Tata Motors rang the opening bell at the New York Stock Exchange (NYSE) to mark the listing of Tata Motors.
3. In 2005, Tata Motors acquired a 21% controlling stake in the Spanish bus and coach manufacturer Hispano Carrocera. Tata Motors continued its market area expansion through the introduction of new products such as buses (Star bus & Globus jointly developed with subsidiary Hispano Carrocera) and trucks (Novus, jointly developed with subsidiary Tata Daewoo).
4. In 2006, Tata formed a joint venture with the Brazil-based Marcopolo, Tata Marcopolo Bus, to manufacture fully built buses and coaches
5. In 2008, Tata Motors acquired the British car maker Jaguar Land Rover, manufacturer of the Jaguar, Land Rover and Daimler luxury car brands, from Ford Motor Company.
6. In May 2009 Tata unveiled the Tata World Truck range jointly developed with Tata Daewoo; the range went in sale in South Korea, South Africa, the SAARC countries and the Middle-East at the end of 2009.
7. 2009 Tata Marcopolo Motors' Dharwad plant begins production. Tata Motors launches Nano – The People's Car Introduction of new world standard truck range. Launch of premium luxury vehicles –

Jaguar XF, XFR and XKR and Land Rover Discovery 3, Range Rover Sport and Range Rover from Jaguar and Land Rover in India

8. In 2009, its Lucknow plant was awarded the “Best of all” Rajiv Gandhi National Quality Award
9. In 2010, Tata Motors acquired an 80% stake in the Italian design and engineering company Trilix for €1.85 million. The acquisition formed part of the company’s plan to enhance its styling and design capabilities.
10. 2011: Tata Motors unveils Assembly Plant in South Africa. Jaguar Land Rover inaugurates new vehicle assembly plant in Pune India. Jaguar celebrates 50 years of iconic E-Type. Jaguar c-x75 scoops Louis Vuitton award in Paris. Tata Pixel, new city car concept for Europe, displayed at the 81st Geneva Motor Show. Tata Motors displays Tata Nano EV at the 80th Geneva Motor Show.
11. In 2008, Tata Motors acquired the British car maker Jaguar Land Rover, manufacturer of the Jaguar, Land Rover and Daimler luxury car brands, from Ford Motor Company.
12. In May 2009 Tata unveiled the Tata World Truck range jointly developed with Tata Daewoo; the range went in sale in South Korea, South Africa, the SAARC countries and the Middle-East at the end of 2009.
13. 2009 Tata Marcopolo Motors' Dharwad plant begins production. Tata Motors launches Nano – The People's Car Introduction of new world standard truck range. Launch of premium luxury vehicles – Jaguar XF, XFR and XKR and Land Rover Discovery 3, Range Rover Sport and Range Rover from Jaguar and Land Rover in India.
14. Tata acquired full ownership of Hispano Carrocera in 2009.
15. In 2009, its Lucknow plant was awarded the “Best of all” Rajiv Gandhi National Quality Award
16. In 2010, Tata Motors acquired an 80% stake in the Italian design and engineering company Trilix for €1.85 million. The acquisition formed part of the company’s plan to enhance its styling and design capabilities.
17. 2011: Tata Motors unveils Assembly Plant in South Africa. Jaguar Land Rover inaugurates new vehicle assembly plant in Pune India. Jaguar celebrates 50 years of iconic E-Type. Jaguar c-x75 scoops Louis Vuitton award in Paris. Tata Pixel, new city car concept for Europe, displayed at the 81st Geneva Motor Show. Tata Motors displays Tata Nano EV at the 80th Geneva Motor Show.
18. In 2008, Tata Motors acquired the British car maker Jaguar Land Rover, manufacturer of the Jaguar, Land Rover and Daimler luxury car brands, from Ford Motor Company.



19. In May 2009 Tata unveiled the Tata World Truck range jointly developed with Tata Daewoo; the range went in sale in South Korea, South Africa, the SAARC countries and the Middle-East at the end of 2009.
20. 2009 Tata Marcopolo Motors' Dharwad plant begins production. Tata Motors launches Nano – The People's Car Introduction of new world standard truck range. Launch of premium luxury vehicles – Jaguar XF, XFR and XKR and Land Rover Discovery 3, Range Rover Sport and Range Rover from Jaguar and Land Rover in India.
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displayed at the 81st Geneva Motor Show. Tata Motors displays Tata Nano EV at the 80th Geneva Motor Show.

32. In 2012, Tata Motors announced it would invest around 6 billion in the development of Futuristic Infantry Combat Vehicles in collaboration with DRDO
33. In 2013, Tata Motors announced it will sell in India, the first vehicle in the world to run on compressed air (engines designed by the French company MDI) and dubbed "Mini CAT".
34. In 2014, Tata Motors introduced first Truck Racing championship in India "T1 Prima Truck Racing Championship".

## **TATA MOTORS CARS**

Tata Motors Cars is a division of Tata Motors which produces passenger cars under the Tata Motors marquee. Tata Motors is among the top four passenger vehicle brands in India with products in the compact, midsize car, and utility vehicle segments. The company's manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), Dharwad (Karnataka) and Sanand (Gujarat). Tata's dealership, sales, service, and spare parts network comprises over 3,500 touch points. Tata Motors has more than 250 dealerships in more than 195 cities across 27 states and four Union Territories of India. It has the third-largest sales and service network after Maruti Suzuki and Hyundai

Tata also has franchisee/joint venture assembly operations in Kenya, Bangladesh, Ukraine, Russia, and Senegal. Tata has dealerships in 26 countries across 4 continents. Tata is present in many countries, it has managed to create a large consumer base in the Indian Subcontinent, namely India, Bangladesh, Bhutan, Sri Lanka and Nepal. Tata is also present in Italy, Spain, Poland,

Romania, Turkey, Chile, South Africa, Oman, Kuwait, Qatar, Saudi Arabia, United Arab Emirates, Bahrain, Iraq, Syria and Australia.

## **TATA DAEWOO**

Tata Daewoo (officially Tata Daewoo Commercial Vehicle Company and formerly Daewoo Commercial Vehicle Company) is a commercial vehicle manufacturer headquartered in Gunman, Jeollabuk-do South Korea, and a wholly owned subsidiary of Tata Motors. It is the second-largest heavy commercial vehicle manufacturer in South Korea and was acquired by Tata Motors in 2004. The principal reasons behind the acquisition were to reduce Tata's dependence on the Indian commercial vehicle market (which was responsible for around 94% of its sales in the MHCV segment and around 84% in the light commercial vehicle segment) and expand its product portfolio by leveraging on Daewoo's strengths in the heavy-tonnage sector.

Tata Motors has jointly worked with Tata Daewoo to develop trucks such as Novus and World Truck and buses including Globus and Star Bus. In 2012, Tata began developing a new line to

manufacture competitive and fuel-efficient commercial vehicles to face the competition posed by the entry of international brands such as Mercedes-Benz, Volvo, and Navistar into the Indian market.

## **TATA HISPANO**

Tata Hispano Motors Carrocera, S.A. was a bus and coach manufacturer based in Zaragoza, Aragon, Spain, and a wholly owned subsidiary of Tata Motors. Tata Hispano has plants in Zaragoza, Spain, and Casablanca, Morocco. Tata Motors first acquired a 21% stake in Hispano Caracara SA in 2005, and purchased the remaining 79% for an undisclosed sum in 2009, making it a fully owned subsidiary, subsequently renamed Tata Hispano. In 2013, Tata Hispano ceased production at its Zaragoza plant.

## **JAGUAR LAND ROVER**

Jaguar Land Rover PLC is a British premium automaker headquartered in Whitley, Coventry, United Kingdom, and has been a wholly owned subsidiary of Tata Motors since June 2008, when it was acquired from Ford Motor Company of USA. Its principal activity is the development, manufacture and sale of Jaguar luxury and sports cars and Land Rover premium four-wheel-drive vehicles.

Jaguar Land Rover has two design centres and three assembly plants in the United Kingdom. Under Tata ownership, Jaguar Land Rover has launched new vehicles including the Range Rover Evoque, Jaguar F-Type, the Jaguar XE, the Jaguar XJ (X351), the second-generation Range Rover Sport, and Jaguar XF, the fourth-generation Land Rover Discovery, Range Rover Velar and the Range Rover (L405). The Jaguar Land Rover subsidiary was struggling by 2019 and Tata Motors wrote down its investment in JLR by \$3.9 billion. Much of the financial problem was due to a 50% drop in sales in China during 2019, although the situation was improving. Still, Tata was open to considering a partnership with another company according to a statement in mid-October, as long as the partnership agreement would allow Tata to maintain control of the business. The company ruled out the possibility of a sale of JLR to another entity.

## **TATA TECHNOLOGIES**

Tata Technologies Limited (TTL) is a 43%-owned subsidiary of Tata Motors which provides design, engineering, and business process outsourcing services to the automotive industry. It is headquartered in Pune's Hinjewadi business district and also has operations in London, Detroit and Thailand. Its clients include Ford, General Motors, Honda, and Toyota.

## **JOINT VENTURES**

### **TATA MARCOPOLO**

Tata Marcopolo is a bus-manufacturing joint venture between Tata Motors (51%) and the Brazil-based Marco polo S.A. (49%). The joint venture manufactures and assembles fully built buses and coaches targeted at developing mass rapid transportation systems. It uses technology and expertise in chassis and aggregates from Tata Motors, and know-how in processes and systems for bodybuilding and bus body design from Marcopolo. Tata Marcopolo has launched a low-floor city bus which is widely used by transport corporations in many Indian cities. Its manufacturing facility is based in Dharwad, Karnataka State, India.

Tata Motors is expected to buy the 49% stake held by its partner Marcopolo in the bus-making joint venture for 100 crores by February 2021. The subsidiary will continue with the 'Marcopolo' trademark for a minimum of three years with a non-compete provision in India for a corresponding period.

### **FIAT-TIAT**

Fiat-Tata is an India-based joint venture between Tata and Fiat Automobiles which produces Fiat and Tata branded passenger cars, as well as engines and transmissions. Tata Motors has gained access to Fiat's diesel engine and transmission technology through the joint venture

The two companies formerly also had a distribution joint venture through which Fiat products were sold in India through joint Tata-Fiat dealerships. This distribution arrangement was ended in March 2013; Fiats have since been distributed in India by Fiat Automobiles India Limited, a wholly owned subsidiary of Fiat.

### **TATA HITACHI CONSTRUCTION MACHINERY**

Tata Hitachi Construction Machinery is a joint venture between Tata Motors and Hitachi which manufactures excavators and other construction equipment. It was previously known as Telecom Construction Solution

## **TATA MOTORS EUROPEAN TECHNICAL CENTER**

The TATA Motors European Technical Centre is an automotive design, engineering, and research company. Company based at Warwick Manufacturing Group (WMG) on the campus of the University of Warwick in Great Britain. It was established in 2005 and is wholly owned subsidiary of Tata Motors. It was the joint developer of the World Truck. In September 2013 it was announced that a new National Automotive Innovative Campus would be built at WMG at Warwick's main campus at a cost of 92 million pounds. The initiative will be a partnership between Tata Motors, the University, and Jaguar Land Rover, with the 30 million pounds in funding coming from Tata Motors.

## **HYUNDAI TATA**

Tata Motors and Hyundai are in a joint venture to provide the transmission for Tata Harrier model

## **TATA VEHICLES**

### **TATA NANO**

The Nano was launched in 2009 as a city car intended to appeal as an affordable alternative to the section of the Indian populace that is primarily the owner of motorcycles and has not bought their first car. Initially priced at 100,000 (US\$1,500), the vehicle attracted a lot of attention for its relatively low price. However, the Nano was very poorly rated for safety and in 2018, Cyrus Mistry, chairman of the Tata Group, called the Tata Nano a failed project, with production ending in May 2018

## **TATA ACE**

Tata Ace, India's first indigenously developed sub-one-ton minitruck, was launched in May 2005. The minitruck was a huge success in India with auto analysts claiming that Ace had changed the dynamics of the light commercial vehicle (LCV) market in the country by creating a new market segment termed the small commercial vehicle segment. Ace rapidly emerged as the first choice for transporters and single truck owners for city and rural transport. By 2005, Autoline was producing 300 load bodies per day for Tata Motors. Ace is still a top seller for TML with 500,000 units sold by June 2010. In 2011, Tata Motors invested Rs 1000 crore in Dharwad Plant, Karnataka, with the capacity of 90,000 units annually and launched two models of 0.5-T capacity as Tata Ace Zip, Magic Iris. Ace has also been exported to several Asian, European, South American, and African countries and all-electric models are sold through Polaris Industries' Global Electric Motorcars division. In Sri Lanka, it is sold through Diesel and Motor Engineering (DIMO) PLC under the name of DIMO Batta

## **TATA PRIMA**

Tata Prima is a range of heavy trucks first introduced in 2008 as the company's 'global' truck. Tata Prima was the winner of the 'Commercial Vehicle of the Year' at the Apollo Commercial Vehicles Awards, 2010 and 2012.

## **TATA 407**

The Tata 407 is a light commercial vehicle (LCV) that has sold over 500,000 units since its launch in 1986.<sup>1</sup> In India, this vehicle dominates market share of the LCV category, accounting for close to 75% of LCV sales.



## **TATA HARRIER**

Tata Harrier is a 5-seater SUV set to rival the Hyundai Creta and Jeep Compass. This car uses the engine from Fiat and transmission from Hyundai. It is derived from the H5X Concept displayed at the 2018 Auto Expo. It was launched on 23 January 2019.

The car is a C-segment crossover SUV based on the Omega Arc platform, an essentially re-engineered version of the Jaguar Land Rover D8 platform. A petrol variant of the Harrier is confirmed to launch in 2021.

## **CHAPTER 2 - RESEARCH METHODOLOGY**

### **OBJECTIVES**

- To study and analysis financial performance of Tata Motors limited.
- To compare the financial performance and to analysis the financial changes over a period of three years
- To suggest the appropriate measures to improve the efficiency and financial health of Tata Motors.
- To prepare SWOT analysis
- To prepare PESTILE analysis.
- To know the earning capacity or profitability, solvency and the financial strength by evaluating financial statement.

### **SCOPE OF THE STUDY**

- The study is basically confined to study the operating efficiency of Tata Motors Limited.
- The study helps to evaluate the decision making with regard to the financial performance.
- The study is carried out with the help of three years financial statement of the company.

### **LIMITATION OF THE STUDY**

- Performance analysis of company is done only for past three years
- The study is done with help of secondary data obtained from the annual reports of the organization.

### **SIGNIFICANCE OF THE STUDY**

- Financial analysis is a powerful mechanism which helps in ascertaining the strengths and weaknesses in the operation and financial position of an enterprise.
- Financial analysis is the starting point for making plans, before using any sophisticatedly forecasting and planning procedures.

### **CHAPTER 3 – LTERATURE REVIEW**

The literature review is crucial because it combines research workers with the ideas and the conclusion that early analysts have put forward. It also allows current researchers to study the scope of the life for the future and define applicable goals for the analysis of the plans. Since the purpose of the plan study was to analyze the gap between expectation and quality concept of the committee. It also includes opinions expressed by many authors in major articles, journals and books.

Some important research works undertaken in recent years which are very closely connected with the present study are reviewed: -

1. Sharma Nishi (2011) studied the financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicle is much better than passenger vehicle segment.
2. Singh Amarjit & Gupta Vinod (2012) explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration. SWOT analysis done there are some challenges by the virtue of which automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability
3. Zafar S.M. Tariq & Khalid S.M (2012) the study explored that ratio are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is simple comparison of numerator and a denominator that cannot produce complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoters.
4. Ray Sabapriya (2012) studied the sample of automobile companies to evaluate the performance of industry through indicators namely sales, production and export trend etc for period of 2003-04 to 2009-10. The study finds that automobile

industry has been passing through disruptive phases by over debt burden, underutilization of assets and liquidity instability. The researcher suggested to improving the labour productivity, labour flexibility and capital efficiency for success of industry in future

5. Hotwani Rakhi (2013) the author examines the profitability position and growth of company in light of sales and profitability of Tata Motors for past ten years. Data is analyzed through ratios, standard deviations and coefficient of variance. The study reveals that there not exists a strong relationship between sales & profitability of company.
6. Daniel A. Moses Joshunar (2013) the study has been conducted to identify the financial strength and weakness of the Tata motors Ltd. using past 5-year financial statements. Trend analysis & ratio analysis used to comment of financial status of company. Financial performance of company is satisfactory and also suggested to increase the loan levels of company for the better performance
7. Sarangi Pradeepta K et al (2014) undertook a study to forecast the future trend of automobile industry. The study highlighted the six different experiments have been carried out for period of 12 years data to estimate values for next 3 years. In each experiment graph has been plotted using spreadsheet and then linear trend has been drawn and expanded to calculate future values.
8. Kumar Sumesh & Kaur Gurbachan (2014) Automobile sector is the dominant player in economy of world. After liberalization Indian automobile industry has emerged as a major contributor to India's GDP. The study identified that there is no significant in the means score of various financial ratios of Maruti Suzuki and Tata motors but in meeting their long-term obligations and efficacy of utilizing the assets show the significant difference in the efficiency of both the firms.
9. Krishnaveni, M. & Vidya, R. (2015) find that Indian automobile industry is a high-flying sector these days and emerging as an export hub in wake of liberalisation and globalization. This paper revises the category wise production, sales and exports of automobile industry in India. Industry growth can be viewed in term of pre and post liberalization. As government allows 100 percent FDI, increase 15% in customs duty on cars and MUVs to encourage local manufacturer and concessional import duty on specified parts of hybrid vehicles.
10. Sarwade Walmik Kachru (2015) analyzed the effects of liberalization, government delicensing and liberal trade policies on the growth of Indian auto mobile industry.

The study recommends that investing four- wheeler is going to be smart option not only in India but all around the world.

11. Becker Dieter (2015) the report shows about the current state and future prospects of the worldwide automobile industry. This survey reports the manufacturer, executive and consumer views about four aspects, mobility culture, technological fit, business model readiness and market share.
12. Surekha B. & Krishnalah K. Rama (2015) this study reveals the prosperity of Tata motors company. It can be concluded that inner strength of company is remarkable. Company can further improve its profitability by optimum capital gearing, reduction in administration and financial expenses for the growth of company solvency position and profitability position based on the study of period 2002 to 2010 using ratio analysis.
13. Agarwal, Nidhi (2015) the study focusses on the comparative financial performance of Maruti Suzuki and Tata motors ltd. The financial data and information required for the study are drawn from the various annual reports of companies. The liquidity and leverage analysis of both the firms are done. To analyze the leverage position four ratios are considered namely, capital gearing, debt-equity, total debt and proprietary ratio. The result shows that Tata motors ltd has to increase the portion of proprietor's fund in business to improve long term solvency position.
14. Nandhini, M. & Sivasalthi, V. (2015) have studied the impact of both financial leverage as well as operating language on the profitability of TVS motor company. The result shows that company suffers from certain weakness & suggested to control fixed cost as well as variable cost to gain adequate profit
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16. Mathur Shivam & Agarwal Krati (2016) Ratios are an excellent and scientific way to analyze the financial performance of any firm. The company has received many awards and achievements due to its new innovations and technological

advancement. These indicators help the investors to invest the right company for expected profits. The study shows that Maruti Suzuki limited is better than Tata motors limited.

17. Srivastava Anubha (2014) Data analysis has been done using the top-down approach, i.e., Economic analysis, industry analysis, company and technical analysis to find relationship between automobile sector index with market index. Mahindra and Mahindra have a great position on the stock market and will attract investor and this could lead to expansion and growth. Thus, Tata motors and Maruti Suzuki need to take care of their stock and expansion.
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30. Sarwade Walmik Kachru (2015) analyzed the effects of liberalization, government delicensing and liberal trade policies on the growth of Indian auto mobile industry. The study recommends that investing four- wheeler is going to be smart potion not only in India but all around the world.
31. Sneh Lata, & Dr. Robin Anand, (2017), The Indian automobile industry is one of the largest in the world with an annual production of 25.3 million vehicles in FY 2016- 17. The automobile industry accounts for 7.1 per cent of the country's gross domestic product (GDP) [1]. The study examines the liquidity and profitability position of selected companies of automobile industry for the past five years. It involves in-depth analysis of performance of the selected companies with the help of key ratios, statistical analysis and Anova. The results show that there is significant difference in liquidity and profitability position of selected companies. Dr. S. Jyothirmaye Reddy, Dr. B. Venkateswara Reddy & S. Durga Rao (2017): The automobile sector plays a vital role in the development of a nation. India is one of the largest and fastest growing countries in automobile sector. The research covered customer satisfaction towards Maruti and Tata Motors. The present study was carried to identify the relationship between demographic factors and customer satisfaction. The positive influence of customer satisfaction made the customers to be loyal to the company. The population of the study comprised the total population of five cities in Andhra Pradesh. Random sample was carried on 1000 customers out of which 500 were Maruti users and 500 were Tata Motor car users. A well-designed questionnaire was administered for the study. Chi-square, ANOVA, Regression, F-test & Z-test were used to analyze the data. The analysis helped in providing improvements in the pertinent areas of Maruti and Tata Motor cars
32. Dr. K. Jothi & A. Geethalakshmi (2016), The Indian auto industry is one of the largest in the world with an annual production of 23.37 million vehicles in FY 2014-15. The automobile industry accounts for 7.1 per cent of the country's gross domestic product (GDP). The study



was based on development of industries depends on several factors such of financial personal, technology, quality of the product and marketing. Statistical tools were used, Ratio analysis, summary of statistics, correlation. It was found that their higher level of consistency (Liquidity position) is noticed in TVS motors. It was suggested that Tata motors and TVS motors should maintain ideal current ratio & quick ratio. It was found that their higher level of consistency (profitability position) was noticed in TVS motors & Tata motors. There was a positive relationship between the profitability, short term and long-term capital. It revealed that capital impact on profitability.

33. P. Kalaivani, C.V. Umamaheswari, Dr.K. Joth (2016). The performance of the firm can be measured by its financial results. Financial decisions which increase risks will decrease the value of the firm. On the other hand, financial decisions which increase the profitability will increase value of the firm. Risk and profitability were two essential ingredients of a business concern. The objectives of the study were to analyze the short-term and long-term solvency position of the companies. To analyze the profitability position of the companies. To compare the profitability and liquidity position of the two companies (tata motors, mahindra and mahindra motors).
34. Vineet Singh (2015), This study aims to highlight the debt and equity position of two major car manufacturing companies in India i.e., Tata Motors and Maruti Suzuki. In order to enhance the quality of study, a comparison was made between debt equity ratios of both the companies and further t- test was applied to find out that whether there was a significant difference between debt equity ratio of Maruti Suzuki and Tata Motors or not. III. OBJECTIVES OF THE STUDY 1. To ascertain financial position of Maruti and Tata Motors on the basis key ratios / parameters. 2. To compare the financial performance of both the companies through inter firm and intra firm analysis.
35. Githire and Muturi (2015) stated that there was a positive influence of equity financing, long-term debt financing and competitive advantages on the financial performance of companies under study.
36. Vatavu (2015) concluded that companies which maintain a high proportion of equity avoiding borrowed funds are more profitable ones. The author asserted that shareholders' equity has a positive impact on firm's performance. Mwangi and
37. Birundu (2015) described that capital structure, assets turnover and asset tangibility does not have significant effects on financial performance of SMEs. Rouf (2015) found that debt ratio, debt equity ratio and proprietary ratio have negative relationship with ROA and return of sales. Further, the total assets are positively related with firm's performance.

## **CHAPTER 4. DATA INTERPRETATION: -**

### **SWOT ANALYSIS: -**

#### **STRENGTHS: -**

Strengths are things that your organization does particularly well, or in a way that distinguishes you from your competitors. Think about the advantages your organization has over other organizations. These might be the motivation of your staff, access to certain materials, or a strong set of manufacturing processes.

Your strengths are an integral part of your organization, so think about what makes it "tick." What do you do better than anyone else? What values drive your business? What unique or lowest-cost resources can you draw upon that other can't? Identify and analyze your organization's Unique Selling Proposition (USP), and add this to the Strengths section.

Then turn your perspective around and ask yourself what your competitors might see as your strengths. What factors mean that you get the sale ahead of them?

Remember, any aspect of your organization is only a strength if it brings you a clear advantage. For example, if all of your competitors provide high-quality products, then a high-quality production process is not a strength in your market: it's a necessity.

## **WEAKNESSES: -**

Now it's time to consider your organization's weaknesses. Be honest! A SWOT Analysis will only be valuable if you gather all the information you need. So, it's best to be realistic now, and face any unpleasant truths as soon as possible.

Weaknesses, like strengths, are inherent features of your organization, so focus on your people, resources, systems, and procedures. Think about what you could improve, and the sorts of practices you should avoid.

Once again, imagine (or find out) how other people in your market see you. Do they notice weaknesses that you tend to be blind to? Take time to examine how and why your competitors are doing better than you. What are you lacking?

## **OPPORTUNITIES: -**

Opportunities are openings or chances for something positive to happen, but you'll need to claim them for yourself!

They usually arise from situations outside your organization, and require an eye to what might happen in the future. They might arise as developments in the market you serve, or in the technology you use. Being able to spot and exploit opportunities can make a huge difference to your organization's ability to compete and take the lead in your market.

Think about good opportunities you can spot immediately. These don't need to be game-changers: even small advantages can increase your organization's competitiveness. What interesting market trends are you aware of, large or small, which could have an impact?

You should also watch out for changes in government policy related to your field. And changes in social patterns, population profiles, and lifestyles can all throw up interesting opportunities.

## **THREATS: -**

Threats include anything that can negatively affect your business from the outside, such as supply chain problems, shifts in market requirements, or a shortage of recruits. It's vital to anticipate threats and to take action against them before you become a victim of them and your growth stalls.

Think about the obstacles you face in getting your product to market and selling. You may notice that quality standards or specifications for your products are changing, and that you'll need to change those products if you're to stay in the lead. Evolving technology is an ever-present threat, as well as an opportunity!

Be sure to explore whether your organization is especially exposed to external challenges. Do you have bad debt or cash-flow problems, for example, that could make you vulnerable to even small changes in your market? This is the kind of threat that can seriously damage your business, so be alert.

Once you've examined all four aspects of SWOT, you'll likely be faced with a long list of potential actions to take. You'll want to build on your strengths, boost your weaker areas, head off any threats, and exploit every opportunity.

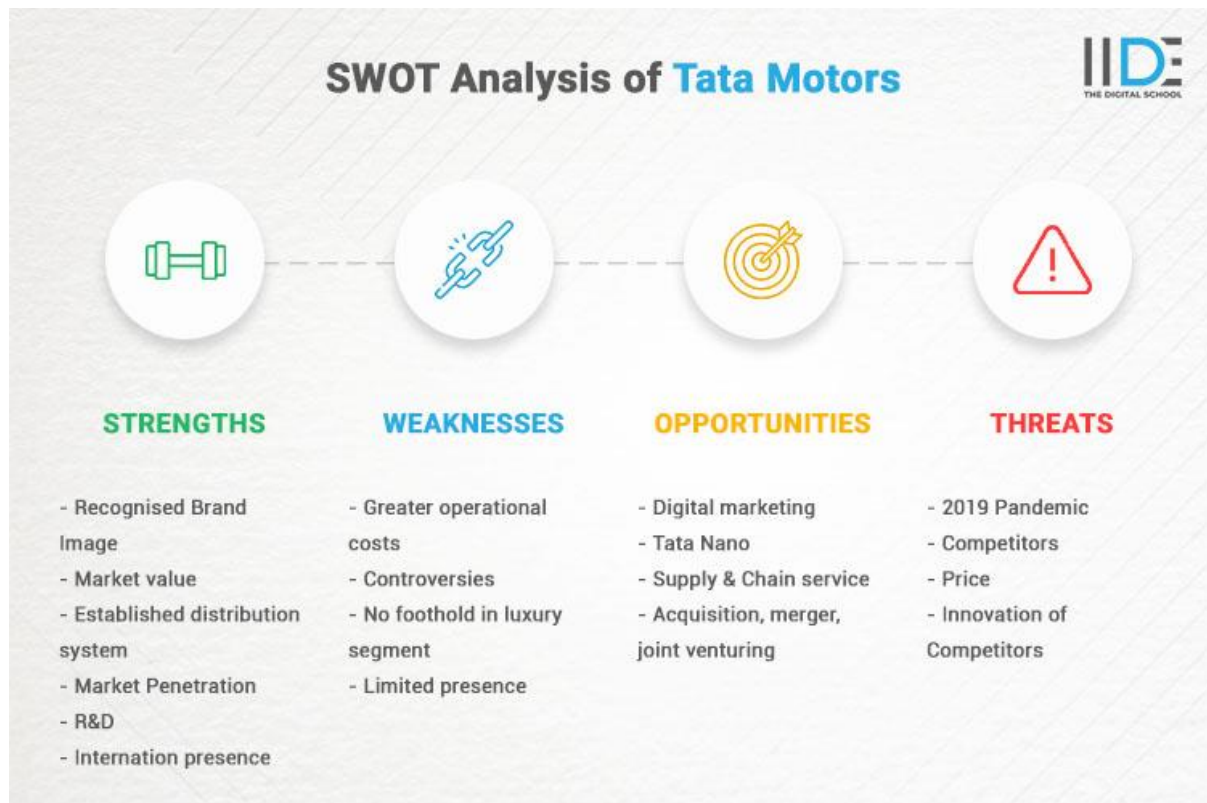
But, before you leap into action, look for potential connections between the quadrants of your matrix. For example, could you use some of your strengths to open up further opportunities? And, would even more opportunities become available by eliminating some of your weaknesses?

Now it's time to ruthlessly prune and prioritize your ideas, so that you can focus time and money on the most significant ones. Refine each point to make your comparisons clearer.

For example, only accept precise, verifiable statements such as, "Cost advantage of \$10/ton in sourcing raw material x," rather than, "Better value for money."

Carry through the options you generate to later stages in your strategy formation process and apply them at the right level – for example, at a product or product-line level, rather than at the much vaguer whole-company level.

## SWOT ANALYSIS OF TATA MOTORS



Like rental cars, taxi cabs have allowed the company to diversify and to reach a greater customer level. SWOT analysis comprises strengths, weaknesses, opportunities and threats of a brand. Now we'll discuss the detailed swot analysis of the world's leading automobile company and also analyze the internal and external factors impacting the company.

### 1. STRENGTHS OF TATA MOTORS

- **Recognized Brand Image:** - Tata Motors is a well-recognized global automotive brand. The company itself sells its vehicles under various brand names like Jaguar Land Rover, Tata Hitachi, Tata Daewoo, Tata Marcopolo etc. This has not only expanded the company's market but has also increased the brand value and the brand image of the company
- **Market value:** - The estimated market capitalization of Tata Motors by Forbes is 4.5 billion dollars in 2021. They ranked as the 1037th position in the Global 2000 top companies in 2020.
- **Established Distribution System:** - Tata Motors has a global distribution network of over 1600 workshops that cover 90% of the country's district. Manufacturing units in different countries prove that the company has an active supply chain system.
- **Market Penetration:** - Established distribution system gives a competitive advantage which helps in market penetration. Also providing basic services

- **Research and Development:** - The company spends more than 23% of its complete budget on research and development. It shows the company's dedication to its productivity and growth. Tata Motors has also established its research centres in countries like the UK, India, Spain, South Korea.
- **International Presence:** - Tata Motors is running its business in more than 125 countries globally

## 2. WEAKNESSES OF TATA MOTORS

- **Greater operational costs and a lower rate of profits:** - Though the company has the acquisition of brands like Jaguar and Landrover which were successful in the initial years it made the company more dependent on its subsidiaries. This resulted in a decrease in the overall sales and profits of the company from the last five years.
- **Controversies:** - Back in 2008 the company had launched the construction work of Tata Nano in India, Singur and West Bengal. During that time the West Bengal government interfered and controlled the land under the Land Acquisition Act 1894, where a factory was going to be built by the company. This happened because West Bengal wanted Tata Motors to establish a company within the state.
- **No Foothold in Luxury Segment:** - Tata Motors is still struggling to find a strong foothold in the luxury market, where profit rates are more.
- **Limited Presence:** - As we saw that Tata Motors is operating the business in over 125 countries globally. But unfortunately, the company failed to make a strong impact like its competitive brands like Ford, Toyota, Honda and Volkswagen.

## 3. OPPORTUNITIES OF TATA MOTORS

- **Digital Marketing:** - We are all familiar with the terms of digital marketing and the benefits of marketing a product digitally. Almost every top brand and company is using social media to connect with their target audience. Tata Motors should also take full advantage of all the platforms of social media and increase their engagement with their target audience. Which will help the company to get proper feedback about improving the products and services.



- **Tata Nano:** - Being the most affordable Tata Nano was not a great success in India and got shut down by 2018, but still the company can implement this model in other countries and see the feasibility.
- **The Supply Chain and Service:** - The best way for the company to enlarge its market further is by expanding its supply chain system and distribution network in its current market.
- **Acquisition, Merger, Joint Venturing:** - This has already helped the company before as it already has famous brands like Jaguar, Daewoo, Hitachi etc. The company should keep following the same pattern with other brands. As it will help the company to increase its sales and profitability.

#### 4. THREATS TO TATA MOTORS

- **Pandemic:** - Pandemic was not only deadly to health but also to the economy as well all around the world. During the pandemic, people lost jobs and lots of companies went out of business. Pandemic will always be a big threat to all the companies and businesses out there.
- **Competitors:** - Tesla, Honda, Hyundai, BMW etc are big competitors of Tata Motors. Competitors market share growth and customer's market expansion results in lower market share for the company.
- **Price:** - The competitors are always in competition with Tata Motors on price as they offer the latest advanced designs and features at lower prices. Which in return impacts the sales and profit of Tata Motors.
- **Innovation of Competitors:** - Their competitors have got lots of access to skilled professionals and resources which helps them to create innovative technology and designs with better engineering in this industry. Innovation is good for industrial growth but is one of the threats to the industry.

With this, we come to the end of the SWOT Analysis of Tata Motors. Let's conclude the case study in the section below.

## CONCLUSION

With this in-depth study of Tata Motors, we can conclude by saying that Tata Motors is the world's leading automobile manufacturing company. The company has a recognised status in the motor industry with their esteemed market value, distribution network, and strong research and development. To continue holding their stance in the market they have to work on a foothold in luxury cars. Possible acquisitions, better pricings and efficient digital marketing will pose a great help.

Tata motors will gain from the diversification, cost-effectiveness and wide reach of digital marketing tools like SEO, SMM, media strategies, SEM and more. Preparing for the requisite skills of Digital Marketing and completing Certified Courses may lead to employment opportunities with global tech companies like Tata Motors.

**IIDE provides short-term certification** that can get you up to speed in as little as five days in a range of digital skills and expertise in areas such as social media marketing, media strategy, and SEO. If you enjoyed this detailed company research, check out our section **IIDE Knowledge** for more such case studies. Thank you for taking the time to read this SWOT Analysis on Tata Motors. Do comment below with your opinions on the case study.

## PESTLE ANALYSIS: -

PESTLE Analysis of Tata Motors analyses the brand on its business tactics. Tata Motors PESTLE Analysis examines the various external factors like political, economic, social, technological (PEST) which impacts its business along with legal & environmental factors. The PESTLE Analysis highlights the different extrinsic scenarios which impact the business of the brand.

PESTLE analysis is a framework which is imperative for companies such as Tata Motors, as it helps to understand market dynamics & improve its business continuously. PESTLE analysis is also referred to as PESTEL analysis.

Let us start the Tata Motors PESTLE Analysis:

### POLITICAL FACTORS:

The political factors in the Tata Motors PESTLE Analysis can be explained as follows:

As Tata Motors Ltd is working in auto fabricates, significantly in excess of dozen nations in this manner it brings about savvy introduction itself in various sorts of world of politics and political framework dangers. Results astute they need to confront various degrees of defilement, organization and obstruction in various lawful of systems for contract requirement, licensed innovation security,

valuing guideline and compulsory representatives benefits, mechanical wellbeing guidelines in buyer merchandise area. Tata Motors had confronted political issues and needed to move the plant area of Nano, charged as individuals' vehicle, the least expensive vehicle on the planet, the base model costing only 1 lakh. They were offered unique motivations by Gujarat Govt. Brexit left a few issues of vulnerability influencing offers of Jaguar Land Rover-a result of TATA engines and its backup.

## **ECONOMIC FACTORS:**

Below are the economic factors in the PESTLE Analysis of Tata Motors:

Tata Motors' business is driven by several economic factors.

TATA engines share 4 percent responding to remote business CLSA's call to "sell" the stock as cost concerns proceeded in a powerless interest condition. Things appear to going from terrible to more regrettable for Tata engines ltd as deals crosswise over worldwide market are diving, expanding capital costs and overwhelming obligation alongside arrangement of rating downsize. While there was a failure of Tata Nano, some of its other brands like Safari, Sumo, Hexa have all benefitted Tata Motors.

## **SOCIAL FACTORS:**

Following are the social factors impacting Tata Motors PESTLE Analysis:

Trust in brand TATA is a bit of leeway to Tata's influence. Tata Motors has constantly given weightage in utilizing the neighbourhood populace making openings for work and cooperative attitude among the general public. View of TATA vehicles extraordinarily in traveller fragment is that of a modest vehicle Trade guild assumes a fundamental job in the assembling segment in Indian car industry. TML is associated with altruism and supports in excess of 300 NGO's.

## **Technological Factors:**

The technological factors in the PESTLE Analysis of Tata Motors are mentioned below:

To receive new advances Tata Motors possesses TATA innovations ltd which aides overhauling of structure and innovation of Tata engines. Tata Motors has been pushing for electrical vehicles exceptionally in the class of business traveller vehicles (transports. The more versatile the trade understandings are, the greater accomplishment and arrangement the association will get. In like way, the political robustness in the huge markets of the states is one of the gigantic parts. If India transforms into a state where there is political constancy will be logically disposed to the securing of the latest vehicles. In various terms the more made and calm a state will be, the better the lifestyle of the people will be and the more chances of the incredible leeway of vehicles will be.

Likewise, the assistance from the organization for the things like eco free condition is something essential while chalking out the game plans and assessing the accomplishment of the association.

## **LEGAL FACTORS:**

Following are the legal factors in the Tata Motors PESTLE Analysis:

Tata Motors, like a major company, is bound by several legal factors. The more versatile the trade understandings are, the greater accomplishment and arrangement the association will get. In like way, the political robustness in the noteworthy markets of the states is one of the immense parts. If India transforms into a state where there is political trustworthiness will be logically disposed to the obtaining of the latest vehicles. In various terms the more a state will be, the better the lifestyle of the people will be and the more chances of the extraordinary freedom of vehicles will be. What's more, the assistance from the organization for the things like eco free condition is something crucial while chalking out the plans and assessing the accomplishment of the association.

## **ENVIRONMENTAL FACTOR:**

In the Tata Motors PESTLE Analysis, the environmental elements affecting its business are as below:

Tata Motors endeavours to be an eco-accommodating organization and backs numerous crusades like Earth and clear earth. The organization is advancing electric vehicles and furthermore the organization is seeking after the conceivable outcomes of eco-friendly mixture autos. The particular natural change attributes are basically the open entryway for the Tata Motors Company.

The reduction in the stores of the oil is moreover an open entryway for Tata Motors as it assists with bringing the new advancement and the improvement in the space of motors. The particular regular

well-arranged situation by the overall associations is one the fundamental stress for the association. It is inhabitant for the association to see these natural outside factors in focus while driving the laws. To conclude, the above Tata Motors PESTLE Analysis highlights the various elements which impact its business performance. This understanding helps to evaluate the criticality of external business factors for any brand.

**COMPARATIVE CASH FLOW STATEMENT OF PAST THREE YEARS: -**

<b>PARTICULARS</b>	<b>MARCH 2019</b>	<b>MARCH 2020</b>	<b>MARCH 2021</b>
<b>PBT</b>	<b>2020.60</b>	<b>-7289.63</b>	<b>2395.44</b>
<b>NET CASH FLOW USED IN OPERATING ACTIVITY</b>	<b>6292.63</b>	<b>-1454.59</b>	<b>6680.32</b>
<b>NET CASH FLOW FROM IN INVESTING ACTIVITY</b>	<b>-3820.55</b>	<b>-4718.86</b>	<b>2992.32</b>
<b>NET CASH FLOW USED IN FINANCING ACTIVITY</b>	<b>-2529.70</b>	<b>7749.21</b>	<b>3272.91</b>
<b>NET INCOME</b>	<b>-59.42</b>	<b>1657.90</b>	<b>220.24</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<b>546.82</b>	<b>487.40</b>	<b>2145.30</b>
<b>CASH END OF THE YEAR</b>	<b>487.40</b>	<b>2145.30</b>	<b>2365.54</b>

**DATA INTERPRETATION: -**

- 1.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN PBT BY -4.60 %
- 2.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN NET CASH FLOW IN OA BY -1.23 %
- 3.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN NET CASH FLOW IN IA BY 0.23%
- 4.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN NET CASH FLOW OF FA BY 4.06 %
- 5.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN NET INCOME BY 29.08%
- 6.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN CASH BEG. BY 0.108%
- 7.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN CASH END BY 3.41 %

8. THERE IS CONSIDERABLE AMOUNT OF CHANGE IN PBT BY -0.67 %

9.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN NET CASH OF OA BY 3.59 %

10. THERE IS CONSIDERABLE AMOUNT OF CHANGE IN IA BY -0.366%

11. THERE IS CONSIDERABLE AMOUNT OF CHANGE IN FA BY -0.57%

12. THERE IS CONSIDERABLE AMOUNT OF CHANGE IN NET INCOME BY -0.86%

13. THERE IS CONSIDERABLE AMOUNT OF CHANGE IN CASH BEG. BY 3.40 %

14.THERE IS CONSIDERABLE AMOUNT OF CHANGE IN CASH END BY 0.105 %

**PROFIT AND LOSS A/C FOR THE YEAR 2019 -2020 -2021: -**

INCOME	MARCH 2019	MARCH 2020	MARCH 2021
SALES TURNOVER	69202.76	43928.17	47031.47
EXCISE DUTY	00	00	00
NET SALES	69202.76	43928.17	47031 .47
OTHER INCOME	2554.6600	1383.0500	842.9600
TOTAL INCOME	71757.42	45331.22	47874.37
EXPENDITURE			
MANFAC. EXP.	1170.38	1259.09	1279.42
MATERIAL CONSUMED	51233.45	33035.88	35849.83
PERSONAL EXP.	4273.10	438.31	4212.99
SELLING EXP.	736.13	846.60	444.37
ADMISNIS. EXP.	6850.15	5053.47	3752.32
EXP. CAPITALISED	00	00	00
PROVISIONS MADE	00	00	00
TOTAL EXPENDITURE	64263.21	44579.35	45538.93
RS(CR)			

**DATA INTERPRETATION: -**

1. There is considerable amount of change in sales turnover by -0.36%
2. there is considerable amount of change in net sales by -0.36%
3. There is considerable amount of change in total income by -0.36%
4. There is considerable amount of change in personal exp by -0.89%
5. There is considerable amount of change in selling exp by 0.149%
6. There is considerable amount of change in administrative exp by -0.26%
7. There is considerable amount of change in provisions made by 00%
8. There is considerable amount of change in total exp. by -0.30%.
9. There is considerable amount of change in sales turnover by 0.070%
10. there is considerable amount of change in net sales by 0.070%
11. There is considerable amount of change in total income by 0.055%
12. There is considerable amount of change in personal exp by 8.6%
13. There is considerable amount of change in selling exp by 0.47%
14. There is considerable amount of change in administrative exp by 0.25%
15. There is considerable amount of change in provisions made by 00
16. There is considerable amount of change in total exp. by 0.021%



**COMPARATIVE COMPARISON OF BALANCE SHEET FOR THE YEAR 2019 -2020 - 2021:**

<b>PARTICULARS</b>	<b>MARCH 2019</b>	<b>MARCH 2020</b>	<b>MARCH 2021</b>
<b>LIABILITIES</b>			
SHARE CAPITAL	679.22	1587.04	765.81
RESERVES AND SURPLUS	21483.30	16800.61	18290.16
NET WORTH	22162.52	18387.65	19055.97
SECURED LOANS	17532.46	20879.87	18869.27
UNSECURED LOANS	00	00	00
<b>TOTAL LIABILITIES</b>	<b>39694.98</b>	<b>39285.52</b>	<b>37925.24</b>
<b>ASSETS</b>			
GROSS BLOCK	41095.72	46701.76	48476.75
DEPRECIATION	18808.89	21493.78	22053.65
NET BLOCK	22286.83	25207.98	26223.10
CAPITAL WORK IN PROGRESS	6286.59	4494.80	3006.46
INVESTMENTS	16867.37	16616.17	17693.16
INVENTORIES	4662.00	3831.91	4551.71
DEBTORS	3250.64	1978.06	2087.51
CASH	1306.61	3532.19	4318.94
LOANS	6249.59	6829.75	6978.77
TOTAL CURRENT ASSETS	15468.84	16270.92	17936.93
CURRENT LIABILITIES	18784.37	20127.86	24718.94
PROVISION	2430.28	3176.49	2415.48
TOTAL CURRENT LIABILITIES	21214.65	23304.35	27134.42
NET CURRENT ASSET	-5745.81	-7033.43	-9197.49
MISC. EXP	00	00	00
<b>TOTAL ASSETS</b>	<b>39694.98</b>	<b>39285.52</b>	<b>37925.24</b>

**DATA INTERPRETATION: -**

1. THERE IS CONSIDERABLE AMOUNT OF CHANGE IN SHARE CAPITAL BY 1.33%
2. THERE IS CONSIDERABLE AMOUNT OF CHANGE IN RESERVES BY 0.21%
3. THERE IS CONSIDERABLE AMOUNT OF CHANGE IN NET WORTH BY -0.170
4. There is considerable amount of change in total liabilities by -0.010%
5. There is considerable amount of change in depreciation by 0.14%
6. There is considerable amount of change in net block by 0.13%
7. There is considerable amount of change in investments by -0.17%
8. There is considerable amount of change in debtors -0.39%
9. There is considerable amount of change in cash by 1.70%
10. There is considerable amount of change in current liabilities by 0.05%

11. There is considerable amount of change in misc. exp 00 %
12. There is considerable amount of change in total assets by -0.010%
13. . There is considerable amount of change in share capital by -0.51% %
14. There is considerable amount of change in reserves by 0.088
15. There is considerable amount of change in Net worth by 0.036%
16. There is considerable amount of change in total liabilities by -.039
17. There is considerable amount of change in depreciation by 0.026%
18. . There is considerable amount of change in net block by 0.040%
19. There is considerable amount of change in investments by 0.064%
20. There is considerable amount of change in debtors 0.055%
21. There is considerable amount of change in cash by 0.22%
22. There is considerable amount of change in current liabilities by 0.22%
23. There is considerable amount of change in misc. exp 0 %
24. There is considerable amount of change in total assets by -0.034%

## **RATIO ANALYSIS**

### **A. PROFITABILITY RATIOS**

#### **1. OPERATING PROFIT MARGIN**

Operating profit margin measures how much profit a company makes on sales, after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax. It is calculated by dividing a company's operating profit by its net sales. It is a good indicator of how well it is being managed and how risky it is. It shows the proportion of revenues that are available to cover non-operating costs, like paying interest, which is why investors and lenders pay close attention to it.

$$\text{Operating Profit Margin} = \text{Operating Income} / \text{Sales Revenue}$$

#### **2. GROSS PROFIT MARGIN -**

Gross profit margin is a financial metric used to assess a company's financial health and business model by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. One can calculate gross profit margin, also known as gross margin, by dividing gross profit by revenues.

$$\text{Gross Profit Margin} = \text{Sales Revenue} - \text{Cost of goods sold} / \text{Sales Revenue}$$

#### **3.CASH PROFIT MARGIN: -**

Operating cash flow margin is a cash flow ratio which measures cash from operating activities as a percentage of sales revenue in a given period. Like operating margin, it is a trusted metric of a company's profitability and efficiency, and its earnings quality. It is a good indicator of earnings quality, because it only includes transactions that involve the actual transfer of money — unlike operating margin, which includes depreciation expenses — and accounts for any increase in working capital and capital expenditure that is needed to maintain production.

$$\text{Cash Profit Margin} = \text{Net Income} + \text{Non-cash Expenses} + \text{Changes in Working Capital} / \text{Sale}$$

#### **4.NET PROFIT MARGIN: -**

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. Net profit margin is the ratio of net profits to revenue for a company or business segment. Net profit margin is typically expressed as a percentage but can also be represented in decimal form.

The net profit margin illustrates how much of each dollar in revenue collected by a company translates into profit.

$$\text{Net Profit Margin} = (\text{Net Profit} / \text{Sales Revenue}) * 100$$

## **5.RETURN ON CAPITAL**

EMPLOYED Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use. There are two metrics required to calculate the Return on Capital Employed - earnings before interest and tax and capital employed.

$$\text{ROCE} = \text{Earnings before Interest and Tax (EBIT)} / \text{Capital Employed}$$

## **6.Return on Equity**

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets. ROE is considered a measure of how effectively management is using a company's assets to create profits. ROE is expressed as a percentage and can be calculated for any company if net income and equity are both positive numbers. Net income is calculated before dividends paid to common shareholders and after dividends to preferred shareholders and interest to lenders.

$$\text{Return on Equity} = \text{Net profit} / \text{Shareholders' Funds}$$

## **B. Liquidity / Solvency Ratios: -**

### **1. Equity Ratio: -**

The shareholder equity ratio determines how much shareholders would receive in the event of a company-wide liquidation. The ratio, expressed as a percentage, is calculated by dividing total shareholders' equity by total assets of the firm, and it represents the amount of assets on which shareholder have a residual claim. The figures used to calculate the ratio are taken from the company balance sheet.

Equity Ratio = Total Shareholders' Funds / Total Assets

## **2.Current Ratio: -**

The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations. To calculate the ratio, analysts compare current assets to current liabilities. Current asset include cash, accounts receivable, inventory and other assets that are expected to be turned into cash in less than a year. Current liabilities include accounts, wages, taxes payable, and the current portion of long-term debt.

Current Ratio = Current Assets / Current Liabilities

## **3.Quick Ratio: -**

The quick ratio is an indicator of a company's short-term liquidity position, and measures a company's ability to meet its short-term obligations with its most liquid assets. Since it indicates the company's financial position to instantly use its near cash assets (that is, liquid assets) to get rid of its current liabilities, it is also called as the acid test ratio. An acid test is a quick test designed to produce instant results, hence the name.

Quick Ratio = Liquid Assets / Current Liabilities

## **4.Debt Equity Ratio: -**

The Debt/Equity (D/E) Ratio is calculated by dividing a company's total liabilities by its shareholder equity. These numbers are available on the balance sheet of a company's financial statements. The ratio is used to evaluate a company's financial leverage. The debt/equity ratio is also referred to as a risk or gearing ratio.

Debt Equity Ratio = Total Long-term Liabilities / Total Shareholders' Fund

## **C. Valuation Ratios: -**

### **1. Earnings Yield: -**

The earnings yield refers to the earnings per share for the most recent 12-month period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of each dollar invested in the stock that was earned by the company. This yield is used by many investment managers to determine optimal asset allocations. An overvalued investment can lower earnings yield and, conversely, an undervalued investment can raise earnings yield.

$$\text{Earnings Yield} = \text{EPS} / \text{MPS}$$

## **2. Price to Sales (P/S) Ratio: -**

The price-to-sales (P/S) ratio is a valuation ratio that compares a company's stock price to its revenues. It is an indicator of the value placed on each dollar of a company's sales or revenues. The price-to-sales ratio is a key analysis and valuation tool for investors and analysts. The ratio shows how much investors are willing to pay per dollar of sales. Like all ratios, the P/S ratio is most relevant when used to compare companies in the same sector. A low ratio may indicate the stock is undervalued, while a ratio that is significantly above the average may suggest overvaluation.

$$\text{Price to sales ratio} = \text{MPS} / \text{Sales value per share}$$

## **3. Retention Ratio (%): -**

The retention ratio is the proportion of earnings kept back in the business as retained earnings. The retention ratio refers to the percentage of net income that is retained to grow the business, rather than being paid out as dividends. It is the opposite of the pay-out ratio, which measures the percentage of profit paid out to shareholders as dividends. The retention ratio is also called the plowback ratio.

$$\text{Retention Ratio} = (\text{Retained earnings} / \text{Net Income}) * 100$$

## **4. Enterprise Multiple: -**

Enterprise multiple, also known as the EBITDA multiple, is a ratio used to determine the value of a company. The enterprise multiple looks at a firm in the way a potential acquirer would by considering the company's debt, which other multiples (e.g., price-to-earnings [P/E] ratio) do not include. A low ratio indicates that a company might be undervalued and a high ratio indicates that the company might be overvalued.

$$\text{Enterprise Multiple} = \text{Enterprise Value} / \text{EBITDA}$$

### **5.Enterprise Value to Sales: -**

Enterprise value-to-sales (EV/sales) is a valuation measure that compares the enterprise value (EV) of a company to its annual sales. EV-to-sales gives investors a quantifiable metric of how much it costs to purchase the company's sales. Enterprise value-to-sales is an expansion of the price-to-sales (P/S) valuation, which uses market capitalization instead of enterprise value. It is perceived to be more accurate than P/S, in part, because the market capitalization alone does not take a company's debt into account when valuing the company. A high EV-to sales can be a sign that investors believe the future sales will greatly increase and vice versa.

Enterprise Value to Sales = Enterprise Value / Sales

### **D. Management Efficiency Ratios**

#### **1. Dividend Pay-out Ratio (Net Profit): -**

The dividend pay-out ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It is the percentage of earnings paid to shareholders in dividends. The amount that is not paid to shareholders is retained by the company to pay off debt or to reinvest in core operations.

Dividend Pay-out Ratio = Dividend / Net Profit available for Equity Shareholders

#### **2.Debtors Turnover Ratio; -**

The receivables turnover ratio is an accounting measure used to quantify a firm's effectiveness in extending credit and in collecting debts on that credit. The receivables turnover ratio is an activity ratio measuring how efficiently a firm use sits assets.

Debtors Turnover Ratio = Credit sales / Accounts receivable

#### **3.Inventory Turnover Ratio: -**

Inventory turnover is a ratio showing how many times a company has sold and replaced inventory during a given period. A company can then divide the days in the period by the inventory turnover formula to calculate the days it takes to sell the inventory on hand. Calculating inventory turnover

can help businesses make better decisions on pricing, manufacturing, marketing and purchasing new inventory.

Inventory Turnover Ratio = Sales OR COGS / Average Inventory

#### **4.Fixed Assets Turnover Ratio**

The fixed-asset turnover ratio is, in general, used by analysts to measure operating performance. It is a ratio of net sales to fixed assets. This ratio specifically measures a company's ability to generate net sales from fixed-asset investments, namely property, plant and equipment (PP&E), and net of depreciation. In general, a higher fixed-asset turnover ratio indicates that a company has more effectively utilized investment in fixed assets to generate revenue.

#### **5. Total Assets Turnover Ratio**

The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The asset turnover ratio can be used as an indicator of the efficiency with which a company is using its assets to generate revenue.

Total Assets Turnover Ratio = Sales / Total Assets

#### **6.Working Capital Turnover ratio: -**

Working capital turnover is a ratio which measures how efficiently a company is using its working capital to support a given level of sales. Also referred to as net sales to working capital, it shows the relationship between the funds used to finance a company's operations and the revenues a company generates as a result. A high turnover ratio shows that management is being very efficient in using a company's short-term assets and liabilities for supporting sales, i.e., it is generating a higher dollar amount of sales for every dollar of the working capital used. In contrast, a low ratio may indicate that a business is investing in too many accounts receivable and inventory to support its sales –which could lead to an excessive number of bad debts or obsolete inventory

Working Capital Turnover ratio = Sales / Working Capital



**RATIO ANALYSIS: -**

<b>PARTCULARS</b>	<b>MARCH 2019</b>	<b>MARCH 2020</b>	<b>MARCH 2021</b>
<b>PER SHARE RATIO</b>			
BASIC EPS	-3.05	5.94	-21.06
CASH EPS	6.09	15.07	-10.88
BOOK VALUE	59.39	65.36	51.11
DIVIDENT	00	00	00
PBDIT	14.33	22.07	2.03
PBT	5.19	7.06	-7.35
NET PROFIT	-2.79	5.95	-20.36
<b>PROFITABILITY RATIOS</b>			
PBIT MARGIN	8.27	10.82	1.66
NET PROFIT MARGIN	-1.75	2.91	-16.59
RETURN ON EQUITY	-5.13	9.11	-39.64
RETURN ON CAPITAL	5.04	11.57	-7.18
RETURN ON ASSETS	-1.74	3.31	-11.64
ASSET TURNOVER RATIO	99.35	113.61	70.18
LIQUIDITY RATIO			
CURRENT RATIO	0.62	0.58	0.53
QUICK RATIO	0.38	0.37	0.58
<b>VALUATION RATIO</b>			
ENTERPRISE VALUE	126,665	75,419	42,927
NET OPERATING REVENUE	1.89	0.86	0.98
RETENTION VALUE	00	00	00
PRICE	5.51	2.67	1.39
PRICE REVENUE	1.89	0.86	0.58

<b>EARNING YIELD</b>	<b>-0.01</b>	<b>0.03</b>	<b>0.29</b>
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### **DATA INTERPRETATION for MARCH 19 -20: -**

1. There is considerable amount of change in basic eps by 2. 94
2. There is considerable amount of change in cash eps by 1.47
3. There is considerable of change in book value by 0.10
4. There is considerable amount of change in PBDIT by 0.54
5. There is considerable amount of change in PBT by 0.36
6. There is considerable amount of change in net profit by -3.13
7. There is considerable amount of change in PBDIT margin by 0.30
8. There is considerable amount of change in net worth by -2.66
9. There is considerable amount of change in capital employment by -2.77
10. There is considerable amount of change in return on assets by 1.29
11. There is considerable amount of change in assets turnover ratio by -2.9
12. There is considerable amount of change in current ratio by 0.14
13. There is considerable amount of change in quick ratio by 0.06
14. There is considerable amount of change in enterprise value by -0.02
15. There is considerable amount of change in net operating by 0.42
16. There is considerable amount of change in retention ratio by 00
17. There is considerable amount of change in price revenue by -0.54
18. There is considerable amount of change in earning yield by 4
19. There is considerable amount of change in price by 0.41

## DATA ANALYSIS FOR MARCH 20- 21: -

1. There is considerable amount of change in basic eps by 2.54
2. There is considerable amount of change in cash eps by -1. 72
3. There is considerable of change in book value by -0.21
4. There is considerable amount of change in PBDIT by -0.4
5. There is considerable amount of change in PBT -2.04
6. There is considerable amount of change in net profit by -4.4
7. There is considerable amount of change in PBDIT margin by -0.84
8. There is considerable amount of change in net worth by -6.70
9. There is considerable amount of change in capital employment by -5.35
10. There is considerable amount of change in return on assets by -1.62
11. There is considerable amount of change in assets turnover ratio by -4.51
12. There is considerable amount of change in current ratio by -0.08
13. There is considerable amount of change in quick ratio by 0.56
14. There is considerable amount of change in enterprise value by -0.22
15. There is considerable amount of change in net operating by -0.43
16. There is considerable amount of change in retention ratio by 00
17. There is considerable amount of change in price revenue by -0.32
18. There is considerable amount of change in earning yield by 8.6
19. There is considerable amount of change in price by -0.47

## CHAPTER 5

### **SUGGESTION: -**

After analysis of the Financial Statement of the company, following suggestions are recommended to improve the Financial Position: -

The company should look after there PBT as the PBT as gone into negative for the year 2020 compared to 2019 and 2021

1. The company should look after their net cash flow of OA as the it is gone into negative for the 2020
2. The company should look after their cash flow of financing activity as it is unstable for 3 years
3. The company should look after their net income as there it is stable for the 3 years
4. The company should look after their cash i.e., beg of the year as it is unstable for 3 years
5. The company should look after their aim towards increasing the cash i.e., end of the year
6. The company should aim towards the stability towards the net sales as it is unstable
7. The company should aim towards the other income as it goes on decreasing
8. The company should aim towards the total income as it is unstable for past three years
9. The company should aim towards the stability of expenses as it is unstable for the past three years
10. . The company should look after the external factors affecting the company in every possible way
11. The company should look prevent the proper measure for the SWOT analysis
12. The company should aim to stable the share capital which is unstable for past three years
13. The company should aim towards the stability of net worth which goes on decreasing for past three years
14. The company should stabilize the depreciation as it goes on increasing for past three years
15. The company should stabilize the debtors as it goes on increasing for past three years
16. The company should stabilize their current liability as it goes on increasing
17. The company should look after their inventories which is unstable for past three years
18. The companies should take adequate steps to reduce the cost of goods sold
19. Tata Motors Limited needs to increase the debt equity ratio by adding borrowed funds to the capital and reducing the dependency on the owned funds
20. The company needs to reduce the overall expenditure so that the overall profit increases.
21. The companies should give employment to new candidates.
22. . The Non -Operating costs of the company must be controlled to increase the profitability of the company

## **CONCLUSION**

This study was conducted to evaluate the financial performance analysis of Tata Motors Limited, for the period of 3 years ranging from 2019 to 2021.

It helps to explore the strength and weakness of the company. Examination and explanation of financial statements show that, the present financial position of Tata Motors Limited is a bit better as compared to the previous one year.

The central focus of the study was to conduct an evaluative study of the financial state of the company by using comparative financial statements, and Swot and Pestle analysis by, taking into accounts the past years of the company's financial statements.

1. The company should hire new employs and give them job opportunities
2. The company must adopt some strategies and improve their financial statements
3. The company needs to reduce the overall expenditure so that the overall profit increases.
4. Management of the company is overall good though has a scope of improvement so as to increase the valuation of the company
5. The management of the company must also study the market position and also the demand prevailing in the market for the products and thus will guide them to enhance their sales volume.
6. The companies can employee effective people to think about the file management system
7. The company can enlarge their scalability and can-do business all over the world
8. The company can evaluate things in a proper manner so that it can reduce manpower
9. The company can scale into luxury cars to cut the monopoly in the market
10. The company should stabilize their capital work in progress for future benefits
11. The company should reduce their loan amounts year by year as it can default and prevent losses for the company
12. As per the profitability ratios, the profitability of the company in the year 2020 has declined as compared to the year 2019 and 2020
13. As per the Management Efficiency ratios, the overall management of the company is good during the period from 2019 to 2021
14. As per the Valuation Ratios, the value of the company has declined as compared to the year 2019 and 2021

Suggestions has been made on past three years data and other analysis like SWOT and pestle

An earliest attempt has been made to study the data realistic and provide suggestion, and it is not claimed that suggestions are accurate in nature

Tata Group eyes the market capitalization of \$350 billion by the year 2025. Tata group has added \$100 billion to the market capitalization by its thirty listed companies during last 15 years.

They believe in wealth creation and not the economic parameter of profitability. Whatever they earn, whole-heartedly they gift it to the society in the various forms. Collectively the Tata group has more than 110 companies operating in six continents on the earth. The collective financial performance will battle prominently the economic threats to their group companies.

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