Project Report
ON

"An Analytical Study of Financial Performance Analysis of Tata Motors Company Limited''

Submitted to :
DMSR, G. S. College of Commerce & Economics, Nagpur

Affiliated to

Rashtrasant Tukadoji Maharaj Nagpur UniversityNagpur

In partial fulfilment for the award of the degree of

Master of Business Administration

Submitted by

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Under the Guidance of

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Department of Management Sciences and Research,
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NAAC Re-Accredited "A" Grade Autonomous Institution

Academic Year 2021-22

G.S. College of Commerce & Economics, Nagpur

CERTIFICATE

This is to certify that **"Faizaan Waseem Siddiqui"** has submitted the project synopsis titled "**An Analytical Study of Financial Performance Analysis on Tata Motors Company Limited",** towards partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not formpart of any other course undergone by the candidate.

It is further certified that he has ingeniously completed his project as prescribed by **DMSR, G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR** (NAAC Reaccredited "A" Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Dr. Afsar Sheikh
(Project Guide)

Dr. Sonali Gadekar
(Co-Ordinator)

Place : Nagpur

Date : 28/07/2022

G.S. College of commerce & Economics, Nagpur

DECLARATION

I here-by declare that the project with title **"An Analytical Study of Financial Performance Analysis of Tata Motors Company Limited"** has been completed by me in partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination as prescribed by **DMSR - G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR** (NAAC Reaccredited "A" Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

Faizaan Waseem Siddiqui

Place : Nagpur

Date : 28/07/2022

G. S. College of Commerce & Economics, Nagpur

ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **“Dr. N.Y. Khandait”**, Principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide **“Dr. Afsar Sheikh”** for his guideline throughout the project. I tender my sincere regards to Co-ordinator, **“Dr. Sonali Gadekar”** for giving me guidance, suggestions and invaluable encouragement which helped me in the completion of the project. I am also thankful to **“Prof. Anand Kale”** sir for his continuous guidance.

I will fail in my duty if I do not thank the non-Teaching staff of the college for their Co-operation.I would like to thank all those who helped me in making this project complete and successfull.

Faizaan Waseem Siddiqui

Place : Nagpur

Date : 28/07/2022

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Chapter I

INTRODUCTION

1.1 Introduction

Finance is an integral aspect of every business. The success of an organization depends on how competently the firm is managing the funds available to them. The topic for the project is “a study on the financial performance of Tata Motors Limited”. There are many stakeholders in a company, including trade creditors, bondholders, investors, employees, and management. Each group hasits own interest in tracking the financial performance of a company. Understanding financial performance is essential for every organization because most of the organization’s crucial decisions depend on the financials. Understanding financial performance is necessary because they help in the decision-making process of the company. Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is todetermine the efficiency and performance of firm’s management, as reflected in the financial records and reports.

The study on financial performance of the company is by using ratio analysis, trend analysis and comparative statements to assess the solvency, liquidity, and profitability of the selected company. Ratio analysis is a quantitative method ofgaining insight into a company's liquidity, operational efficiency, andprofitability by studying its financial statements such as the balance sheet and income statement. A comparative statement is a document used to compare a particular financial statement with prior period statements. Previous financials are presented alongside the latest figures in side-by-side columns, enabling investors to identify trends, track a company's progress and compare it with industry rivals.

1.2 Scope of study

The study was conducted in Tata Motors Ltd to analyze the effectiveness of the financial performance of the company during the last five years ranging from 2015-2016 to 2019-2020 to have a clear and a proper outline regarding the financial aspects of the organization by using various analysis tools.

1.3 NEED OF STUDY

Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability, liquidity, and solvency. The most common methods used for financial statement analysis are trend analysis, common-size statements, and ratio analysis.

1.4 Objectives of the study

- To analyze the financial performance of the selected company
- To gain practical knowledge in analysis
- To assess the solvency, liquidity, and profitability.

Chapter II

REVIEW OF LITERATURE

2.1 Conceptual Review

Financial performance 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. It refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitabilityand financial soundness of the business. Ratio analysis and comparative statements are the important tools used for the analysis of financial performance of the company.

2.1.1 Ratio analysis

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis.

A) Liquidity ratio

Liquidity refers to the ability of the concern to meet its current obligations as and when these become due. These ratios measure short term solvency of a firm.

1. Current ratios: It may be defined as the relationship between current assets and current liabilities. It is also known as working capital ratio. It is most widely used to make the analysis of a short term financial position of the firm.

2. Liquid ratio: It is the ratio of liquid assets to current liabilities. It is the measure of instant debt paying ability of the business enterprise. It is also known as quick ratio, acid test ratio, or near money ratio.

3. Absolute liquid ratio: It is calculated by dividing absolute liquid assets like cash in hand, cash at bank and marketable securities by current liability. It is also known as cash ratio.

B) Solvency ratio (long term solvency ratio)

The term solvency means the ability of the firm to pay of its outside liabilities, that is, its long term and short term. Solvency ratio is also known as long term solvency ratio or long term liquidity ratio.

1. Debt-equity ratio: It expresses the relationship between long term debt and equity. Long term debt means funds invested by the outsiders. It includes debentures, mortgages, all long term loans etc.

2. Proprietary ratio: It establishes the relationship between shareholders' or proprietors' fund and total assets. It shows how much funds have been contributed by shareholders in the total assets of the firm. It is also known as equity ratio or net worth ratio.

3. Solvency ratio: This ratio expresses the relationship between total assets and total liabilities of a business. A firm is said to be solvent when it has assets worth more than its outsiders' liabilities. It is also known as ratio of total assets to total debt.

4. Fixed asset to net worth ratio: This ratio establishes the relationship between two components that is fixed assets and proprietors' fund. This ratio indicates the extent to which shareholders' funds are invested in the fixed assets. This ratio is also known as proprietors' fund ratio.

5. Fixed asset ratio: This ratio establishes the relationship between two components that is, fixed assets and long term funds. Long term fund include, shareholders' fund and long term borrowed funds. Thus it is called capital employed.

6. Capital gearing ratio: The gearing ratio is a measure of financial risk and expresses the amount of a company's debt in terms of its equity. The term capital gearing means, the proportion between fixed income bearing funds and equity.

C) Profitability ratio

1. Gross profit ratio: Gross profit ratio (GP ratio) is a financial ratio thatmeasures the performance and efficiency of a business by dividing its gross profit figure by the total net sales. It is then called gross profit percentage or gross profit margin.

2. Net profit ratio: The net profit percentage is the ratio of after-tax profits tonet sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized. It is also used to compare the results of a business with its competitors.

3. Operating cost ratio: It is computed by dividing operating expenses of a particular period by net sales made during that period. It is also known as operating expense ratio.

4. Operating profit ratio: The operating profit margin ratio indicates how much profit a company makes after paying for variable costs of production such as wages, raw materials, etc. It is also expressed as a percentage of sales and then shows the efficiency of a company controlling the costs and expenses associated with business operations.

2.1.2 Comparative balance sheet

A comparative balance sheet is a statement that shows the financial position of an organization over different periods for which comparison is made or required. The financial position is compared with 2 or more periods to depict the trend, direction of change, analyze and take suitable actions. It is the study of trend of same items, group of items and computed items in two or more balance sheets of the same concern at different period.

Preparing Comparative Financial Statements is the most commonly used technique for analyzing financial statements. This technique determines the profitability and financial position of a business by comparing financial statements. Hence, this technique is also termed as Horizontal Analysis. Typically, the income statements and balance sheets are prepared in a comparative form to undertake such an analysis. In this study, the balance sheets of past five years are taken for the comparative analysis.

Interpretation of the comparative balance sheet is made on the basis of current financial position, liquidity position, long term financial position and profitability of the concern. The excess of current assets over current liability will give the figure of working capital. An increase in working capital means an increase in current financial position of the company. And excess current assets over current liabilities show a good short term financial position. If liquid assets like cash in hand, cash at bank, bills receivable, debtors etc. showsan increase in current year when compared to the base year, this improve the liquidity position of the concern. Long term financial position of the concern can be analyzed by studying the changes in fixed assets, long term liabilities and capital. Increase in fixed assets is compared with increase in long term liabilities and capital. If, increase in fixed asset is more than increase in long term liabilities, it is meant for that part of fixed assets has been financed by the working capital. Increase in balance of P&L account and other reserves created from profit will means an increased profitability of the concern.

2.1Empirical Review

The empirical review is simply talking about the various researches done by other researchers concerning your topic or peoples research works that are similar to your research work. The names of various researchers must beattached to their findings or statement.

An empirical literature review is more commonly called a systematic literature review and it examines past empirical studies to answer a particular research question. The empirical studies we examine are usually random controlled trials (RCTs). The literature review helps to form the theoretical basis of the research.

- Shinde Govind P. & Dubey Manisha (2011) conducted a study considering the segments such as passenger vehicle, commercial vehicle, and utility vehicle, two and three wheeler vehicle of key player’s performance and also made a SWOT analysis and studied key factors influencing growth of automobile industry.
- Fernandez (2007) says through the study that those who lead to corporate finance everyday or are somehow related to this area, is important to have in mind all these methods and what are behind them. Valuation is not also essential for M&A opportunities but also to understand where the company is creating or destroying value.

- Anu B. (2015) made an attempt to examine the relationship between capital structure indicators, market price per shares and also to test relationship between debt-equity and market price per share of selected companies in industry. The study concludes that all three companies support the hypothesis that there is relation between debt-equity and MPS.
- Devani (2010) concluded that the study on relationship between dividend per share, earnings per share, price earnings, dividend yield and dividend cover with equity share prices leads to a concept that all the selected explanatory variable have a significant impact on the equity share prices except growth variable.
- Daniel A Moses Joshunar (2013) conducted a study to identify thefinancial 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.
- Zafar S.M.Tariq & Khalid S.M (2012) conducted a study and explored that ratios are calculated from financial statements which are prepared asdesired policies adopted on depreciation and stock valuation by themanagement. Ratio is a 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.

Chapter III

INDUSTRY PROFILE
AND
COMPANY PROFILE

3.1 Industry profile

The automotive industry comprises a wide range of companies and organizations involved in the design, development, manufacturing, marketing, and selling of motor vehicles. It is one of the world's largest industries by revenue. The automotive industry does not include industries dedicated to the maintenance of automobiles following delivery to the end-user [citation needed] such as automobile repair shops and motor fuel filling stations.

The word automotive comes from the Greek autos (self), and Latin motivus (of motion), referring to any form of self-powered vehicle.[clarification needed] This term, as proposed by Elmer Sperry [need quotation to verify] (1860-1930), first came into use with reference to automobiles in 1898.

The automotive industry began in the 1860s with hundreds of manufacturers that pioneered the horseless carriage. For many decades, the United States led the world in total automobile production. In 1929, before the Great Depression, the world had 32,028,500 automobiles in use, and the U.S. automobile industry produced over 90% of them. At that time, the U.S. had one car per 4.87persons. After 1945, the U.S. produced about 75 percent of world's auto production. In 1980, the U.S. was overtaken by Japan and then became world's leader again in 1994. In 2006, Japan narrowly passed the U.S. in production and held this rank until 2009, when China took the top spot with 13.8 million units. With 19.3 million units manufactured in 2012, China almost doubled the
U.S. production of 10.3 million units, while Japan was in third place with 9.9 million units. From 1970 (140 models) over 1998 (260 models) to 2012 (684 models), the number of automobile models in the U.S. has grown exponentially.

Safety is a state that implies to be protected from any risk, danger, damage or cause of injury. In the automotive industry, safety means that users, operators or manufacturers do not face any risk or danger coming from the motor vehicle or its spare parts. Safety for the automobiles themselves, implies that there is no risk of damage.

Safety in the automotive industry is particularly important and therefore highly regulated. Automobiles and other motor vehicles have to comply with a certain number of regulations, whether local or international, in order to be accepted on the market. The standard ISO 26262, is considered as one of the best practice framework for achieving automotive functional safety.

Automotive industry, all those companies and activities involved in the manufacture of motor vehicles, including most components, such as engines and bodies, but excluding tires, batteries, and fuel. The industry's principal products are passenger automobiles and light trucks, including pickups, vans, and sport utility vehicles. Commercial vehicles (i.e., delivery trucks and large transport trucks, often called semis), though important to the industry, are secondary. The design of modern automotive vehicles is discussed in the articles automobile, truck, bus, and motorcycle; automotive engines are described in gasoline engine and diesel engine. The development of the automobile is covered in transportation, history of: The rise of the automobile.

Although the automotive industry has long been multinational in its organization and operation, beginning in the 1980s and accelerating in the late 1990s, it established a trend toward international consolidation. Larger, more financially secure firms bought controlling interest in financially troubled ones, usually because the weaker firm manufactured a highly prized product, had access to markets that the larger company did not, or both. However, the resultswere mixed. For example, Chrysler, as discussed above, acquired AMC in 1987 for access to AMC's Jeep vehicles and in 1998 was itself merged with Daimler-Benz, which sought Chrysler's expertise in high-volume manufacturing and design techniques. Recognizing its need to penetrate closed markets in Japan and South Korea, DaimlerChrysler in 2000 took a controlling 34 percent interest in Mitsubishi Motors Corporation and signed a cooperative venture in trucks with Hyundai Motor Company. Such deals failed to help the struggling DaimlerChrysler, and in 2007 Chrysler was sold to an American private equity firm. Seven years later Chrysler became a subsidiary of Fiat.

3.2 Company profile

Tata Motors limited, is an Indian multinational automotive manufacturing company headquartered in Mumbai, Maharashtra, India. It is a part of Tata group, an Indian conglomerate. Its products include passenger cars, trucks, vans, coaches, buses, sports cars, construction equipments and military vehicles.

Formally, known as Tata Engineering and Locomotive Company (TELCO), Tata Motors is a part of the Tata Group. Tata Motors has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad, and Pune in India, as well as in Argentina, South Africa, Great Britian, and Thailand. It has research and development centers in Pune, Jamshedpur, Lucknow, and Dharwad, India and South Korea, Great Britian and span. Tata Motors' principle subsidiaries purchased the English premium car maker Jaguar Land Rover (the maker of Jaguar and Land Rover cars) and the South Korean commercial vehicle manufacturer Tata Daewoo. Tata Motors has a bus-manufacturing joint venture with Fiat Chrysler which manufactures automotivecomponents and Fiat Chrysler and Tata branded vehicles. Furthermore, Tata Motors has OEMs offering an extensive range of integrated, smart and e- mobility solutions. Its vehicles can now be found on the roads in more than 125countries. The company generates majority of sales from international markets.

Founded in 1945 as a manufacturer of locomotives, the company manufactured its first commercial vehicle in 1954 in collaboration with Daimler-Benz AG, which ended 1969. Tata Motors entered the passenger vehicle market in 1988 with the launch of the Tata Mobile followed by the Tata Sierra in1991, 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 vehicle company in 2004 andpurchased 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 265th on the Fortune Global 500 list of the world's biggest corporations as of 2019.On 17 January 2017, Natarajan Chandrasekaran was appointed chairman of the company Tata Group. Tata Motors increases its utility vehicle market share to over 8% in FY2019.

Mission

Tata Motors ltd innovate mobility solutions with passion to enhance the qualityof life.

Vision

By FY 2024, the company will become the most aspirational Indian auto brand,consistently winning, by

- Delivering superior financial returns.
- Delivering sustainable mobility solutions.
- Exceeding customer expectations, and
- Creating a highly engaged work force.

Chapter IV

DATA ANALYSIS
AND
INTERPRETATION

4.1 Data Analysis

Data analysis is a process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making. Data analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names, and is used in different business, science, and social science domains. In today's business world, data analysis plays a role in making decisions more scientific and helping businesses operate more effectively. Although many groups, organizations, and experts have different ways to approach data analysis, most of them can be distilled into a one-size-fits-all definition. Data analysis is the process of cleaning, changing, and processing raw data, and extracting actionable, relevant information that helps businesses make informed decisions. The procedure helps reduce the risks inherent in decision making by providing useful insights and statistics, often presented in charts, images, tables, and graphs.

Liquidity Ratio (short term solvency ratio)

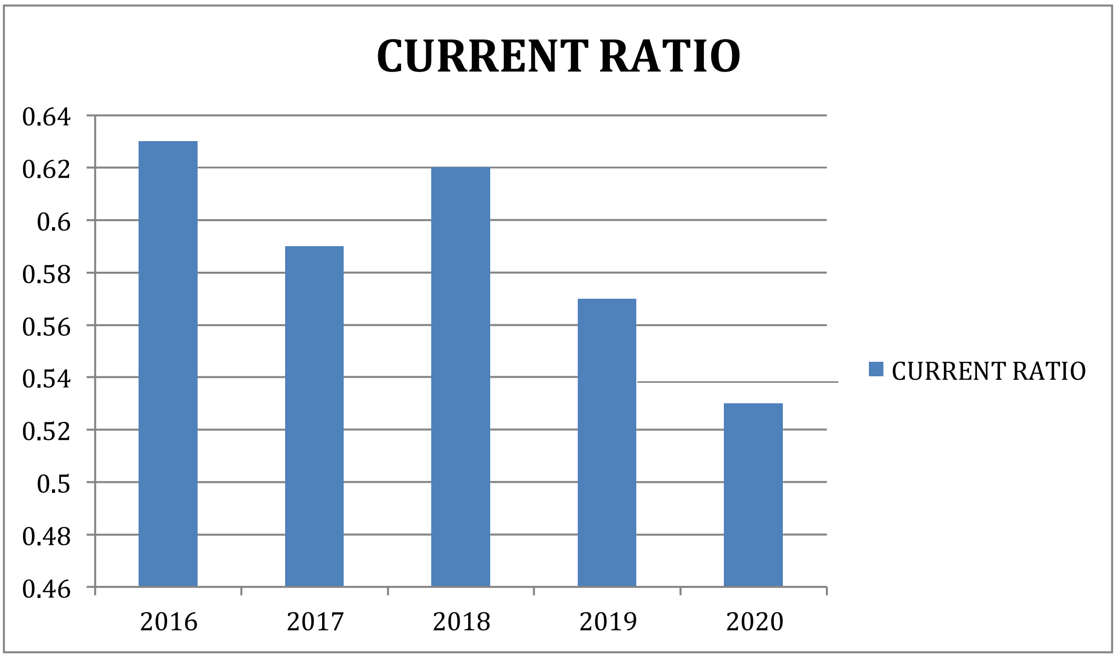
1) **Current Ratio = current assets/current liabilitiesTable**

4.1 showing current ratio

YEAR	CURRENT RATIO
2016	11861.69/18701.74 = 0.63:1
2017	12757.07/21538.35 = 0.59:1
2018	14971.66/24218.95 = 0.62:1
2019	13229.30/22940.81 = 0.57:1
2020	13568.76/25810.82 = 0.53:1

The following table shows current ratio. The current ratio of 2:1 is said to be anideal one. This ideal ratio means that the current assets shall be at least twice the current liability. The table shows that the current ratio of the company in past five years is below ideal ratio. It is almost consistent for the last five years.So the current ratio of the company is highly unsatisfied. That means it is not able to meet even the current liabilities of the company.

Figure 4.1 showing current ratio



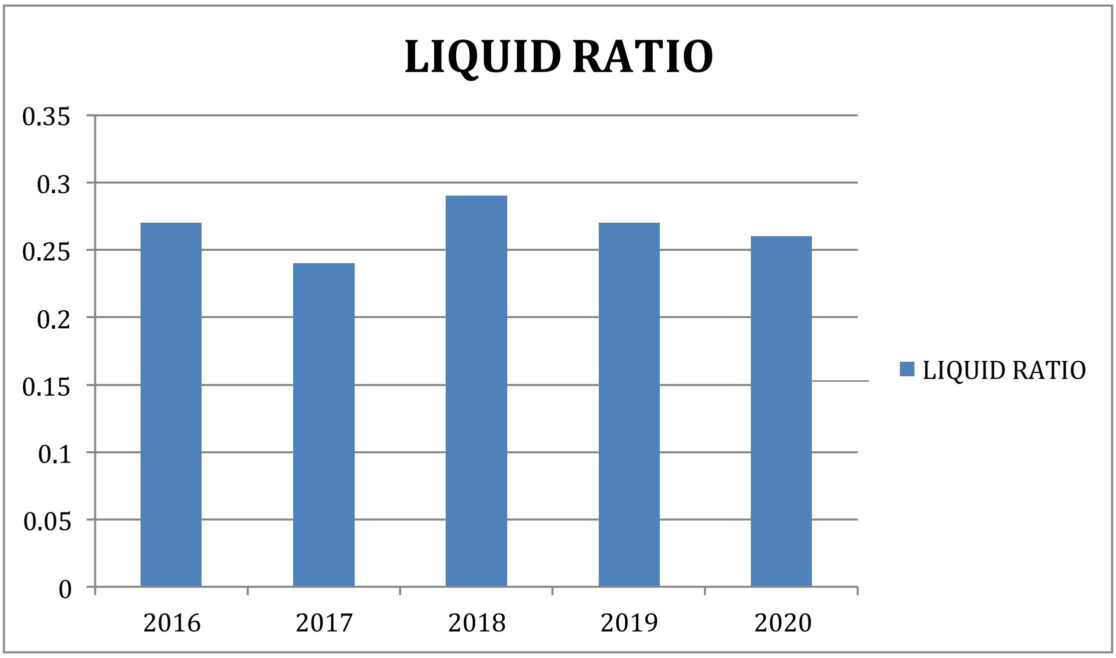
2) **Liquid Ratio = liquid assets/current assets**

Table 4.2 showing liquid ratio

YEARS	LIQUID RATIO
2016	5064.28/18701.74 = 0.27:1
2017	5107.99/21538.35 = 0.24:1
2018	6918.31/24218.95 = 0.29:1
2019	6190.51/22940.81 = 0.27:1
2020	6627.7/25810.82 = 0.26:1

The following table shows liquid ratio. Generally, liquid ratio of 1:1 is considered as satisfactory. This means that liquid assets are just equal to the current liabilities. For this company the past five years show a less than liquid ratio, when compared to the satisfactory ratio. It further means that, the company is not able to pay off its current liabilities.

Figure 4.2 showing liquid ratio



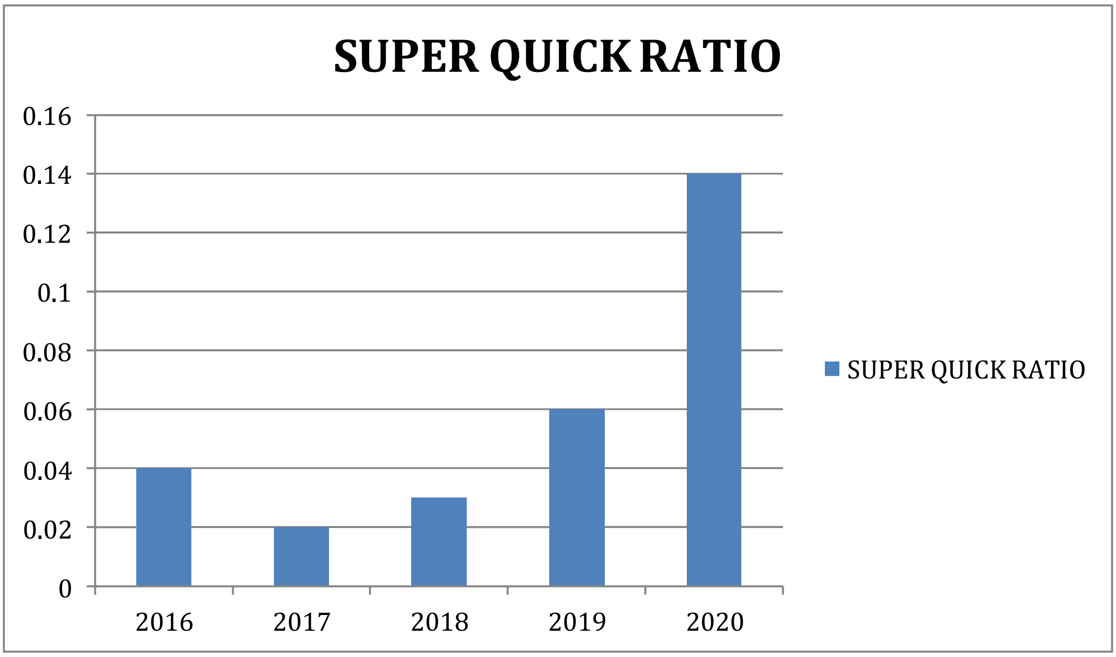
3) **Super quick ratio = super quick assets/current liabilities**

Table 4.3 showing super quick ratio

YEAR	SUPER QUICK RATIO
2016	788.42/18701.74 = 0.04:1
2017	326.61/21538.35 = 0.02:1
2018	795.42/24218.95 = 0.03:1
2019	1306.61/22940.81 = 0.06:1
2020	3532.19/25810.82 = 0.14:1

The following table shows super quick ratio. The acceptable norm of super quick ratio is 0.5:1. Company's super quick ratio shall be equal to half of current liabilities. Here, the company shows an increasing super quick ratio. But it is not satisfactory because it is lower than the ideal ratio of the super quick ratio.

Figure 4.3 showing super quick ratio



Solvency Ratio (long term solvency ratio)

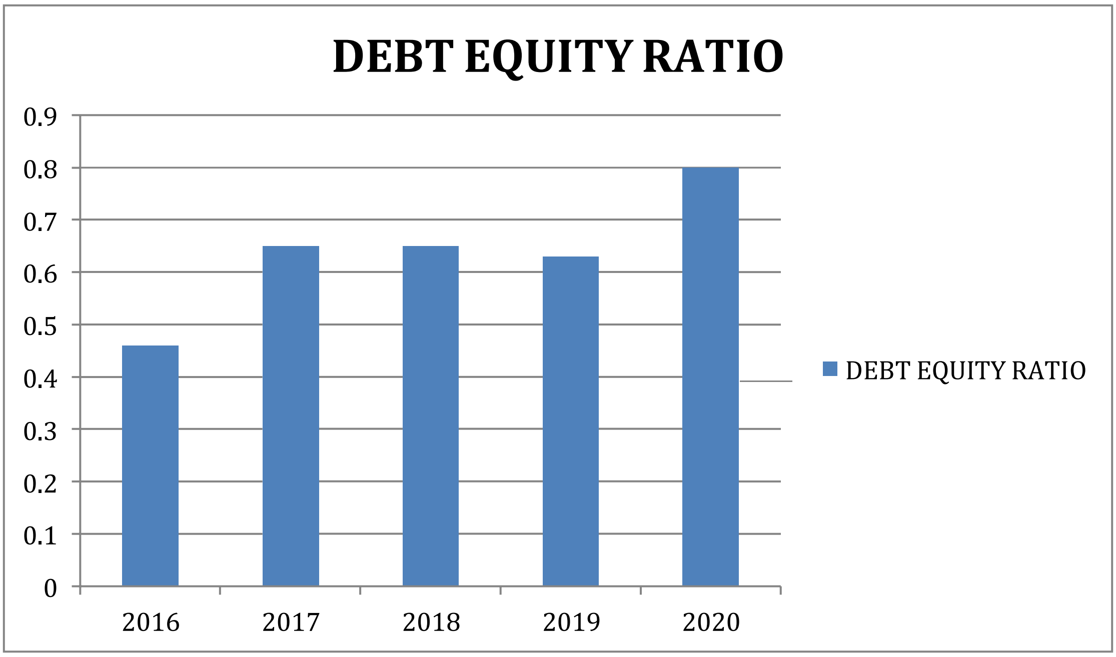
4) **Debt-equity ratio = long term debt/share holders' fundTable**

4.4 showing debt-equity ratio

YEAR	DEBT-EQUITY RATIO
2016	10599.96/23262.11 = 0.46:1
2017	13686.09/21162.61 = 0.65:1
2018	13155.91/20170.98 = 0.65:1
2019	13914.74/22162.52 = 0.63:1
2020	14776.51/18387.65 = 0.80:1

The following table shows debt-equity ratio. The standard debt-equity ratio is 1:1. Here, the company shows lower ratio for the past five years. It indicates that it is better for the creditors. But this lower ratio is not a satisfactory ratio for the share holders' as it indicates the firm has not been able to use outsiders fund to manage their earnings.

Figure 4.4 showing debt-equity ratio



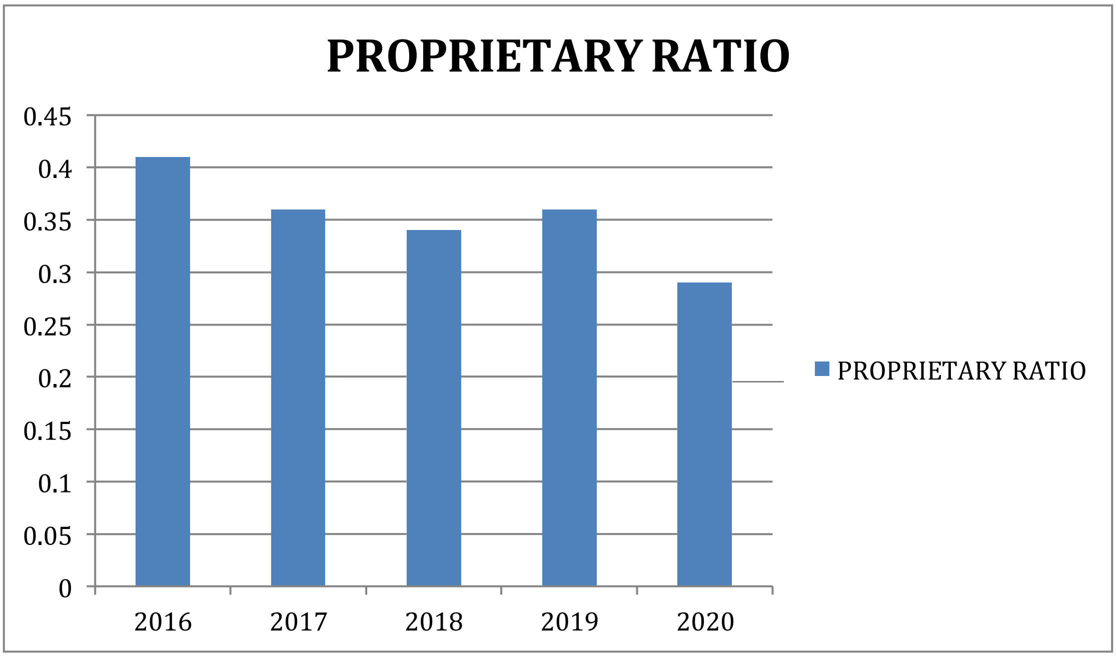
5) **Proprietary ratio = share holders' fund/total assets**

Table 4.5 showing proprietary ratio

YEAR	PROPRIETARY RATIO
2016	23262.11/56678 = 0.41:1
2017	21162.61/58878.28 = 0.36:1
2018	20170.98/59212.30 = 0.34:1
2019	22162.52/60909.63 = 0.36:1
2020	18387.65/62589.87 = 0.29:1

The following table shows proprietary ratio. A ratio of 0.5:1 or above is considered as satisfactory. Here, the proprietary ratio is declined for the last five years which is a greater risk to the creditors. In the share holders' point of view, the lower ratio indicates the company is highly dependent on creditors for its working capital. Therefore, the company's financial position for the last five years is not sound.

Figure 4.5 showing proprietary ratio



6) **Solvency ratio = total assets/total debt**

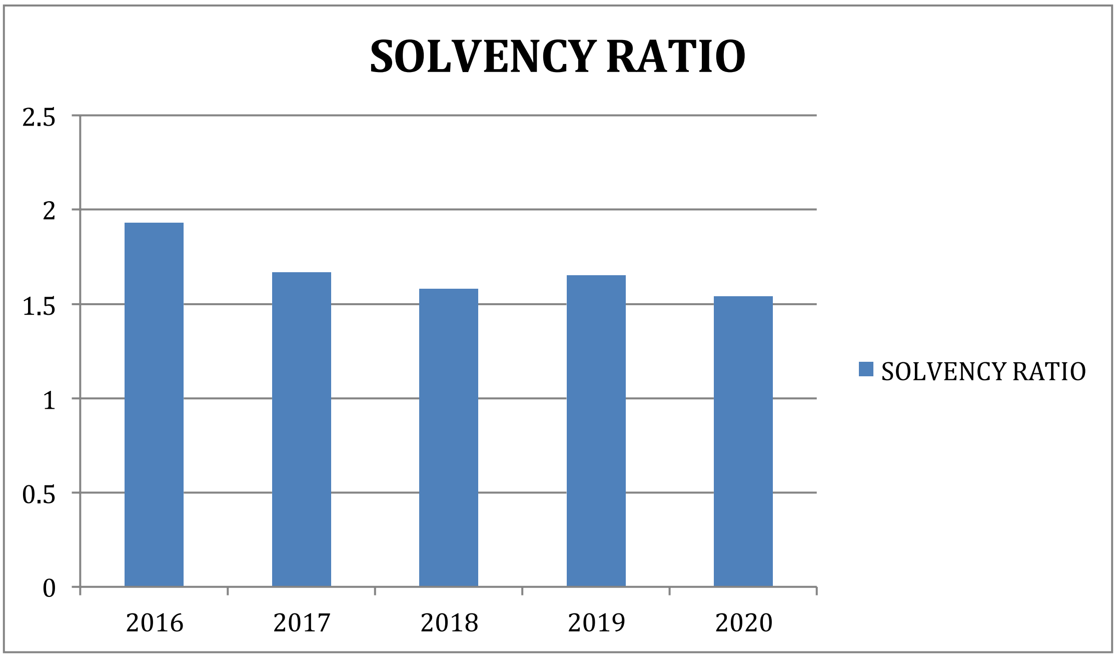
Total debt = long term borrowings + current liabilitiesTable

4.6 showing solvency ratio

YEARS	SOLVENCY RATIO
2016	56676.00/(10599.96+18701.74) = 1.93:1
2017	58878.28/(13686.09+21538.00) = 1.67:1
2018	59212.30/(13155.91+24218.95) = 1.58:1
2019	60909.63/(13914.74+22940.81) = 1.65:1
2020	62589.87/(14776.51+25810.82) = 1.54:1

The following table shows solvency ratio. If the ratio is more than one it is treated as satisfactory. Here, the company shows higher ratio than the satisfactory ratio which indicates the solvency and financial position are strong.And in the creditors' point of view, it shows a greater margin of safety to them.

Figure 4.6 showing solvency ratio



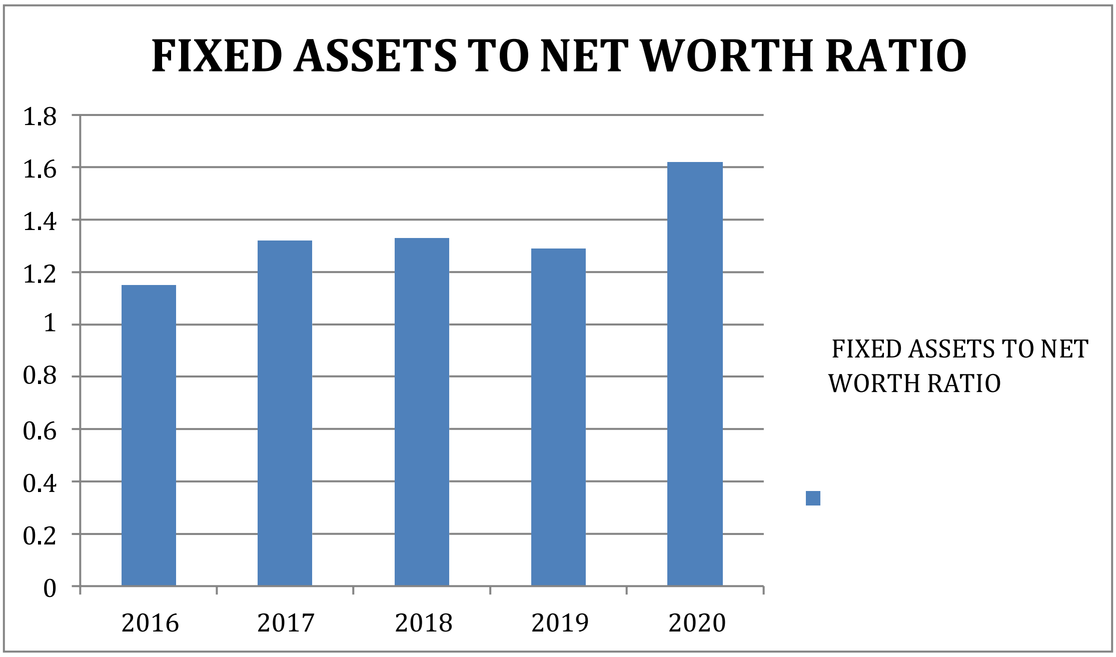
7) **Fixed assets to net worth ratio = fixed assets/total share holders'fund**

Table 4.7 showing fixed assets to net worth ratio

YEAR	FIXED ASSETS TO NET WORTH RATIO
2016	26762.34/23262.11 = 1.15:1
2017	28043.92/21162.61 = 1.32 :1
2018	26800.35/20170.98 = 1.33:1
2019	28573.42/22162.52 = 1.29:1
2020	29702.78/18387.65 = 1.62:1

The following table shows fixed assets to net worth ratio. The standard rate of the fixed assets to net worth ratio is one. The company shows higher ratio for the past five years, when compared to the standard ratio. A higher ratio indicates that the outsiders' funds have been used to acquire a part of fixed assets.

Figure 4.7 showing fixed assets to net worth ratio



8) **Fixed assets ratio = (fixed assets/long term funds)*100**

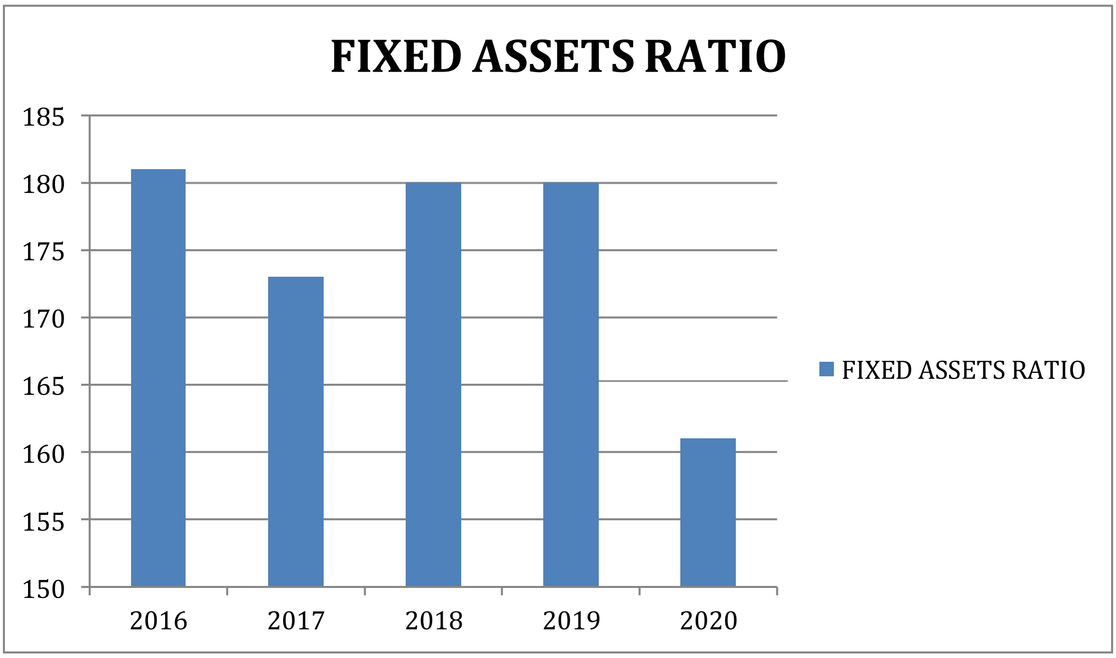
Long term funds = share capital + reserves and surpluses + long term liabilities

Table 4.8 showing fixed assets ratio

YEARS	FIXED ASSETS RATIO
2016	(26762.34/14712.15)*100 = 181%
2017	(28043.92/16177.32)*100 = 173%
2018	(26800.35/14822.32)*100 = 180%
2019	(28573.42/15806.30)*100 = 180%
2020	(29702.78/18391.40)*100 = 161%

The following table shows fixed assets ratio. The standard percentage is 100%. Here the company shows decreased mode for the past five years but it is higher when compared to the standard rate. This indicates that the company's fixed assets are more than long term funds. That means fixed assets have been financed out of short term funds. So the company's financial position is not sound.

Figure 4.8 showing fixed assets ratio



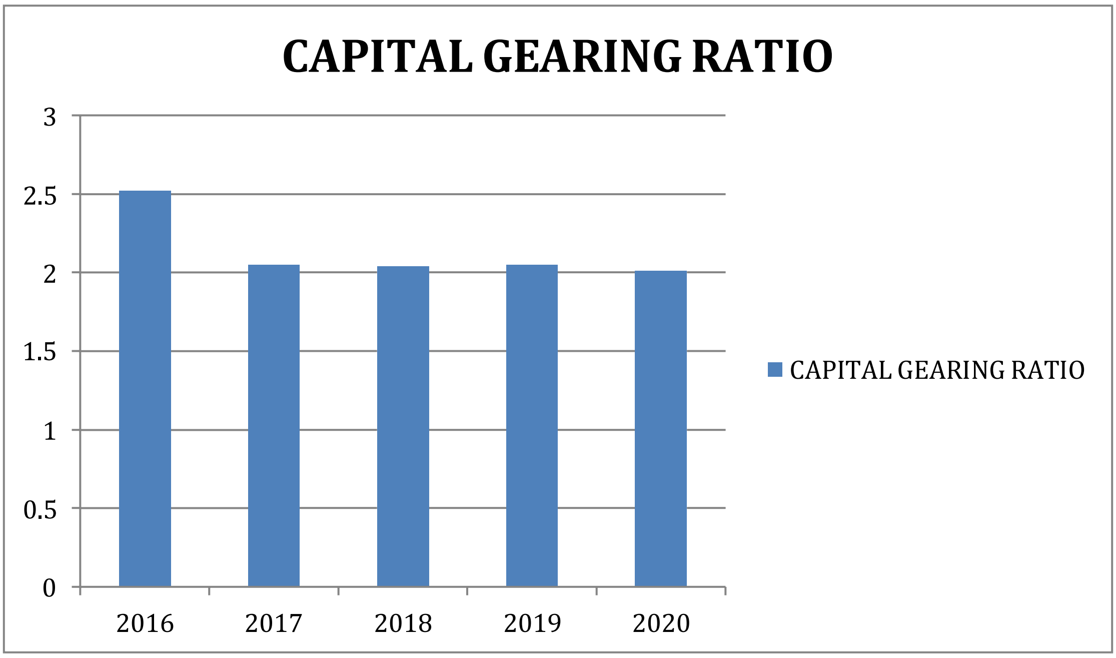
9) **Capital gearing ratio = fixed income bearing funds/equity shareholders' funds**

Table 4.9 showing capital gearing ratio

YEAR	CAPITAL GEARING RATIO
2016	26762.34/10599.96 = 2.52:1
2017	28043.92/13686.09 = 2.05:1
2018	26800.35/13155.91 = 2.04:1
2019	28573.42/13914.74 = 2.05:1
2020	29702.78/14776.51 = 2.01:1

The following table shows capital gearing ratio. Here the company shows higher ratio than the standard ratio which is 1:1. This indicates that the company is highly geared. That is, its equity capital is less than its fixedincome bearing funds which is not a risky element to the equity share holders.

Figure 4.9 showing capital gearing ratio



Income statement

As on 31 march 2016-2017

(Rs in crore)

particulars	**2015-2016**	**2016-2017**	**2017-2018**	**2018-2019**	**2019-2020**
Income					
Revenue from operations	42845.47	44316.34	58831.41	69202.76	43928.17
Other income	1402.31	981.06	1557.60	2554.66	1383.05
Total revenue	**44247.78**	**45297.40**	**60389.01**	**71757.42**	**45311.22**
Expenses					
Cost of materials consumed	24997.40	27651.65	37080.45	43748.77	26171.85
Operating and direct expenses	418.27	454.48	474.98	571.76	830.24
Changes in inventory of FG, WIP, Stock-In-Trade	10.05	-252.14	842.05	144.69	722.68
Employee benefit expenses	3188.97	3764.65	3966.73	4273.10	4384.31
Finance costs	1592.00	1569.01	1744.43	1793.57	1973.00
Depreciation and amortization expenses	2329.22	3037.12	3101.89	3098.64	3375.29

Other expenses	6790.29	8802.57	8396.33	7141.52	7182.25
Total expenses	**43820.13**	**47311.96**	**60369.27**	**69155.42**	**49927.64**
Profit/loss before exceptional items and tax	427.65	-2014.56	19.74	2602.00	-4616.42
(-)exceptional items and tax	-499.55	-415.04	-1054.59	-581.4	-2673.21
Profit for the period	**-62.30**	**-2429.60**	**-1034.85**	**2020.60**	**-7289.63**

Profitability Ratio

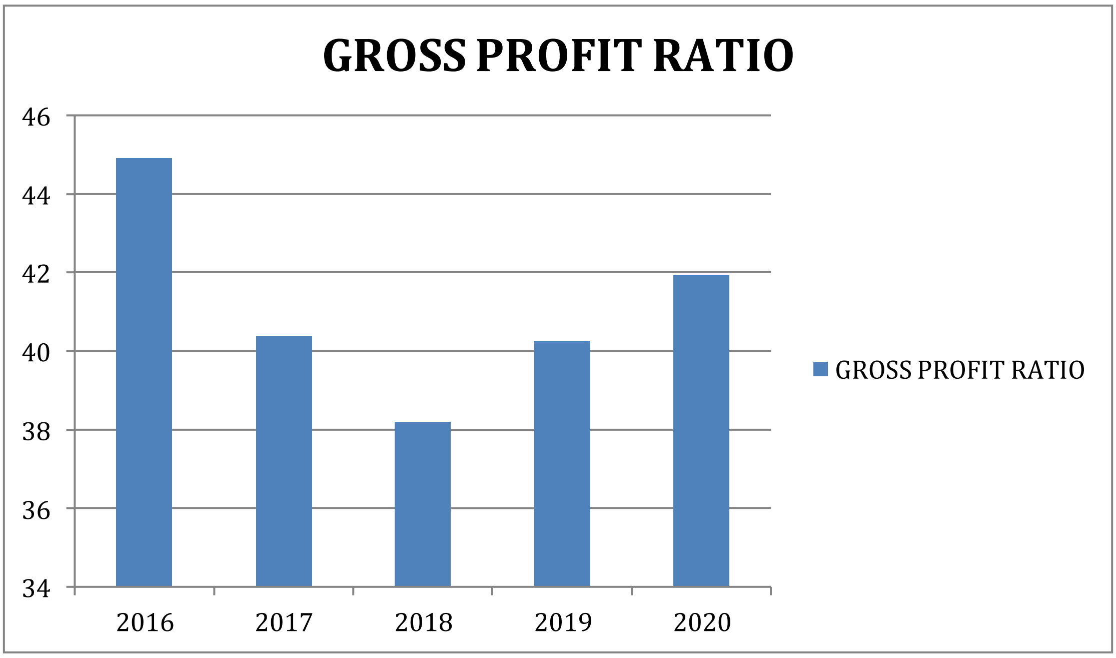
10) **Gross profit ratio = (gross profit/revenue from operation)*100Table**

4.10 showing gross profit ratio

YEAR	GROSS PROFIT RATIO
2016	(19240.33/42845.47)*100 = 44.91%
2017	(17897.89/44316.34)*100 = 40.39%
2018	(22466.51/58831.41)*100 = 38.19%
2019	(27863.96/69202.76)*100 = 40.26%
2020	(18416.47/43928.17)*100 = 41.92%

The following table shows gross profit ratio. There is no norm to interpret grossprofit ratio. Generally, a higher ratio is considered better. Here the company has highest ratio for the last five years. So the gross profit ratio is satisfied.

Figure 4.10 showing gross profit ratio



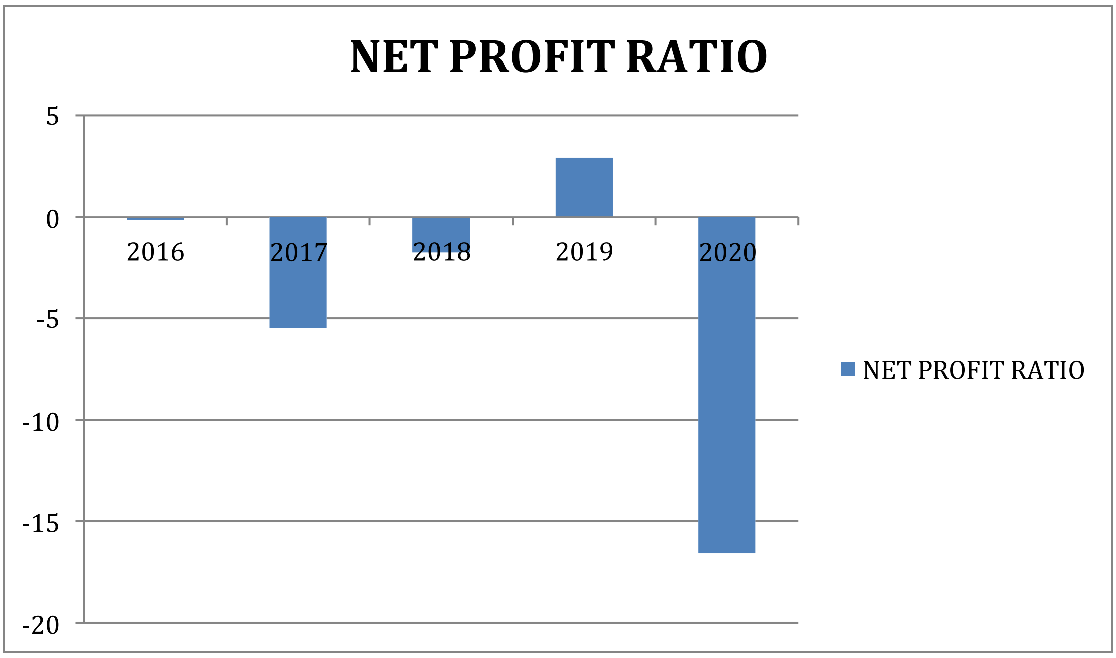
11) **Net profit ratio = (net profit after tax/revenue from operation)*100**

Table 4.11 showing net profit ratio

YEAR	NET PROFIT RATIO
2016	(-62.30/42845.47)*100 = -0.15%
2017	(-2429.60/44316.34)*100 = -5.48%
2018	(-1034.85/58831.41)*100 = -1.76%
2019	(2020.60/69202.76*100 = 2.92%
2020	(-7289.68/43928.17)*100 = -16.59%

The following table shows net profit ratio. Generally, the ideal net profit ratio is 10%. The company has failed to attain the standard ratio, which means the company is under pricing. Also shows lower profitability and lower return to the share holders of the company. Net profit ratio for the past five years shows negative value because of net loss for the mentioned period except 2018-2019.

Figure 4.11 showing net profit ratio



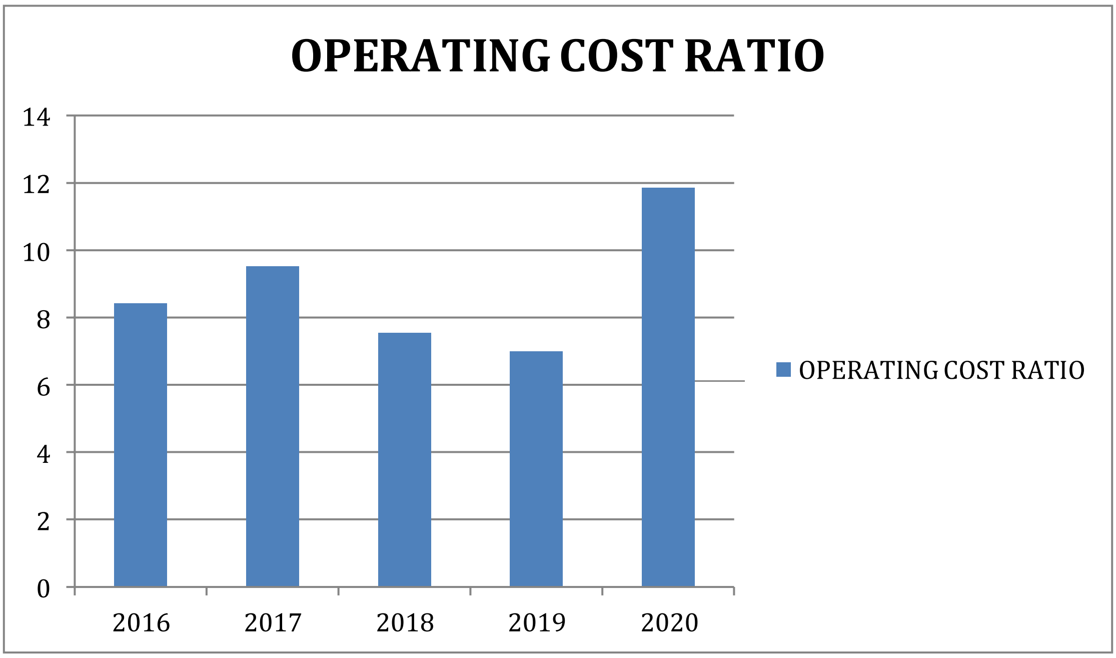
12) Operating cost ratio = (operating cost/revenue from operation)*100

Table 4.12 showing operating cost ratio

YEAR	OPERATING COST RATIO
2016	(3607.24/42845.47)*100 = 8.42%
2017	(4219.13/44316.34)*100 = 9.52%
2018	(4441.71/58831.41)*100 = 7.55%
2019	(4844.83/69202.76)*100 = 7%
2020	(5214.55/43928.17)*100 = 11.87%

The following table shows operating cost ratio. The ideal ratio of operating costratio is 60% to 80%. Although, the lower it is, the better. Here, the company has lower ratio, which indicates that the expenses are decreasing. This is a positive sign for the company.

Figure 4.12 showing operating cost ratio



13) **Operating profit ratio = (operating profit/revenue from operation)*100**

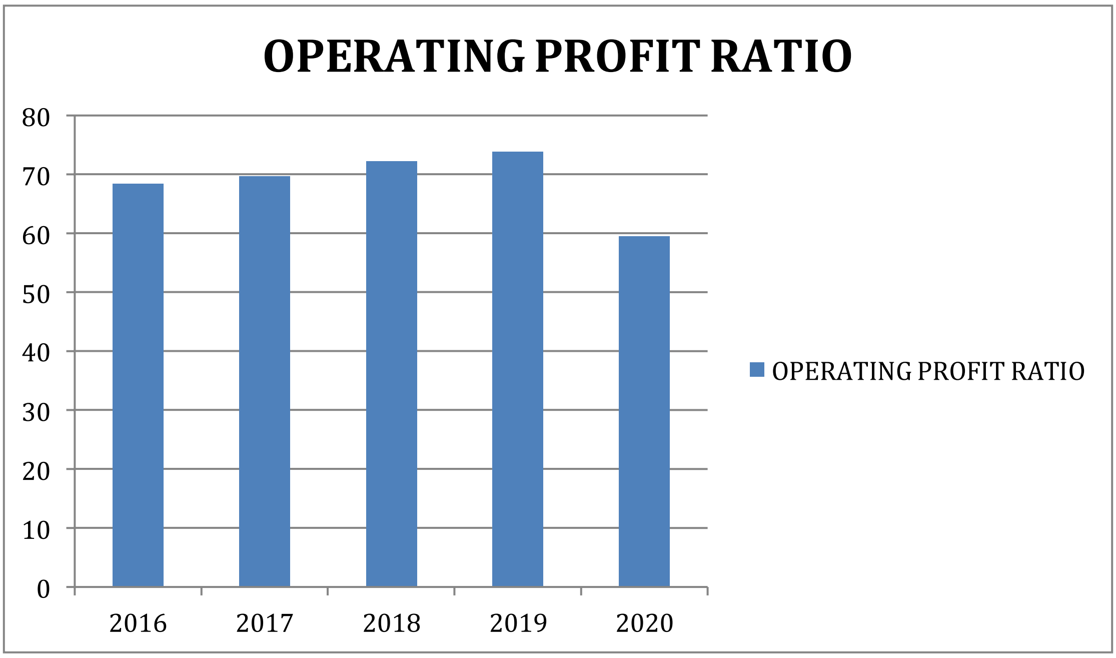
Operating profit = Net profit before taxes + Non-operating expenses –Non-operating incomes

Table 4.13 showing operating profit ratio

YEAR	OPERATING PROFIT RATIO
2016	(29279.14/42845.47)*100 = 68.34%
2017	(30866.95/44316.34)*100 = 69.65%
2018	(42486.60/58831.41)*100 = 72.22%
2019	(51109.47/69202.76)*100 = 73.85%
2020	(26143.74/43928.17)*100 = 59.47%

The following table shows operating profit ratio. An operating profit ratio higher than 15% is considered good. The company has higher ratio for the past five years. So it indicates that the company is earning enough money from business operations to pay for all of the associated costs involved in maintaining the business.

Figure 4.13 showing operating profit ratio



Comparative balance sheet

Table 4.14 showing Comparative balance sheet from 2015-16 to 2016-17

particulars	2015-2016	2016-2017	Increase/decrease in amount	Increase/decrease in percentage
Share capital	679.18	679.22	0.04	0.01%
Reserves and surplus	22582.93	20483.39	-2099.54	-9.30%
Long term borrowings	10599.96	13686.09	3086.13	29.11%
Other LT liabilities	3361.30	1599.05	-1762.25	-52.43%
LT provisions	750.89	892.18	141.29	18.82%
Total non-current liabilities	**14712.15**	**16177.32**	**1465.17**	**9.96%**
Short term borrowings	3654.72	5158.52	1503.80	41.15%
Other ST liabilities	14596.75	15902.66	1305.91	8.95%
ST provisions	450.27	477.17	26.9	5.97%
Total current liabilities	**18701.74**	**21538.35**	**2836.61**	**15.17%**
Total liabilities	**56676.00**	**58878.28**	**2202.28**	**3.89%**
Capital WIP	1557.95	1902.61	344.66	22.12%
Fixed assets	26762.34	28043.92	1281.58	4.79%
Other non-	25431.78	38850.22	13418.44	52.76%

current assets				
Total non-current assets	**44814.31**	**46121.21**	**1306.9**	**2.92%**
Inventories	5117.92	5553.01	435.09	8.50%
Cash and equivalents	788.42	326.61	-461.81	-58.57%
Other current assets	5955.35	6877.45	922.1	15.48%
Total current assets	**11861.69**	**12757.07**	**895.38**	**7.55%**
Total assets	**56676.00**	**58878.28**	**2202.28**	**3.89%**

Table 4.15 showing Comparative balance sheet from 2016-17 to 2017-18

particulars	2016-2017	2017-2018	Increase/decrease in amount	Increase/decrease in percentage
Share capital	679.22	679.22	0	0%
Reserves and surplus	20483.39	19491.76	-991.63	-4.84%
Long term borrowings	13686.09	13155.91	-530.18	-3.87%
Other LT liabilities	1599.05	656.98	-942.07	-58.19%
LT provisions	892.18	1009.48	117.3	13.15%
Total non-current	**16177.32**	**14822.37**	**-1354.95**	**-8.38%**

liabilities				
Short term borrowings	5158.52	3099.87	-2058.65	-39.91%
Other ST liabilities	15902.66	20256.16	4353.5	27.38%
ST provisions	477.17	862.92	385.75	80.84%
Total current liabilities	**21538.35**	**24218.95**	**2680.6**	**12.45%**
Total liabilities	**58878.2**	**59212.30**	**334.1**	**0.57%**
Capital WIP	1902.61	1371.45	-531.16	-27.92%
Fixed assets	28043.92	26800.35	-1243.57	-4.43%
Other non-current assets	38850.22	39044.04	193.82	0.50%
Total non-current assets	**46121.21**	**44240.64**	**-1880.57**	**-4.08%**
Inventories	5553.01	5670.13	117.12	2.11%
Cash and equivalents	326.61	795.42	468.81	143.54%
Other current assets	6877.45	8506.11	1628.66	23.68%
Total current assets	**12757.07**	**14971.66**	**2214.59**	**17.36%**
Total assets	**58878.28**	**59212.30**	**334.02**	**0.57%**

Table 4.16 showing Comparative balance sheet from 2017-18 to 2018-19

particulars	2017-2018	2018-2019	Increase/decrease in amount	Increase/decrease in percentage
Share capital	679.22	679.22	0	0%
Reserves and surplus	19491.76	21483.30	1991.54	10.22%
Long term borrowings	13155.91	13914.74	758.83	5.77%
Other LT liabilities	656.98	609.94	-47.04	-7.16%
LT provisions	1009.48	1281.59	272.11	26.96%
Total non-current liabilities	**14822.37**	**15806.30**	**983.93**	**6.64%**
Short term borrowings	3099.87	3617.72	517.85	16.71%
Other ST liabilities	20256.16	18174.4	-208.76	-10.28%
ST provisions	862.92	1148.69	285.77	33.12%
Total current liabilities	**24218.95**	**22940.81**	**-1278.14**	**-5.28%**
Total liabilities	**59212.30**	**60909.63**	**1697.33**	**2.87%**
Capital WIP	1371.45	2146.96	775.51	56.55%
Fixed assets	26800.35	28573.42	1773.07	6.62%
Other non-current assets	39044.04	41393.74	2349.7	6.02%
Total non-	**44240.64**	**47680.33**	**3439.69**	**7.77%**

current assets				
Inventories	5670.13	4662.00	-1008.13	-17.78%
Cash and equivalents	795.42	1306.61	511.19	64.27%
Other current assets	8506.11	7260.69	-1245.42	-14.64%
Total current assets	**14971.66**	**13229.30**	**-1742.36**	**-11.64%**
Total assets	**59212.30**	**60909.63**	**1697.33**	**2.87%**

Table 4.17 showing Comparative balance sheet from 2018-19 to 2019-20

particulars	2018-2019	2019-2020	Increase/decrease in amount	Increase/decrease in percentage
Share capital	679.22	719.54	40.32	5.94%
Reserves and surplus	21483.30	16800.61	-4682.69	21.80%
Long term borrowings	13914.74	14776.51	861.77	6.19%
Other LT liabilities	609.94	1845.15	1235.21	202.21%
LT provisions	1281.59	1769.74	488.15	38.09%
Total non-current liabilities	**15806.30**	**18391.40**	**2582.10**	**16.35%**

Short term borrowings	3617.72	6121.36	2503.64	69.20%
Other ST liabilities	18174.4	18282.71	108.31	0.59%
ST provisions	1148.69	1406.75	258.06	22.47%
Total current liabilities	**22940.81**	**25810.82**	**2870.01**	**12.51%**
Total liabilities	**60909.63**	**62589.87**	**1680.24**	**2.76%**
Capital WIP	2146.96	1755.51	-391.45	-18.23%
Fixed assets	28573.42	29702.78	1129.36	3.95%
Other non-current assets	41393.74	44526.39	2132.65	5.15%
Total non-current assets	**47680.33**	**49021.11**	**1340.78**	**2.81%**
Inventories	4662.00	3831.92	-830.08	-17.81%
Cash and equivalents	1306.61	3532.19	2225.58	170.33%
Other current assets	7260.69	6204.65	-1056.04	-14.54%
Total current assets	**13229.30**	**13568.76**	**339.46**	**2.57%**
Total assets	**60909.63**	**62589.87**	**1680.24**	**2.76%**

Interpretation:

In comparative balance sheet, it shows the changes in the items on it on the basis of just previous year. In case of current assets and current liabilities, the comparative balance sheet from 2016-17 to 2017-18 shows that current assets increased to 17.36% and current liabilities to 12.45%. But in case of other threecomparative balance sheets, the current liabilities show higher percentage than the current assets. When we analyze the comparative balance sheet from 2017- 18 to 2018-19, it shows negative value in case of current assets and liabilities. Thus it results that, the short term financial position of the company is not satisfied.

In case of liquid assets (cash and equivalents), shows an increase in the currentyear of the comparative balance sheet except that of 2015-16 to 2016-17. This means that, there is an improvement in the liquidity position of the company.

If we analyze the fixed assets, long term liabilities and capital, the share capital of the company is increased only in the comparative balance sheet of 2018-19to 2019-20 to 5.94%. The share capital is constant for the others. It also shows increasing fixed assets and long term liabilities except 2016-17 to 2017-18. If we compare the increasing fixed assets and long term liabilities in the comparative balance sheets, we can see that long term liabilities are comparatively more than the fixed assets. That means, the fixed assets and part of working capital has also been financed from the long term sources. So, this indicates that the company's long term financial position is satisfied.

In case of reserves and surplus of the company, it is in an increasing rate, when we analyze the last two comparative balance sheets, which means that there is an improvement in the profitability of the company.

So, it can be interpreted that, the company's overall financial position is satisfied if we ignore the short term financial position of the company.

Chapter V

FINDINGS, SUGGESTIONS AND CONCLUSIONS

5.1 Findings

- Current ratio is below the ideal ratio and it is in a declined rate.
- Liquid ratio of the company is not satisfactory because it is lower than the standard ratio.
- Super quick ratio is not satisfactory because it is lower than the ideal ratio of the super quick ratio.
- The company's short term assets are not sufficient to meet the short termliabilities.
- The company is highly dependent on creditors for the working capital and its outsiders' funds are not sufficient to manage their earnings.
- The company's solvency position is strong as they have sufficient total assets to meet their debts.
- The company use share holders' funds and short term funds to finance the fixed assets
- The company's equity share capital is less than fixed income bearing funds, which is a satisfactory element to the share holders.
- The company is in loss for the past five years except 2019, which meansthat the company is not able to pay the returns to share holders. The company has to improve its net profit.
- The company shows lower ratio in operating cost ratio, which is asatisfactory.
- Operating profit ratio shows higher value indicating that it is a goodsign.
- In comparative balance sheet, the company's long term financial position, liquidity position and profitability are satisfactory.
- Company's short term financial position is week.

Conclusions

The study highlights, the financial performance of Tata Motors Ltd is satisfactory. To conclude, Tata Motors company has shown its impact on industry. We can see the downfall of the company, but it is expected, as it is such a big company. Looking at all the five years, 2019 is considered the best financial year out of all the five years, as it has improved its profitability in the year 2019. If the company manages its revenue from sales and assets, it is expected to recover from the loss.

5.2 Suggestions

The company has to improve its short term financial position by increasing its working capital. It has no sufficient funds to finance even short term liabilities. The company is dependent on creditors for working capital, which may lead to increased liabilities. The company's share capital is constant for the past five years. They have to improve its share capital by improving the net earnings. Generally, the companies do not pay dividend to the investors that they utilize the dividend amount for operations of the business. Here also the company has utilized the dividend. This may create a bad impact on the investors. So it is very important to increase its sales revenue.

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BIBLIOGRAPHY

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ANNEXURE

BALANCE SHEET OF TATA MOTORS (in Rs. Cr.)	MAR 20	MAR 19	MAR 18	MAR 17	MAR 16
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	719.54	679.22	679.22	679.22	679.18
TOTAL SHARE CAPITAL	**719.54**	**679.22**	**679.22**	**679.22**	**679.18**
Reserves and Surplus	16,800.61	21,483.30	19,491.76	20,483.39	22,582.93
TOTAL RESERVES AND SURPLUS	**16,800.61**	**21,483.30**	**19,491.76**	**20,483.39**	**22,582.93**
TOTAL SHAREHOLDERS FUNDS	**18,387.65**	**22,162.52**	**20,170.98**	**21,162.61**	**23,262.11**
NON-CURRENT LIABILITIES					
Long Term Borrowings	14,776.51	13,914.74	13,155.91	13,686.09	10,599.96
Deferred Tax Liabilities [Net]	198.59	205.86	154.61	147.58	71.39
Other Long Term Liabilities	1,646.56	404.11	502.37	1,451.47	3,289.91
Long Term Provisions	1,769.74	1,281.59	1,009.48	892.18	750.89
TOTAL NON-CURRENT	**18,391.40**	**15,806.30**	**14,822.37**	**16,177.32**	**14,712.15**

LIABILITIES					
CURRENT LIABILITIES					
Short Term Borrowings	6,121.36	3,617.72	3,099.87	5,158.52	3,654.72
Trade Payables	8,102.25	10,408.83	14,225.63	11,462.24	5,141.17
Other Current Liabilities	10,180.46	7,765.57	6,030.53	4,440.42	9,455.58
Short Term Provisions	1,406.75	1,148.69	862.92	477.17	450.27
TOTAL CURRENT LIABILITIES	**25,810.82**	**22,940.81**	**24,218.95**	**21,538.35**	**18,701.74**
TOTAL CAPITAL AND LIABILITIES	**62,589.87**	**60,909.63**	**59,212.30**	**58,878.28**	**56,676.00**
ASSETS **NON-CURRENT ASSETS**					
Tangible Assets	19,540.25	18,316.61	18,192.52	17,897.13	17,573.25
Intangible Assets	5,667.73	3,970.22	3,411.23	2,875.80	3,502.56
Capital Work-In-Progress	1,755.51	2,146.96	1,371.45	1,902.61	1,557.95
Other Assets	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	**29,702.78**	**28,573.42**	**26,800.35**	**28,043.92**	**26,762.34**
Non-Current Investments	15,730.86	15,434.19	14,260.79	14,858.39	15,217.48
Deferred Tax Assets [Net]	0.00	0.00	0.00	0.00	0.00

Long Term Loans And Advances	138.46	143.13	143.96	391.46	252.93
Other Non-Current Assets	3,449.01	3,529.59	3,035.54	2,827.44	2,581.56
TOTAL NON-CURRENT ASSETS	**49,021.11**	**47,680.33**	**44,240.64**	**46,121.21**	**44,814.31**
CURRENT ASSETS					
Current Investments	885.31	1,433.18	2,502.78	2,437.42	1,745.84
Inventories	3,831.92	4,662.00	5,670.13	5,553.01	5,117.92
Trade Receivables	1,978.06	3,250.64	3,479.81	2,128.00	2,045.58
Cash And Cash Equivalents	3,532.19	1,306.61	795.42	326.61	788.42
Short Term Loans And Advances	232.14	200.08	140.27	215.96	484.44
Other Current Assets	3,109.14	2,376.79	2,383.25	2,096.07	1,679.49
TOTAL CURRENT ASSETS	**13,568.76**	**13,229.30**	**14,971.66**	**12,757.07**	**11,861.69**
TOTAL ASSETS	**62,589.87**	**60,909.63**	**59,212.30**	**58,878.28**	**56,676.00**

Source : Dion Global Solutions Limited

Profit & Loss account	------------------ in Rs. Cr. ------------------				
	Mar 20	**Mar 19**	**Mar 18**	**Mar 17**	**Mar 16**
	12 mths	12 mths	12 mths	12 mths	12 mths
INCOME					
Revenue From Operations [Gross]	**43,485.76**	**68,764.88**	**58,234.33**	**48,078.77**	**46,883.53**
Less: Excise/Sevice Tax/Other Levies	0.00	0.00	793.28	4,738.15	4,538.14
Revenue From Operations [Net]	**43,485.76**	**68,764.88**	**57,441.05**	**43,340.62**	**42,345.39**
Other Operating Revenues	442.41	437.88	1,390.36	975.72	500.08
Total Operating Revenues	**43,928.17**	**69,202.76**	**58,831.41**	**44,316.34**	**42,845.47**
Other Income	1,383.05	2,554.66	1,557.60	981.06	1,402.31
Total Revenue	**45,311.22**	**71,757.42**	**60,389.01**	**45,297.40**	**44,247.78**
EXPENSES					
Cost Of Materials Consumed	26,171.85	43,748.77	37,080.45	27,651.65	24,997.40
Purchase Of Stock-In Trade	5,679.98	6,722.32	4,762.41	3,945.97	4,101.97
Operating And Direct Expenses	830.24	571.76	474.98	454.48	418.27
Changes In Inventories Of FG,WIP And Stock-In Trade	722.68	144.69	842.05	-252.14	10.05
Employee Benefit Expenses	4,384.31	4,273.10	3,966.73	3,764.35	3,188.97
Finance Costs	1,973.00	1,793.57	1,744.43	1,569.01	1,592.00
Depreciation And Amortization Expenses	3,375.29	3,098.64	3,101.89	3,037.12	2,329.22
Other Expenses	7,959.75	9,895.68	9,251.41	8,083.12	8,216.65
Less: Amounts Transfer To Capital Accounts	1,169.46	1,093.11	855.08	941.60	1,034.40
Total Expenses	**49,927.64**	**69,155.42**	**60,369.27**	**47,311.96**	**43,820.13**
	Mar 20	**Mar 19**	**Mar 18**	**Mar 17**	**Mar 16**
	12 mths	12 mths	12 mths	12 mths	12 mths
Profit/Loss Before Exceptional, Extra Ordinary Items And Tax	**-4,616.42**	**2,602.00**	**19.74**	**-2,014.56**	**427.65**
Exceptional Items	-2,510.92	-203.07	-966.66	-338.71	-271.84
Profit/Loss Before Tax	**-7,127.34**	**2,398.93**	**-946.92**	**-2,353.27**	**155.81**

Tax Expenses-Continued Operations					
Current Tax	33.05	294.66	92.63	57.06	-7.34
Deferred Tax	129.24	83.67	-4.70	19.27	2.54
Total Tax Expenses	**162.29**	**378.33**	**87.93**	**76.33**	**-4.80**
Profit/Loss After Tax And Before Extra Ordinary Items	**-7,289.63**	**2,020.60**	**-1,034.85**	**-2,429.60**	**160.61**
Extraordinary Items	0.00	0.00	0.00	0.00	-222.91
Profit/Loss From Continuing Operations	**-7,289.63**	**2,020.60**	**-1,034.85**	**-2,429.60**	**-62.30**
Profit/Loss For The Period	**-7,289.63**	**2,020.60**	**-1,034.85**	**-2,429.60**	**-62.30**

Source : Dion Global Solutions Limited