

# ***FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS KOHIMA.***

*Project report submitted to Nagaland University in partial fulfilment  
for the award of the degree of Bachelor of Commerce*

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**DECLARATION**

I declare that the project report entitled “*Financial statement analysis of TATA Motors Kohima*” submitted by me for the award of the degree of **Bachelor of Commerce** of Nagaland University is my own work. The project report has not been submitted for any other degree of this University or any other university.

**KIKANARO KICHU**

**CERTIFICATE**

We recommend that this project report be placed before the examiners for evaluation.

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Lastly, I thank all those individuals who helped me to complete my project.

**(KIKANARO KICHU)**

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# CHAPTER 1

## INTRODUCTION

AND

## RESEARCH DESIGN

## **1.1 Introduction**

TATA Motors Group is a leading global automobile manufacturing company. Its diverse portfolio includes an extensive range of cars, sports utility vehicles, trucks, buses and defense vehicles. TATA Motors is India's largest and the only original equipment manufacturer offering an extensive range of integrated smart and e-mobility solutions.

Tata Motors showroom located in New market sector 2 Kohima which sales and provide various models of TATA Motors cars that includes Tata Harrier and recently launched Tata Nano or Tata Indica which create great brand into the car industry in the diesel segment. Tata Motors showroom was established in the year 2018 by T.R Angami and is headquarter in Dimapur Nagaland. The company started with an estimated capital of Rs 8 crore with 13 employees. Its incentives depending on their performance apart from their salary and it decided to pursue joint venture. The other segment includes information technology services, machine tools and factory automation solution.

TATA has been named among the top 10 brand companies by Fortune Magazine it has got onto top 100 countries in the survey of Standard & Poor's in the year 2008.

Being into most value brand in the world the consumer satisfaction to its customers is very important for TATA'S and thus they are continuously working into this area where their objectives is to provide best products with the full value of the money of their customers.

The purpose of this project is to financially study company TATA Motors Ltd by doing ratio analyses, research and financial position.

## 1.2 Review on Literature

. The purchase of automobiles in India have increased manifold during the last decade. This is largely due to growing urbanization, economic development and increasing per capita income. With this there has been intense competition among the automobile. The earnings from export have been also increasing since then. But as compared to other parts of the world, this is still low. So, innovativeness in R&D and building more efficient vehicles has been in demand during the past few years to remain competitive in the market.

Tata Motors was not a successful company long back where in 2001; it suffered a loss of Rs. 500 crore. In the same year the prices of Tata Motors Limited stocks has gone down from Rs. 564 to Rs. 59. Although in 1995, Tata had its products as Sumo, Tata Sierra and with its ties with Daimler Benz started producing Mercedes Benz in India but still it suffered losses. During that time the commercial vehicle segment of Tata Motors was the major revenue generating segment . At the same time increasing consumption of consumer goods and the restrictions put by the Government of India on plying of heavy goods vehicles in the cities particularly in the day time increased the demand of light goods vehicles in the market.

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

- Shinde Govind P. & Dubey Manisha (2011) the study has been conducted considering the segments such as passenger vehicle, commercial vehicle, utility vehicle, two and three wheeler vehicle of key players performance and also analyze SWOT analysis and key factors influencing growth of automobile industry.
- 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.
- 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 witch 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.

- Zafar S.M. Tariq & Khalid S.M (2012) the study explored that ratios 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.
- 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, under utilization of assets and liquidity instability. The researcher suggested to improving the labour productivity, labour flexibility and capital efficiency for success of industry in future.
- Dawar Varun (2012) Study to analyze the effect of various fundamental corporate policy variables like dividend, debit, capital expenditure on stock prices of automobile companies of India. The study tends that dividend & investment policy are relevant and capital structure irrelevant to stock prices.
- Mistry Dharmendra S. (2012) understood a study to analyze the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which effect positive or negative effect on the profitability. It suggested to improve solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.
- Murlidhar, A. Lok Hande & Rana Vishal S. (2013) the author tries to evaluate the performance of Hyundai Motors Company with respect to export, Domestic Sales, productions and profit after tax. For this purpose, the pie chart and bar graph are used to show the performance of company various years.
- Dharmaraj, A. and Kathirvel N. (2013) explored an overview of new industrial policy act 1991, which allow 100 percent foreign direct investment. An attempt is made to find out the effect of FDI on financial performance of automobile industry. It is concluded that the liquidity ratios shows minor changes and profitability shows an increasing trend during post FDI when compared to pre FDI. Post FDI efficiency ratio shows that companies are efficiently utilizing the available resources.



### **1.3 Scope of the Study**

The scope of this paper is to study the various segments in the automobile industry as the automobile industry is evolving heavenly with more of foreign players entering into the domestic market. The scope of the study is also to study the product offered by TATA Motors to its customers for the same and also to study the various factors which are the root causes for the increasing market share in A2 segment.

### **1.4 Limitation of the study**

- Some of the information was confidential so much information was not revealed.
- The financial are on the basis of on-going concept, as much as it does not reflect the current position of the business
- Continuous and reliable information was not available
- Based on specific time period
- The statement does not necessarily provide any value in the pretending what will happen in the future
- The time span of the survey was short and hence only major aspects were considered

### **1.5 Research Method**

- The study consists of the 3 years data of TATA Motors from to this is complete secondary

Data . This data is taken from the published annual money reports of money control. Profitability ratio and statistics techniques will be used to analyse the data. Financial Analysis of TATA Motors for financial analyses, some profitability ratio to be calculated to assess the financial position of the company. The basic aim of this analyses is to reveal the financial position is increasing or decreasing. The Financial data and the information required for the study are drawn from the various annual reports of companies.



CHAPTER 2

FINANCIAL PROFILE

AND

DETAIL ANALYSIS

## 2.1 INTRODUCTION

Financial statement analysis involves gaining an understanding organization's financial situation by reviewing its financial reports. These analysis are frequently between the revenues and expenses listed on the income statement and assets, liabilities and equity listed on the balance sheet.

There are three main ways to analyses financial statements:

Horizontal analysis provides year-to year comparison of a company performance in different periods. Vertical analysis provides a way to compare different companies. Ratio analysis can be used to provide information about a company's performance.

The ratio analyses done for this project were done with the help of the extraction of the balance sheet, income statement from the Yahoo website. There was information only available for three years which are: 2018,2019,2020. Ratio analyses is considered significant since it measures a company's economic positioning and helps companies to prepare themselves for the future, using multiple ratios like the current ratio and the Time Ratio. (Ratio analyses frequently allow businesses to assess their efficiency and decide the costs and disadvantages of their operations. The financial statements of the two groups can be hard to analyze. Being in two different industries that follow different styles for running businesses makes it difficult to finalize which company has a better investment value. Creditors use Ratio analyses to solve these problems.

**FINANCIAL DATA (TATA Motors ltd)**

YEAR/ITEMS	2020	2019	2018
Current Assets	12,78,78	13,76,890	11,98,098
Current liabilities	14,78,600	15,879,09	12,78,780
Investors	34,89,800	47,98,908	35,89,876
Cash	41,78,000	49,67,980	59,86,976
Receivable	12,786,78	67,89.980	98,78,98
Total assets	29.87.908	76,980,87	67,98,098
Total liabilities	24,78,899	56,786,09	78,98,786
Total equity	53,89,980	98,876,90	54,98,700
Sales	29,98,089	67,98,987	26,98,098
Cost of goods sold	19,76,908	76,98,000	87,98,798
Interest	70,875,00	89,980,00	90,897,00
Net income/loss	-78,78,900	66,66,670	61,987,00

### Ratio Analyses:

#### Current Ratio:

	2020	2019	2018
<b>Current assets</b>	1,228,275,20	1,362,648,30	1,163,336,40
<b>Current Liabilities</b>	1,447,750,60	1,427,782,70	1,152,886,20
<b>Total</b>	<b>0.84</b>	<b>0.95</b>	<b>1.009</b>

#### Quick Ratio:

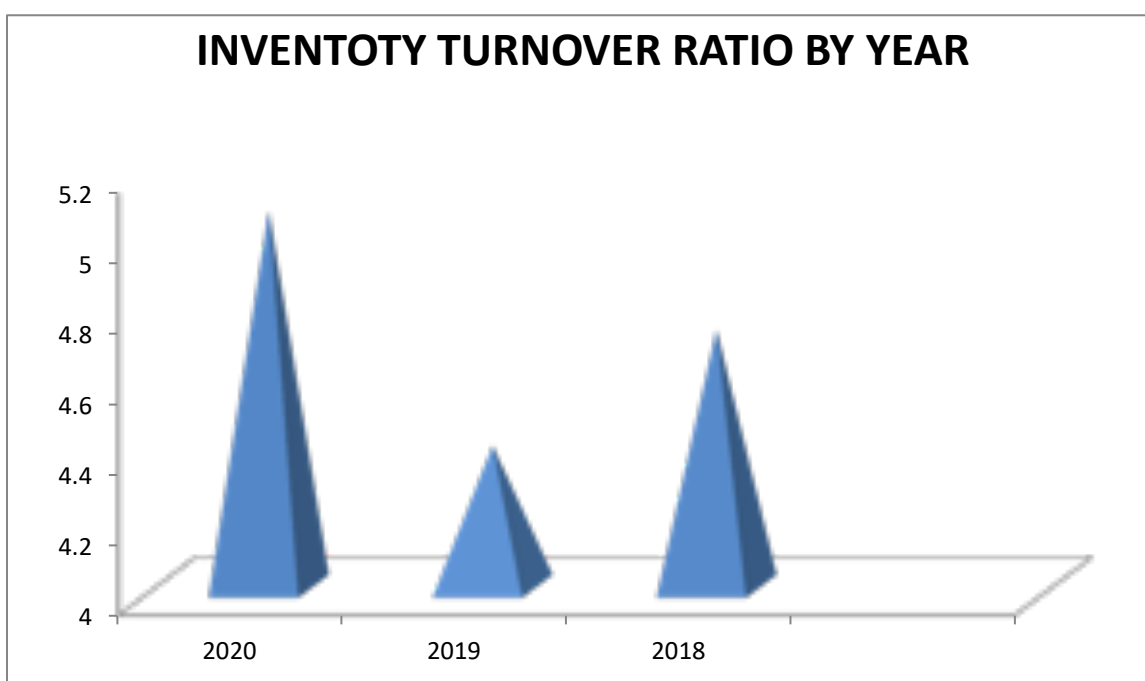
	2020	2019	2018
<b>Current assets - Inventory</b>	838,259,30	938,352,10	810,382,60
<b>Current Liabilities</b>	1,447,750,60	1,427,782,70	1,152,886,20
<b>Total</b>	<b>0.28</b>	<b>0.65</b>	<b>0.70</b>

#### Cash Ratio:

Year/Item	2020	2019	2018
<b>Cash</b>	410,723,40	492,394,20	509,206,70
<b>Current Liabilities</b>	1,447,750,60	1,427,782,70	1,152,886,20
<b>Total</b>	<b>0.28</b>	<b>0.34</b>	<b>0.44</b>

### Inventory Turnover Ratio:

	2020	2019	2018
<b>COGS</b>	1,978,855,800	1,869,682,900	1,670,895,400
<b>inventory</b>	390,015,900	424,296,200	352,953,800
	<b>5.07</b>	<b>4.40</b>	<b>4.73</b>



This figure shows the activity of the corporation is inconsistent. It fell slightly in 2019 with a rate of 4.40 and drastically improved to 5.07. It shows that the activity of the company has improved over time and they should maintain stability.

**RECEIVABLE TURNOVER RATIO:**

Item/Year	2020	2019	2018
Sales	2,993,662,400	2,882,951,100	2,656,495,100
Receivables	189,961,700	198,933,000	140,755,500
	15.75	14.49	18.87

**Debt Ratio:**

Year/Item	2020	2019	2018
Total Liabilities	2,429,052,500	2,321,989,900	2,127,803,800
Total assets	2,987,119,900	3,235,937,200	2,666,646,000
	0.813	0.717	0.797

**Time Interest Earned Ratio:**

	2020	2019	2018
EBIT	-203,091,700	-115,737,500	-63,956,100
Interest	57,586,000	46,365,000	42,365,700
	-3.52	-2.49	-1.50

**Return on equity ratio:**

	2020	2019	2018
Net income	-293,142,700	66,660,800	61,210,500
Equity	552,738,700	908,589,800	534,197,000
	-0.530	0.073	0.114

**Return on Total assets:**

Year/Item	2020	2019	2018
Net income	-293,142,700	66,660,800	61,210,500
Total assets	2,987,119,900	3,235,937,200	2,666,646,000
Total	-0.0981	0.0206	0.022

**Profit Margin ratio:**

Year/Item	2020	2019	2018
Net Income	-293,142,700	66,660,800	61,210,500
Sales	2,993,662,400	2,882,951,100	2,656,495,100
	-0.097	0.023	0.023

## 2.2 ANALYSIS OF DATA INTERPRETATION

### TATA MOTORS 2018-2019 ANNUAL REPORT ANALYSIS

TATA Motors has announced its result for the year ended March 2019. Let have a look at the detail performance review of the company during FY18-1

### TATA MOTORS INCOME STATEMENT ANALYSIS

- Operating income during the year rose 3.6% on a year-on-year (YoY) basis.
- The company's operating profit decreased by 21.6% YoY during the fiscal. Operating profit margins witnessed a fall and stood at 8.2% in FY19 as against 10.8% in FY18.
- Depreciation charges increased by 9.5% and finance costs increased by 23.0% YoY, respectively.
- Other income declined by 25.1% YoY.
- Net profit for the year declined by 416.0% YoY.
- Net profit margins during the year declined from 3.1% in FY18 to 9.4% in FY19.

### TATA MOTORS Income Statement 2018-19

No. of Months Year Ending		12 Mar-18	12 Mar-19	% Change
Net Sales	Rs m	2,915,505	3,019,384	3.6%
Other income	Rs m	39,576	29,653	-25.1%
Total Revenues	Rs m	2,955,081	3,049,037	3.2%
Gross profit	Rs m	314,577	246,643	-21.6%
Depreciation	Rs m	215,536	235,906	9.5%
Interest	Rs m	46,818	57,586	23.0%
Profit before tax	Rs m	91,799	-17,196	-118.7%
Tax	Rs m	43,419	-24,375	-156.1%
Profit after tax	Rs m	90,914	-287,242	-416.0%
Gross profit margin	%	10.8	8.2	
Effective tax rate	%	47.3	141.7	
Net profit margin	%	3.1	-9.4	



## **Tata Motors balance sheet analysis**

- The company's current liabilities during FY19 stood at Rs 1,455 crore as compared to Rs 1,432 crore in FY18, thereby witnessing an increase of 1.6%.
- Long-term debt stood at Rs 710 crore as compared to Rs 612 crore during FY18, a growth of 16.0%.
- Current assets fell 9% and stood at Rs 1,234 billion, while fixed assets fell 11% and stood at Rs 1,479 crore in FY19.
- Overall, the total assets and liabilities for FY19 stood at Rs 3,072 crore as against Rs 3,314 crore during FY18, thereby witnessing a fall of 7%.

## **TATA MOTORS BALANCESHEET AS OF MARCH 2019**

No. of Months Year Ending		12 Mar-18	12 Mar-19	% Change
Networth	Rs m	954,279	601,796	-36.9
Current Liabilities	Rs m	1,432,195	1,454,574	1.6
Long-term Debt	Rs m	611,995	709,737	16.0
Total Liabilities	Rs m	3,313,505	3,071,945	-7.3
Current assets	Rs m	1,359,728	1,234,312	-9.2
Fixed Assets	Rs m	1,663,353	1,478,617	-11.1
Total Assets	Rs m	3,313,505	3,071,945	-7.3

## **TATA MOTORS Cash Flow Statement Analysis**

- TATA MOTORS's cash flow from operating activities (CFO) during FY19 stood at Rs 189 Crore on a YoY basis.
- Cash flow from investing activities (CFI) during FY19 stood at Rs -197 crore on a YoY basis.
- Cash flow from financial activities (CFF) during FY19 stood at Rs 88 crore, an improvement of 339% on a YoY basis.
- Overall, net cash flows for the company during FY19 stood at Rs 68 crore from the Rs 7 crore net cash flows seen during FY18.

## **TATA MOTORS CASH FLOW STATEMENT 2018-2019**

<b>Particulars</b>	<b>No. of months</b>	<b>12</b>	<b>12</b>	<b>% Change</b>
	<b>Year Ending</b>	<b>Mar-18</b>	<b>Mar-19</b>	
Cash Flow from Operating Activities	Rs m	238,574	188,908	-20.8%
Cash Flow from Investing Activities	Rs m	-262,016	-197,111	-
Cash Flow from Financing Activities	Rs m	20,117	88,304	338.9%
Net Cash Flow	Rs m	7,300	68,431	837.4%

## **RATIO ANALYSIS OF TATA MOTORS**

### **• Solvency Ratios**

**Current Ratio:** The company's current ratio deteriorated and stood at 0.8x during FY19, from 0.9x during FY18. The current ratio measures the company's ability to pay short-term and long-term obligations.

**Interest Coverage Ratio:** The company's interest coverage ratio deteriorated and stood at 0.7x during FY19, from 3.0x during FY18. The interest coverage ratio of a company states how easily a company can pay its interest expense on outstanding debt. A higher ratio is preferable.

- **Profitability Ratios**

**Return on Equity (ROE):** The ROE for the company declined and down at -47.7% during FY19, from 9.5% during FY18. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.

**Return on Capital Employed (ROCE):** The ROCE for the company declined and down at -19.4% during FY19, from 11.6% during FY18. The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company.

**Return on Assets (ROA):** The ROA of the company declined and down at -7.5% during FY19, from 4.2% during FY18. The ROA measures how efficiently the company uses its assets to generate earnings.

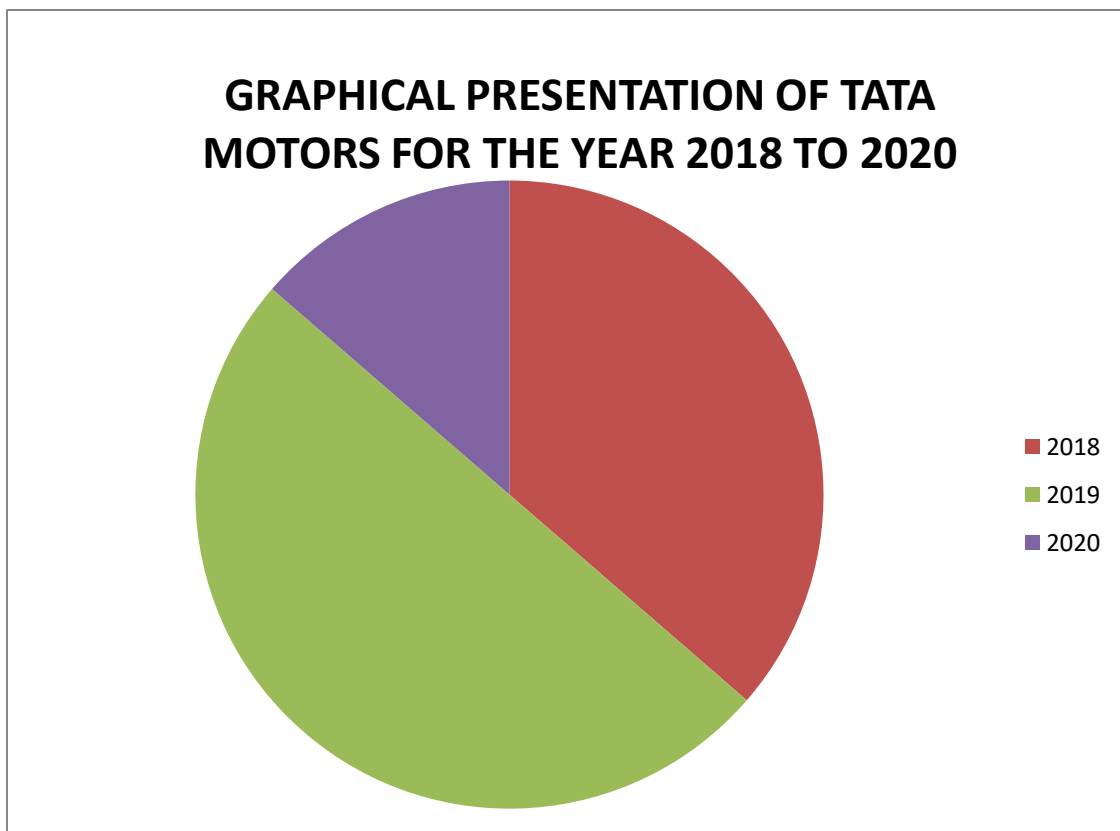
## **KEY RATIO ANALYSIS**

<b>No. of Months Year Ending</b>		<b>12 Mar-18</b>	<b>12 Mar-19</b>
Current ratio	x	0.9	0.8
Debtors' Days	Days	25	23
Interest coverage	x	3.0	0.7
Debt to equity ratio	x	0.6	1.2
Return on assets	%	4.2	-7.5
Return on equity	%	9.5	-47.7
Return on capital employed	%	11.6	-19.4

## 2.3 GRAPHICAL PRESENTATION OF ANALYSIS DATA

### Graphic presentation of TATA Motors for the year 2018-2020

<b>2018</b>	13,659,60
<b>2019</b>	23,897,09
<b>2020</b>	10,365,98





CHAPTER 3  
FINDINGS  
SUGGESTION  
AND  
CONCLUSION.

### **3.1 FINDING**

- The company targets high level of income people because company produces luxury and semi luxury cars.
- The products match with the price and quality.
- The company is prompt and timely delivery of the product to the customers.
- Tata motors are the third largest company in the passenger vehicles segment and the leader and the commercial vehicle segment.
- The share of Tata motors in passenger vehicles segment is low as compared to major competitors. This may be due to the better products and services better marketing strategies by competitors.
- Tata motors limited ltd have 77% will knowledgeable Concord sells personal and they spend enough time with customers.
- Concord motors limited offers test drive to every customer and discount offer.

### **3.2 SUGGESTION**

- The cost of NANO cars starts at the rate of 100000 here it is difficult for the low class people to buy it so the company should produce the cars by taking into consideration about the lower cost.
- The service cost is higher compared to the local groups hence the company should fix a reasonable price.
- The company should give more importance towards increasing the mileage of the car due to the increase in the rate of fuel.

### **3.3 CONCLUSION**

After all the research work and detailed financial analysis of TATA Motors, I came to the conclusion that TATA Motors is an overall strong company that has found its strength and expansion through its parent company.

TATA motors should come in luxury segment with new strategies in the domestic market; it should focus on increasing the proportion of market share in passenger vehicles in India.

.The liquidity and leverage and analysis of both the firms are done. The results show that TATA Motors ltd. has to increase the portion of proprietor's fund in business to improve long term solvency position.

Developing new products and covering new market will always be their main purpose .Therefore, the name of TATA itself says it all-

- Trust
- Acceptability
- Transparency
- Accountability

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## **PDF**

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