



A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF TOYOTA MOTOR COMPANY

Ms.M.Vdya; K. Tejas

Assistant Professor; Student

Sri Krishna Adithya College of Arts And Science, Coimbatore.

ABSTRACT

The automobile industry is one of the key drivers that boost the economic growth of the country. It has grown a reasonable capture in four wheeler companies in India play a vital role in economic segments. The period for this study covered five years from 2015-2016 to 2020-2021 and the essential data for this study have been collected from the annual reports of one companies (Toyota). It appears safe to summarize that the Toyota seems to be sound financial management practice.

Keywords: Automobile Industry; Liquidity and Profitability; Consistency.

INTRODUCTION OF THE STUDY

Finance is one of the most primary requisites of a business and the modern management obviously depends largely on the efficient management of the finance. Financial statement is prepared primarily for decision making. They play a dominant role in setting the framework of managerial decisions. The finance manager has to here to the five Rs with regard to money. Whether owned or borrowed funds. At the right time to preserve solvency from the right sources and the right cost of capital. The term financial analysis is also known as analysis and interpretation of financial statement refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data. The purpose of financial analysis is to diagnose the information contained in financial statement as to judge the profitability and financial soundness of the firm.

OBJECTIVES OF THE STUDY

- To determine the financial performance of Toyota motors corporation though ratio analysis.
- To analyze the financial growth of Toyota motors corporation.
- To examine the overall performance of Toyota motor corporation.

LIMITATIONS OF THE STUDY

- The study is only for Toyota Motor Company.
- Only five years of profit and losses and balance sheet are compared.
- To find the comparative analysis of Toyota Motors Company.
- Analysis of cash flow in Toyota Motors Company.
- The study is based on secondary source of data.

STATEMENT OF PROBLEM

As a result of the ongoing vehicle recalls, limited communication with stakeholders' deaths linked to Toyota vehicles, and a late apology from the CEO, the Toyota brand has been seriously damaged. The Toyota Corporation, which claims to be a top contender for having the safest cars in production, now faces security because of this compounding crisis. The Toyota recalls significantly hurt the Toyota brand, as can be seen in the valuation of Toyota Stock. Since the first large-scale recalls on January 15, 2010, the stock valuation was during February and March of 2010 when the most recalls occurred worldwide. The result of Toyota's recall is a \$21 billion dollar loss in market share (Shunk). This drop in valuation can be summarized as a lack of faith in the Toyota Corporation by both consumers and investors. This massive product recall points out a serious flaw in Toyota product and its communication efficiency. When deaths are linked to recalls, stakeholders lose trust and are hesitant of the brand responsible.

Toyota not only recalled products that were defective and causing fatalities, but they did so in a massive-scaled effort, after several years of failed investigations and ignored customers. Due to the fact that these recall were executed after malfunction and death occurred, Toyota appeared to be abandoning their mission; "To attract and attain customers with high-valued product and services and the most satisfying ownership experience in America."

Although the depreciation in Toyota's stock during this crisis may have created a "buying opportunity to some investors," it may also turn other investors away from investing with the Toyota Corporation due the unpredictable future that may yields from a recall crisis. Due to the Toyota product recalls and substandard investor communication, there is a lack of trust in the Toyota Corporation, which ultimately affects its stock price and investor involvement.

SCOPE OF THE STUDY

- To study and analyze the Toyota Motors company.
- To analyze the Toyota Motors company in market.
- The result of marketing success can be interpreted to assess the rate of employee satisfaction in various department.
- This study can be applied to find out an effective distribution channel to enhance the sale of various products of Toyota Motors.

RESEARCH METHODOLOGY

RESEARCH

A research design is the arrangement of condition for collection and analysis of data in manner than aims to combine relevant to the research purpose with economy in procedure. Decisions regarding what, where, when, how much, by what means concerning an inquiry or a research study constitute a research design.

SOURCE OF DATA

The data was secondary in nature. Secondary data were collected through annual report, book, website and journals.

PERIOD OF STUDY

The period of the study is based on last five years from 2016-2017 and 2019-2020.

TOOL USED

1.RATIO ANALYSIS

- Current ratio
- Liquid ratio
- Debt equity ratio
- Proprietors ratio
- Debtors turnover ratio
- Inventory turnover ratio
- Working capital turnover ratio
- Net operating ratio
- Operating ratio

2. CASH FLOW STATEMENT

REVIEW OF LITERATURE

Khan and Mohole Tut ail Khan (1990) in their study, “Paper Industry: An appraisal” pointed out that the paper industry is a highly capacity intensive industry. Due to steady rise in the costs of inputs, heavy overheads, paucity of power and adverse of control orders over the industry, this industry has been unable to function vigorously. They have selected some of the important companies for the analysis during the period 1980- 81 to 1985-86. The statistical analysis shows that the profitability of these companies during the period under review is not satisfactory. The profitability of these companies has been hampered because of controls over prices and production of printing paper. The study concluded that the control over prices and production of printing paper should be removed.

Praveen Kumar Jain (1993) conducted a study among seven paper companies in India to “Analyze the basic components of Working Capital”. The study revealed that the current ratio in public sector undertakings during the study period was founded to be highly erratic while the same in private sector undertakings registered continuous decrease. As far as the inventory was concerned, the study revealed that it was highly unplanned in public sector undertaking units when compared to private sector units. The study contributed much in terms of realizing the importance of effective management of working capital.

ANALYSIS AND INTERPRATION

WORKING CAPITAL TURNOVER RATIO

Working capital turnover ratio 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.

WORKING CAPITAL TURNOVER RATIO= NET SALES**WORKING CAPITAL**

Working capital= current asset- current liability

TABLE NO: 1**TABLE SHOWING WORKING CAPITAL TURNOVER RATIO**

YEAR	NET SALES	WORKING CAPITAL	RATIO
2016-2017	17,226,714	2,085,097	8.26
2017-2018	18,000,689	514,730	34.97
2018-2019	19,227,956	335,765	54.04
2019-2020	30,224,438	652,299	46.33
2020-2021	29,930,085	740,154	40.43

Source: Secondary Data

INTERPRETATION:

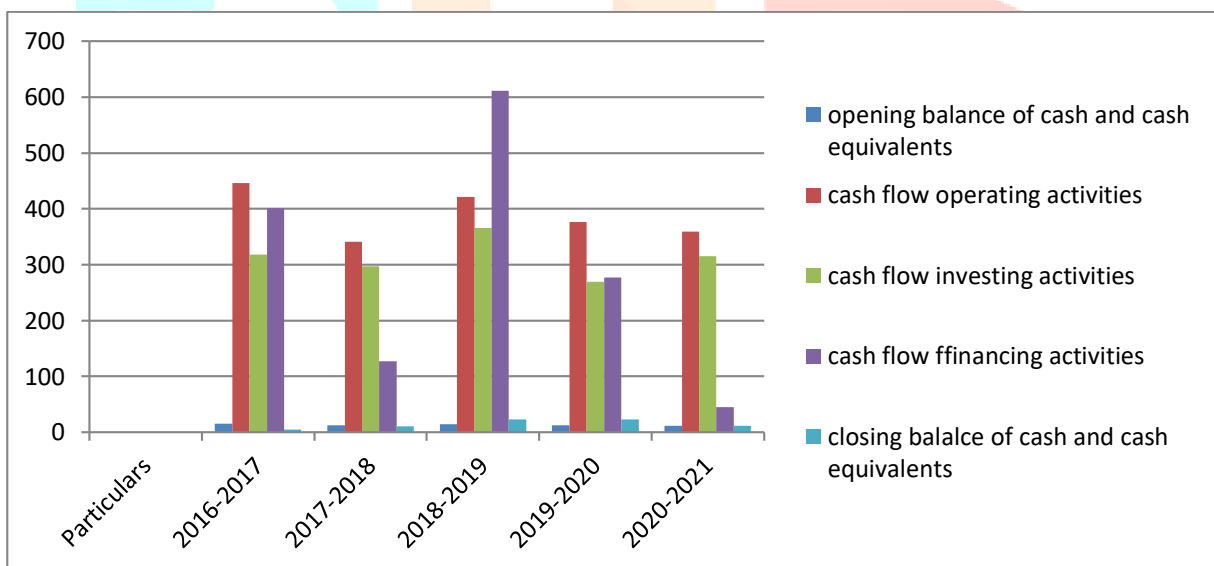
The above table reveals the Working Capital turnover ratio in Toyota Motor Company. Capital turnover ratio shows in the year 2016-2017,2017-2018,2018-2019, 2019-2020 and 2020-2021 is 8.26,34.97,54.04,46.33,40.43. Working capital turnover ratio was high during 2017-2018 with the value 54.04 and low during 2015-2016 with the value of 8.26.

CASH FLOW STATEMENT ANALYSIS

In financial accounting, a **cash flow statement**, also known as **statement of cash flows**, is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities. Essentially, the cash flow statement is concerned with the flow of cash in and out of the business. As an analytical tool, the statement of cash flows is useful in determining the short-term viability of a company, particularly its ability to pay bills. International Accounting Standard 7 (IAS 7) is the International Accounting Standard that deals with cash flow statements.

CHART NO: 2**SUMMARY OF CASH FLOW STATEMENT OF TOYOTA MOTOR COMPANY FOR THE YEAR**

Particulars	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Opening balance of cash and cash equivalents	15.71	12.36	14.33	12.40	12.00
Cash flow operating activities	446.08	341.42	421.00	376.65	359.06
Cash flow Investing Activities	318.25	296.99	366.00	269.72	315.08
Cash flow Financing Activities	401.64	127.20	611.30	277.10	44.88
Closing balance of cash and cash equivalents	4.67	10.53	23.31	23.46	11.20

CHART NO: 2 CHART SHOWING CASH FLOW ANALYSIS**SUMMARY:****ANALYSIS OF SUMMARY CASH FLOW STATEMENT**

The findings from the above after considering the changes in opening and closing balance of cash & cash equivalents, operating, investing and financing activities of Toyota motors company.

1. Cash flow from operating activities has shown a leap from 15.7 in 2016-2017 and 14.33 in 2017-2018 and 12.40 in 2018-2019 and the 12.00 in 2019-2020 and 2020-2021.
2. Toyota Motor Company has better operating performance in the year 2017-2018, since its cash flow from operating activities has increased as a result of increased sales or dip in the company.
3. It is observed that in both given years there is a negative cash flow Investing Activities. This portrays there is an excess outflow of cash in Investment Activities, which reflects a consistent Investment in Fixed Assets. The facilitates a the possibility of the company earning better profits in

future, but subjects to any uncertainties. A positive sign of generating higher revenue and thus improved profits as well.

4. The varying trends in the flow of cash flow financing Activities is showing a reduction in outflows, from 4.67 in 2016-2017 to 10.53 in 2017-2018 and 23.31 in 2018-2019 to 23.46 in 2019-2020 and 11.20 in 2020-2021 . This variation is on account of raising funds through long-term and short-term borrowings 611.30+401.64 i.e 1012.64. these funds were utilized in investing activities by purchase of fixed assets worth 109.93+5.09=115.02. the Acquisition of additional shares in subsidiaries, was however partially funded from financing activities and balance from operating activities cash flows.

CONCLUSION

In the year 2019-2020 the closing balance of cash and cash equivalents was 23.41 on account of positive or a good account of cash flows from operating Activities of INR 611.23, which provided a net inflow of cash from all 3 activities of operating, Investing and Financing out together. Thus, a consistent operational efficiency of the company is depicted through increased cash flow from operating Activities. There has been a better solvency position due to repayments of long term borrowings and thereafter raising fresh loans as well. A positive operating and closing cash and cash Equivalents is the impact of net inflow of cash from operating Activities.

FINDINGS

The following are the findings interpreted through financial performance analysis of reliance.

1. Current ratio was high during 2016-2017 with the value 1.12 and low during 2017-2018 with the value of 1.01.
2. Quick ratio was high during 2016-2017 with the value 1.13 and low during 2017-2018 with the value of 0.87.
3. Absolute liquid ratio was low during 2016-2017 with the reveals low during 2018-2019 with the value of 0.19.
4. Debt equity ratio was high during 2014-2015 with the value 8.61 and low during with the value 9.82.
5. Proprietor's ratio was high during 2012-2013 with the value 0.011 and low during 2018-2019 with the value of 0.009.
6. Debtor's turnover ratio was high during 2019-2020 with the value 1154.48 and high during 2016-2017 with the value of 55.22.
7. Inventory turnover ratio was high during 2019-2020 with the value 12.29 and low during 2016-2017 with the value of 7.54.
8. Working capital turnover ratio was high during 2017-2018 with the value 54.04 and low during 2016-2017 with the value of 8.26.
9. Net profit ratio was high during 2017-2018 with the value 8.49 and during 2016-2017 with the value of 6.63.
10. Operating profit ratio was high during 2016-2018 with the value 0.35 and low during 2018-2019 with the value of 0.04.

SUGGESTIONS

1. Though the automobile industries have been in luxury segment, since entry in India over a decade go, it needs to widen its product portfolio to expand presence and increase market share of car products and car sales.
2. When evaluating the opportunities emerging in different segments, including the compact car segment, the industry has to invest more to enhance the production capacity in the coming years to introduce new models.
3. No centralized data warehouse/agency on vehicle registration and related parameters exist. This makes timely access and retrieval of information a daunting task. In the absence of centralized data availability, the manufactures face a problem whenever they need to recall any model/batch vehicles to rectify major manufacturing defects.
4. Presently, the priorities of the India car industry are too made affordable. A wide product portfolio, competitive pricing, expectation of high fuel efficiencies, presence of diesel versions and modern designing have been some of the factors that have helped players to compete successfully in this segment.

CONCLUSION

The Toyota Motor Company is one of the biggest world cars producing company. Now-a-days it has lots of manufacturing factories all over the world and the demand for Toyota cars is going up year as automobiles of the company are of good quality, sold on available price and safety. The financial analysis of the company performed the good statement in 2010 and recovery process till 2020 as TMC as other automobile producers suffered from the global financial crisis. Though Toyota's image was collapsed due to million of cars recall, the company still has a stable position on the world market and will recovery easily.

In conclusion, I would point out that the strong potential of TMC return the level it had before attract more and more investors to its business.

BIOBLOGRAPHY

- ["TMC Announces Results for March 2020 and Fiscal Year Ended March 31, 2020"](#)(Press release). Japan: Toyota Motor Corporation. April 28, 2020. Retrieved April 28, 2020.
- Szymkowski, Sean (October 17, 2019). ["Teny-weeny Toyota electric city car will hit Japanese streets next year"](#). [Roadshow](#). [Archived](#) from the original on October 18, 2019. Retrieved October 17, 2019.