



Driving Towards Financial Success: An Exhaustive Analysis of Tata Motors

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1. ABSTRACT:

This is a financial analysis of Tata Motors, a leading automobile manufacturer in India, providing a comprehensive framework for evaluating the company's performance and financial health. With operations in South Korea, the United Kingdom, Thailand, Indonesia, and South Africa through a strong global network of 113 subsidiary and associate firms, Tata Motors, a \$35 billion company and a subsidiary of the USD 113 billion Tata group, is a global leader in automotive manufacturing.

The analysis includes a review of the company's income statement, balance sheet, and cash flow statement, as well as key financial ratios such as revenue growth, gross profit margin, operating profit margin, current ratio, debt-to-equity ratio, and return on equity. This overview highlights the importance of considering both quantitative and qualitative factors, such as industry trends and competition, when evaluating a company's financial performance. While specific financial data for Tata Motors is not provided, this analysis serves as a general guide for conducting a thorough financial analysis of a company.

The findings of this report can be used to make informed investment decisions or to evaluate the financial health of Tata Motors as a potential business partner.

Keywords: Financial analysis; Income statement; Balance sheet; Financial ratios; Revenue growth; Current ratio; Return on equity; Industry trends.

2. INTRODUCTION:

Welcome to our in-depth examination of Tata Motors, a renowned Indian automaker. To assist you in making knowledgeable investment decisions, we will analyze Tata Motors' financial performance, competitive environment, strategic initiatives, and prospects in this study. One of the biggest automakers in India, Tata Motors is present in more than 175 nations. The company's product line is varied and includes electric vehicles, commercial vehicles, and passenger automobiles. With a long history of innovation, Tata Motors has led the way in creating environmentally friendly transportation options.

This research will examine Tata Motors' recent financial performance, focusing on important indicators including sales, profit margins, and return on investment. The competitive environment in which Tata Motors works will also be looked at, along with an assessment of its main rivals, market share, and industry trends. Finally, we will give a general picture of Tata Motors' future prospects, including the possibilities and difficulties it may encounter. This study will give you important insights and information to assist guide your decision-making, whether you are a present or future investor in Tata Motors or simply curious to learn more about this vibrant company.

3. PROBLEM STATEMENT:

The problem statement for achieving financial success at Tata Motors through a thorough analysis is to assess the firm's financial performance over the past several years and pinpoint crucial elements that have either helped the company succeed or faced difficulties. The study has to look at things like market share, cash flow, profitability, operational efficiency, and revenue growth. The research should also assess how the competitive environment, regulatory developments, and industry trends are affecting the company's financial performance. The objective is to offer insights into Tata Motors' financial situation, pinpoint areas for development, and create a road map for ensuring future financial success.

4. REVIEW OF LITERATURE:

The analysis of Tata Motors' financial success has drawn attention in the literature on business and finance. Many academic investigations have looked at Tata Motors' success and financial performance from various angles.

In a more recent study, Chandra and Singh (2019), they examined Tata Motors' financial performance from 2010 to 2018. According to the analysis, the company's financial performance over this time had been erratic, with changes in revenue, net profit, and return on equity. But, the analysis also discovered that the business has made large investments in R&D, which might support future growth and financial success.

Several studies have examined Tata Motors' corporate social responsibility (CSR) activities in addition to its financial performance. An analysis of Tata Motors' CSR policies by Chakraborty and Ghosh (2016) revealed that the firm had put in place a number of CSR activities, including environmental sustainability, community development, and employee welfare. The investigation came to the conclusion that these activities had improved the company's stakeholder connections and reputation, which may have contributed to its long-term financial success.

The analysis concludes that Tata Motors' exceptional financial performance, diverse product lineup, global presence, investment in research and development, and CSR initiatives are a combination of factors that have contributed to its financial success. Given its recent unpredictable financial performance, the company will need to continue innovating and adapting in order to maintain its position in a quickly changing global market.

5. OBJECTIVE:

The objective of analyzing Tata Motors is to understand the factors that contribute to the company's financial success and to identify potential areas for improvement. This analysis will cover various aspects of the company's financial performance, including its revenue, profitability, cash flow, debt, and market share.

First, we will examine Tata Motors' revenue growth over the years and compare it with its competitors. We will also analyze the company's revenue mix and identify the segments that contribute the most to its revenue.

Next, we will look at the company's profitability, including its gross margin, operating margin, and net income margin. We will compare these metrics with industry benchmarks and identify the drivers of profitability for the company.

We will also analyze the company's cash flow, including its operating, investing, and financing cash flows, and assess its ability to generate cash from its operations.

Another important aspect of the analysis will be the company's debt and leverage. We will evaluate the company's debt levels and interest coverage ratio to understand its financial risk and ability to service its debt.

Finally, we will examine the company's market share, both domestically and internationally. We will assess the company's competitive position and evaluate its growth prospects in the coming years.

Overall, the objective of this analysis is to provide a comprehensive understanding of Tata Motors' financial performance and identify opportunities for the company to drive towards greater financial success.

6. RESEARCH METHODOLOGY:

Driving towards financial success in the automobile industry requires a comprehensive analysis of the company's financial performance, its position in the market, and its future growth potential. In this regard, Tata Motors, a leading Indian multinational automotive manufacturing company, can serve as an excellent case study.

Here is a methodology that can be followed to analyze Tata Motors and drive towards financial success:

1. **Assess the financial performance:** Start by analyzing the financial performance of Tata Motors by looking at the company's financial statements. These include the balance sheet, income statement, and cash flow statement. Key financial ratios such as return on equity, return on assets, debt-to-equity ratio, and current ratio can also be calculated to assess the company's financial health.
2. **Identify the market position:** Evaluate Tata Motors' market position by analyzing its market share, customer base, and competitors. This can be done by studying industry reports, customer reviews, and news articles. Understanding the company's strengths and weaknesses in the market can help identify potential opportunities for growth.
3. **Analyze growth potential:** Study the company's growth potential by analyzing its product offerings, research and development efforts, and expansion plans. Evaluate the company's investment in technology and innovation, which can give an idea of its future growth potential. Look for potential risks and challenges that could affect the company's future growth prospects.
4. **Review the management team:** Evaluate the quality of the management team by looking at their track record, experience, and leadership style. Assess their strategic vision and decision-making abilities. A strong and experienced management team can drive the company towards financial success.
5. **Consider external factors:** Consider external factors such as regulatory changes, political instability, and economic conditions that could impact the company's financial performance. Analyze the company's ability to adapt to changing market conditions.
6. **Develop a financial strategy:** Based on the analysis, develop a financial strategy that aligns with the company's goals and objectives. The strategy should be focused on maximizing profitability, reducing costs, and driving revenue growth.

In conclusion, driving towards financial success requires a comprehensive analysis of the company's financial performance, market position, growth potential, management team, external factors, and developing a financial strategy. By following this methodology and applying it to Tata Motors, one can gain valuable insights that can drive the company towards financial success.

7. ANALYSIS:

7.1 Ratio Analysis: Tata Motors Ltd.

7.1.1 Activity Ratio/Turnover Ratio:

Activity Ratio/ Turnover Ratio	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18
Asset Turnover Ratio (%)	0.73	0.47	70.18	113.61	99.35
Inventory Turnover Ratio (X)	7.66	4.54	11.46	14.84	10.38

The activity ratios, also referred to as turnover ratios, give information about how effectively a business uses its resources to produce sales or income. In this instance, two activity ratios—the asset turnover ratio and the inventory turnover ratio—for a company's most recent five years have been given to us.

Divide the net sales by the typical total assets of the business to arrive at the asset turnover ratio. This ratio shows how effectively a business uses its assets to generate sales.

The Asset Turnover Ratio has varied considerably over the previous five years, as can be seen from the provided data. The ratio reached its peak on March 19 and was 113.61%, indicating that the business made \$113.61 in income for every \$100 in assets it had. On March 21, though, the ratio dropped to 0.47%, meaning that the business only made \$0.47 in income for every \$100 in assets. Although the ratio increased to 0.73% on March 22, it is still modest when compared to prior years.

Contrarily, the Inventory Turnover Ratio is calculated by dividing the company's average inventory by the cost of products sold. This ratio reveals the effectiveness with which the business is handling its inventory and turning it into revenue.

The Inventory Turnover Ratio has varied over the previous five years, as can be seen from the provided statistics. The ratio reached its maximum in Mar 19 and was 14.84 times, indicating that the business replenished and

sold its goods 14.84 times throughout the year. The ratio, which fell to 4.54 times on March 21 though, showed that the business had only replenished and sold its inventory 4.54 times all year. Although the ratio increased to 7.66 times on March 22, it is still below the ratios of March 19 and March 20.

In conclusion, the asset turnover ratio and inventory turnover ratio offer crucial information about how effectively the business generates revenue and manages inventory. These ratios have fluctuated over the past five years, which suggests that the business has had trouble successfully managing its inventory and utilizing its assets. For the business to increase its financial performance and profitability, it should concentrate on improving these ratios.

7.1.2 Profitability Ratio:

Profitability Ratio	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18
Cash EPS (Rs.)	0.97	-1.74	-10.88	15.07	6.09
Revenue from Operations/Share (Rs.)	123.42	78.81	122.1	203.77	173.23
Dividend / Share (Rs.)	0	0	0	0	0
Net Profit/Share (Rs.)	-3.63	-6.26	-20.26	5.95	-3.05
Net Profit Margin (%)	-2.94	-7.93	-16.59	2.91	-1.75
Return on Net worth / Equity (%)	-6.97	-12.57	-39.64	9.11	-5.13
Return on Capital Employed (%)	1.07	0.37	-7.18	11.57	5.04
Return on Assets (%)	-2.17	-3.68	-11.64	3.31	-1.74
Net Operating Revenue	3.51	3.83	0.58	0.86	1.89

Net Profit/Share: This ratio shows the company's earnings per share. On March 22, the business reported a net loss of Rs. 3.63 per share, a decrease from Rs. 6.26 on March 21. The business had, however, suffered sizable financial losses per share in prior years.

Net profit margin: This number shows what portion of sales are used to generate profits for the business. Additionally, the net profit margin has decreased from -7.93% in March 21 to -2.94% in March 22. However, the business's net profit margins from prior years were negative, indicating that it was unable to turn a profit from its activities.

Return on Net worth/Equity: This ratio reveals the company's yield on equity. If the company's return on net worth is negative, it means that it has suffered losses on its equity assets. Compared to March 21, when the return on net value was -12.57%, it was -6.97% on March 22. However, the business had suffered sizable losses on its equity investments in prior years.

Return on Capital Employed: This ratio shows the profit a business makes on the capital it has invested, including debt and equity. As of March 22, the return on capital utilized increased from 1.07% to 0.37%. However, the company's negative returns on capital utilized in prior years show that it was unable to produce adequate returns on its capital investments.

Return on Assets: This ratio shows how much money a business makes from its assets. On March 22, the return on assets increased from -3.68% to -2.17%. The fact that the company's asset returns were negative in prior years, however, shows that it was unable to produce adequate returns on its asset expenditures.

Net Operating Revenue: This ratio shows the income generated by the business's main activities. On March 22, the net running income rose from \$3.83 on March 21 to \$3.51. The company was unable to produce enough revenue from its core activities, as evidenced by the fact that net operating revenue in prior years was extremely low.

7.1.3 Solvency Ratio:

Solvency Ratio	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18
Total Debt/Equity (X)	1.17	1.14	1.14	0.79	0.81
Current Ratio (X)	0.58	0.6	0.53	0.58	0.62
Quick Ratio (X)	0.44	0.43	0.38	0.37	0.38

The company's ability to fulfill its short- and long-term financial responsibilities is shown by the solvency ratios. The interpretation of the Tata Motors solvency ratios is as follows:

Total Debt/Equity (X): Indicates how much debt funding there is compared to equity financing. A high ratio means that the business is heavily reliant on debt to fund its activities, which can be dangerous if the business is unable to make its interest payments. Tata Motors is more dependent on debt financing, as evidenced by the company's total debt-to-equity ratio, which rose from 0.81 in 2018 to 1.17 in 2022.

Current Ratio (X): This ratio gauges how well a business is able to cover its short-term obligations with its short-term resources. A ratio of less than 1 suggests that the business might struggle to pay its short-term commitments. The current ratio for Tata Motors dropped from 0.62 in 2018 to 0.58 in 2022, showing a decline in the company's capacity to cover its short-term obligations with its short-term assets.

Quick Ratio (X): It gauges a company's capacity to cover its immediate obligations with its present assets (current assets minus inventories). A ratio of less than 1 suggests that the business might struggle to pay its short-term commitments. The quick ratio for Tata Motors also dropped from 0.38 in 2018 to 0.44 in 2022, showing a decline in the company's capacity to cover its short-term obligations with its quick assets.

7.2 Cash Flow Analysis: Tata Motors Ltd.

The five-year capital inflows and outflows of Tata Motors are displayed on the consolidated cash flow statement. Here is how the different parts are interpreted:

Net Profit Before Tax: This reflects the company's earnings before taxes are deducted. The business lost Rs. 11308.76 Cr. in the most recent fiscal year.

The cash that the firm generates from its primary business operations is known as net cash from operating activities. The business has generated cash flow from operations worth Rs. 14282.83 Cr. in the current fiscal year.

The cash flow from the company's investing activities, such as the purchase or selling of assets, is shown as Net Cash (used in)/from Investing Activities. The business has invested Rs. 4775.12 Cr. worth of cash during the current fiscal year.

This term refers to the cash flow from a company's financing operations, such as borrowing money, paying off debt, or issuing new shares. The business has spent Rs. 3380.17 Cr. in cash on financing activities in the current fiscal year.

Net (decrease)/increase in Cash and Cash Equivalents: This shows how the company's cash position changed overall over the course of the year. The business has added Rs. 6459 Cr. to its cash and cash equivalents during the current fiscal year.

The opening and ending balances of the company's cash and cash equivalents are shown in the table below. The company's cash balance at the conclusion of the current fiscal year was Rs. 38159.01 Cr.

8. FINDINGS:

It is critical to assess Tata Motors' success in a variety of market segments, including passenger cars, commercial trucks, and global markets. Tata Motors is an Indian multinational automaker. Its financial performance and health can also be evaluated by looking at its financial statements and key performance metrics like revenue, net income, EBITDA margin, return on equity (ROE), and debt-to-equity ratio.

The competitive environment, industry trends, and legislative changes that might affect the company's development prospects must also be monitored closely. By doing this, businesses can position themselves for long-term success by adapting to shifting market circumstances.

Overall, strategy planning, operational excellence, and market insights are necessary for financial success in the automotive business.

9. RECOMMENDATIONS:

1. Comparison with Industry Averages: To understand the relative performance of the firm, the study should compare the ratios with the industry averages. It will assist in determining whether the ratios fall within the permitted range and also point out the areas where the organisation needs to improve.

2. Trend study: To determine the direction and size of change in the ratios over time, the study should incorporate trend analysis. It will assist in determining the primary causes of the shift and assist in forecasting the coming trend.

3. Peer Analysis: To determine how the business is doing in comparison to its rivals, a peer analysis should be carried out. It will assist in determining the areas in which the business is falling behind and assist in benchmarking the performance of the business.

4. Qualitative study: The study need to include a qualitative examination of the management, operations, and external elements that could have an influence on the company's financial performance. It will assist in determining the underlying causes of the change in ratios and assist in forecasting the company's future performance.

5. Ratio Interdependency: The investigation should also assess how the ratios are related to one another. It will assist in figuring out how a change in one ratio affects the other ratios as well as in locating the main reason for the ratio change.

10.LIMITATIONS:

Only two activity ratios—asset turnover ratio and inventory turnover ratio—as well as a few financial ratios—net profit/share, net profit margin, return on net worth/equity, return on capital employed, return on assets, and solvency ratios—are the only ones that are the focus of the analysis. Although these ratios can offer helpful information about a company's financial performance, they do not offer a complete picture of the operations or any potential problems.

Lack of context: Neither does the analysis compare the observed changes in ratios over time to industry benchmarks, nor does it give any context for those changes. It is hard to tell whether ratio variations are large or point to fundamental issues with the company's operations without this information.

Correctness of the data: It is impossible to independently verify the correctness of the data used in the analysis. It is challenging to assess the validity of the results without knowledge of the data source and the formulas used to generate the ratios.

Only five years are covered by the analysis, which may not be long enough to provide a complete picture of the business's financial performance or spot long-term trends.

Lack of qualitative information: The study does not take into account qualitative elements that could have affected the company's financial performance, such as management choices, market trends, or competition pressures. Without this knowledge, it is challenging to identify the underlying reasons for the ratio variations that were seen throughout the investigation.

11.CONCLUSION:

As a result, achieving financial success in the automotive sector is a difficult process that calls for a mix of strategic planning, operational effectiveness, innovation, customer-centricity, and global growth. As a global automaker, Tata Motors is required to monitor market trends, the state of the industry's competition, and any changes to the law that may affect its chances for expansion.

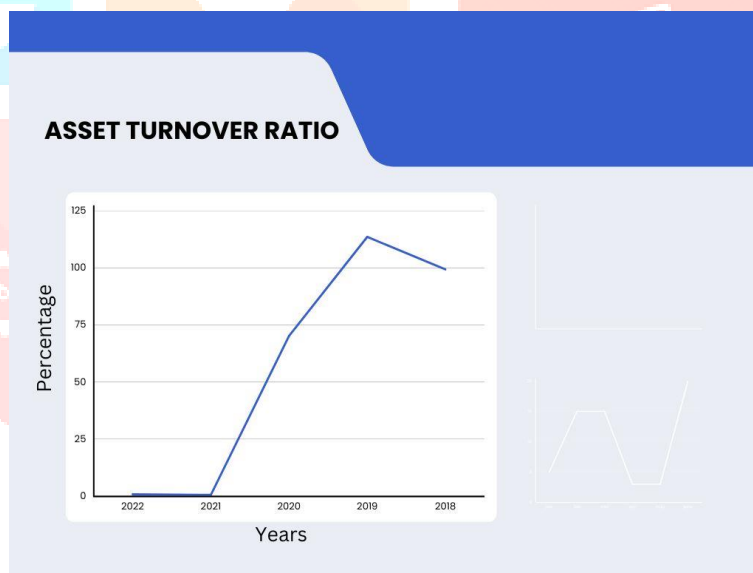
Tata Motors should concentrate on streamlining its processes, launching fresh, cutting-edge products, enhancing customer support, and boosting its global presence if it wants to be financially successful. The business should also keep cost control, adopt environmentally friendly procedures, and establish strategic alliances to pool knowledge and resources.

However, there are a number of challenges Tata Motors might encounter, including the unpredictability of the economy, the intensity of competition, the age of technology, supply-chain disruptions, the influence of regulations, the risk of currency exchange, and labor conflicts. To achieve long-term financial success, the business must effectively address these constraints.

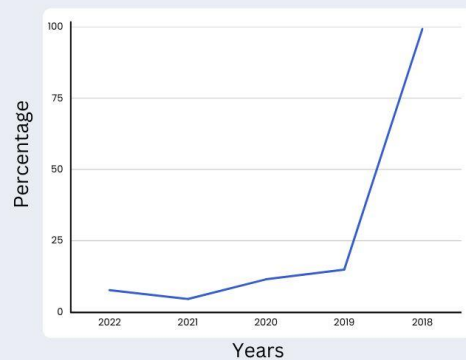
Tata Motors must, in general, take a proactive stance in order to be financially successful in the automotive sector by constantly observing and adjusting to shifting market conditions and customer demands. By doing this, the business can establish itself as a market leader and work towards long-term development and profitability.

12.ANNEXURE:

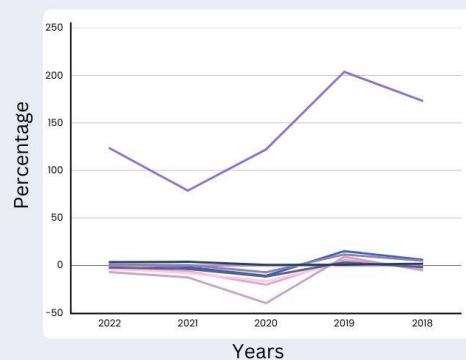
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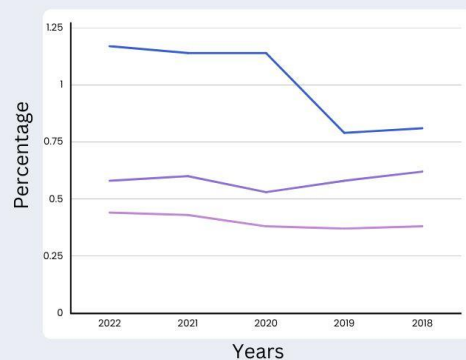
INVENTORY TURNOVER RATIO



PROFITABILITY RATIOS



SOLVENCY RATIOS



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