

Financial Analysis of Tata Motors & Maruti Suzuki

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ABSTRACT

We are know that every Business requires some amount of money to start and run the business financial is like life blood of Business. To become successful in their occupation or business all of them need some amount of money to buy the required materials, tools and equipments. Any type of Business or occupation requires money at every stages of its operation financial statement are prepared primary for decision making. So every company will be Interested in knowing its financial performance against other company. The present paper studied the financial statement of Tata Motors/ Maruti Suzuki using ratio analysis for the period 2013-14 to 2017-18. Secondary data was used and collected from annual reports of the companies & money control, etc). Tata Motors was more ability to pay liability compare Maruti Suzuki. Debt equity Ration as compassed to Maruti Suzuki which show weak performance of the company. Inventory turnover Ratio in Maruti Suzuki has higher ratio which indicate that stock is selling quickly. Maruti Suzuki has more earning per share than Tata Motors.

1. Introduction

Financial statement reports are prepared by a company's management to present the financial performance and position at a point in time. A general purpose set of financial statement usually includes a balance sheet, Income statement, statement of owns equity and statement of cash flow. These statement are prepared to give users outside of the company, like Investors, and creditors more information about the company's financial positions. According to John N. Miyer," The financial statements provide a summary of the accounts of a business enterprise, the balance sheet reflecting of assets, liabilities and capital as on a certain data and income statement showing the results of operations during a certain period." As per section 2(40) of the companies Act, 2013 financial statement in relation to company include the following.

- i) A Balance sheet as at the end of financial year.
- ii) A statement of profit and loss for the financial year.
- iii) Cash flow statement for the financial year.
- iv) A statement of changes in equity, if applicable.
- v) Explanatory Notes.

Tata Motors Ltd is part of Tata group company was established in 1945 as a locomotive manufacturing unit. It tied up with Dimler Benz & entered commercial vehicle segment in 1954. In 1986, the company created & sold first light Commercial vehicle (LCV) called Tata 407. In 1992, it entered small vehicle segment. Cummins Engine Co. Inc., was the first company to jointly venture with Tata in 1993. Maruti Suzuki was established in February 1981, though the actual production commenced in 1983 with the Maruti 800, based on Suzuki Alto kei. Maruti Udyog limited was renamed as Maruti Suzuki India Limited (7 Sep, 2007). Maruti Suzuki is India and Nepal's leading automobile manufacturer and the market leader in the car segment both in terms of volume of vehicle sold and revenue earned. Until recently, 18.28% of the company was owned by the Indian government and 54.28% by Suzuki of Japan. The BJP led government held an initial public offering of 25% company in June 2003. As of 10 May, 2007 the

government of India sold its complete share to India financial institutions and no longer has any stape in Maruti Udyod.

2. Objective:

To examine the financial performance through ratio analysis of automobile companies Tata Motors and Maruti Suzuki.

3. Research Methodology

Research Design: The present study is descriptive cum analytical in nature.

Data collection: The date required for the study has been collected from secondary sources and the relevant information were taken from annual report of companies, journals, internet etc. for the period of 4 year from 2013-14 to 2017-18.

Statistical tool: The secondary data collected from various sources were analyzed with the help of suitable statistical tools and techniques as ratio analysis, Mean, SD etc. Ratio analysis is widely used tools of financial analysis. It is defined as the systematic use of ratio to define as the systematic use of ratio to interpret the financial statement so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined. The term ratio refers the numerical or quantitative relationship between two variable.

Ratio used for analysis of data: -

Sr. No.	Ratio Computed	Formula
1	Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2	Debt Equity Ratio	$\frac{\text{Debt}}{\text{Equity}}$
3	Inventory Turnover Ratio	$\frac{\text{Cost of Good Sold}}{\text{Average Stock}}$
4	EPS Ratio	$\frac{\text{Net Profit} - \text{Dividend on Preference share}}{\text{No of equity Share}}$

4. Review of literature

Idhayajothi et al (2014) examined the financial performance of automobile com such as Ashok Leyland Ltd. Through ratio analysis .The study revealed that current ratio highlighted the less credit worthiness position of the company, on the other hand companies equity was less than its borrowings. The study is also highlighted that companies' sales were continuously increasing and administration and selling expenses were normal.

Kumar & Abhilasha (2015) examined the financial performance through ratio analysis of automobile industry of India for the period of 8years i.e. 2006-2007 to 2013-2014 using correlation and regression analysis .Data were collected from secondary sources i.e. annual reports of the companies .The study revealed that there was significant impact of profitability ,liquidity, solvency and efficiency on the financial performance measured by ROA .

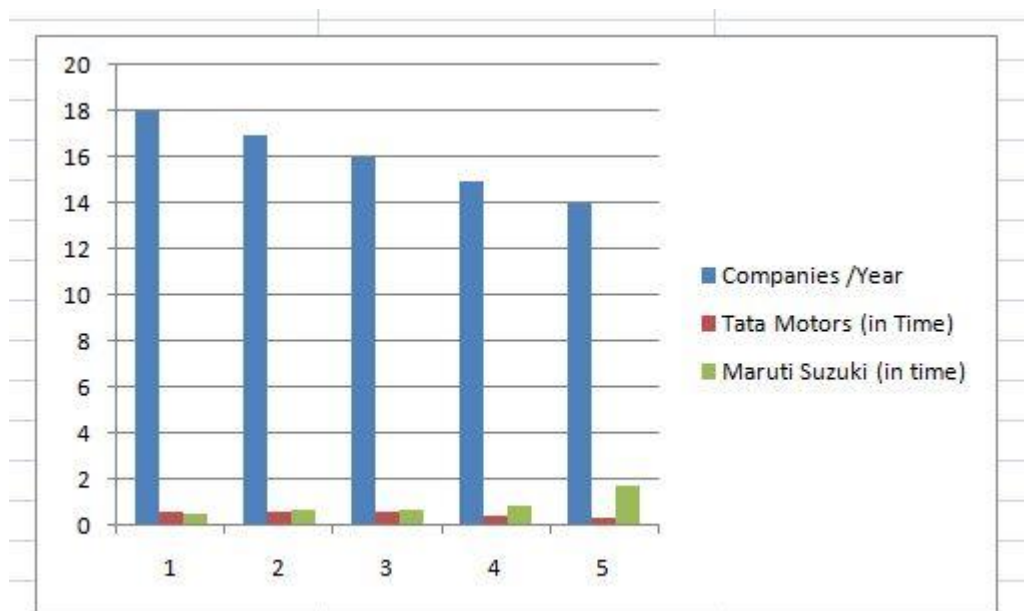
Ranjan (2006) investigated the financial performance of Nike Inc. through horizontal, vertical, trend and ratio analysis for the financial years 2015. Data were collected from secondary sources. The study highlighted that company's revenue and profits were continuously increasing along with liabilities and inventories.

Jayawardhana (2016) examined the financial performance of Adidas AG Company through horizontal, vertical, trend and ratio analysis for the financial years 2013-2014. Data were collected from secondary that co. has lower return on capital employed ratio indicating toward in efficient utilization of capital and high operating expenses to decline in net profit of the company.

5. Result And Discussion

Table 1
Current Ratio of companies

Companies /Year	18	17	16	15	14
Tata Motors (in Time)	0.62	0.59	0.63	0.42	0.36
Maruti Suzuki (in time)	0.51	0.66	0.71	0.91	1.76



This ratio is used to assess the firm's ability to meet its short term liabilities on time. In the above graph current ratio of Tata Motor in 14 to 18 was respectively 0.36, 0.42, 0.63, 0.59,

and 0.62 and Maruti Suzuki in 14 to 18 was respectively 1.76, 0.91, 0.71, 0.66, and 0.55. In 2018, Tata Motors was more than Maruti Suzuki ability to meet its short term liabilities.

Table II
Debt equity Ratio of companies

Companies /Year	18	17	16	15	14
Tata Motors (in Time)	0.81	0.89	0.61	1.35	0.76
Maruti Suzuki (in time)	0.00	0.01	0.00	0.01	0.08

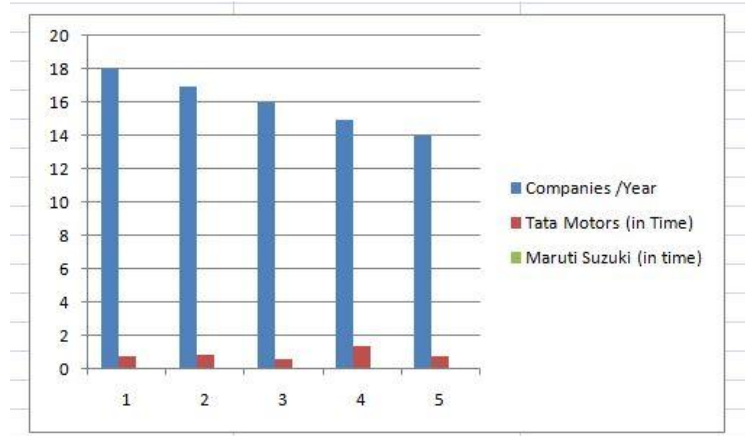
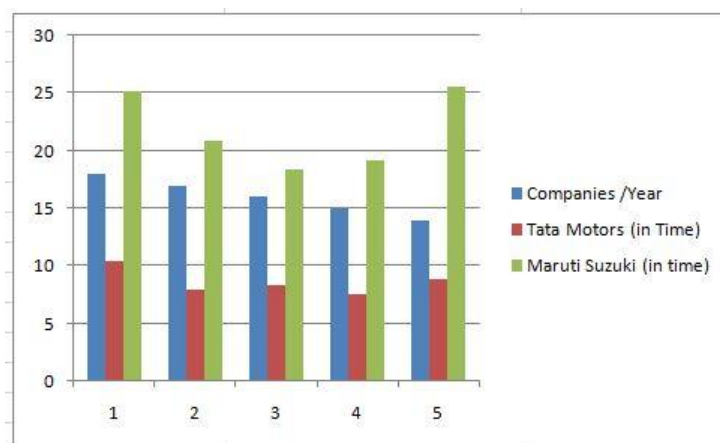


Table III
Turnover Ratio

Companies /Year	18	17	16	15	14
Tata Motors (in Time)	10.38	7.98	8.37	7.56	8.88
Maruti Suzuki (in time)	25.23	20.86	18.37	19.11	25.62

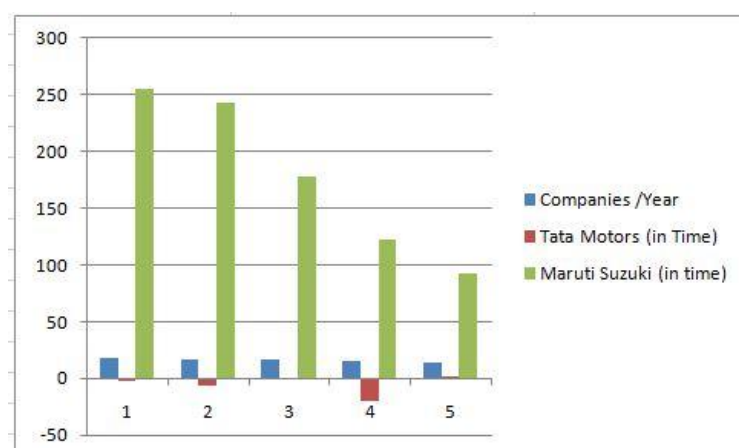


This Ratio indicates whether stock has been efficiently used or not. It shows the speed with which the stock is rotated into sales or the no of time the stock is turned into sales during the year. In above graph Inventory turnover Ratio in Tata

Motors 14 to 18 Year was respectively 8.88, 7.56, 8.37, 7.98, 10.38, and Maruti Suzuki in 14 to 18 was respectively 25.62, 19.11, 18.37, 20.86, and 25.23. Higher the ratio of Maruti Suzuki indicates that stock is selling quickly.

Table IV
Earnings per share ratio

Companies /Year	18	17	16	15	14
Tata Motors (in Time)	-3.05	-7.15	-0.18	-19.72	1.03
Maruti Suzuki (in time)	255.62	243.32	177.58	122.85	92.13



From the above graph it can be seen that EPS of Tata Motors is continuously declining in the years 14 to 18 was respectively 1.03, -14.72, -0.18, -7.15, -3.05 whereas of Maruti Suzuki it is rising continuously as in the years 14 to 18 was respectively 92.13, 122.85, 177.58, 243.32, 255.62 so it can be interpreted that Maruti Suzuki has more earning per share than Tata Motors.

6. Conclusion

The present study attempted to examine the financial performance through ratio analysis of automobile company i.e.

Tata Motors and Maruti Suzuki for the period 2013-14 to 2017-18. The study revealed that Tata Motors was more able to pay ability compare Maruti Suzuki and debt equity ratio showed that Tata Motors weak performance and inventory turnover ratio of Maruti Suzuki has higher ratio which indicate that stock is selling quickly. The earnings per share of Maruti Suzuki is more than Tata Motors which shows Maruti Suzuki is earning more after the examine we can say that Maruti Suzuki is better than Tata Motors. Debt equity Ratio of Tata Motor is more as compared to Maruti Suzuki so Tata motor should decrease internal financing and do more internal financing.

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