

PERFORMANCE EVALUATION - A STUDY WITH REFERENCE TO TATA MOTORS

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Abstract

Tata motors Limited is India's largest automobile company. It is the largest commercial vehicle manufacturer in India and 2nd largest passenger car and bus manufacturer. This paper is an attempt to analyze the financial source of Tata motors limited for the purpose of reveals the strength and weakness of the firm with the help of profitability ratio analysis.

Key words: Automobile, Tata Motors, electric and hybrid vehicles.

Introduction

Tata motors Limited is India's largest automobile company. It is the largest commercial vehicle manufacturer in India and 2nd largest passenger car and bus manufacturer. It is the 5th largest medium and heavy commercial vehicle manufacturer in the world. The popular brands of the company are Tata Indica, Tata Indigo, Tata sumo and Tata safari. The company's 24000 employees are guided by the vision to be "best in the manner in which we operate best in the products we deliver and best in our value system and ethics".

Established in 1945, Tata Motors presence indeed cuts across the length and breadth of India. Over 4 million Tata vehicle ply on Indian roads, since the first rolled out in 1954. Following a strategic alliance with Fiat in 2005, it has set up an industrial joint venture with Fiat Group Automobiles at Ranjangaon to produce both Fiat and Tata cars and Fiat power trains. In 2006 Tata Motors entered into joint venture with Thonburi Automobile assembly Plant Company of Thailand to manufacture and market the company's pickup vehicles in Thailand.

The foundation of the company's growth over the last 50 years is a deep understanding of economic stimuli and customer needs, and the ability to translate them into customer - desired offerings through leading edge R&D. in 2008, Tata Motors unveiled its People's car, the Tata Nano, which India and the world have been looking forward to. The Tata Nano has been subsequently launched, as planned, in India in March 2009. In May 2009, it introduced ushered in a new era in the Indian automobile industry, in keeping with its pioneering tradition, by unveiling its new range of world standard trucks called Prima.

Tata Motors is equally focused on environment - friendly technology in emissions and alternative fuels. It has developed electric and hybrid vehicles both for personal and public transportation. It has also been implementing several environment-friendly technologies in manufacturing process, significantly enhancing resource conversation.

Quick Facts

Founder	Jamshedji Tata
Year of Establishment	1945
Industry	Automobile
Business Group	The Tata group
Listings & its code	BSE - Code:500570 NSE - Code:TELCO&TATAMOTORS NYSE - Code:TTM
Corporate Office	Bombay House 24, HomiMody Street Mumbai 400 001, india Tel.:+(91)-(22)-56561676
Works	Jamshedpur, Pune, Lucknow and Dharwad
E.mail	am@tatamotors.com rbc@telco.co.in (for international inquiries)
Website	www.tatamotors.com www.tata.com/tata motors

Need of the study

The roots of major management decisions revolve around financial information. The basic source covering financial information about a firm's affairs is its annual final accounts i.e. profit & loss a/c and the balance sheet as at the end of that period. But the final a/c reveal the operating results of the business activities of the firm and the balance sheet is a statement of resource at the disposal of the firm and how they are put to use. However the financial statement reveals only part of the necessary and required information and leaves a considerable gap. It is therefore necessary to further examine and break down the information in these statements with a much greater elaboration and detail to interpret the comparative strengths and weakness of the firm. The finance manager, for this purpose, employs certain analytical tools and perceptive statements based on the source data from the balance sheet and P&I a/c statements. Against this back drop, an attempt has been made to evaluate the performance of Tata Motors Ltd.

Objectives of the study

- To bring out the profile of the unit.
- To analyze the general profitability of the Tata Motors.
- To estimate the overall profitability of the concern.

Research Design

The Profile of the study unit - Tata Motors Ltd.

Data - secondary data

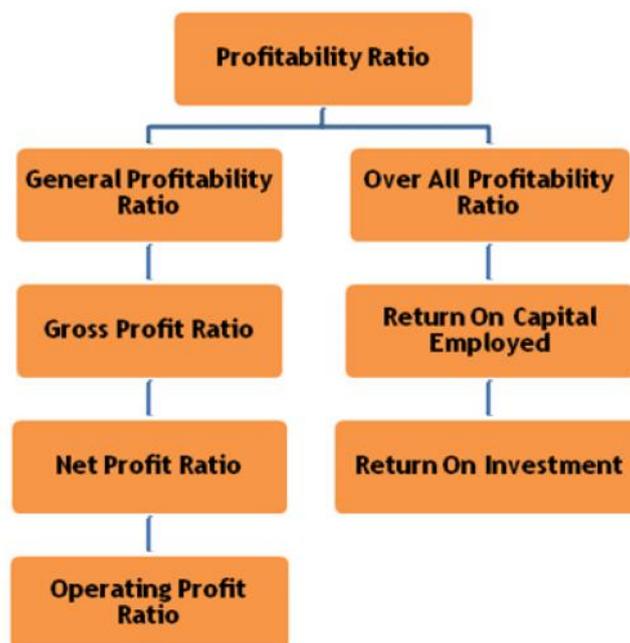
Source - Annual Report

Websites - www.tatamotors.com

Period of the study - 2009 to 2013.

Tools of analysis - Ratio analysis

Discussion



I. General Profitability Ratio

$GPR = (\text{gross profit}) / (\text{net sales}) \times 100$

Table 1 Computation of Gross Profit Ratio

Year	Gross profit (Rs. in Corers)	Net sales	GP Ratio
2009	2,404.03	17199.17	13.98
2010	3700.89	26,664.25	13.88
2011	3764.69	28,767.91	13.09
2012	2,644.39	25,660.67	10.31
2013	2998.77	20,088.63	14.93

(Source: Secondary data)

Table 1 reveals the gross profit ratio of the company frequently changes during the study period. In 2013 it has high level GP Ratio (14.93%) than the previous year which

express the business generate high level of revenue to pay for operating expenses and net profit. During 2009 - 2011 the company faced decrease trend in GP Ratio. In 2012 company recorded very low level GP Ratio compared to other years. In this year the company generates low level of revenue to pay for operating expenses and net profit.

Net Profit Ratio

$$\text{NPR} = (\text{Net Profit}) / \text{Sales} \times 100$$

Table 2 Computation of Net Profit Ratio

Year	Net profit	Net sales	NP Ratio
2009	1,236.95	17199.17	7.19
2010	1,528.88	20,088.63	7.61
2011	1,913.46	26,664.25	7.18
2012	1,001.26	25,660.67	3.90
2013	2,028.92	28,767.91	7.05

(Source: secondary data)

It is clear from the table 2 the net profit ratio of the company frequently changes during the study period. In 2010 company recorded high level of NP Ratio (7.61%) than the previous year which expressed the company maintains or control the adequate expense management. In 2012 the company recorded very low level NP Ratio (3.90%) compared to other years. In this year the company faced innumerable of problems and decreasing sales as well as inadequate expense management. The remaining year of the study period the company faced a decreasing trend.

Operating Profit Ratio

$$\text{OPR} = (\text{Operating Profit}) / \text{Sales} \times 100$$

Table 3 Computation of Operating Profit

Year	Operating profit	Sales	OP Ratio
2009	2,000.05	17199.17	11.63
2010	2,146.36	20,088.63	10.68
2011	2,586.51	26,664.25	9.70
2012	1,723.10	25,660.67	6.71
2013	3,030.52	28,767.91	10.53

(Source: secondary data)

It is understood from the table.3 the operating profit ratio of the company frequently changes during the study period. In 2009 company recorded high level of OP Ratio (11.63%) than the further period which expressed the company has good cost control and/or that sales are increasing faster than costs, which is the optimal situation for the company. In 2012 company recorded very low level OP Ratio (6.71%) compared to other years. In this year it has awful cost control. There are some changes in remaining year.

II. Overall Profitability Ratio

Return on Capital Employed

$$\text{ROC} = (\text{Operating Profit}) / (\text{Capital Employed}) \times 100$$

Table 4 Computation of Return on Capital Employed

Year	Operating Profit	Capital Employed	Capital Employed Ratio
2009	2,000.05	4,601.2	43.47
2010	2,146.36	6,159.83	34.84
2011	2,586.51	8,891.79	29.09
2013	3,030.52	10,304.90	29.41
2012	1,723.10	17,645.92	9.76

(Source: secondary data)

It is ascertained from the table.4 the Return on Capital Employed ratio of the company frequently changes during the study period. In 2009 the company recorded high level of Return on capital employed Ratio (43.47%) than the further period it indicates more utilization of capital employed by the company. In 2012 company recorded very low level Return on Capital Employed Ratio (6.71%) compared to other years. There are some changes in remaining period.

Return on Investment

$$\text{ROI} = (\text{Net Profit}) / (\text{Capital Employed}) \times 100$$

Table 5 Computation of Return on Investment Ratio

Year	Net Profit	Capital Employed	ROI Ratio
2009	1,236.95	4,601.2	26.88
2010	1,528.88	6,159.83	24.82
2011	1,913.46	8,891.79	22.76
2012	1,001.26	17,645.92	18.64
2013	2,028.92	10,304.90	20.7

(Source: secondary data)

The table.5 shows the return on investment ratio of the company frequently changes during the study period. In 2009 the company recorded a high level of Return on capital employed Ratio (43.47%) than the further period. In this year the investment gains of the company compare positively to investment cost.

Findings

- It is interpreted that the initial years of the study period depicted higher profits and higher efficiency on the part of the management.
- It is interpreted that in the preceding years the profits decreased and recorded a decreasing trend.

- It is interpreted that in the year 2012, the Company faced a heavy downfall than the other years.
- It is found that in the year 2013, the Company has regained its position in the market by taking a number of growth measures.

Suggestions

- It is suggested that the Company has to do more market study in order to be aware of its competitors.
- It is suggested that the Company can take more measures with regard to promotional activities.
- It is suggested that the Company has to adopt innovation in its products at various levels.
- It is suggested that the Company has to build up its consumer base across the country, as an expanded consumer base will be helpful in building the market of the Company.

Conclusion

PERFORMANCE EVALUATION A STUDY WITH SPECIAL REFERENCE OF TATA MOTORS has helped us to arrive a valuable suggestion through the analysis of secondary data. This study recommends various suggestions like aware of its competitors adopt innovation in their product, take measures for increasing promotional activities etc.

Moreover, PERFORMANCE EVALUATION A STUDY WITH SPECIAL REFERENCE OF TATA MOTORS is very helpful to predict and improve the future sales of their products.

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