

PROJECT REPORT

(Submitted to the Degree of B.Com. Honours in Accounting and Finance under the University of Calcutta)

FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS AS COMPARE TO ASHOK LEYLAND

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Supervisor's Certificate

This is to certify that Afreen Akhter a student of B.Com. Honours in Accounting & Finance of SURENDRANATH EVENING COLLEGE under the University of Calcutta has worked under my supervision and guidance for his Project Work and prepared a Project Report with the title FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS AS COMPARE TO ASHOK LEYLAND which he is submitting, is his genuine and original work to the best of my knowledge.

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Student's Declaration

I hereby declare that the Project Work with the title FINANCIAL STATEMENT ANALYSIS OF TATA MOTORS AS COMPARE TO ASHOK LEYLAND submitted by me for the partial fulfilment of the degree of B.Com. Honours in Accounting & Finance under the University of Calcutta is my original work and has not been submitted earlier to any other University /Institution for the fulfilment of the requirement for any course of study.

I also declare that no chapter of this manuscript in whole or in part has been incorporated in this report from any earlier work done by others or by me. However, extracts of any literature which has been used for this report has been duly acknowledged providing details of such literature in the references.

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FINANCIAL STATEMENT ANALYSIS OF **TATA MOTORS AS COMPARE TO** **ASHOK LEYLAND**

CHAPTER 1

BACKGROUND of the study

INTRODUCTION

***Meaning and Definition**

Financial Statement of Analysis is the process of reviewing and analyzing a company's financial statements to make better economic decisions to earn income in future. These statements include the income statement, balance sheet, statement of cash flows, notes to accounts and a statement of changes in equity (if applicable). Financial statement analysis is a method or process involving specific techniques for evaluating risks, performance, financial health and future prospects of an organization.

It is used by a variety of stakeholders, such as credit and equity investors, the government, the public and decision-makers within the organization. These stakeholders have different interests and apply a variety of different techniques to meet their needs. For example, equity investors are interested in the long term earnings power of the organizations and perhaps the sustainability and growth of dividend payments.

Creditors want to ensure the interest and principal is paid on the organizations debt securities when due.

Financial statements are also called financial reports. Thus, according to Anthony, "Financial statements, essentially are interim reports, presented annually and reflect division of the life of an enterprise into more or less arbitrary accounting period – more or less frequently a year"

It is contain summarized information of the firm's financial affairs, organized systematically. They are the end



products of the accounting system, they are intended to reveal the financial position of the enterprise, the result of its result activities and analysis of what has been done with earnings. On the basis of information contend in the financial statements, the user predict firm's earning capacity and thereby make economic decisions – investment and financing. Besides assisting the user in decision making, the financial statements help them to assess the stewardship of the management.

ANATOMY/ TYPES OF FINANCIAL STATEMENT

Financial statement includes:

- Income statement
- Statement of retained earnings
- Balance sheet
- Statement of cash flow

1. Income Statement

The income statement, sometimes called as the trading and profit and loss account or an earnings statement, reports the profitability of a business organization for a stated period of time. In accounting, we measure profitability for a period, such as month or year by comparing the revenues generated with the expenses incurred to produce these revenues.

2. Statement of Retained Earnings:

The statement of retained earnings is also called as profit and loss appropriation account. One purpose of this statement is to connect the income statement and the balance sheet. The statement of retained earnings explains the changes in retained earnings between two balance sheet date. These changes usually consist of the addition of net income and the deduction of dividends.

3. Balance Sheet

The balance sheet, sometimes called statements of financial position, lists the company's assets, liabilities and stockholder's equity as on a particular date. A balance sheet is like a snap shot that captures the financial position of a company at a particular point of time.

4. Statement of Cash Flows

Management is interested in the cash inflows to the company and the cash outflows from the company, because they determine the company's liquidity, its ability to pay its bills when due. The statement of cash flows shows the cash inflows and outflows from operating, investing and financing activities.

ADVANTAGES OF FINANCIAL STATEMENT ANALYSIS

Advantages:-

Financial analysis determines a company's health and stability. The data gives you an intuitive understanding of how the company conducts business. Stockholders can find out how management employs resources and whether they use them properly. Governments and regulatory authorities use financial statements to determine the legality of a company's fiscal decisions and whether the firm is following correct accounting procedures. Finally, government agencies, such as the Internal Revenue Service, use financial statement analysis to decide the correct taxation for the company.

The advantages of the financial statement analysis are as follows:

Liquidity

The balance sheet provides liquidity ratios that show how much monetary worth the company has on a given day, which helps determine if the firm's financial reliability. The current ratio shows “the 'working capital' relationship of current assets available to meet the company's current obligations,” reports Credit Guru. The quick ratio is similar, calculating those assets easily convertible into cash, determining the immediate working capital relationship. The debt to equity ratio establishes who owns more of the company, creditors or shareholders.

Efficiency

Efficiency ratios measure how efficiently the company turns inventory into revenue. The day sales outstanding ratio focuses on the time required to turn inventory into cash and the age of your accounts receivable. The inventory turnover ratio “indicated the rapidity with which the company is able to move its merchandise,” reports Credit Guru. Accounts payable to sales shows the percentage of sales funded with supplier's money.

Profitability

Profitability ratios reveal a firm's success at generating profits. “The profit margin of a company determines its ability to withstand competition and adverse conditions,” reports Credit Guru. Return on assets, reveals the profits earned for each dollar of assets and measures the company's efficiency at creating profit returns on assets. Net worth focuses on financial returns generated by the owner's invested capital.

DISADVANTAGES OF FINANCIAL STATEMENT ANALYSIS

Disadvantages:-

Although analysis of financial statement is essential to obtain relevant information for making several decisions and formulating corporate plans and policies, it should be carefully performed as it suffers from a number of the following limitations.

The disadvantages of financial statement analysis are as follows:

1. Mislead the user

The accuracy of financial information largely depends on how accurately financial statements are prepared. If their preparation is wrong, the information obtained from their analysis will also be wrong which may mislead the user in making decisions.

2. Not useful for planning

Since financial statements are prepared by using historical financial data, therefore, the information derived from such statements may not be effective in corporate planning, if the previous situation does not prevail.

3. Qualitative aspects

Then financial statement analysis provides only quantitative information about the company's financial affairs. However, it fails to provide qualitative information such as management labor relation, customer's satisfaction, and management's skills and so on which are also equally important for decision making.

4. Comparison not possible

The financial statements are based on historical data. Therefore comparative analysis of financial statements of different years cannot be done as inflation distorts the view presented by the statements of different years.

5. Wrong judgment

The skills used in the analysis without adequate knowledge of the subject matter may lead to negative direction. Similarly, biased attitude of the analyst may also lead to wrong judgment and conclusion.

The limitations mentioned above about financial statement analysis make it clear that the analysis is a means to an end and not an end to itself. The users and analysts must understand the limitations before analyzing the financial statements of the company.

Limitations: In spite of having wholehearted effort, there were some limitations, which acted as a barrier to conduct the program and for doing an empirical research work, such as:

Time constraint: The study is based on the analysis of financial flow. But this allocated time is not enough for a complete and fruitful study.

Lack of experience: Due to lack of experience, there is a chance of having some mistake in the report through best effort has been applied to avoid any kind of mistake.

Secrecy: most adequate, exact and update data have not been available due to the secrecy of the organization.

Limited data are available: There were limitations for primary data collection because of confidentiality.

Competition of information in market: it was difficult to collect the data regarding the competitions and their financial information. Industry figures were also difficult to get.

Calculation of ratio: There may be some fractional differences in the calculated ratio

BRIEF REVIEW OF LITERATURE

This chapter of the research has been presenting review of literature related to financial system in this study of financial system has been made to briefly review. Literature review gives better insight and helps us in the research to be undertaken:-

- Petrit Hasanaj (2019) published on the international journal at business economics to analysis the financial statement and giving information for financial manager to make through decisions about their business. The financial statements apply tools analytical techniques and required method for business analytics.
- Kumar Rakesh Rasitlalanji & Bhatt Satyaki Ji (2015) published on the journals to the business management's research and examines the trend and pattern of the financing capital structure of India Companies, The study is to analysis the determination of total depth ratio.
- Moses Joshuna Daniel (2013) in his study of financial status of Tata motors LTD" stated the main objectives to analyzing the overall financial status of Tata motors LTD by using financial tools. In order to analysis financial status in profitability, solvency, activity and financial stability various accounting ratio have been used.
- Amalendu Bhunia (2011) journal of management's research. The important is to build up a model to develop the precidictive ability for companies failure is a later time frame with different financial, business and operating conditions, in the India context.
- Amanji Muhammad Ahmed (2011):- The present study entitled financial statement analysis and assessing the profitability of the company. The man goal of the accounting department in the form is to prepare the reliable financial statement is order to make their valid balance sheet.

OBJECTIVES OF THE STUDY

- To know the financial position of the companies for the past 2 years.
- To calculate the growth of Tata Motors in compare to its competitor company Ashok Leyland.
- To examine the weakness of the companies by comparing their data.
- To stated the overall performance of the companies in comparing with each others.

LIMITATIONS OF THE STUDY

In spite of having wholehearted effort, there were some limitations, which acted as barriers to conduct the program and for doing empirical research work, such as:

- **Time constraint:** The study is based on the analysis of financial flow. But this allocated time is not enough for a complete and fruitful study.
- **Lack of experience:** Due to lack of experience, there is a chance of having some mistake in the report through best effort has been applied to avoid any kind of mistake.
- **Limited data are available:** There were limitations for primary data collection because of confidentiality.
- **Calculation of ratio:** There may be some fractional differences in the calculated ratio.

METHODOLOGY

- **Simple size:** - The study consist air data of the Tata Motors and Ashok Leyland from (2018-20). This data is taken from annual reports of Tata Motors and Ashok Leylands from the FY 2018 & 19, News, Letters, magazines and journals of the company.
- **Method of Data Collection:-** The use of data has been done in secondary data
- **Statically Tools:** - Statistical tools are applied to analyse the financial performance with the help of ratio analysis.
- **Time Period of Study:** - This study is taken for last two years from (2018-19) to (2019-20).

CHAPTER PLANNING

Chapter I (INTRODUCTION) - The first chapter of the study covers background of the study and detail review of literature. The chapter also includes objective of the study, limitations of the study, methodology& chapter planning.

Chapter II (BACKGROUND OF THE STUDY) – The second chapter includes detailed information about the study and it's covers national and international scenario of the study.

Chapter III(DATA ANALYSIS & KEY FINDINGS) – This chapter covers a detail analysis of the data which has been collected through primary & secondary sources with the help of different statistical tools & techniques.

Chapter IV (CONCLUSION & RECOMMENDATIONS) – The last chapter of the study covers the final conclusion of the study based upon objective & data analysis. This chapter covers some recommendations of the study.

Chapter 2

CONCEPTUAL FRAMEWORK, NATIONAL AND INTERNATIONAL SCENARIO

BACKGROUND OF TATA MOTORS

Tata Motors, is an Indian Multinational Company headquartered in Mumbai, Maharashtra, India. It is a Part of Tata Group, an Indian Company. Its products include passenger cars, trucks, vans, coaches, buses, sports cars. TATA Motors has been associated since 1945. Tata motors is the largest automobile manufacturer in India.

NATIONAL SCENARIO OF TATA MOTORS

Tata Motors established in September 1 1945, as a public limited company under the Companies Act VII of 1913 as Tata Locomotive and Engineering Company. Since 1954 Tata Motors have been manufacturing automotive vehicles. The automotive vehicle business commenced with the manufacture of commercial vehicles under financial technical collaboration Daimler Benz of Germany of India's growth slowdown, financial stress. In June 2008, Tata Motors acquired the Jaguar Land Rover business from Ford Motor Company. Tata Motors has production facility in Pune, Luck now, and Jamshedpur, Sanand, Pant agar and Dharwad in India. These facilities are equipped to produce various vehicles platforms. The Jamshedpur facility, Tata Motors was established in 1945 to manufacture steam locomotives. It led the company foray into commercial vehicle in 1954. It has been modernized through the decades, with a particular intense scale in the last 10 years and has led the company evolution into a manufacture of global repute. The State of the art manufactures the Tata Motors 697\497 naturally aspirated and turbo charged engines, with a capacity of supplying up to 200 engines per day. The vehicle Factory main assembly line rolls out one truck every 5 minutes. Tata Motors approach was cautious and responsible. India is the primary market of Tata Motors. During Fiscal 2018, there was a robust and steady pace of economic growth in the geographic market in which the Tata has operations. The company's overall sales Tata increased 21.3% to 6,75,826 units in Fiscal 2018. The company sells and distribution in India as at March 2018 comprised 4931 sales and service for its passengers.



Current Situation: - Tata Motors is credit positive for the company but the company largest financing norms. While government measures to support the economy should help reduce the depth and duration

INTERNATIONAL SCENARIO OF TATA MOTORS

Through subsidiaries and associate companies, Tata Motors has operations in the UK, South Korea, Thailand, South Africa and Indonesia. Tata Motors also listed in New York Stock Exchange (September 2004), has emerged as a multinational automobile company. Tata Motors is also expanding its international footprint, establishing several countries in Europe, Africa, Middle East, South East Asia, South Asia, South America and Russia. The foundation of the company's growth over the last 75 years is a deep understanding of economic stimuli and customer needs. The company today has R&D centers in South Korea, Italy, and Spain and in the UK.

AUTOMOBILE INDUSTRY



NATIONAL SCENARIO OF ASHOK LEYLAND



Leyland Q3 disappoints, profit falls 93% on weak commercial vehicle demand. Revenue from operations during the quarter declined 36.5% year on year to Rs 4,015 core as volume dropped. Ashok Leyland was founded in 1948, headquartered in Chennai, it is the second largest commercial value manufacturer in India. Ashok Leyland also makes spare parts and engines for industrial and marine applications. Ashok Leyland Revenue includes Commercial vehicles which contributed Rs 25307.78 crores. It is the second largest commercial vehicle company in India in the medium and heavy commercial vehicle segment, with a market share of 32.1%. With passenger transportation options ranging from 10 seaters to 74 seaters. Leyland is the market leader in the bus segment. Ashok Leyland has a presence in the entire truck range, from 7.5 to 49 tons. In 2007, the Hindu Group also bought indirect stake in Ashok Leyland. The promote Shareholding now stands at 51%. Today the company is the flagship of the Hindu Group. It is one of the largest private sector employers in India, with about 12,000 employees working in 9 factories. The company's widespread customer base is service network, supplemented by close to 3000 touch points.



Onsite service training is provided by Ashok Leyland 'services training institute located in 9 locations across India.

Current situation: - Commercial vehicle major of Ashok Leyland said it sold no units last month amid the nationwide lockdown. The company has sold a total of 13,262 units in the domestic last month. Ashok 28.7% year on year.

INTERNATIONAL SCENARIO OF ASHOK LEYLAND

Ashok Leyland is the 3rd largest manufacturer of buses in the world and the 10th largest manufacturers of trucks. When British Leyland got participated the equity the Ashok Leyland's name and destiny changed and in 1955 they started manufacturing the commercial heavy vehicles (Ashok Leyland 2010) 9 manufacturing plants gives an international footprint-a bus manufacturing facility in Ras Al Khaimah(UAE), one leads United Kingdom. A US \$4.20 billion company, and a footprint across 50 countries. Exports of commercial vehicles contribute to a seven percent share of Ashok Leyland's total revenues. The company plans to increase this share to 30-38% in the next five years. Ashok Leyland exports medium and heavy commercial vehicles to the Gulf Cooperation Council(GCC) Members States like Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE. Common wealth of Independence International scenario of Ashok Leyland

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Al Khaimah(UAE), one leads United Kingdom. A US \$4.20 billion company, and a footprint across 50 countries. Exports of commercial vehicles contribute to a seven percent share of Ashok Leyland's total revenues. The company plans to increase this share to 30-38% in the next five years. Ashok Leyland exports medium and heavy commercial vehicles to the Gulf Cooperation Council(GCC) Members States like Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE. Common wealth of Independence States(CIS). Countries like Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan. The company has increased its rated capacity to 105,000 vehicles per annum. It already has a sizeable presence in African countries like Nigeria, Ghana, Egypt and South. It has a region offices in Dubai, Dhaka, Moscow,

Nairobi.States(CIS).Countries like Azerbaijan,Armenia,Belarus,Georgia,Kazakhstan,Kyrgyzstan.The company has increased its rated capacity to 105,000 vehicles per annum.Its already has a sizeable presence in African countries like Nigeria,Ghana,Egypt and South. It has a religion offices in Dubai, Dhaka, Moscow, Nairobi.

CHAPTER 3

DATA ANALYSIS AND KEY FINDINGS

Profit & Loss A/C of Tata Motors of Last Two Years (In Crores)

Profit and Loss of Ashok Leylands	March '19	March '18
INCOME		
Sales Turnover	69,202.76	59,624.69
Net Sales	69,202.76	58,831.41
Other Income	2,312.62	602.91
Total Income	71,370.69	58,592.27
EXPENDITURE		
Raw Materials	50,471.09	42,482.21
Power & Fuel Cost	0.00	545.12
Employee Cost	4,273.10	3,966.73
Other Manufacturing Expenses	571.76	474.98
Miscellaneous Expenses	8,803	6,491.68
TOTAL EXPENSES	64,118.52	54,680.90
OPERATING PROFIT	4,939.55	3,308.46
PBDIT	7,252.17	3,911.37
PBDT	5,458.60	2,166.94
Depreciation	3,098.64	3,101.89
Profit Before Tax	2,359.96	-934.95

PBT	2,359.96	-934.95
Tax	378.33	87.93
REPORTED NET PROFIT	2,020.60	-1,034.85
Total Value Addition	13,647.43	12,198.69
Equity Dividend	0.00	0.00
Corporate Dividend Tax	0.00	0.00
PER SHARE DATA		
Shares In Issues (Lakhs)	33,958.51	33,958.51
EARNING PER SHARE	5.95	-3.05
Equity Dividend (%)	0.00	0.00
Book Value (Rs)	65.26	59.40

Balance Sheet of Tata Motors of Last Two Years (In Crores)

BALANCE SHEET OF TATA MOTORS		
	March"19	March"18
SOURCES OF FUNDS		
Total Share Capital	679.22	679.22
Equity Share Capital	679.22	679.22
Reserves	21,483.30	19,491.76
NETWORTH	22,162.52	20,170.98
Secured Loans	17,537.53	20,170.98
Unsecured Loans	0.00	20,170.98
TOTAL DEBT	17,537.53	20,170.98
TOTAL LIABILITIES	39,700.05	20,170.98
Gross Block	22,286.83	20,170.98
Less:Accumulated Depreciation	0.00	20,170.98
NET BLOCK	22,286.83	20,170.98
Capital Work In Progress	6,286.59	20,170.98
INVESTMENT	16,867.37	20,170.98
Inventories	4,662.00	20,170.98

Sundry Debtors	3,250.64	20,170.98
Cash and Bank Balance	1,306.61	20,170.98
Total Current Assets	9,219.25	20,170.98
Loans and Advances	6,249.59	20,170.98
Current Liabilities	18,779.30	20,170.98
Total CA,Loans & Advances	15,468.84	20,170.98
Provisions	2,430.28	1,872.40
Total CL & Provisions	21,209.58	22,785.54
NET CURRENT ASSETS	-5,740.74	-7,137.16
TOTAL ASSETS	39,700.05	36,426.76
Contingent Liabilities	7,246.04	5,269.63
Book Value (Rs)	65.26	59.40

Financial Ratio of Tata Motors of Last Two Years (In Crores)

FINANCIAL RATIOS OF TATA MOTORS (In Rs. Cr.)

Face Value	2	2
Dividend Per Share	0	0
Operating Profit Per Share (Rs)	14.55	9.74
Net Operating Profit Per Share (Rs)	203.79	173.24
Free Reserves Per Share (Rs)	0	0
Bonus In Equity	16.38	16.38
PROFITABILITY RATIOS	-	-
Operating Profit Margin (%)	7.13	5.62
Profit Before Interest And Tax Margin (%)	2.56	0.34
Gross Profit Margin (%)	2.66	0.35
Cash Profit Margin (%)	7.41	5.02
Adjusted Cash Margin (%)	7.41	5.02
Net Profit Margin (%)	2.91	-1.75
Adjusted Net Profit Margin (%)	2.81	-1.71
Return On Capital Employed (%)	11.07	4.84
Return On Net Worth (%)	9.11	-5.13

Adjusted Return On Net Worth (%)	10.03	-0.33
Return On Assets Excluding Revaluations	65.26	59.4
Return On Assets Including Revaluations	65.26	59.4
Return On Long Term Funds(%)	12.18	5.29
LIQUIDITY AND SOLVENCY RATIOS		
Current Ratio	0.54	0.57
Quick Ratio	0.51	0.44
Debt Equity Ratio	0.79	0.81
Long Term Debt Equity Ratio	0.63	0.65
DEBT COVERAGE RATIOS		
Interest Cover	2.45	1.01
Total Debt to Owners Fund	0.79	0.81
Financial Charges Coverage Ratio	4.18	2.79
Financial Charges Coverage Ratio Post Tax	3.85	2.18
MANAGEMENT EFFICIENCY RATIOS		
Inventory Turnover Ratio	14.84	10.52
Debtors Turnover Ratio	20.56	20.98
Investment Turnover Ratio	14.84	10.59

Fixed Asset Turnover Ratio	3.78	1.65
Total Asset Turnover Ratio	1.94	1.78
Asset Turnover Ratio	1.82	1.54
Average Raw Material Holding	0	0
Average Finished Goods Held	0	0
Number Of Days In Working Capital	-60.33	-769.91
PROFIT & LOSS ACCOUNT RATIOS		
Material Cost Consumption	72.93	72.21
Imported Composition Of Raw Materials Consumed	0	0
Selling And Distribution Cost Composition	0	1.22
Expenses as Composition of Total Sales	0	9.21
CASH FLOW INDICATOR RATIO		
Dividend Pay Out Net Profit	0	0
Dividend Pay Out Ratio Cash Profit	0	0
Earning Retention Ratio	100	100
Cash Earning Retention Ratio	100	100
Adjusted Cash Flow Times	3.3	100

Profit & Loss of Ashok Leylands of Last Two Years (In Crores)

Profit and Loss of Ashok Leylands	March'19	March'18
INCOME		
Sales Turnover	29,054.94	26,633.00
Net Sales	29,054.94	26,356.40
Other Income	9.86	145.88
Total Income	30,023.61	25,227.18
EXPENDITURE	-	-
Raw Materials	21,770.47	17,264.27
Power & Fuel Cost	249.80	228.91
Employee Cost	2,098.77	1,837.78
Other Manufacturing Expenses	0.00	0
Miscellaneous Expenses	2,759	2,786.82
TOTAL EXPENSES	26,878.01	22,117.78
OPERATING PROFIT	3,135.74	2,963.52
PBDIT	3,145.60	3,109.40
PBDT	3,075.22	2,962.12
Depreciation	621.01	598.48

Profit Before Tax	2,454.21	2,363.64
PBT	2,454.21	2,363.64
Tax	513.60	668.10
REPORTED NET PROFIT	1,983.20	1,717.73
Total Value Addition	5,107.54	4,853.51
Equity Dividend	859.84	549.48
Corporate Dividend Tax	0.00	0.00
PER SHARE DATA	-	-
Shares In Issues (lakhs)	29,355.27	29,271.04
EARNING PER SHARE	6.76	5.87
Equity Dividend (%)	310.00	243.00
Book Value (Rs)	28.38	24.74

Balance Sheet of Ashok Leylands of Last Two Years (In Crores)

Balance Sheet of Ashok Leylands	March"19	March"18
Sources Of Funds		
Total Share Capital	293.55	292.71
Equity Share Capital	293.55	292.71
Reserves	8,038.88	6,952.83
NETWORTH	8,332.43	7,245.54
Secured Loans	398.40	612.55
Unsecured Loans	0.00	0.00
TOTAL DEBT	398.40	612.55
TOTAL LIABILITIES	8,730.83	7,858.09
Gross Block	7,304.52	6,719.91
Less:Accumulated Depreciation	1,690.01	1,171.94
NET BLOCK	5,614.51	5,547.97
Capital Work In Progress	657.62	422.64
INVESTMENT	2,636.50	5,606.67
Inventories	2,684.67	1,758.33

Sundry Debtors	2,505.53	944.78
Cash and Bank Balance	1,373.59	1,042.16
Total Current Assets	6,563.79	3,745.27
Loans and Advances	2,751.68	2,013.84
Current Liabilities	8,441.17	8,414.77
Total CA,Loans & Advances	9,315.77	5,759.11
Provisions	1,052.40	1,063.53
Total CL & Provisions	9,493.57	9,478.30
NET CURRENT ASSETS	-177.80	-3,719.19
TOTAL ASSETS	8,730.83	7,858.09
Contingent Liabilities	927.91	7,136.07
Book Value	28.38	24.75

Financial Ratio of Ashok Leylands of Last Two Years (In Crores)

FINANCIAL RATIOS OF ASHOK LEYLANDS (In Rs. Cr.)	March"19	March"18
Face Value	1	1
Dividend Per Share	3.1	2.43
Operating Profit Per Share (Rs)	10.68	10.12
Net Operating Profit Per Share (Rs)	98.98	90.04
Free Reserves Per Share (Rs)	0	0
Bonus In Equity	47.44	47.57
PROFITABILITY RATIOS	0	0
Operating Profit Margin (%)	10.79	11.24
Profit Before Interest And Tax Margin (%)	8.62	8.9
Gross Profit Margin (%)	0	0
Cash Profit Margin (%)	9.12	5.02
Adjusted Cash Margin (%)	9.12	5.02
Net Profit Margin (%)	6.82	-1.75
Adjusted Net Profit Margin (%)	2.81	-1.71
Return On Capital Employed (%)	30.06	32.59
Return On Net Worth (%)	23.8	23.7

Adjusted Return On Net Worth (%)	24.49	24.1
Return On Assets Excluding Revaluations	28.38	24.75
Return On Assets Including Revaluations	28.38	24.75
Return On Long Term Funds(%)	30.41	33.01
LIQUIDITY AND SOLVENCY RATIOS	-	-
Current Ratio	0.96	0.6
Quick Ratio	0.7	0.42
Debt Equity Ratio	0.05	0.08
Long Term Debt Equity Ratio	0.04	0.07
DEBT COVERAGE RATIOS	-	-
Interest Cover	37.29	17.39
Total Debt to Owners Fund	0.05	0.08
Financial Charges Coverage Ratio	46.12	21.46
Financial Charges Coverage Ratio Post Tax	38	16.73
MANAGEMENT EFFICIENCY RATIOS	-	-
Inventory Turnover Ratio	10.82	15.15
Debtors Turnover Ratio	16.84	26.24
Investment Turnover Ratio	10.82	15.15

Fixed Asset Turnover Ratio	4.47	4.4
Total Asset Turnover Ratio	3.67	3.7
Asset Turnover Ratio	3.5	3.44
Average Raw Material Holding	0	0
Average Finished Goods Held	0	0
Number Of Days In Working Capital	-32.96	-74.46
PROFIT & LOSS ACCOUNT RATIOS	-	-
Material Cost Consumption	74.92	65.5
Imported Composition Of Raw Materials Consumed	0	0
Selling And Distribution Cost Composition	0	0
Expenses as Composition of Total Sales	5.37	7.94
CASH FLOW INDICATOR RATIO	-	-
Dividend Pay Out Net Profit	43.35	31.98
Dividend Pay Out Ratio Cash Profit	33.01	23.72
Earning Retention Ratio	57.87	68.54
Cash Earning Retention Ratio	67.6	76.54
Adjusted Cash Flow Times	0.15	0.26

Few of the ratios from the above data of Ashok Leyland and Tata Motors have been selected for comparison on an average basis of last two years. The selected ratios are:

- i. Gross profit ratio
- ii. Net profit ratio
- i. Current ratio
- iv. Quick ratio
- v. Debt-equity ratio
- vi. Inventory turnover ratio
- vi. Debtor turnover ratio

GROSS PROFIT RATIO:

Gross Profit Ratio is a profitability ratio that shows the relationship between gross profit and total net sales revenue. It is a popular tool to evaluate the operational performance of the business. The ratio is computed by dividing the gross profit figure by net sales.

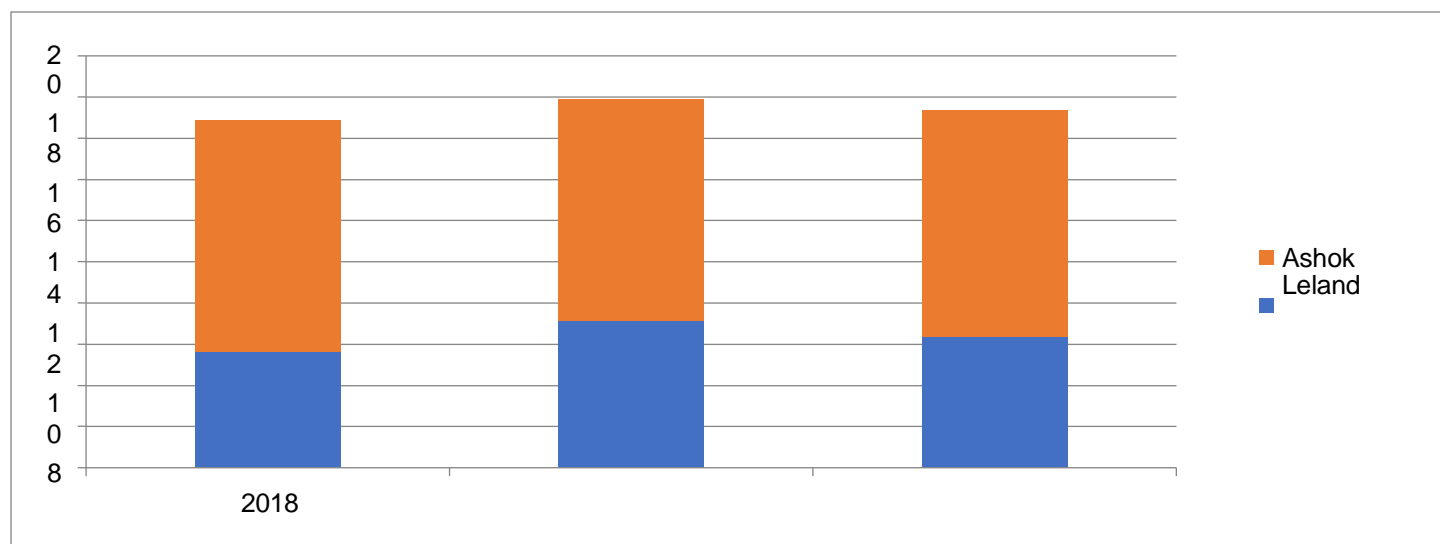
Formula:

The following formula/equation is used to compute gross profit ratio:

$$\text{Gross profit Ratio} = \frac{\text{Gross profit}}{\text{Net sales}}$$

When gross profit ratio is expressed in percentage form, it is known as gross profit margin or gross profit percentage. The formula of gross profit margin or percentage is given below:

GROSS PROFIT RATIO			
COMPAN Y	Year s		Average Ratio
	2018	2019	
Tata Motors	5.62	7.13	6.375
Ashok Leland	11.24	10.79	11.015



INTERPRETATION: From the above table it can be conducted that Gross Profit Ratio of Ashok Leyland is greater than that of Tata Motors

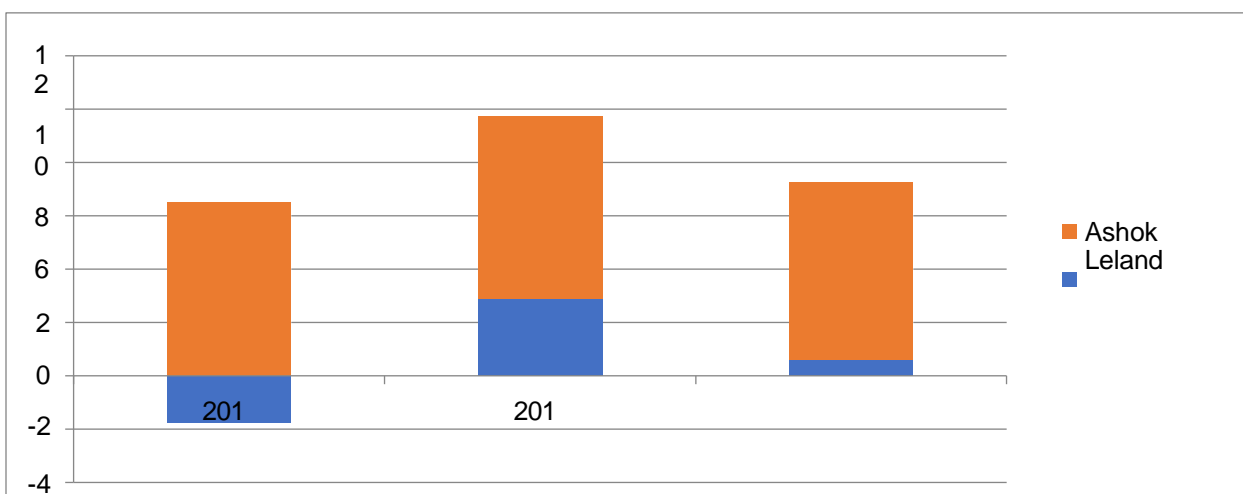
NET PROFIT RATIO

Net profit ratio (NP ratio) is a popular profitability ratio that shows relationship between net profit after tax and net sales. It is computed by dividing the net profit (after tax) by net sales.

Formula:

$$\text{Net profit (NP) ratio} = \frac{\text{Net profit after tax}}{\text{Net sales}}$$

NET PROFIT RATIO			
COMAPN Y	Year s		Average Ratio
	2018	2019	
Tata Motors	-1.75	2.91	0.58
Ashok Leland	6.51	6.82	6.66



INTERPRETATION: From the above table it can be conducted that Net Profit Ratio of Ashok Leyland is

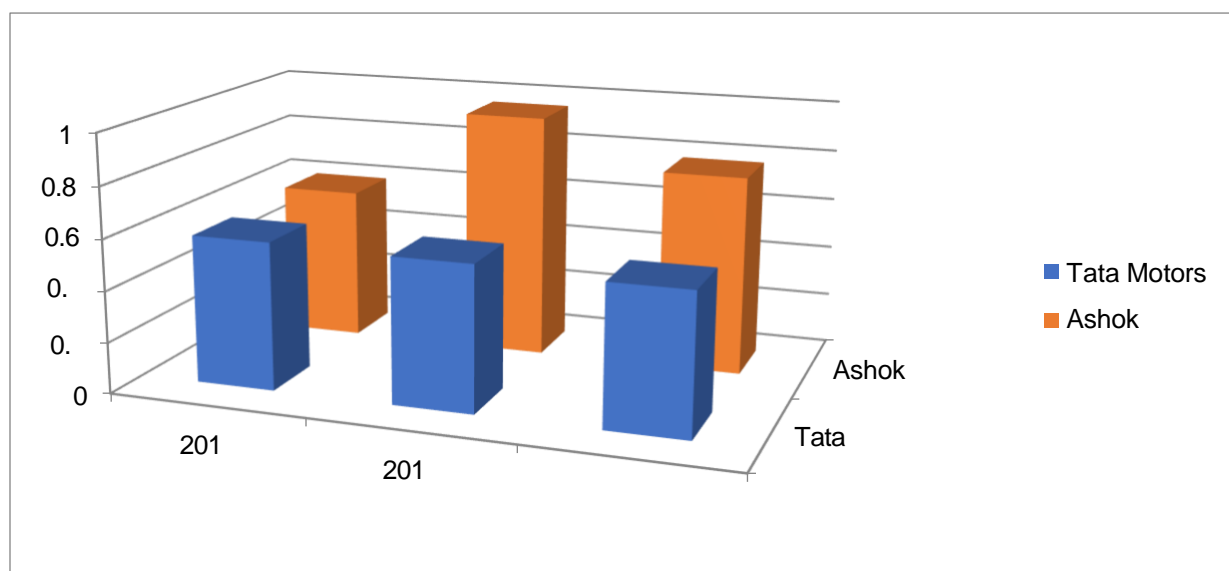
greater than that of Tata Motors

CURRENT RATIO

The **current ratio** is a **financial ratio** that measures whether or not a firm has enough resources to pay its debts over the next 12 months. It compares a firm's **current assets** to its current. It is expressed as follows:

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

CURRENT RATIO			
COMPANY	Year s		Average Ratio
	2018	2019	
	2018	2019	
Tata Motors	0.58	0.57	0.55
Ashok Leland	0.6	0.96	0.78



INTERPRETATION: From the above table it can be conducted that Current Ratio of Ashok Leyland is greater than that of Tata Motors

QUICK RATIO

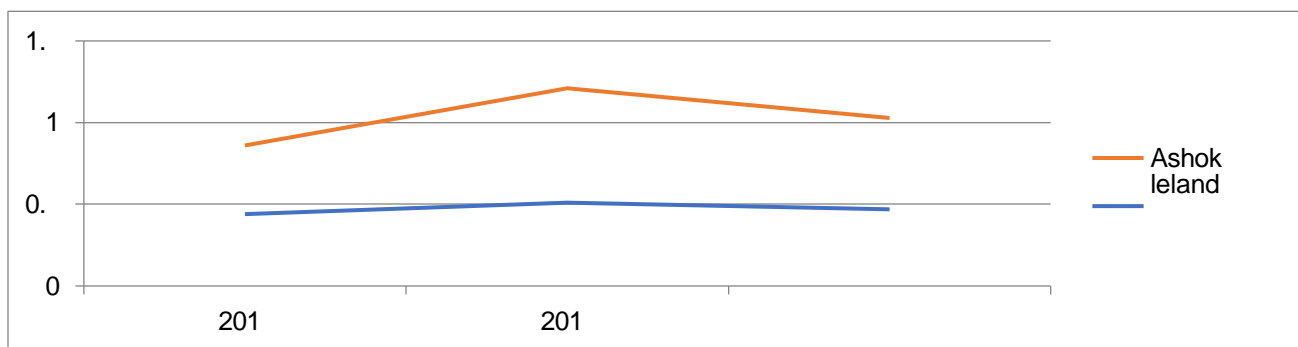
Quick ratio or Acid Test ratio is the ratio of the sum of cash and cash equivalents, marketable securities and accounts receivable to the current liabilities of a business. It measures the ability of a company to pay its debts by using its cash and near cash current assets (i.e. accounts receivable and marketable securities).

Formula

Quick ratio is calculated using the following formula:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory} - \text{Advances} - \text{Prepayments}}{\text{Current Liabilities}}$$

QUICK RATIO			
COMPANY	Years		Average Ratio
	2018	2019	
Tata Motors	0.44	0.51	0.47
Ashok Leyland's	0.42	0.7	0.56



INTERPRETATION: From the above table it can be conducted that Quick Ratio of Ashok Leyland is greater than that of Tata Motors

DEBT-EQUITY RATIO

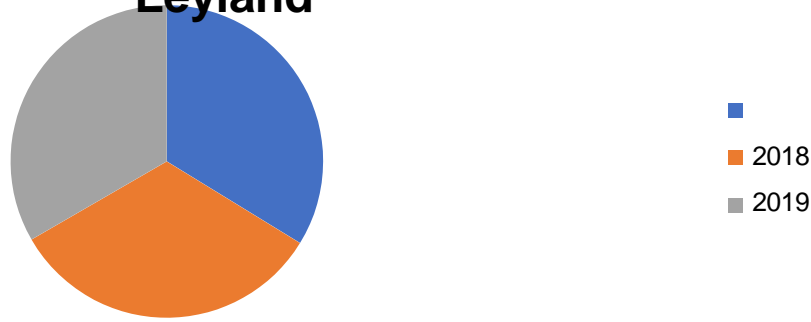
The debt-equity ratio is a measure of the relative contribution of the creditors and shareholders or owners in the capital employed in business. Simply stated, ratio of the total long term debt and equity capital in the business is called the debt-equity ratio.

Formula:

$$\text{Debt to equity ratio} = \frac{\text{Total liabilities}}{\text{Stockholder's equity}}$$

DEBT EQUITY RATIO			
COMPANY	Years		Average Ratio
	2018	2019	
Tata Motors	0.81	0.79	0.8
Ashok Leland	0.08	0.05	0.065

Tata Motors & Ashok Leyland



INTERPRETATION: From the above ratio it can be conducted that Debt Equity Ratio of Tata Motors is greater than that of Ashok Leyland

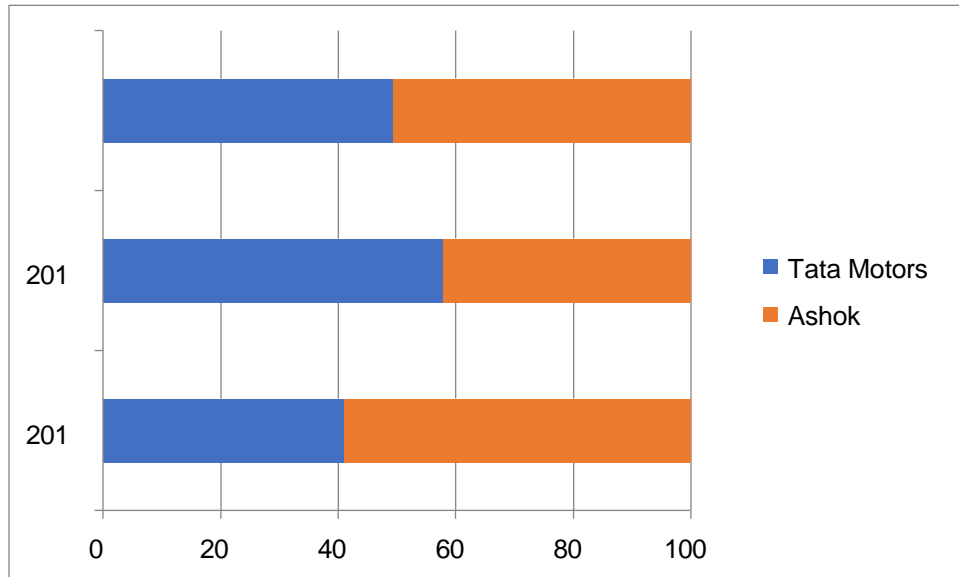
INVENTORY TURNOVER RATIO

Inventory turnover is a ratio showing how many times a company's inventory is sold and replaced over a period. The days in the period can then be divided by the inventory turnover formula to calculate the days it takes to sell the inventory on hand or "inventory turnover days.

To calculate inventory turnover, divide the ending inventory figure into the annualized cost of sales. If the ending inventory figure is not a representative number, then use an average figure instead. The **formula** is:

$$\frac{\text{Annual cost of goods sold}}{\text{Inventory}}$$

INVENTORY TURNOVER RATIO			
COMPANY	YEARS		AVERAGE RATIO
	2018	2019	
Tata Motors	10.52	14.84	12.68
Ashok Leyland	15.15	10.82	12.98



INTERPRETATION: From the above table it can be conducted that Inventory Turnover Ratio of Ashok Leyland is greater than that of Tata Motors

DEBTOR TURNOVER RATIO

An **accounting measure** used to quantify a **firm's** effectiveness in extending **credit** and in collecting **debts** on that credit. The receivables turnover ratio is an **activity ratio** measuring how efficiently a firm uses its **assets**.

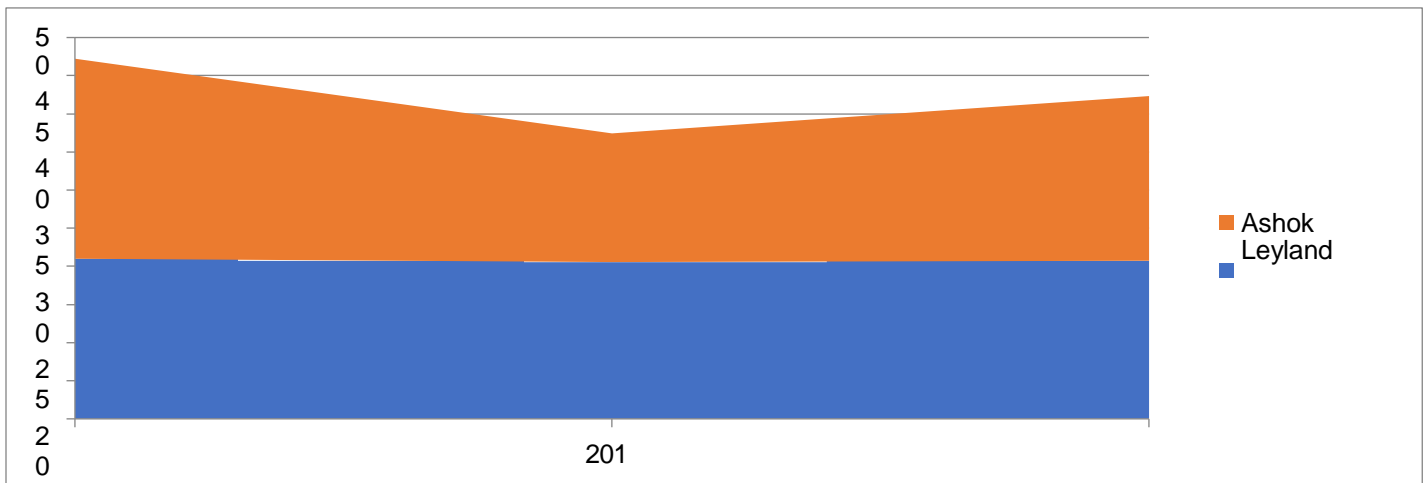
Receivables turnover ratio can be calculated by dividing the net value of credit **sales** during a given period by the average **accounts receivable** during the same period. Average accounts receivable can be calculated by adding the value of accounts receivable at the beginning of the desired period to their value at the end of the period and dividing the sum by two.

The method for calculating receivables turnover ratio can be repress

$$\text{Accounts Receivable Turnover} = \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$$

ended with the following **formula:**

DEBTOR TURNOVER RATIO			
COMPANY	YEARS		AVERAGE RATIO
	2018	2019	
Tata Motors	20.98	20.56	20.77
Ashok Leyland	26.24	16.84	21.54



INTERPRETATION: From the above table it can be conducted that Debtor Turnover Ratio of Ashok Leyland is greater than that of Tata Motors

CHAPTER 4

CONCLUSION AND RECCOMENDATIOS

CONCLUSION

After all research work of Tata Motors I came to the conclusion that Tata Motors is an overall strong company that has found its strength and expansion. Tata Motors is the automobile industry with high market share, manufacturing low price car with low fuel consumption gives it the advantage of entering into the world countries.

Ashok Leyland claims to carry more than 60 million passengers a day probably most important element of the company is the marketing mix. These is because a company know that a business cannot be go forward without the right strategy in the right place

RECOMMENDATION

Through, Overall performance of the automobile industry in India. We can see that the financial ratio of Ashok Leyland is greater than that of Tata Motors. It can be conducted that the Debt Equity ratio of Tata Motors decrease year by year through it is not too bad. Tata motors has been the forefront of the Indian auto mobile industry

Therefore, Tata Motors must continue to work grabbing more market shares in emerging economics all over the world. Tata Motors is always committed to understand Customers needs. The name of Tata Motors itself say it all Trust Acceptability Transparency Accountability.

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