PROJECT REPORT

Submitted for the Degree of B.Com.(Hons.) in Accounting & Finance under the University of Calcutta

TITLE OF THE PROJECT

"A CASE STUDY ON WORKING CAPITAL MANAGEMENT OF TATA MOTORS LIMITED"

Submitted by:-

Name of the Candidate	: MD WASIM
Name of the College	: SURENDRANATH EVENING COLLEGE
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Name of the Supervisor	: MR. PRIYANKAR MODAK
Name of the College	: SURENDRANATH EVENING COLLEGE

MAY,2022

ANNEXURE-I

Supervisor's Certificate

This is to certify that **MD WASIM** a student of B.Com 3RD Year Honours in Accounting & Finance of SURENDRANATH EVENING COLLEGE under the University of Calcutta has worked under my supervision and guidance or his Project Work and prepared a Project Report with the title -**WORKING CAPITAL MANAGEMENT WITH RESPECT OF TATA MOTORS LIMITED ".**

The project report, which he/she is submitting, is his/her genuine and original work to the best of my knowledge.

Place: Kolkata

Signature: 19/05/2022

Date:

Name: PRIYANKAR MODAK

Designation: S.A.C.T

Name of the College: SURENDRANATH EVENING COLLEGE

ANNEXURE-II

Student's Declaration

I hereby declare that the Project Work with the title **"WORKING CAPITAL MANAGEMENT WITH RESPECT OF TATA MOTORS LIMITED"** submitted by me for the partial fulfillment of the degree of B.Com. Honors' 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 fulfillment 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.

Place: Kolkata

Date: 18/07/2022

Signature: Md. Wasim

Name: MD WASIM

C.U. Registration No: - **117-1111-0358-19**

Roll. No : - 11

Name of College : SURENDRANATH EVENING COLLEGE

Registration Number: 117-1111-0358-19

<u>ACKNOWLEDGEMENT</u>

This project on "**WORKING CAPITAL MANAGEMENT WITH RESPECT OF TATA MOTORS LIMITED**" could not see the light if had I not received immense help from many persons associated directly or indirectly with the title and conduct of the project at 6th Semester, B.Com (Accounting & Finance) of our esteemed learning institution, Surendranath Evening College. I am highly indebted to many persons for the successful completion of my project. At the outset I would like to express my heartiest thanks and gratitude to all of them; without whose continuous support and assistance completion of this project would not have been possible.

It is my great pleasure to express my respect and gratitude to all esteemed faculties of Department of Commerce, Surendranath Evening College. I am especially grateful and thankful to my project guide Mr Priyankar Modak for guiding me in choosing my topic and having the patience to clear the innumerable doubts I had while compiling the areas of project. I am also indebted to Prof. Barendra Roy, Head of the Department of Commerce, Surendranath Evening College. In this occasion I would also like to thank all the non-teaching staffs of the college for their constant support.

I would be failing in my duty if I do not acknowledge the contributions of different authors and experts in this field. The entire project is the outcome of the ideas gained from them. I am grateful to all of them. Last but not the least; I would like to thank my parents and friends for their inconsistent support for the successful completion of my project.

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CHAPTER 1: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Working capital management is concerned with problems that arise in attempting to manage the current assets, the current liabilities and the interrelationship that exist between them. The term current assets refers to those assets which in ordinary course of business can be, or will be converted into cash within one year without undergoing a diminution in value and without disrupting the operations of the firm .The major current assets are cash, marketable securities, accounts receivable and inventory .The term current liabilities refer to those liabilities which are intended. At their inception, to be paid in the ordinary course of business within a year, out of current assets or earnings of the concern. The basic current liabilities are accounts payable, bills payable , bank overdraft and outstanding expenses. The current assets should be large enough to cover its current liabilities in order to ensure a reasonable margin of safety, nevertheless the level of current assets should not be too high since in that case it will affect the overall profitability of the firm .The interaction between current assets and current liabilities is, therefore the main theme of Working Capital Management. There are two concepts of Working Capital Management i.e. Gross Working capital management and Net working capital management. The term gross working capital, also refers to working capital, means the total current assets. The term Net working capital management refers to the difference between current assets and current liabilities.Net working capital can alternatively be defined as that portion of current assets which is financed with long term funds .Since current liabilities represent of short term funds, as long as the currents assets excess the current liabilities, the excess must be financed with on term funds. The liquidity of a business is measured by the firm's ability to satisfy short term obligations as they become due .The three basic measures of a firm's overall liquidity are 1)The current ratio ,2)The acid test ratio and 3)The net working capital.

1.2 BRIEF REVIEW OF LITERATURE

Different researchers have done studies in the field of working capital management , out of which three research results are as follows:-

1) **Vera (1989)** examined working capital management in Tata Iron and Steel Company Ltd. (TISCO), Steel Authority of India Ltd. (SAIL) and Indian Iron and Steel Company(IISCO) during the period from **1978-79 to 1985-86** by using the financial tools and statistical techniques. :-

The study indicates -- Tata Iron and Steel Company Limited had better working capital management in comparison to Steel Authority of India Limited and Indian Iron and Steel Company. Results also revealed that all the three firms under study had made excessive use of bank borrowings to finance the working capital requirements.

2) **Majumdar (1992),** in order to know the pattern of financing the corporate working capitalin India, has analyzed balance sheets of 20 companies- 10 from private sector and 10 from public sector for the period from 1981 to 1990. For the purpose of analysis researcher has used statistical techniques and financial tools.

Study indicates -- Major share of working capital finance is from borrowings and effect ofcost on the selection of sources of working capital is not at all significant.

3) **Vijay Kumar and Venkatachalam (1996)** have made efforts to do in depth study of Tamil Nadu Sugar Corporation for the period of **1985-86 to 1993-94.** Results indicate—that the corporation has maintained moderate level of working capital, less amount from long term-funds has been used for meeting short term liabilities and due to excess liquidity, profitability was affected during the period of study.

1.3 OBJECTIVE OF THE STUDY

1) To understand the concept ofthe working capital management.

2) To analyze the present scenario ofperforming working capital management bythecompany.

3) To studywhether Maintenance of working capital at appropriate level, and

4) To studythe availability of ample funds as and when they are needed.

1.4 RESEARCH METHODOLOGY

1) Area of the study

This is an analytical case study of Tata motors limited's position of workingcapital, profitability & solvency.

2) Types of data used

The main source of data collected is from the website of Tata motors ltd. The secondary data has been collected from different websites and books.

3) Period of study:

I have taken last 5 years for the study i.e. from 2016-17 to 2020-21.

4) Tools and technique:

Tools and techniques of analysis of the project are graphs, charts and ratio analysis.

1.5 LIMITATIONS OF THE STUDY

This study is conducted in partial fulfillment of the requirement for the B.Com. So,it possesses some limitations of its own.

One of the limitations of the study is, with regard to tempera coverage of the study to arrive any meaningful conclusions regarding the trend in the pattern and structure of financing a time service of fairly a long period are needed .But this project has been covered only in one the financial year.

The other constraints of this study are as follows:-

1.5.1 Though there are many manufacturing companies, but this study onlydeals with TATA MOTORS Ltd.

1.5.2 Being a student time and resources constraint.

1.5.3 Limited variable has been selected.

1.5.4 Simple techniques have been used in analysis.

1.5.5 The analyze is based on annual report of the company.

1.6: - CHAPTER PLANNING

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CHAPTER2: CONCEPTUAL FRAMEWORK.

CHAPTER 3: PRESENTATION OF DATA, ANALYSIS AND FINDINGS.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

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CHAPTER 2: CONCEPTUAL FRAMEWORK

2.1 : DEFINITION OF WORKING CAPITAL:

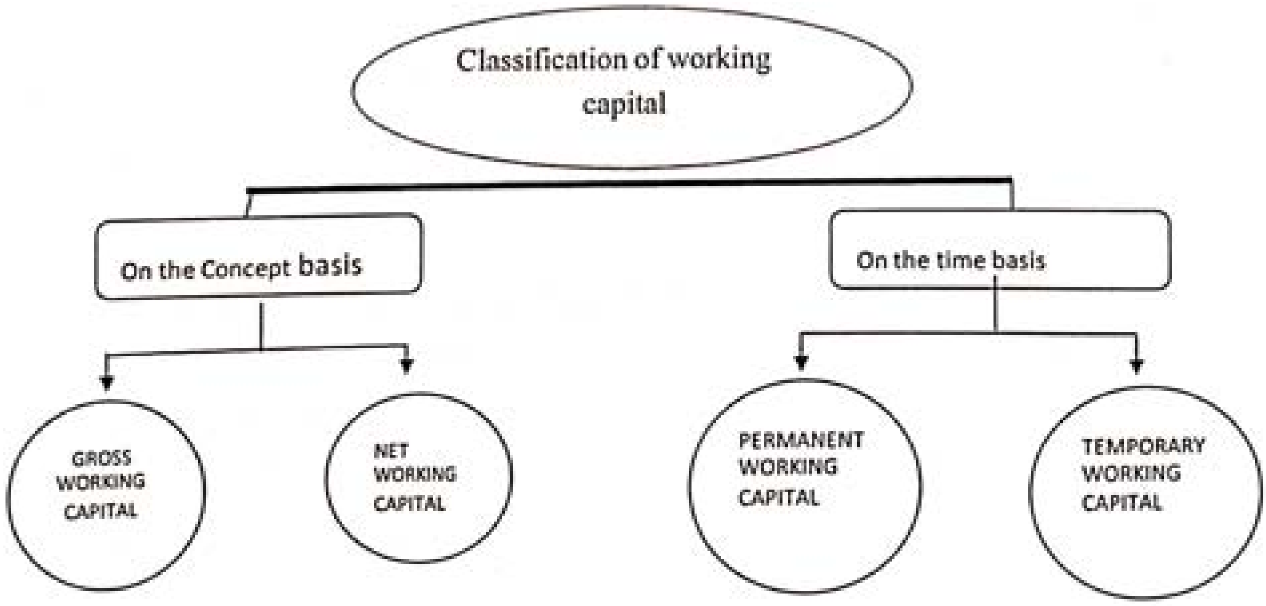
Working capital means the funds (I.e. capital) available and used for day to day operation (i.e. working capital) of an enterprise. It consists broadly of that portion of assets of a business which are used in or related to its current operations. It refers to fund which are used during an accounting period to generate a current income of a type which is consistent with major purpose of a firm existence.

1. According to Weston & Brigham - –Working capital refers to a firm's investment in short term assets, such as cash amounts receivables, inventories etc.

2. Working capital means current assets. - Mead, Baker and MA Lott

3. –The sum of the current assets is the working capital of the businessI - J.S. Mill

2.2 : TYPES OF WORKING CAPITAL



A) **CONCEPT**: From the concept point of view, working capital can be defined as Gross working capital or Net working capital.

i) **GROSS WORKING CAPITAL**: It refers to the firm's Investment in current assets are those assets, which can be converted into cash within an accounting year. Current assets include stock of raw materials, working-in-progress, finished goods, trade debtors, prepayments, cash balances, etc.

(ii) **NET WORKING CAPITAL**: - It refers to the different between current assets and current liabilities. Current liabilities are those claims of outsider which are expected to mature for payment within an accounting year. Current liabilities includes trade creditors, accrual taxation payable, bill payable, outstanding expenses, dividend payable and short term loans.

B) TIME:

From the point of view of time, the working capital can be divided into two categories namely fixed and temporary

(i) PERMANENT WORKING CAPITAL:-

It refers to hard core working capital. It is that minimum level of investment in the current assets that is carried by the business at all times to carryout minimum level of its activities.

Example: Every firm has to maintain minimum level of raw materials, WIP and finished goods and cash balance.

(ii) TEMPORARY WORKING CAPITAL: It refers to that part of total working capital, which is required by a business over and above permanent working capital. It is also called variable working capital. Since the volume of temporary working capital keeps on fluctuating from time to time according to the business activities it may be financed from short term source.

2.3 : IMPORTANCE OF WORKING CAPITAL:

Working capital is needed till a firm gets cash on sale of finished products. It depends on two factors:

i. Manufacturing cycle i.e. time required for converting the raw material into finished product; and

ii. Credit policy i.e. credit period given to Customers and credit period allowed by creditors. Thus, the sum total of these times is called an -Operating cyclel and it consists of the following six steps:

a) Conversion of cash into raw materials.

b) Conversion of raw materials into work-in-progress.

c) Conversion of work-in-progress into finished products.

d) Time for sales of finished goods- Cash sales and Credit sales.

e) Time for realization from debtors and bills receivables into cash.

f) Credit period allowed by creditors for credit purchase of raw materials, inventory and creditors for wages and overheads

2.4 : WORKING CAPITAL CYCLE:

Cash flows in a cycle into, around and out of a business. It is the business's life blood and every manager's primary task is to help keep it flowing and to use the cash flow to generate profits. If a business is operating profitably, then it should, in theory, generate cash surpluses. If it doesn't generate surpluses, the business will eventually run out of cash and expire. The faster a business expands the more cash it will need for working capital and investment. The cheapest and best sources of cash exist as working capital right within business. Good management of working capital will generate cash will help improve profits and reduce risks. Bear in mind that the cost of providing credit to customers and holding stocks can represent a substantial proportion of a firm's total profits.

There are two elements in the business cycle that absorb cash - Inventory (stocks and work-in-progress) and Receivables (debtors owing you money). The main sources of cash are Payables (your creditors) and Equity and Loans.

2.5 : BASIC CONCEPTS OF WORKING CAPITAL MANAGEMENT:

2.5.1 MANAGEMENT OF WORKING CAPITAL

Working Capital Management involves management of different components of working capital such as cash, inventories, accounts receivable, creditors etc. A brief description follows regarding the various issues involved in the management of each of the above components of working capital.

2.5.2 **INVENTORY MANAGEMENT:** Inventory constitutes an important item in the working capital of much business concerns.Net working capital is the difference between current assets and current liabilities. Inventory is a major item of current assets. The term inventory refers to the stocks of the product of a firm is offering for sale and the components that make up the product Inventory is stores of goods and stocks. This includes raw materials, work-in-process and finished goods. Raw materials consist of those units or input which are used to manufactured goods that require further processing to become finished goods. Finished goods are products ready for sale.

The classification of inventories and the levels of the components vary from organization to organization depending upon the nature of business. For example steel is a finished product for a steel industry, but raw material for an automobile manufacturer. Thus, inventory may be defined as –Stock of goods that is held for future usel. Since inventories constitute about 50 to 60 percent of current assets, the management of inventories is crucial to successful working capital management. Working capital requirements are influenced by inventory holding. Hence, the need for effective and efficient management of inventories. A good inventory management is important to the successful operations of most organizations, unfortunately the importance of inventory is not always appreciated by top management. This may be due to a failure to recognize the link between inventories and achievement of organizational goals or due to ignorance of the impact that inventories can have on costs and profits. Inventory management refers to an optimum investment in inventories. It should neither be too low to effect the production adversely nor too high to block the funds unnecessarily. Excess investment in inventories is unprofitable for the business. Both excess and inadequate investment in inventories is not desirable. The firm should operate within the two danger points. The purpose of inventory management is to determine and maintain the optimum level of inventory investment.

2.5.3 CASH MANAGEMENT:

Cash management is one of the key areas of working capital management. Cash is the most liquid current assets. Cash is the common denominator to which all current assets can be reduced because the other major liquid assets, i.e. receivable and inventory get eventually converted into cash. This underlines the importance of cash management. The term –Cashl with reference to management of cash is used in two ways. In a narrow sense cash refers coins, currency, cheques, drafts and deposits in banks. The broader view of cash includes near cash assets such as marketable securities and time deposits in banks. The reason why these near cash assets are included in cash is that they can readily be converted into cash. Usually, excess cash is invested in marketable Securities as it contributes to profitability, of current assets. Every firm should have adequate cash, neither more nor less. Inadequate cash will lead to production interruptions; while excessive cash remains idle and will impair profitability. Hence, the need for cash management.

2.5.4 MANAGING PAYABLES (CREDITORS):

Creditors are the businesses or people who provide goods and services in credit terms. That is, they allow us time to pay rather than paying in cash.

There are good reasons why we allow people to pay on credit even though literally it doesn't make sense! If we allow people time to pay their bills, they are more likely to buy from your business than from another business that doesn't give credit. The length of credit period allowed is also a factor that can help a potential customer decide whether to buy from your business or not: the longer the better, of course.

In spite of what we have just said, creditors will need to optimize their credit control policies in exactly the same way that we did when we were assessing our debtors' turnover ratio - after all, if you are my debtor I am your creditor!

We give credit but we need to control how much we give, how often and for how long. The formula for this ratio is:

Creditors' Turnover:

$$= \frac{\text{Average}}{\text{Creditors (Cost of Sales/65)}}$$

Creditors are a vital part of effective cash management and should be managed carefully to enhance the cash position.

2.5.5 HANDLING RECEIVABLES (DEBTORS)

Cash flow can be significantly enhanced if the amounts owing to a business are collected faster. Every business needs to know who owes them money, how much is owed, howlong it is owing, for what it is owed Debtors and cost of debtors have direct relation; cost will increase due to increase in debtors and vice-versa. It depends on the credit sale of concern and credit period (collection period) allowed to customer.

Debtor management is the process of finding the balance at which company agrees to receive its payment without hampering or having any adverse effect on its sales and customer agree to payat their economical buying concept.

Sundrydebtor level depends on two measure issues:

• Volume of Credit sales

• Credit period allowed to customers.

Following factors may be considered before allowing credit period to the customer:-

1. Nature of product

2. Credit worthiness of the customer, which varies from customer to customer

3. Quantum of advance received from customers

4. Credit policy of company, say number of days allowed to customer for payment to the customers

5. Cost of debtors

6. Manufacturing cycle time of the product etc.

2.6 :-FACTORS OF WORKING CAPITAL REQUIREMENT:

1. **Length of operating cycle**: The amount of working capital directly depends on the length of operating cycle. Operating cycle refers to the time period involved in production. If operating cycle is long then more working capital is required whereas for companies having short operating cycle, the working capital is less.

2. **Nature of Business**: The type of business, firm is involved in, is the next consideration while deciding the working capital. In case of trading concern or retail shop the requirement of working capital is less. On the other hand the manufacturing company requires huge amount of working capital.

3. **Scale of Operations**: The firms operating at large scale need to maintain more inventory, debtors, etc. so they generally require less working capital.

4. **Business cycle Fluctuations**: During boom period the market is flourishing so much demand, more production, and more stock which means more amount of working capital is required. Whereas during depression period low demand, low inventories, to be maintained, so less working capital will be required.

5. **Operational Efficiency**: The firm having high degree of operating efficiency requiresless amount of working capital as compared to firm having low degree of efficiency which requires more working capital.

2.7 :-SOURCES OF WORKING CAPITAL:

1. **LOANS FROM COMMERCIAL BANKS:** Small scale enterprises can raise loans from

the commercial banks with or without security. Loan can be paid in lump sum or in parts. Hence,it is generallya cheaper source of financing working capital requirement of enterprise.

2. PUBLICDEPOSITS: Public deposits can be invited by offering a higher rate of interest thanthe interest allowed on bank deposits. However, the companies can raise funds through public deposits subject to a maximum of 25% of their paid up capital and free reserves.

3. FACTORING: This is a method of raising short term capital and known as factoring. On theone hand, it helps the supplier companies to secure finance against their book debts and receivables and on the other hand it also helps in savings the effort of collecting the book debts.

The disadvantage of factoring is that customers who are really in genuine difficulty do not get the opportunity of delaying payments which they might have otherwise got from the supplier company.

4. ADVANCES FROM CUSTOMER: one wayof raising for short-term requirement is to demand for advance from one's own customers. Thus, advance from customers become one of the cheapest sources of raising funds for meeting working capital requirements of the companies.

5. BANK OVERDRAFT AND CASH CREDIT: Overdraft is a facility extended by the banks to their current account holders for a short period generally a week. A current account holderis allowed to withdraw from its current deposits account up to a certain limit over the balances with the bank

Cash credit is an arrangement whereby the commercial banks allow borrowing money up toa specified limit. The cash credit facility is allowed against the security.

Arranging overdraft and cash credit with the commercial banks has become a common method adopted by companies for meeting their short term financial, or say, working capital requirements.

2.8 :-COMPANY PROFILE:

A) Company profile of Tata motors Ltd.

Tata Motors Limited is an automobile company. The Company is engaged in the business of automobile products consisting of all types of commercial and passenger vehicles, including financing of the vehicles sold by the Company. Its operating segments include automotive operations and all other operations. Its automotive segment operations include all activities relating to the development, design, manufacture, assembly and sale of vehicles, including vehicle financing, as well as sale of related parts and accessories. Its automotive operations are further subdivided into Tata and other brand vehicles (including vehicle financing) and Jaguar Land Rover. It's all other operations segment includes information technology services, and machine tools and factory automation solutions. Its commercial and passenger vehicles are marketed in countries in Europe, Africa, the Middle East, South East Asia, South Asia, South America, Australia, Commonwealth of Independent States and Russia.

B) ETHICAL OBJECTIVES

•Tata group had never compromised on ethics, it last year edited Whistle blower policy for the benefits of the company & society

•The Company believes in the conduct of the affairs of its Constituents in a fair and transparent manner by adopting highest Standards of professionalism, honesty, integrity and ethical Behaviour.

C) MARKET SHARE & FUTURE PLANNING

•Tata said that the initial target production volume would be 250,000cars per annum on two shifts, expandable to 350,000 per annum on three shifts. Consumer focus

•Die Welt reports that the car conforms with environmental protection, and will have the lowest emissions in India.

D) PRODUCT FOCUS

Model versions

The basic Tata Nano Std priced at 123,000 Rupees has no extras;

•The deluxe Tata Nano CX at 151,000 Rupees has air conditioning;

•The luxury Tata Nano LX at 172,000 Rupees has air conditioning, power Windows , fabric seats and central locking.

•Tata Motors will offer a version of the Nano with these safety-features, Including an airbag system in its electric version. The Nano has an all Sheet-metal body made from Japanese and Korean steel, with safety features such as crumple zones, intrusion-resistant doors, seat-belts, strong seats and anchorages, and the rear tailgate glass bonded to the body. Tires are tubeless.

E) SOCIAL RESPONSIBILITY

Green Matters: Tata Motors, a Company that cares about the future...

Tata Motors concern is manifested by a dual approach -

1) Reduction of environmental pollution and regular pollution control drives

2) Restoration of ecological balance.

F) REDUCING POLLUTION

Tata Motors has been at the forefront of the Indian automobile industry's anti-pollution efforts by introducing cleaner engines. It is the first Indian Company to introduce vehicles with Euro norms well ahead of the mandated dates.

G) RESTORING ECOLOGICAL BALANCE:

Tata Motors has set up effluent treatment facilities in its plants, to avoid release of polluted water into the ecosystem. In Pune, the treated water is conserved in lakes attracting various species of birds from around the world thus turning the space into a green belt.

Tata Motors is committed in letter and spirit to Corporate Social Responsibility. It is a signatory to the United Nations Global Compact, and is engaged in community and social initiatives on labour and environment standards in compliance with the principles of the Global Compact.

H) SOME OTHER SOCIAL RESPONSIBILITIES ARE

Community Development

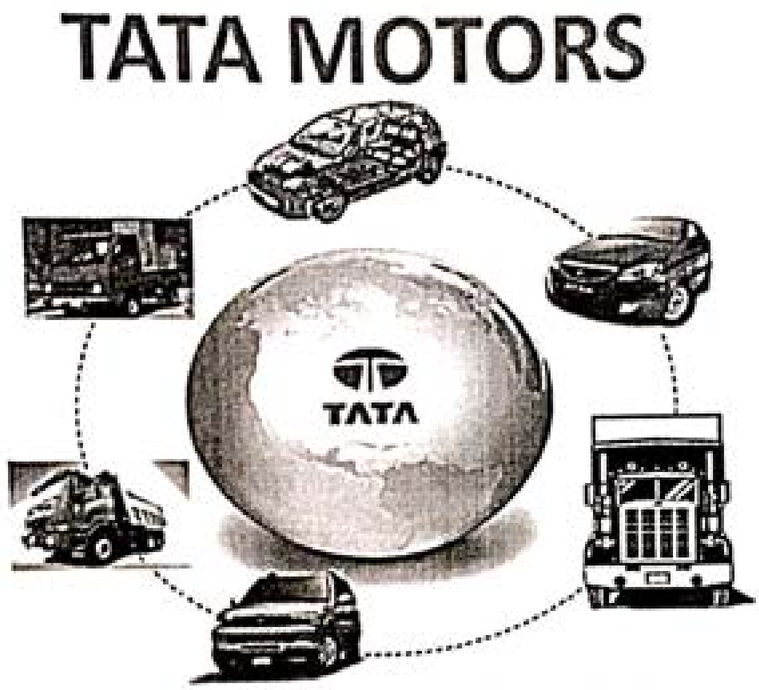
Health & Sanitation

Employment Generation

Community Centres

I) OVERCOME COMPETITION

Tata initially targeted the vehicle as "the least expensive production car in the world aiming for a starting price of 100,000 rupees or approximately US$2000 Rival car makers including Bajaj Auto, Fiat, General Motors, Ford Motor, Hyundai. And Toyota Motor have all expressed interest in building a small car that is affordable to more middle-class consumers in emerging markets. The bulk of demand there is for small cars because people are much more sensitive to fuel prices. Honda and Toyota are leading the way on so called cleaner gasoline-electric hybrids, and some environmentalists argue getting prices down on these technologies is where efforts should be concentrated. Inexpensive and eco-friendly electric-cars like Tara Tiny, Oreva Super (both reportedly even cheaper than Tata Nano) and REVA pose even more significant danger to Nano. There are also rumours of Maruti Suzuki introducing a lower priced version of Alto to counter Tata Nano.



CHAPTER 3 : PRESENTATION OF DATA AND ANALYSIS OF DATA AND FINDINGS

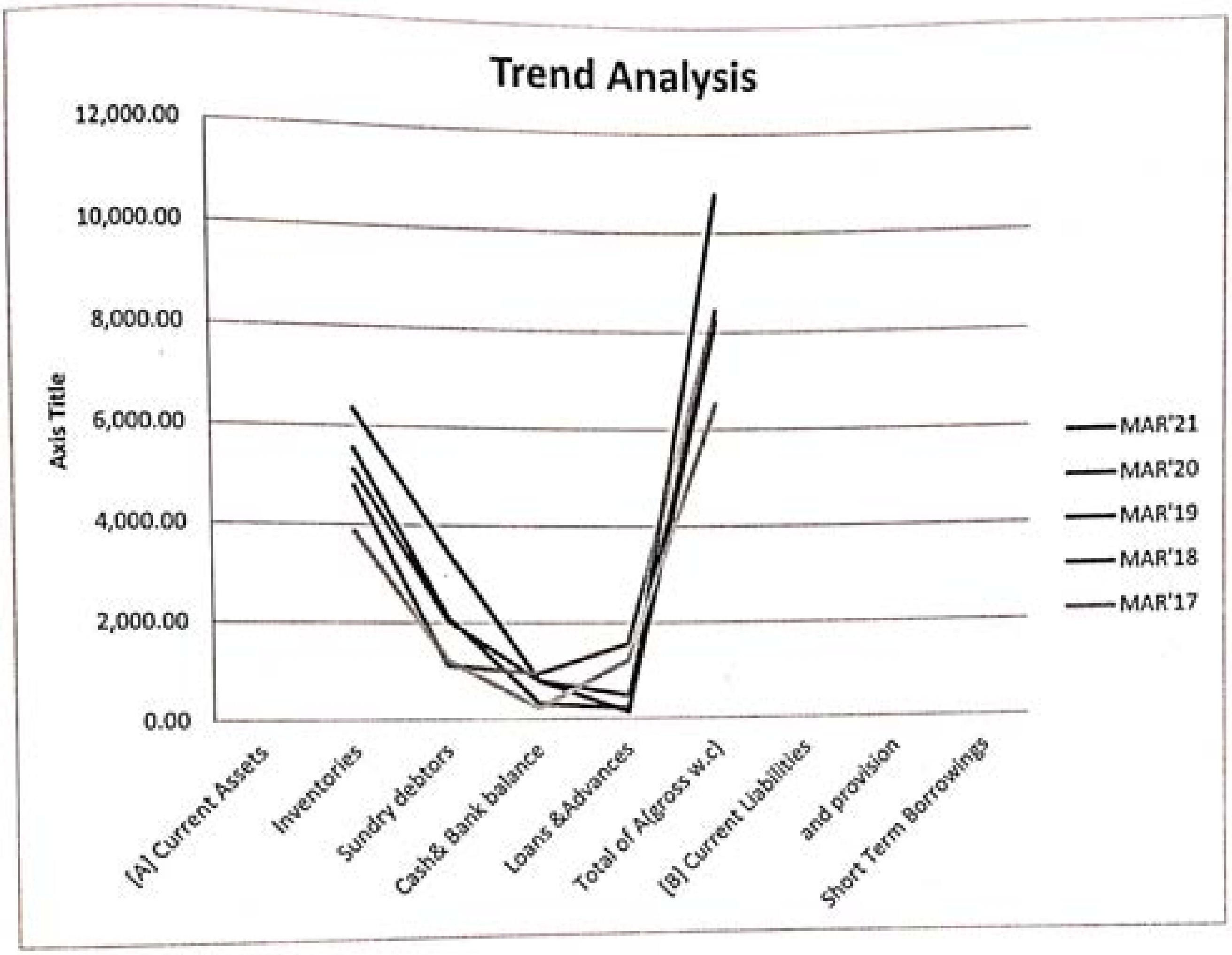
3.1:WORKING CAPITAL ANALYSIS

1. WORKING CAPITAL TREND ANALYSIS:

TABLE 1 – SIZE OF WORKING CAPITAL:

Particulars	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
[A] Current Assets					
Inventories	6,352.04	5,553.01	5,117.92	4,802.08	3,862.53
Sundry debtors	3,479.81	2,128.00	2,045.58	1,114.48	1,216.70
Cash& Bank balance	795.42	326.61	788.42	944.75	226.15
Loans &Advances	140.27	215.96	484.44	1,574.41	1,223.77
Total of A(gross w.c)	**10,767.54**	**8,223.58**	**8,436.36**	**8,435.72**	**6,529.15**
[B] Current Liabilities and provision					
Short Term Borrowings	3,099.87	5,158.52	3,654.72	7,762.01	4,769.08
[...	9,411.05	7,082.95	5,141.17	8,852.65	9,672.36
Other Current Liabilities	10,845.11	8,819.71	9,455.58	3,142.88	2,463.18
Short Term Provisions	862.92	477.17	450.27	613.09	1,892.91
Total of B	**24,218.95**	**21,538.35**	**18,701.74**	**20,370.63**	**18,797.53**
Net Working Capital(A-B)	**-13,451.41**	**-13,314.77**	**-10,265.38**	**-11,934.91**	**-12,268.38**

(www.moneycontrol.com)


Trend Analysis
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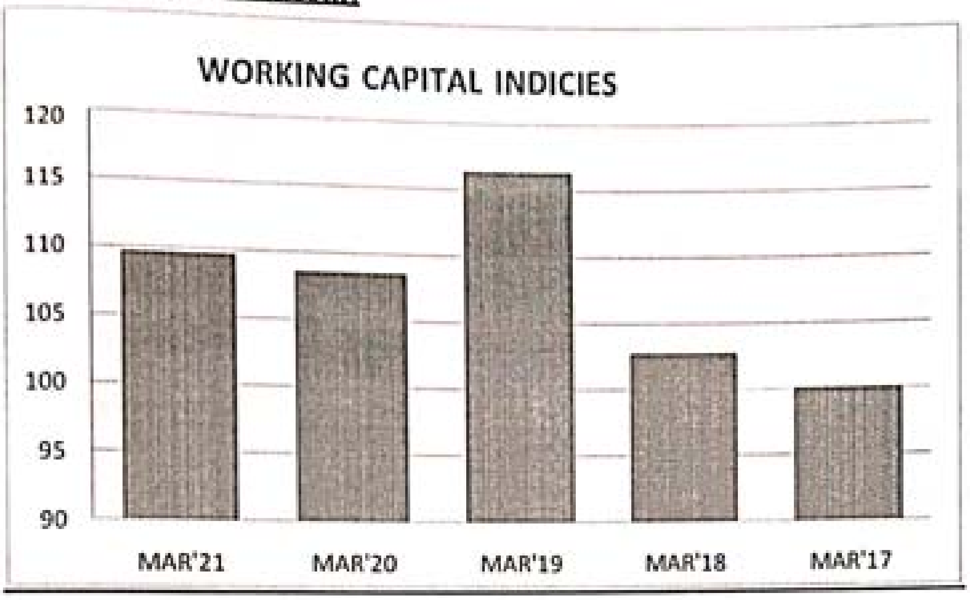
Axis Title
[A] Current Assets
Inventories
Sundry debtors
Cash& Bank balance
Loans &Advances
Total of A(gross w.c)
[B] Current Liabilities
and provision
Short Term Borrowings
MAR'21
MAR'20
MAR'19
MAR'18
MAR'17

TABLE 2 - WORKING CAPITAL INDICES:

Particulars	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Net working Capital	-13,451.41	-13,314.77	-10,265.38	-11,934.91	-12,268.38
Working Capital Indices	109.64	108.53	116.33	102.72	100

(www.moneycontrol.com)



Observation: On observing the working capital of Tata Motors ltd. from MAR'17 to MAR'21, it is evident that Tata Motors Ltd. had a negative working capital throughout the period which means their current liabilities are more than their current assets. According to the above information the working capital indices of Tata Motors Ltd. was the highest in MAR'19.

2. CURRENT ASSETS ANALYSIS:

TABLE 3 - CURRENT ASSET SIZE:

Particulars	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Inventories	6,352.04	5,553.01	5,117.92	4,802.08	3,862.53
Sundry Debtors	3,479.81	2,128.00	2,045.58	1,114.48	1,216.70
Cash & Bank Balance	795.42	326.61	788.42	944.75	226.15
Loans & Advances	140.27	215.96	484.44	1,574.41	1,223.77
Total Current Assets	**10,767.54**	**8,223.58**	**8,436.36**	**8,435.72**	**6,529.15**

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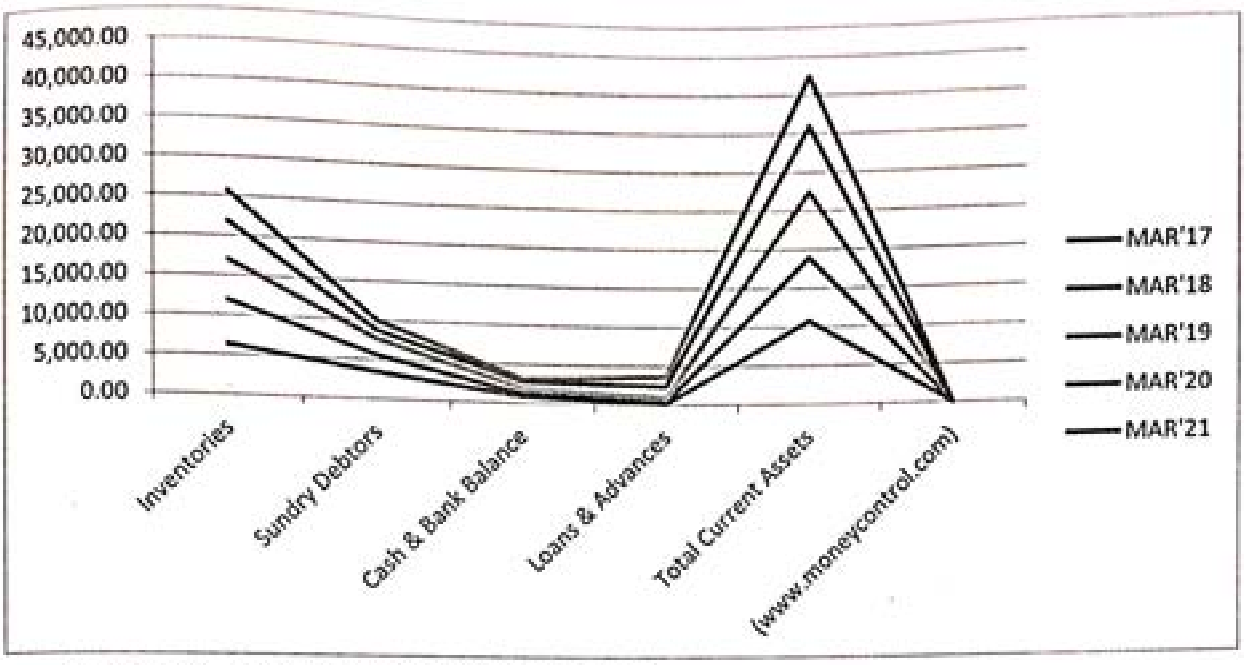
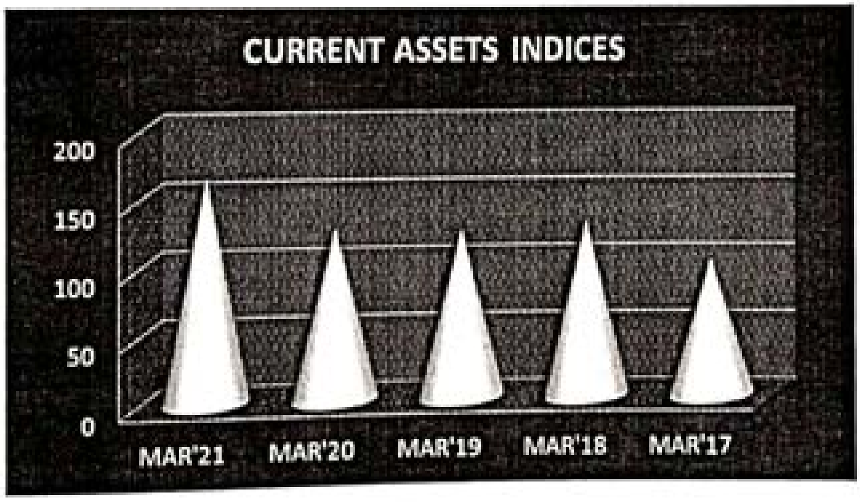


TABLE 4 – CURRENT ASSET INDICES:

Particulars	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Total assests	10,767.54	8,223.58	8,436.36	8,435.72	6,529.15
Current Assets Indices	164.91	125.95	123.15	129.2	100



Observation : The above graph shows the change in the current assets of Tata motors ltd. by making MAR'17 as base year. The current asset indices was 129.2 in MAR'18 and then decreased to 123.15 in MAR'19.it again increased to 125.95 in MARI20 and to 164.91 in MAR'21.

TABLE 5 – CURRENT LIABILITIES SIZE:

Particulars	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Short Term Borrowings	3,099.87	5,158.52	3,654.72	7,762.01	4,769.08
Trade Payables	9,411.05	7,082.95	5,141.17	8,852.65	9,672.36
Other Current Liabilities	10,845.11	8,819.71	9,455.58	3,142.88	2,463.18
Short Term Provisions	862.92	477.17	450.27	613.09	1,892.91
Total liabilities	**24,218.95**	**21,538.35**	**18,701.74**	**20,370.63**	**18,797.53**

(www.moneycontrol.com)

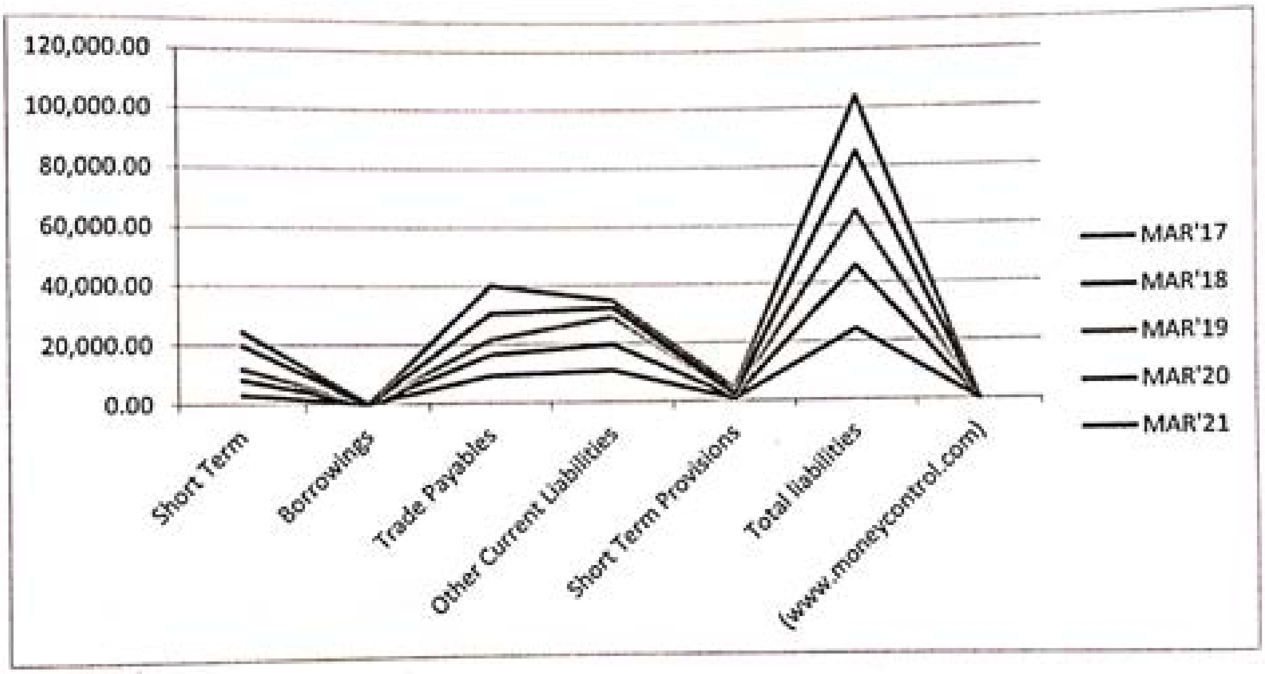
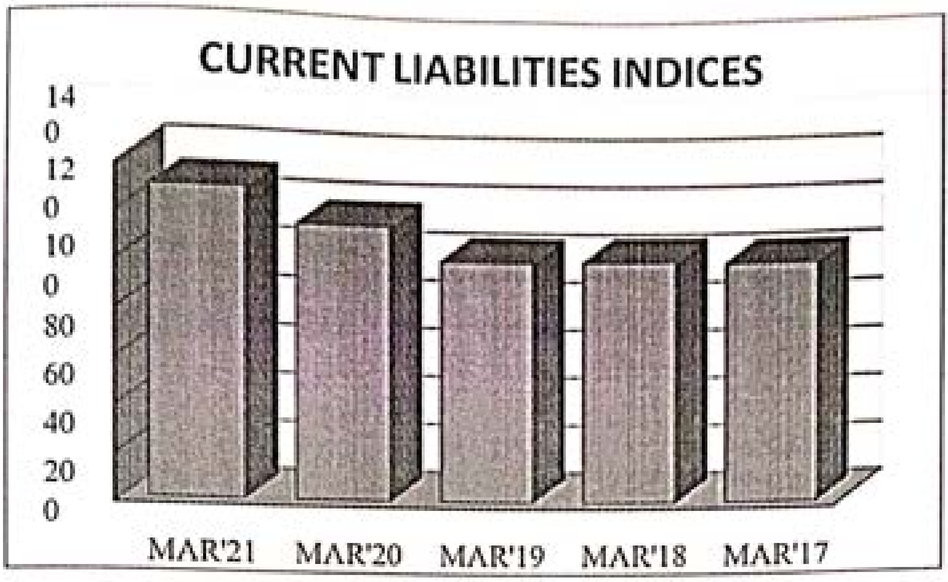


TABLE 6 – CURRENT LIABILITIES INDICES:

Particulars	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Total current Liabilities	24218.95	21,538.35	18,701.74	20,370.00	18,797.53
Current liabilities analysis	128.84	114.58	100.5	100.81	100



Observation: Current liabilities indices has been calculated by keeping MAR'17 as base year. The above graph shows that the the current liabilities indices was 100.81 in MAR'18 and 100.5 in MAR'19.then it increased to 114.58 in MAR'20 and then 128.84 in MAR'21.

3.2 : WORKING CAPITAL RATIO ANALYSIS

The ratio compounded Working capital ratios means ratios which are related with the working capital management e.g. current assets, liquidity, profitability and risk turnoff etc. These ratios are classified as follows:

[A] EFFICIENCY RATIO:-

The ratio compounded under this group indicate the efficiency of the organization to use the various kinds of assets by converting them the form of sale. The ratio also called as activity ratio or asset management ratio. As the asset basically categorized as fixed asset and current assets and the current assets further classified according to individual components of current assets viz. investment or receivables or debtors or as net current assets, the important of efficiency ratios are as follows –

1. Working capital Turnover ratio
2. Inventory turnover ratio
3. Receivable turnover ratio
4. Current asset turnover ratio

(B) **LIQUIDITY RATIO:-** under this group indicate the short term position of the organization and also indicate the efficiency with which the working capital is being used , The most important ratio under thisgroup are as follows :-

1. Current ratio

2. Quick ratio

Working capital turnover ratio

It signifies that for an amount of sales, a relative amount of working capital is needed. If any increase in sales contemplated, working capital should be adequate and thus this ratio helps management to maintain the adequate level of working capital. The ratio measures the efficiency with which the working capital is being used by a firm.

It may thus compute networking capita by dividing sales by working capital. Working capital turnover =sales/net working capital

TABLE 7 – WORKING CAPITAL TURNOVER

Particular	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Sales	61182.29	50079.25	44502.74	38176.15	38121.14
Net Workin g Capital	13451.41	13314.77	10265.38	11934.91	12268.38
Working Capital Turnover Ratio	4.55	3.76	4.34	3.2	3.14

Observation : High working capital ratio indicates the capability of the organisation to achieve maximum sales with the minimum investment in working capital .In the year,2021, the ratio was around 4.55,indicates that the capability of Tata motors Ltd. to achieve Maximum sales with the minimum investment in working capital but in the year 2018 the ratio has fallen down .

2. Inventory Turnover Ratio:-

Inventory turnover ratio indicates the efficiency of the firm in producing and selling its products. It is calculated bydividing the cost of goods sold by average inventory.

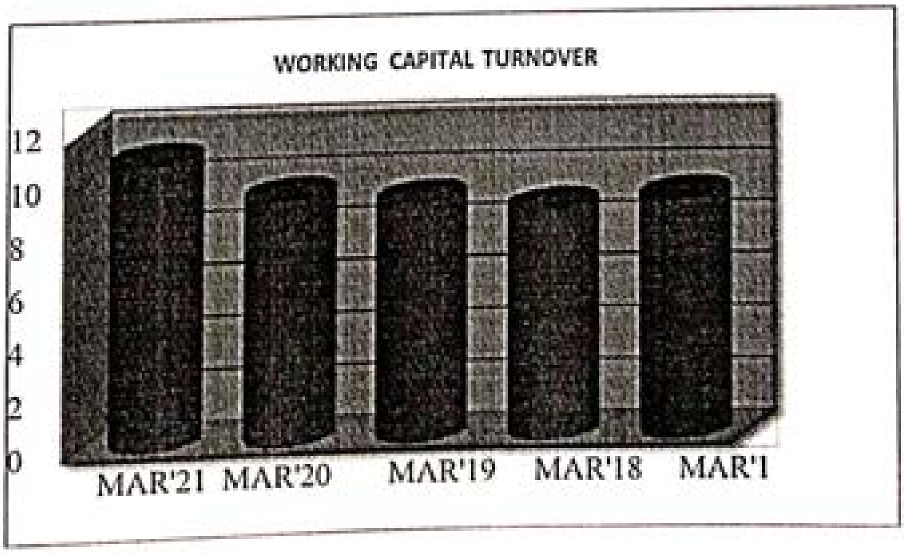
Cost Of goods sold = sales /Average Inventory

Note: Gross Profit is not given. So only sales is taken to calculate inventory turnover ratio.

TABLE 8: INVENTORY TURNOVER RATIO:

Particulars	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Sales	61182.29	50079.25	44502.74	38176.15	38121.14
Avg. Inventory	5611.57	5311.17	4852.14	4332.31	4158.78
Inventory Turnover Ratio	10.9	9.43	9.17	8.81	9.17

CHART 5 - INVENTORY TURNOVER RATIO



Observation: It was observed that inventory turnover ratio indicates maximum sales achieved with the minimum investment in the inventory. As such, the general rule high inventoryratio is desirable but high inventory turnover ratio may not necessary indicates the profitable situation. An organization, in order to achieve a large scale volume may sometime sacrifice on profit, inventory ratio may not result into high amount of profit. Inventory turnoverratio of Tata Motors Ltd. is fluctuating every year which indicates that inventory turnover is not steady.

3. Receivable turnover ratio

The Derivation of this ratio is made in the following way $= \dfrac{\textbf{Gross sales}}{\textbf{Average account receivable}}$

Gross sales are inclusive of excise duty and scrap sales because both may enter into receivables by credit sales. Average receivable calculate by opening plus closing balance divided by 2.Increasing volume of receivables without a matching increase in sales is reflected by a low receivable turnover ratio. It is an indication of slowing down of the collection system or an extend line of credit being allowed by the customer organization. The latter may be due to the fact the firm is losing out to competition. A credit manager engage in a task of granting credit or monitoring receivable should take the hint from a falling receivable turnover ratio use this market intelligence to find out the reason behind such failing trend.

Average collection period=365/Receivable Turnover Ratio

9 - DEBTOR'S TURNOVER RATIO:

Observation: In the above graph Debtor's Turnover Ratio of Tata motors ltd from 2016-17 to 2020-21 was depicted. The Receivables Turnover Ratio indicates the efficiency with which a firm collects on the credit it issues to customers. It can be seen that the Debtor's Turnover Ratio for Tata motors Ltd.has been the highest since 2016-17.In the year 2020-21, Receivable Turnover Ratio has fallen down over last year's which indicates that collection policy has worsen.

4. Current Asset Turnover Ratio:

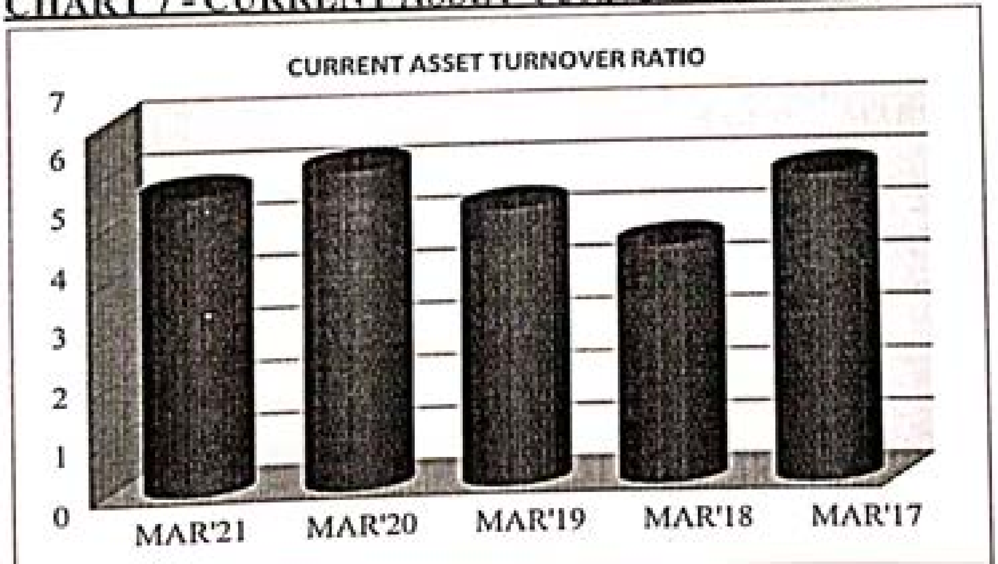
Current asset turnover ratio is calculated to know the firms efficiency of utilizing the current asset. Current Asset includes the assets like inventories, sundry debtors, bills receivable, cash in hand, marketable securities , prepaid expenses and short-term loans and advances .The ratio includes the efficiency with which current assets are turn into sales. A higher ratio implies a more efficient use of funds , thus high turnover ratio indicate to reduce the lock up of funds in current assets. An analysis of this ratio over a period of time reflects working capital management of a firm.

$$\text{Current asset TOR} = \frac{\text{Sales}}{\text{Current Assets}}$$

Table 10 – CURRENT ASSET TURNOVER RATIO:-

Particular	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Sales	61182.29	50079.25	44502.74	38176.15	38121.14
Total assets	10,767.54	8,223.58	8,436.36	8,435.72	6,529.15
Current Assets Turnove r Ratio	5.68	6.09	5.28	4.53	5.84

CHART 7 - CURRENT ASSET TURNOVER RATIO:



Observation: The current asset turnover ratio indicates a fluctuating trend in the analysis over a period of time. Turnover ratio was 5.48 in MAR'17 and then decreased to 4.53 in MAR'18 from there it again increased to 5.28 and to 6.09 in MAR'19 and MAR'20 being the highest, but again fell to5.68 in MAR'21

A) LIQUIDITY RATIO

B) 1) Current Ratio

The current ratio is calculated by dividing current asset by current liabilities.

$$\text{CURRENT RATIO} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

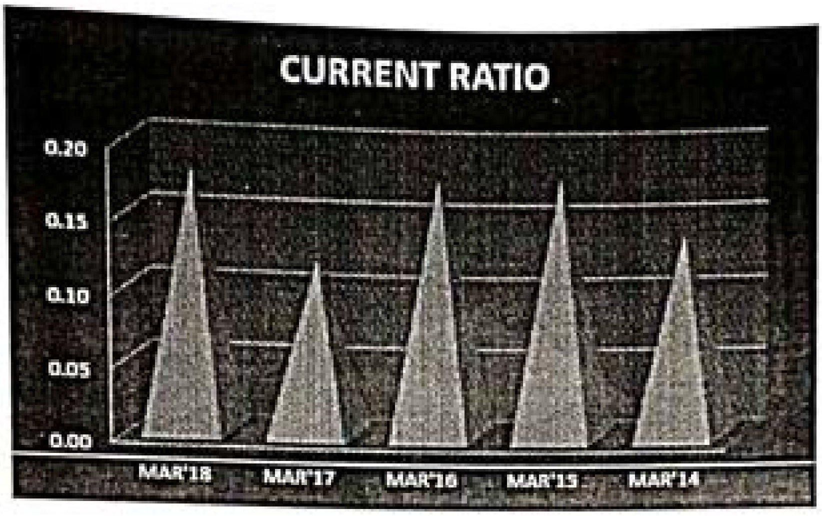
Current asset include cash and those assets which can be converted into cash within a year , such marketable securities , debtors and inventories. All obligations within a year are included in current liabilities. Current Liabilities include creditors , Bills payable, accrued expenses ,short term bank loan ,income tax liabilities and long term debt maturing in the current year. Current ratio indicates the availability of current assets in rupees for every rupee of current liability.

TABLE 11- CURRENT RATIO:

Particular	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Current Assets	10,767.54	8,223.58	8,436.36	8,435.72	6,529.15
Current Liabilities	24,218.95	21,538.35	18,701.74	20,370.63	18,797.53
Current Ratio	0.44	0.32	0.45	0.41	0.35

(www.moneycontro.com)

CHART 8: CURRENT RATIO


CURRENT RATIO
0.20
0.15
0.10
0.05
0.00
MAR'18
MAR'17
MAR'16
MAR'15
MAR'14

Observation: The current ratio indicates the availability of funds to payment of current liabilities in the form of current assets. A higher ratio indicates that there were sufficient assets available with the organisation which can be converted in cash, without any reduction in the value. As ideal current ratio is 2:1, where current ratio is more than 2:1, it indicates the unnecessary investment in the current assets in the form of debtors and cash.

1) Quick Ratio

Quick Ratio establishes the relationship between quick or liquid assets and liabilities. An asset is liquid if it can be converted into cash immediately or reasonably soon without a loss of value. Cash is the most liquid asset. Other assets which are considered to be relatively liquid and include in quick asset are debtors, bills receivable and marketable securities .Inventoriesare considered as less liquid. Inventory normally required some time for realizing into cash.
Their value also is tendency to fluctuate.

The quick ratio is found bydividing quick assets by current liabilities

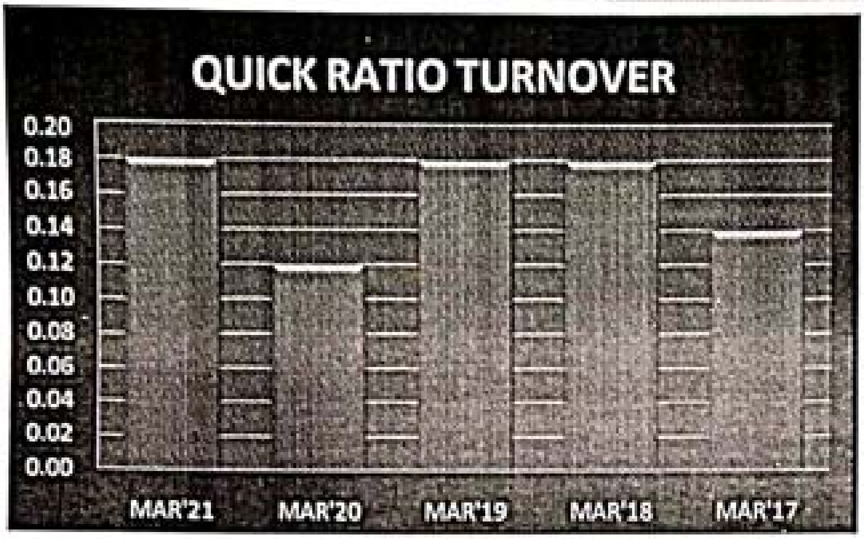
Current Asset - Inventory

$$\text{QUICK RATIO} = \frac{\textbf{Current assets} - \textbf{Closing stock} - \textbf{Prepaid expenses}}{\textbf{Current liabilities} - \textbf{Bank Overdraft}}$$

TABLE 12: QUICK RATIO

Particular	MAR'21	MAR'20	MAR'19	MAR'18	MAR'17
Current assets	4415.5	2670.57	3318.44	3633.64	2666.62
Current Liabilities	24,218.95	21,538.35	18,701.74	20,370.63	18,797.53
Quick Ratio	0.18	0.12	0.18	0.18	0.14

CHART 9: QUICK RATIO TURNOVER



Observation: Quick ratio indicates that the company has sufficient liquidbalance for the payment of current liabilities. The liquid ratio of 1:1 is supposed to be standard or ideal, but here the ratio is not ideal.

3.3 : FINDINGS

As the project was conducted to analyze the working capital management of Tata motors Ltd. for the last five years. . During calculations, analysis and making project report I came to some major finding that are as follows:

- Working capital shows a constant decrease every year.
- Company lack current assets to meet its current liabilities as in all the five years the company fails to meet the ideal standard ratio of 2:1.
- The quick ratio is just above the standard ratio which is 1:1.
- Cash did not help to increase in the sales volume, as cash is not earning asset.
- Working capital of the company is good enough to meet its current obligations.
- Inventory turnover ratio of Tata motors Ltd. is fluctuating every year which indicates that inventory turnover is not steady.
- Company is generating better profit on net working capital employed every year.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATION

4.1 : CONCLUSION

Working capital management is important aspect of financial management. The study of working capital management of Tata Motors Ltd. has revealed that the current industry was as per the standard practice. The study has been conducted on working capital ratio analysis, working capital components which helped the company to manage its working capital efficiency effectively. I have concluded the following points:-

- Working capital of the company –TATA MOTORS LTD.‖ is not increasing everyyear, instead it is negative due to its bad performance in the last five years.
-
- The current ratio of the company is fluctuating in the last five years, which indicates the unnecessary investment in the current asset in the form of debtors and cash.
- The quick ratio has also increased from MAR'17 to MAR'21, which indicates the firm abilities to meet its short term financial obligations on time.
- The debtor's turnover ratio has fallen down over the past 2 years. Therefore, it indicates that collection has policy has worsen.
- Inventory turnover ratio has increased year after year which signifies that the company's inventory is being kept within the company for a longer period before getting converted into sales.

4.2: RECOMMENDATIONS:

Working Capital Management, there are mainly three parts they are CashManagement, Receivables Management and Inventory Management. For optimum use of working capital, these three parts should be managed properly, for that I would like to give suggestions to –TATA MOTORS LTD.‖ theyare as follows:

Considering the cash management the company should maintain a cash flow budget every year, considering monthly or quarterly. During the preparation of the cash budgetthe credit period should be below 30 days allowed to the customer and company shouldhold enough cash that it can meet its creditors any time.

Considering the receivables management, certain credit standards and policy shouldbe established, like:

a) Establishment of policy in appointing sales recovery force.
b) Cash discounts policy for cash purchases and early payment of debts balances by customer to be established.
c) Credit rating systems to be established.

Considering the inventory management, there should be a fast movement of inventory, by taking efforts in increment of the sales and inventories should be maintained considering bulk purchase discount and inflating price of raw material and accordingto market forecast to make saving in cost of raw material.

Considering the creditors the management should set a price range for the creditors as company enjoy good credit.

The creditors who are paid early should be given a low price.

BIBLIOGRAPHY & REFERENCE

For gathering information and details on the TATA MOTORSLTD.

I referred websites and some articles to present my project in such manner.

Some of my references are :-

- www.google.com
- www.tatamotors.com
- www.moneycontrol.com
- Articles on Tata motors