A Comparative Study on Financial Performance of Tata Motors and Mahindra and Mahindra Motors

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Abstract— Financial performance is an important aspect which influences the long term stability, profitability and liquidity of an organization. The evaluation of financial performance using comparative balance sheet analysis trend analysis and ratio analysis. The performance of the firm can be measured by its financial results. Financial decisions which increase risks will decrease the value of the firm. On the other hand, financial decisions which increase the profitability will increase value of the firm. Risk and profitability are two essential ingredients of a business concern. The objectives of the study are to analyze the short-term and long-term solvency position of the companies. To analyze the profitability position of the companies. To compare the profitability and liquidity position of the two companies (TATA motors, MAHINDRA AND MAHINDRA motors). The research methodology is used for this study is ANALYTICAL RESEARCH. The study is mostly based on the secondary data, obtained from the annual report (TATA motors, MAHINDRA AND MAHINDRA motors). The following are the Tools and Techniques used for the analysis are Ratio Analysis, Trend Analysis. Statistical tools used are Mean, Standard deviation & Co-efficient of variation. The analysis of the data has provided major conclusion that the financial performance of the MAHINDRA AND MAHINDRA motor company is in good position than TATA motors. It is also concluded that sales of MAHINDRA AND MAHINDRA motors have to be controlled in order to increase their net profit.

Key words: TATA Motors & Mahindra & Mahindra, Profitability, Consistency

I. INTRODUCTION

Finance is the life-blood of business. It is rightly termed as the science of money. Finance is very essential for the smooth running of the business. Finance controls the policies, activities and decision of every business.

Financial management is that managerial activity which is concerned with the planning and controlling of a firm’s financial reserve. Financial analysis can be defined as a study of relationship between many factors as disclosed by the statement and the study of trend of these factors. The objective of financial analysis is the pinpointing of strength and weakness of a business undertaking by regrouping and analyzing of figures obtained from financial statement and balance sheet by the tools and techniques of management accounting. Financial analysis is as the final step of accounting that result in the presentation of final and the exact data that helps business managers, investors and creditors.

The performance of the firm can be measured by its financial results, ie., by its size of earning riskiness and profitability are two major factors which jointly determine the value of the concern. Financial decisions which increase risks will decrease the value of the firm. On the other hand, financial decisions which increase the profitability will increase value of the firm. Risk and profitability are two essential ingredients of a business concern. A company’s financial performance therefore is normally judged by a series of ratios or figures however there are following three ratio parameter which can be used to evaluate financial performance, they are: Long term solvency ratio, Short term solvency ratio, Profitability ratio Etc.

II. OBJECTIVE OF THE STUDY

A. The objectives of the study are

- To analyze the short-term and long-term solvency position of the companies.
- To analyze the profitability position of the companies.
- To compare the profitability and liquidity position of the two companies (TATA motors, MAHINDRA AND MAHINDRA motors).

III. RESEARCH METHODOLOGY

A. Types of Research

The research methodology is used for this study is ANALYTICAL RESEARCH. The researcher has to use facts or information already available, and analyze these to make a critical evaluation of the material.

B. Sources of Data

The study is mostly based on the secondary data, obtained from the annual report and analysis of other supported financial statements of TATA MOTORS and MAHINDRA AND MAHINDRA.

C. Period of study

The analysis of financial performance was done for a period of five years from 2011-2015.

D. Tools and Techniques used

The following are the Tools and Techniques used for the analysis:

E. Financial Tools
   - Ratio Analysis

F. Statistical Tools
   - Mean
   - Standard deviation
   - Co-efficient of variation

G. The limitations of the study are
   - The data for the study is secondary in nature and bias in them reflects over the analysis and the conclusion of the study.
The study is restricted only to a period of five years.
Te study is a micro level study and hence the finding is not applicable to other companies.
The study is mainly based on annual reports of the companies.

IV. REVIEW OF LITERATURE
A. S.vijayakumar Bharathy
In this study the financial position of the company was found to be sound. And that there is hardly any chance of getting into bankrupt in the near future. The company’s short term liquidity position was found to be satisfactory.
B. Mr. Nazism J.Ahammed
He made an attempt to study the financial position of the tyre company. His objectives were to analysis te solvency and liquidity of the company. The comparative statement. The study revealed that the firm’s financial position was found to be satisfactory.
C. Muhammed Zbrahim
In his study he analyzed the financial performance of Kaleeswarar Mills. He analyzed some ratio’s like fixed asset turnover ratio, current ratio, working capital ratio, profitability ratio, etc.
D. Vasanthamani
She studied the financial performance of Lakshmi machines works limited. The objective of this study was to evaluate the financial performance of Lakshmi machines works with a view to analyze the future of performance potentials. The study covered the period from 2003-2007. The liquidity position of the company showed that the company was able to meet the creditors out of its own current assets. The quick ratio also revealed that the quick liabilities were met at of quick assets without any efficiency.
E. Mr. Ganeshan
He made an attempt on “the financial performance of textile industry in 1990. He has found that the cost of cotton forms was about 45% of total cost of cloth and that the overall capacity utilization of textile industry in India does not exceed 50%. He gives the following resources for the under capacity utilization of textile industry such as uncertainties in the supply and prices of raw materials, shortages of power and fuel, excess capacity installed, stagnant demand for the product at unrealistic levels.

V. PROFILE FOR THE TATA MOTORS
Tata Motors Limited (formerly TELCO, short for Tata Engineering and Locomotive Company) is an Indian multinational automotive manufacturing company headquartered in Mumbai, Maharashtra, India, and a subsidiary of the Tata Group. Its products include passenger cars, trucks, vans, coaches, buses, construction equipment and military vehicles. It is the world’s 17th-largest motor vehicle manufacturing company, fourth-largest truck manufacturer, and second-largest bus manufacturer by volume.

VI. PROFILE FOR THE MAHINDRA AND MAHINDRA MOTORS
Mahindra and Mahindra Limited (M&M) is an Indian multinational automobile manufacturing corporation headquartered in Mumbai, Maharashtra, India. It is one of the largest vehicle manufacturers by production in India and the largest manufacturer of tractors across the world. It is a part of Mahindra Group; an Indian conglomerate.

VII. TATA MOTORS

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Current ratio</th>
<th>Liquid ratio</th>
<th>Absolute liquid ratio</th>
<th>Debt equity ratio</th>
<th>Debtors turnover ratio</th>
<th>Operating profit ratio</th>
<th>Net profit ratio</th>
<th>Gross profit ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.458</td>
<td>0.346</td>
<td>0.112</td>
<td>0.560</td>
<td>16.338</td>
<td>3.750</td>
<td>1.552</td>
<td>0.562</td>
</tr>
<tr>
<td>STDDEV</td>
<td>0.048</td>
<td>0.077</td>
<td>0.012</td>
<td>0.094</td>
<td>1.591</td>
<td>5.501</td>
<td>1.447</td>
<td>6.955</td>
</tr>
<tr>
<td>Coefficient of variation</td>
<td>0.105</td>
<td>0.223</td>
<td>0.103</td>
<td>0.168</td>
<td>0.097</td>
<td>1.467</td>
<td>0.932</td>
<td>12.375</td>
</tr>
</tbody>
</table>

Source: Calculated
Table 1: Tata Motors

VIII. MAHINDRA AND MAHINDRA

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Current ratio</th>
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<th>Operating profit ratio</th>
<th>Net profit ratio</th>
<th>Gross profit ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1.044</td>
<td>0.630</td>
<td>0.196</td>
<td>0.188</td>
<td>14.936</td>
<td>9.968</td>
<td>7.586</td>
<td>8.476</td>
</tr>
<tr>
<td>STDDEV</td>
<td>0.087</td>
<td>0.097</td>
<td>0.035</td>
<td>0.024</td>
<td>1.079</td>
<td>1.509</td>
<td>1.307</td>
<td>1.591</td>
</tr>
<tr>
<td>Coefficient of variation</td>
<td>0.083</td>
<td>0.155</td>
<td>0.179</td>
<td>0.127</td>
<td>0.072</td>
<td>0.151</td>
<td>0.172</td>
<td>0.188</td>
</tr>
</tbody>
</table>

Source: Calculated
Table 2: Mahindra and Mahindra

A. Findings
- It was found that MAHINDRA AND MAHINDRA motors have high liquidity position.
- It was found that TATA motors have high long term financial position.
IX. CONCLUSION

The study is based on analyzing the financial position of the companies using various tools and techniques. TATA motors and MAHINDRA AND MAHINDRA motor was taken for study and its operations are analyzed with aid of financial reports of the companies for the period of the five years that is 2011-2015. The analysis of the data has provided major conclusion that the financial performance of the MAHINDRA AND MAHINDRA motor company is in good position. Both the companies are maintaining their consistency level in the operational efficiency.

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