

## AN ANALYTICAL REVIEW OF WORKING CAPITAL EFFICIENCY IN TATA MOTORS LTD

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### Abstract

The Working capital management ensures that a company has sufficient cash flow in order to meet their operating expenses and the company's short-term debt obligations. The main objective is to study the need of working capital requirement in an organization and to offer suggestion to improve the working capital performance of the company. The working capital analysis helps the stakeholders of the company to evaluate the current performance of the firm. This study is done with the help of the secondary data which is gathered from the annual report of the company. The tool used in the research is schedule of changes in working capital.

**Keywords:** Working Capital, Current Assets, Current Liabilities, Negative

### Introduction

Working capital management is a tool designed to have a check on the company's assets and liabilities, how it operates efficiently by monitoring and using its assets and liabilities to its utmost effect. Working capital management monitors a company's assets and liabilities to maintain sufficient cash flow to meet its short-term operating costs and short terms debts. Some of the tools used are statement of changes in working capital, ratio analysis. Statement of changes in working capital is prepared with help of assets and liabilities and is compared over the years to identify the changes that occur each year considered. Increase in current asset results in increase in working capital. Decrease in a current asset results in decrease in working capital, likewise increase in current liability decrease in working capital and decrease in current liability causes increase in working capital. These are the changes that occur in the statement. Changes in working capital affect the cash flow of the company. Positive working capital is when a company has more of current assets than liabilities that the company can fully cover its short-term liabilities as they come due in the next 12 months. it is a sign of financial strength. However, having more amount of working capital for a long time might indicate that the company is not managing its assets effectively.

TATA Motors Ltd. engages in the manufacture of motor vehicles. It operates through the Automotive and Other Operations segments. The 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. The Other Operations segment includes information technology services, and machine tools and factory automation solutions. The company was founded on September 1, 1945 and is headquartered in Mumbai, India. It is also world's fifth largest truck manufacture and fourth largest bus Manufacture Company.

TATA Motors showroom located in New Secretariat Kohima which sales vehicles all over Nagaland and provide various model of TATA Motors cars that includes Tata Tiago, Tata Altroz, Tata Harrier, Tata Yodha pickup etc. Its product includes passenger car, Truck, vans, coaches, buses, military vehicles. TATA Motors is an automobile company and it is leader in commercial vehicles segment and among the top in passenger vehicle with winning product in the compact midsize car and utility segment. The overall performance of the TATA Motors showroom in Kohima was tremendous as of others. The study entitled "Overall Performance of TATA Motors Showroom in Kohima" mainly focus on the overall performance which include customer satisfaction with respect to price and quality, its revenue, its employee salaries etc., of the showroom in kohima. The sample design taken for the study is convenient sampling for collecting the data primary and secondary methods are used. Customer satisfaction, employee satisfaction, the showroom revenue was the key factor in knowing the success of any business, therefore, it is very important to measure it and to find the factors that affect the overall performance of the company. 2 Consumer are most likely to appreciate the goods and services they buy, provided if they are made to feel special by the company's employee. This occur when they feel that the goods and services that they buy have been specially produced for them or for people like them. Gaining high level of consumer and employee satisfaction is important to a business because satisfied consumer and employee are most likely to be loyal to a business. Hence, it can be said that the satisfaction of employee and consumer is directly proportional to the overall performance of the company. TATA Motors employee guided by the 'mission' to be passionate in anticipating and providing best vehicles with reasonable price. And according to the sales manager of TATA Motors, Kohima given data's Tata Nexon is one of the best examples of it as it is the most sold vehicle by TATA Motors showroom in Kohima.

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## Review of Literature

**Harris (2012)** Working capital management is considered as a useful tool in accessing the availability of funds to meet current operations of companies. Therefore, the importance of maintaining an appropriate level of working capital and its contribution to business survival is a concept that should be understood by every company.

**Kioko & Sitienei (2015)** With a sound credit control policy, a firm is able to improve in cash inflow and use it to manage liabilities and settle payment. If a firm desires to take a greater risk for bigger gains or losses, it reduces the size of its working capital in relation to its sales. If it is interested in improving its liquidity, it increases the level of its working capital. However, this policy is likely to result in a reduction of the sales volume, and therefore, of profitability. A firm, therefore, should choose between liquidity and profitability and decide about its working capital requirements accordingly.

**Arpita Naskar (2016)** States that “Working Capital Management and Firm Profitability: A Study of Listed Companies in India” the study has concluded that RD and ID have negative correlation with the profitability. Cash conversion cycle (CCC) is negatively related with profitability, Firm size is also linked with working capital. If firm size increases, the need of working capital will be more. It has been found that the firm size has also significant impact on EBIT but insignificant impact on ROA and ROE.

**Sri Ayan Chakraborty, (2017)** discussed “Working Capital Management of Indian Cement Companies” has says that the Indian Cement Industry Has the Second Largest Market in The World after China. By The End of 2016, It had a Total Manufacturing Capacity of About 384 Million Tonnes (MT). Cement is a Cyclical Commodity with A High Correlation with GDP. Cement Demand Is Expected to Reach 550 To 600 Million Tonnes Per Annum (MTPA) By 2025. The ACC Has the Highest Mean in Terms of Working Capital Turnover.

**Avinashi. P and Etal (2018)** identified “the impact of working capital management on corporate performance: An empirical analysis of selected IT firms in India”. The study period was from 2008 - 2017. During the study they found that the management of current assets was more important than other aspects of the working capital management. It was a comparative analysis of the selected companies under study. This study measures the reactivity of return on employed capital to the working capital vary in the different companies. The author suggested that the firms in the IT sector should manage their current assets very carefully in order to enhance the profitability.

**Patel charmibenvimalbhai (2019)** inspected the “working capital management of Hero MotoCorp Ltd. Ambika motors, Gujarat”. This study is covered from 2013 to 2016., The objective of the study was to analyses the effective utilization of working capital and evaluate the performance of receivables and cash. During the period of study, there were a few up and downs in the working capital and ratio analysis it will affect the operations of the company but it was observed that the overall financial position was good. The author suggest that the working capital ratio was decreasing year by year, it was not good for the society so in order to increase the working capital turnover the company need to increase its sales.

**M. Jothi Muthu, (2019)** discusses “Working capital management of selected private airline companies in India”. The researcher concludes that Jet airways have higher profitable performance than Indigo private airlines in India. The working capital efficiency of Jet airways and Indigo private airline companies is satisfactory over the period of study.

**Dr. T. Priyadarshini & Ms. A. Menaka (2021)** discuss “A Study On Working Capital Management On Maruti Suzuki and Hyundai Motor Limited in India” It narrates the impact of working capital management of selected automobile industries in India. It found that Maruti Suzuki Ltd. and Hyundai Motor Ltd. average current ratio is less than the standard norm 2:1 The working capital turnover of Maruti Suzuki Ltd is lower than Hyundai Motor Company.

## Statement of the Problem

The working capital analysis helps the stakeholders of the company to evaluate the current performance of a financial position, and to predict the future performance of the company. The study has been conducted to know the working capital management of “TATAMOTORS LIMITED” from the year 2015 -2020. As working capital is the life blood and nerve centre of an organization, it can run successfully without an adequate amount of working capital.

## Objectives of the Study

1. To access the working capital management of the company
2. To offer suggestion to improve the working capital performance of the company

## Research Methodolgy

The data used in this analysis are secondary data which is collected from the annual report of the Tata motors. The period of study is from 2015 – 2016 to 2019 – 2020. The tools used for this study is “Schedule of changes in working capital”.

## Analysis and Interpretation

### ➤ Schedule of Changes in Working Capital

Working capital means the excess of current assets over current liabilities. Statement of changes in working capital is calculated for comparing the figure of two consecutive years.

The General Rule: -

1. An increase in current asset will increases working capital.
2. A decrease in the current asset will decreases working capital
3. An increase in current liabilities will decreases working capital
4. A decrease in current liabilities will increases working capital.

**Table No.1.1: Statement of Changes in Working Capital for the Year 2015-2016 (Rs. In Crores)**

Particulars	31/3/2015	31/3/2016	Increase	Decrease
Current Assets				
Inventories	4802.08	5117.92	315.84	
Sundry debtors	1114.48	2045.58	931.1	
Cash and bank	949.75	788.42		156.33
Loans and Advances	1691.44	2163.93	472.49	
A=total current assets	8552.75	10115.85		
Current liabilities				
Current liabilities	10942.09	12298.82		1356.73
Provisions	613.09	529.54	83.55	
B= Total current liabilities	11555.18	12828.36		
NETWORKING CAPITAL (A-B)	(3002.43)	(2712.51)		
Increase or decrease in working capital		289.92		289.92
	3002.43	3002.43	1802.98	1802.98

Source: Annual report of Tata Motors.

## Interpretation

The above table clearly shows that the working capital of the above two years is negative. All the current assets except cash in hand have increased in the year 2016 when it is compared with 2015. The end result of the statement of changes in working capital after comparing all the increases and decreases is the net increase in working capital but it is also negative in the year 2016. So, the above table focuses on the fact that the increase in working capital is Rs.289.92cr

**Table No 1.2: Statement of changes in working capital for the year 2016 –2017 (Rs. In crores)**

Particulars	31/3/2016	31/3/2017	Increase	Decrease
Current Assets				
Inventories	5117.92	5553.01	435.09	
Sundry debtors	2045.58	2128.00	82.42	
Cash and bank	788.42	326.61		461.81
Loans and advances	2163.93	2312.04		
A=total Current assets	10115.85	10319.66		
Current liabilities				
Current liabilities	12298.82	15306.61		3007.79
Provisions	529.54	560.85		31.31
B=total current liabilities	12828.36	15867.46		
NET WORKING CAPITAL (A- B)	(2712.51)	(5547.8)		
Increase or decrease in working capital	2835.29		2835.29	
	5547.8	5547.8	3500.91	3500.91

Source: Annual report of Tata Motors.

### Interpretation

The above table clearly shows the negative increase in working capital for the year 2016– 2017. All the current assets except cash and bank have increased in the year 2017 as compared to year 2016. The end result of the statement of changes in working capital after comparing all the increases and decreases is the negative net increase in the amount of working capital. The above table shows that the negative increase in working capital is Rs. 2835.29 Cr. The decrease in working capital is due to large increase in current liabilities and decrease in cash.

**Table No1.3: Statement of Changes in Working Capital for the Year 2017 –2018 (Rs. In crores)**

Particulars	31/3/2017	31/3/2018	Increase	Decrease
Current assets				
Inventories	5553.01	5670.17	117.16	
Sundry debtors	2128.00	3479.81	1351.81	
Cash and bank	326.61	795.42	468.81	
Loans and advances	2312.04	2523.52	211.48	
A = total current assets	10319.66	12468.88		
Current liabilities				
Current liabilities	15306.61	18026.33		2719.72
Provisions	560.85	884.69		323.84
B=total current liabilities	15867.46	18911.02		
NET WORKING CAPITAL (A-B)	(5547.8)	(6442.14)		
Increase or decrease in working capital	894.3		894.3	
	6442.14	6442.14	3043.56	3043.56

Source: Annual report of Tata Motors

## Interpretation

When we analyses the above table it also shows that there is negative increase in working capital for the year 2017–2018. All the current assets have increased in the year 2018 compare to 2017. But the current liabilities exceed the current assets. The end result of the statement of changes in working capital for the years 2016-17 and 2017-18 is negative increase in working capital because company's current liability shows an increasing trend. The above table explains that the negative increase in working capital is Rs.894.3 Cr.

**Table No 1.4: Statement of Changes in Working Capital for the Year 2018 –2019 (Rs. In Crores)**

Particulars	31/3/2018	31/3/2019	Increase	Decrease
Current assets				
Inventories	5670.13	4662.00		1008.13
Sundry debtors	3479.81	3250.64		229.17
Cash and bank	795.42	1306.61	511.19	
Loans and advances	2523.52	2576.87	53.35	
A=total current assets	12468.88	11796.12		
Current liabilities				
Current liabilities	18026.33	16994.00	1032.33	
Provisions	884.69	1226.99		342.3
B=total current liabilities	18911.02	18220.99		
NET WORKING CAPITAL (A-B)	(6442.14)	(6424.87)		
Increase or decrease in working capital		17.27		17.27
	6442.14	6442.14	1596.87	1596.87

Source: Annual report of Tata Motors

## Interpretation

The above table clearly shows that there is increase in working capital for the year 2018-2019. All the current assets except inventories and sundry debtors have increased in the year 2019 when compared with 2018. The end result of the statement of changes in working capital for the years 2017-18 and 2018-19 after comparing all the increases and decreases shows an increase of 17.27 crs. The increase in working capital is the result of decrease in current liabilities. All the studied previous years shows that the current liabilities keep on increasing.

**Table No1.5: Statement of Changes in Working Capital for the Year 2019 –2020 (Rs. In Crores)**

Particulars	31/3/2019	31/3/2020	Increase	Decrease
Current assets				
Inventories	4662.00	3831.92		830.08
Sundry debtors	3250.64	1978.06		1272.58
Cash and bank	1306.61	3532.19	2225.58	
Loans and advances	2576.87	3341.28	764.41	
A= total current assets	11796.12	12683.45		
Current				

liabilities				
Current liabilities	16994.00	13621.02	3372.98	
Provisions	1226.99	1438.24		211.25
B=total current liabilities	18220.99	15059.26		
NET WORKING	(6424.87)	(2375.81)		
Increase or decrease in working capital		4049.06		4049.06
	6424.87	6424.87	6362.97	6362.97

Source: Annual report of Tata Motors

### Interpretation

During the year 2019-20 the changes in working capital of Tata Motors shows a tremendous increase when compared with the previous year. The net working capital increase is 4049.06 Cr. Even though the net working capital is in negative figure, the table shows an increase in WC when compared with previous year. This is due to decrease in current liabilities. The study shows that the company has reduced their current liabilities in the last two studied years which resulted in increase in working capital.

### Findings

- In schedule of changes in working capital, it has been found that the all the current assets except cash in hand have increased in the year 2016 compared to 2015 and it shows negative working capital for both the financial years because current liabilities of both the financial years has increased its current assets. When compared to the financial year 2015, the current assets have increased slightly in 2016. So, the end result of the statement of changes in working capital after Comparing all the increases and decreases shows a net increase in working capital.
- In schedule of changes in working capital, it has been found that the cash and bank has been decreased in the year 2017 compared to 2016 but current liabilities of both the financial years exceed its current assets. The Increase in current liabilities was higher than the increase in current assets. So, it shows negative working capital for both the financial years. The end result of the statement of changes in working capital after comparing all the increases and decreases shows a negative net increase in the amount of working capital.
- When compared to 2017 it has been found that inventories, sundry debtors, cash and bank, loans and advances has been increased in the year 2018 in schedule of changes in working capital but current liabilities exceed its current assets in both financial years. The end result of the statement of changes in working capital for the years 2016-17 and 2017-18 is negative increase in working capital because company's current liability shows an increasing trend.
- When compared to 2018 it has been found that the cash and bank, loans and advances has been increased and inventories and sundry debtors has been decreased in the year 2019 in schedule of changes in working capital. After comparing all the increases and decreases, it shows an increase of 17.27 cr. The increase in working capital is the result of decrease in current liabilities.
- When compared to 2019 it has been found that the inventories and sundry debtors has been decreased but there was an increase in cash and bank, loans and advances in the year 2020 in schedule of changes in working capital. In the financial year 2019 – 2020 the changes in working capital of Tata Motors shows tremendous increase when compared with the previous year. The networking capital increase is 4049.06 Crs in the financial year 2019 – 2020. This is because the company has reduced their current liabilities in the last two years which resulted in increase in working capital.

### Suggestions

- The company should improve its current assets and current liabilities in order to overcome its negative impact. It has to make its working capital stable to further continue in the market.
- Working capital shows negative impact and decreases year by year. It is not good for the company as well as the society so in order to increase the working capital turnover the society needs to increase its sales.

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## Conclusion

The study conducted on working capital management at “TATA MOTORS LTD,” gives a view of assessing the performance of working capital management by analyzing the financial data with the help of schedule of changes in working capital. The company has a huge market reputation which is very evident with its high scale value but the company has a poor working capital management, which is not a positive sign of a good financial performance of the company. The company has to work towards improved capital management to increase its profits during the coming years by maintaining a positive working capital which follows an increasing trend.

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