

Cash Flow Statements: A Comparative Analysis between TATA Motors Ltd and Maruti Suzuki India Ltd

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Abstract: A Cash Flow Statement shows inflows and outflows of cash and cash equivalents from various activities of a company during a specific period. It provides information about historical changes in cash and cash equivalents by classifying cash flows into operating activities, investing activities and financing activities. It is required that companies should prepare a cash flow statement and present it for each accounting period for which financial statements are presented. Present paper focuses on a comparative analysis of cash flow statements of two major Indian Automobile companies: TATA Motors Ltd and Maruti Suzuki India Ltd with an aim to study and compare their growth for a latest five - year period. Horizontal Analysis technique is being used as it allows to easily spot trends and growth patterns in financial statements. The horizontal analysis of cash flow statements of both companies finds and concludes that TATA Motors Ltd has better growth rates in operating cash flows and investing cash flows as compared to Maruti Suzuki India Ltd whereas for financing cash flows, growth pattern is more positive for Maruti Suzuki India Ltd in comparison with TATA Motors Ltd.

Keywords: Cash and cash equivalents, Operating Cash Flows, Investing Cash Flows, Financing Cash Flows, Horizontal Analysis

1. Introduction

Financial Statements of companies are prepared following accounting standards prescribed in the Companies Act, 2013. Accounting Standards are notified under section 133 of the Companies Act, 2013 vide Accounting Standards Rules, 2006 and are mandatory in nature. Financial Statements are defined in Companies Act, 2013 and includes Cash Flow Statement prepared in accordance with Accounting Standard - 3 (AS - 3). From accounting year 2015 - 16, Indian Accounting Standards came into existence and companies are following provisions of Statement of Cash Flows, IND AS 7 for preparation of cash flow statements from accounting year 2016 - 17.

The following terms related to cash flow statements are specified as definition in AS 3 and IND AS 7.

- Cash comprises cash on hand and demand deposits with banks.
- Cash equivalents are short - term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.
- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue - producing activities of the enterprise and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long - term assets and other investments not included in cash equivalents.
- Financing activities are activities that result in changes in the size and composition of the owners' capital (including preference share capital in the case of a company) and borrowings of the enterprise.
- Cash Flow Statements have the following advantages:
- A cash flow statement enables users to evaluate changes in net assets of an enterprise and its financial structure

(liquidity & solvency) when analyzed with position statement and income statement.

- Cash flow statement information is useful in assessing the ability of the enterprise to generate cash and cash equivalents and enables users to develop models to assess and compare the present value of the future cash flows of different enterprises.
- It also enhances the comparability of the reporting of operating performance by different enterprises because it eliminates the effects of using different accounting treatments for the same transactions and events.
- It also helps in balancing its cash inflow and cash outflow, keeping in response to changing condition. It is also helpful in checking the accuracy of past assessments of future cash flows and in examining the relationship between profitability and net cash flow and impact of changing prices.

2. Literature Review

Varshney & Jain (2019)¹ conducted a comparative study on cash flow statements of Canara Bank and Kotak Mahindra Bank with the aim to analyse effect of operating, investing and financing activities on net profitability of selected banks. For the purpose of the study, a period of five financial years starting from 2012 - 13 to 2016 - 17 was selected. The data analysis was done through statistical tools of mean, standard deviation and coefficient of variation and hypotheses testing was done through multiple regression. The study concluded that Canara Bank remained an outperforming player in comparison to Kotak Mahindra Bank in the net profitability from different perspectives.

Bhasker & Krishnavamsi (2018)² analysed cash flow statements of two companies namely Ediko and Tanla to study and compare the financial performance of these two companies. The researchers evaluated and analysed their cash flow statements for the period of five years from 2013 -

14 to 2017 - 18. The study was investigated with the help of changes in working capital and statistical tools like mean, standard deviation and t - test. The researchers founded that the companies had positive cash flows from operating activities and negative cash flows from investing and financing activities. The researchers concluded from the findings that the overall financial performance of both the companies was not at all satisfactory.

Samaddar (2017)³ compared cash flow statements of Bank of Baroda (public sector bank) and ICICI Bank (private sector bank). The study was conducted for a period of ten financial years starting from 2007 - 08 until 2016 - 17. The statistical tools used to analyse the data of the study included mean, standard deviation and coefficient of variation and t - test was applied to test the hypotheses of the study. The researcher found that in case of operating and financing activities, ICICI Bank had unstable performance and Bank of Baroda had stable performance while in case of investing activities, both the banks had unstable performance but variances of ICICI Bank were quite less than that of Bank of Baroda. Thus, the study concluded that Bank of Baroda performed well than ICICI Bank.

Sheth (2015)⁴ analysed cash flow statements of Welspun India Ltd and GHCL Ltd with the aim to carry out comparisons among operating, investing and financing activities. The period of five consecutive financial years from 2009 - 10 to 2013 - 14 was selected for the study. The researcher applied statistical techniques of mean, standard deviation and coefficient of variation. The researcher found that average cash flows from operating and financing activities of Welspun India Ltd were better than GHCL Ltd, but on consistency grounds GHCL performed well; average cash flows from investing activities of GHCL Ltd were better than Welspun India Ltd but it outperformed GHCL Ltd on the consistency terms. The researcher concluded that GHCL Ltd is growing steadily and Welspun India Ltd is fluctuating more over the period of the study. The researcher recommended that if Welspun India Ltd improves rate of consistency, it would become stronger than GHCL Ltd.

Dodiya & Gelda (2014)⁵ analysed the cash flow statements of SBI Bank and HDFC Bank with the purpose to undertake a comparative study between banks. The researchers selected a period of financial years from 2009 - 10 to 2013 - 14 to make a comparative study. The researchers applied statistical tools like mean, standard deviation and coefficient of variation to compare cash flow data and t - test for hypotheses testing. The researchers found that SBI has comparatively high cash flows from operating activities as compared to HDFC Bank. But the researchers found a contrary result for investing and financing activities. HDFC Bank has comparatively high cash flows from investing and financing activities as compared to SBI Bank. Thus, the researchers concluded that HDFC Bank has an overall good performance.

Research Gap: Various articles have been published so far about comparative study on cash flow statements of two concerns. These existing studies have utilised statistical tools and techniques to satisfy objectives of the study and reach out conclusions. This study is intended to determine and compare growth rates of selected companies using an accounting technique: horizontal analysis technique. Thus, this study finds a gap in data analysis techniques and tries to bridge the same.

3. Research Methodology

Objective of the study: The objective of the study is to determine the growth of operating, investing and financing cash flows of TATA Motors Ltd and Maruti Suzuki India Ltd and undertake comparison to find out which company has stable growth.

Time - frame for the study: The time - frame of latest five financial years from 2016 - 17 to 2020 - 21 is selected to carry out the study.

Nature & Sources of Data: The study is solely based on quantitative and secondary sources of data. The secondary data about cash flow statements is collected from the official websites of the selected companies. Only Standalone cash flow statements are considered for the study because consolidated statements include data of other subsidiaries and they fail to depict core growth of the company.

Tools & Techniques: Horizontal Analysis Technique is used to carry out data analysis. Graphical representation of calculations is also done using column charts and line charts to make analysis easily understandable.

Horizontal Analysis:

Horizontal Analysis is an approach used to analyse financial statements by comparing specific financial information for a certain accounting period (comparison year) with information from other periods (base year). It is usually depicted as absolute changes or percentage changes. This is also known as Base - Year Analysis or Y - o - Y Analysis.

For this study, horizontal analysis is done by taking year 2017 as the common base year. The calculation of absolute and percentage changes in cash flow statement items are done as shown in the below table.

Particulars	Base Year	Comparison Year	Absolute Changes	% Changes
Amount	X	Y	Y - X	(Y - X) / X

4. Data Analysis

Table 1: Cash Flows from Operating, Investing and Financing Activities: TATA Motors Ltd (₹ in crores)

Particulars	Year ended on March 31 st 2017	Year ended on March 31 st 2018	Year ended on March 31 st 2019	Year ended on March 31 st 2020	Year ended on March 31 st 2021
Cash Flows from Operating Activities	381.47	4133.94	6292.63	(1454.59)	6680.32
Cash Flows from Investing Activities	(2737.98)	(710.27)	(3820.55)	(4718.86)	(2991.32)
Cash Flows from Financing Activities	1119.21	(3105.63)	(2529.70)	7749.21	(3471.91)

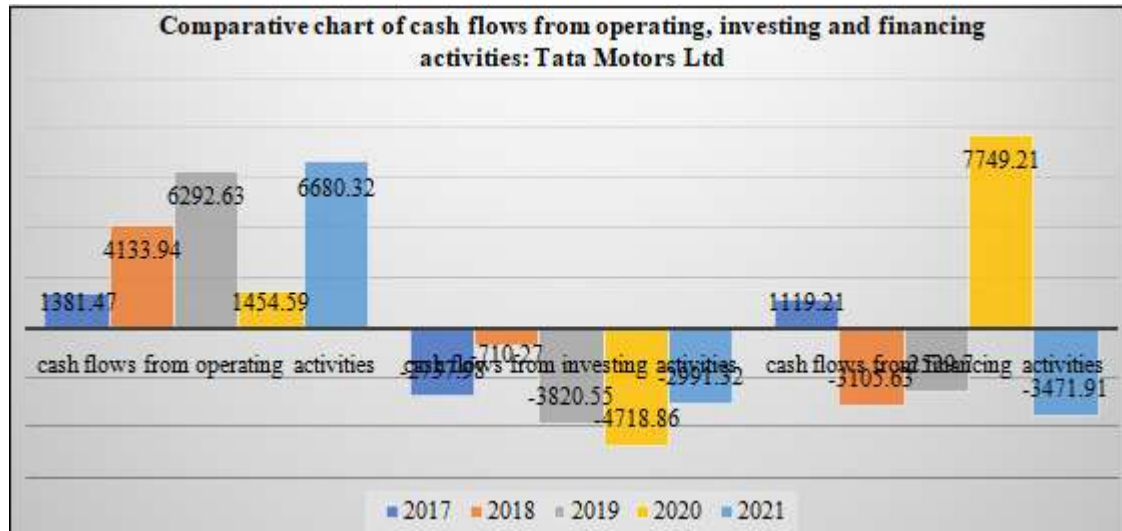


Table 2: Horizontal Analysis of Cash Flows from Operating, Investing and Financing Activities: TATA Motors Ltd

Particulars	2017 - 18 Changes		2017 - 19 Changes		2017 - 20 Changes		2017 - 21 Changes	
	Absolute	%	Absolute	%	Absolute	%	Absolute	%
Cash Flows from Operating Activities	2752.47	1.99	4911.16	3.56	-2836.06	-2.05	5298.85	3.84
Cash Flows from Investing Activities	2027.71	-0.74	-1082.57	0.40	-1980.88	0.72	-253.34	0.09
Cash Flows from Financing Activities	-4224.84	-3.77	-3648.91	-3.26	6630	5.92	-4591.12	-4.10

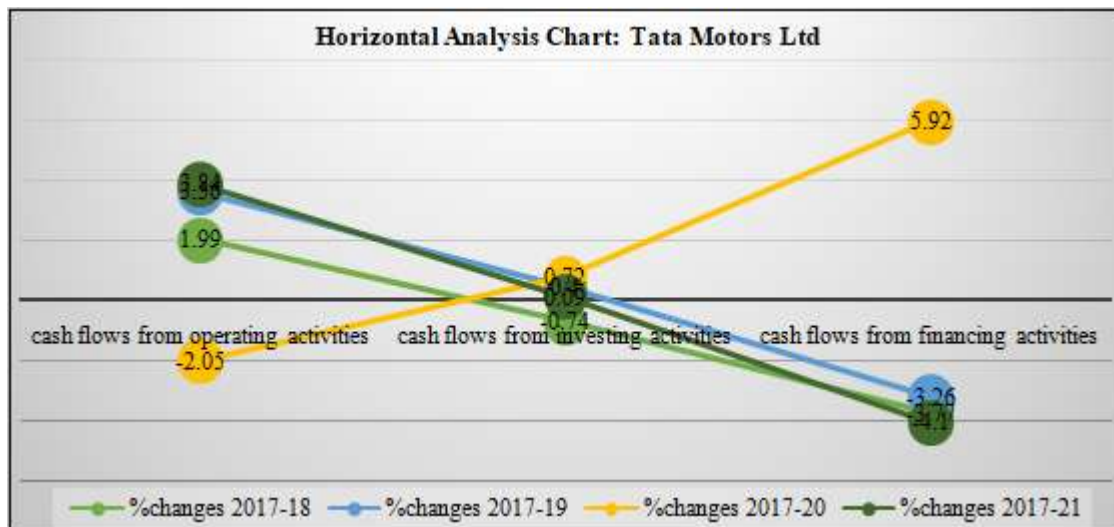


Table 3: Cash Flows from Operating, Investing and Financing Activities: Maruti Suzuki India Ltd (₹ in crores)

Particulars	Year ended on March 31 st 2017	Year ended on March 31 st 2018	Year ended on March 31 st 2019	Year ended on March 31 st 2020	Year ended on March 31 st 2021
Cash Flows from Operating Activities	102847	117850	65932	34051	88388
Cash Flows from Investing Activities	(91815)	(82821)	(35383)	(4639)	(72839)
Cash Flows from Financing Activities	(11293)	(34460)	(29478)	(31000)	(15408)

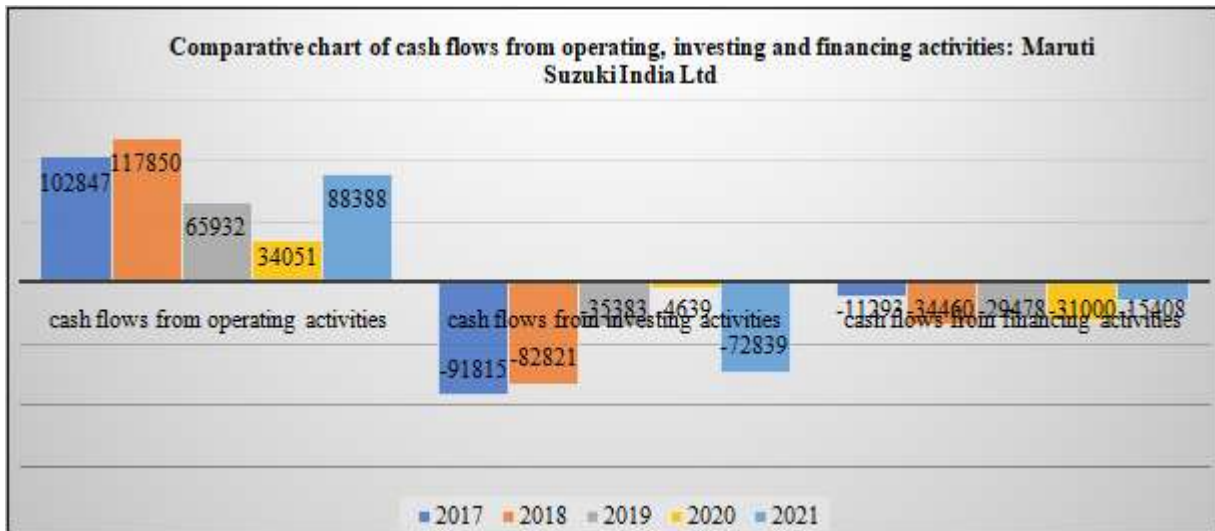
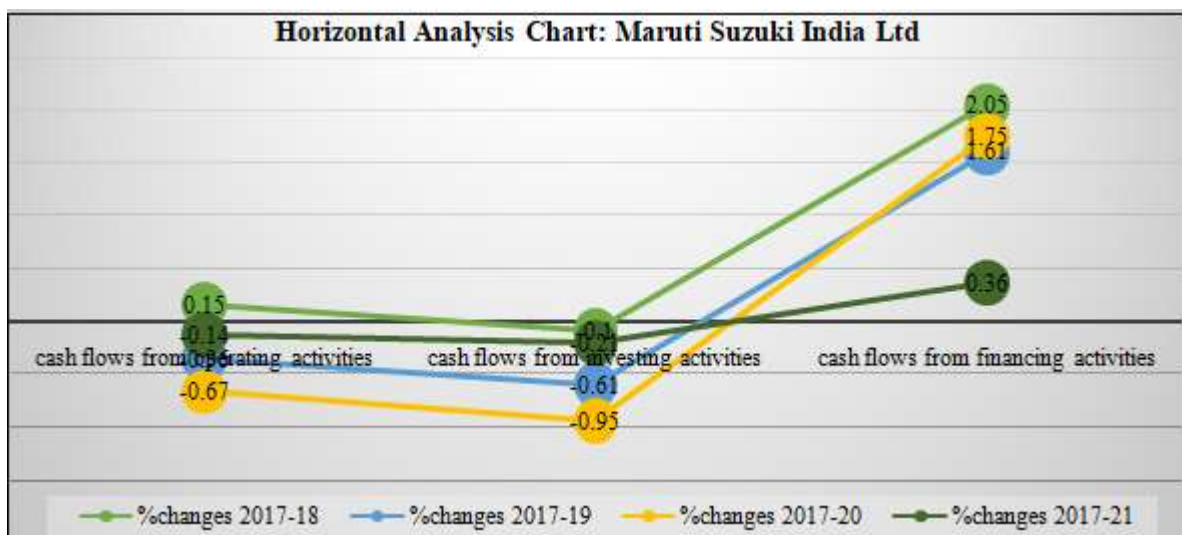


Table 4: Horizontal Analysis of Cash Flows from Operating, Investing and Financing Activities: Maruti Suzuki India Ltd

Particulars	2017 - 18		2017 - 19		2017 - 20		2017 - 21	
	Absolute	%	Absolute	%	Absolute	%	Absolute	%
Cash Flows from Operating Activities	15003	0.15	- 36915	- 0.36	- 68796	- 0.67	- 14459	- 0.14
Cash Flows from Investing Activities	8994	- 0.10	56432	- 0.61	87176	- 0.95	18976	- 0.21
Cash Flows from Financing Activities	- 23167	2.05	- 18185	1.61	- 19707	1.75	- 4115	0.36



5. Findings

TATA Motors Ltd:

Horizontal analysis of cash flow statements of TATA Motors Ltd shows that there was a considerable growth in cash flows from operating activities as compared to base year 2017. The only exception in the growth pattern of operating activities was year 2020 with - 2.05% as there existed a net loss. Cash flows from investing activities had a significant growth of 0.40% and 0.72% in the years 2019 and 2020 because of significant investments in property, plant and equipment which gradually decreased in the year 2021 with only 0.09%. There were negative percent changes in cash flows from financing activities except the year 2020 which had positive growth of 5.92% due to proceeds from issue of shares.

Maruti Suzuki India Ltd:

Horizontal analysis of cash flow statements of Maruti Suzuki India Ltd shows that the company only had positive

growth of 0.15% for operating cash flows in the year 2018. Afterwards, the company followed declining growth pattern as compared to base year. The same declining pattern showed up for cash flows from investing activities with a maximum decline of - 0.95% for the year 2020. The company had positive growth rates only for financing cash flows which stood maximum in the year 2018 with 2.05% in comparison to base year.

Comparative Findings

Particulars	2018	2019	2020	2021
Cash Flows from Operating Activities	TATA Motors Ltd	TATA Motors Ltd	Maruti Suzuki India Ltd	TATA Motors Ltd
Cash Flows from Investing Activities	Maruti Suzuki India Ltd	TATA Motors Ltd	TATA Motors Ltd	TATA Motors Ltd
Cash Flows from Financing Activities	Maruti Suzuki India Ltd	Maruti Suzuki India Ltd	TATA Motors Ltd	Maruti Suzuki India Ltd

6. Conclusions

TATA Motors Ltd:

The study finds that TATA Motors Ltd had noticeable positive growth in cash flows from operating activities. The company also had good growth rates for investing cash flows over the selected period. So, it can be concluded that the company performed well for generating and using cash flows from operating activities and investing activities. While, for financing cash flows, the study finds that the company had negative growth rates. Thus, it can be concluded that the company needs to pay attention towards generation and usage of financing cash flows.

Maruti Suzuki India Ltd:

The study finds that Maruti Suzuki India Ltd had declining growth rates for operating cash flows over the selected period. The company also had negative growth pattern for cash flows from investing activities. It can be concluded that the company is struggling in generating and using operating cash flows and investing cash flows. The company had considerable positive growth rates for cash flows from financing activities. Thus, it can be concluded the company performed better in generating and using financing cash flows.

Overall Conclusions:

Particulars	Company
Cash Flows from Operating Activities	TATA Motors Ltd
Cash Flows from Investing Activities	TATA Motors Ltd
Cash Flows from Financing Activities	Maruti Suzuki India Ltd

7. Limitations and Further Scope of the Study

- 1) This study has been conducted for only two automobile companies. More number of companies can be added for carrying out comparative industry analysis.
- 2) This study has been carried out for a period of five - financial years and so only short - term growth pattern has been found out from this study. Future study can be done for more financial years to depict long - term growth pattern.
- 3) This study uses cash flow information presented in the annual reports by the companies. Any manipulations in the published data may lead to manipulated analysis.
- 4) Horizontal analysis has been applied to carry out analysis by taking a common base year 2017. In future studies, Y - o - Y analysis can be done by taking every previous year as base year.

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