

Comparative Analysis of Cash Flow Statements: A Study of Tata Motors Ltd and Maruti Suzuki India Ltd

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Abstract

The cash flow statement displays the financial inflows and outflows, including cash equivalents, resulting from the different operations of a business during a specific timeframe. It offers insights into historical fluctuations in cash and cash equivalents by classifying cash flows into operating, investing, and financing activities. Companies are required to create a statement of cash flows and display it for each accounting period when presenting the financial statements. This article does a comparative analysis of the cash flow statements of two prominent Indian automobile firms, Tata Motors Ltd and Maruti Suzuki India Ltd, in order to examine and evaluate their progress during the previous five years. Horizontal Analysis is employed due to its ability to facilitate the identification of trends and growth patterns in financial statements. The horizontal Analysis of the cash flow statements reveals that Tata Motors Ltd exhibits superior growth rates in operating cash flows and investing cash flows compared to Maruti Suzuki India Ltd. However, when it comes to financing cash flows, Maruti Suzuki India Ltd demonstrates a more positive growth pattern in comparison to Tata Motors Ltd.

Keywords: Cash & Cash Equivalents Horizontal Analysis, Operating Cash Flows, Investing Cash Flows, Financing Cash Flows

Introduction

A Cash Flow Statement is a financial statement that displays the changes in a company's cash position between different periods. It explores the monetary inflows and outflows occurring over a while. Various sources can generate cash inflows, such as commodity sales, asset sales, debtor receipts, interest, dividends, rent, issuing more shares and debentures, raising loans, and short-term borrowings. Cash withdrawals can be made for various purposes, such as buying goods, acquiring assets, repaying debts, paying taxes and dividends, and so forth.

The companies' financial statements are prepared in accordance with the accounting standards established by the Companies Act 2013. Financial statements are legally defined in the Companies Act 2013 and encompass the statement of cash flows, which is prepared in accordance with Accounting Standard - 3 (AS - 3). The implementation of the Indian Accounting Standards (Ind AS) Rules, 2015

requires enterprises to adhere to the regulations outlined in Ind AS 7 in order to generate their statements of cash flows starting from the current fiscal year. Entities classified as a one-person company under section 2(62), a minor company under section 2(85), or a dormant company under section 455 are not required to provide a cash flow statement for inclusion in their financial statements.

Figure 1: Cash Flow Statement



Source: IndependentBookKeeping.co.uk

The following terms are defined as definitions AS 3 and IND AS 7 with regard to cash flow statements.

- Cash includes physical currency and funds held in bank accounts.
- Cash equivalents refer to assets that have a short-term maturity and may be easily converted into Cash. These investments have a low risk of fluctuating in value.
- Cash flows refer to the movement of Cash and cash equivalents into and out of a business.
- Operating activities refer to the main activities of a business that generate revenue, as well as any additional activities that are not related to investing or financing.
- Investing activities refer to the process of acquiring and disposing of long-term assets and other investments that are not considered cash equivalents.
- Financing activities are those that result in changes in the quantity and composition of the owners' capital (including preference share capital in the case of a corporation) and the enterprise's borrowings.

The automotive sector in India is one of the largest industries, exhibiting remarkable growth throughout the years and providing a substantial contribution to the overall industrial development of the country. This initiative is further bolstered by the Government's backing in establishing centres for growth and innovation. In order to expedite and maintain progress in the automotive industry, the department has implemented several policy initiatives and incentives. The Auto Policy of 2002, announced with utmost significance, sought to build an automotive industry in India that would be globally competitive and would effectively quadruple its contribution to the economy. The National Automobile Testing and R&D Infrastructure Project (NATRIP) was a significant achievement in this industry. Its objective was to establish fundamental worldwide capabilities in the automobile business. In addition, the introduction of the Automotive Mission Plan for the timeframe of 2006-2016 represents a significant measure aimed at establishing India as a prominent global centre for the automotive industry.

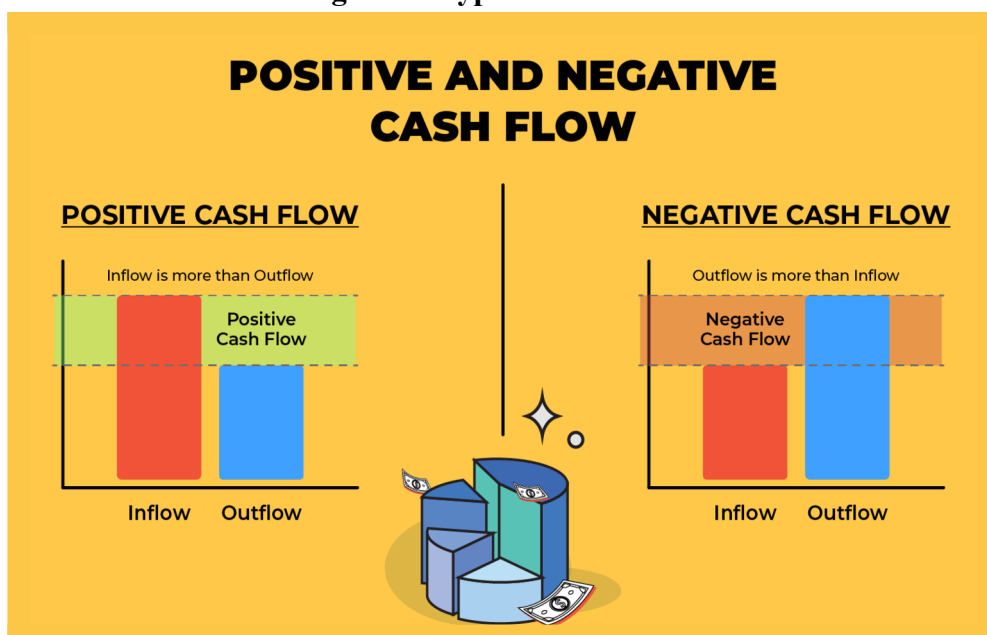
Consequently, India is becoming a prominent centre for automotive Research and Development (R&D), attracting global companies such as Hyundai, Suzuki, and General Motors to establish their operations in the country. The successful introduction of Tata Nano into the market has stimulated the potential for growth in alternative sectors such as electric cars and vehicles powered by natural gas. These initiatives demonstrate that the Indian Automotive Industry is becoming a prominent and promising sector of the economy. Not only does it satisfy the increasing home demands, but it is also steadily expanding its presence in the global market.

Cash, being the most easily convertible asset, plays a crucial role in the day-to-day functioning of corporate enterprises. Although the percentage of corporate assets allocated to Cash is relatively low, its effective administration is essential for the financial stability of the company. Cash is the central point of financial transactions in a firm and is commonly known as the "essential element of business operations".

Cash is a non-productive asset that incurs a loss of potential gain. The opportunity cost of retaining Cash is the potential profit that could be gained from alternative investment possibilities. Therefore, the company must strategise and manage its cash flow meticulously. Cash management encompasses the activities of gathering, consolidating, and distributing Cash. The management's objective is to effectively manage the cash balance of a company in order to mitigate the danger of insolvency. Insufficient funds can directly impact a company's creditworthiness if it fails to fulfil its obligations. Inadequate cash management can result in both insolvency and bankruptcy. Companies should be motivated to exercise caution in managing their capital due to the potential for severe consequences. Cash management encompasses more than mere bankruptcy prevention. Optimizing cash management enhances profitability and mitigates the firm's exposure to risk.

The cash flow can either be positive or negative. Positive cash flow refers to a situation in which a corporation experiences a more significant inflow of money compared to its outflow. A negative cash flow signifies that a corporation is experiencing a net outflow of funds, exceeding the inflow of funds.

Figure 2: Types of Cash Flow



Source: jomSETTLE.com

Literature Review

"Who Has the Better Cash Flow: Tata Motors vs Maruti Suzuki?" Divya Premkumar (Kalkine Media, 2021): This article examines the cash flow statements of Tata Motors and Maruti Suzuki in detail. The article analyses the cash flows of the two corporations and discusses their cash flow positions.

"A Comparative Study of Cash Flow Management between Tata Motors and Maruti Suzuki" by Dr. M. Maheswari and Dr. R. Chandrasekaran (International Journal of Management, 2019): This academic article provides a comparative study of the cash flow management of Tata Motors and Maruti Suzuki. The paper analyses the two companies' cash flow statements and discusses their cash flow positions.

Varshney and Jain (2019) conducted a comparative study of Canara Bank and Kotak Mahindra Bank cash flow statements to examine the impact of operating, investing, and financing activities on the net profitability of selected organisations. The research covers from 2012-13 to 2016-17 fiscal years. The data was evaluated statistically using the mean, standard deviation, and coefficient of variation, and the hypothesis was tested using multiple regression. Canara Bank continues to surpass Kotak Mahindra Bank in terms of net profitability in numerous areas, according to the study's findings.

Bhasker & Krishnavamsi (2018) Ediko and Tanla's cash flow statements were evaluated and contrasted, as was their financial performance. Researchers examined and analysed financial flow statements from 2013-14 to 2017-18. This study examines changes in working capital as well as statistical approaches, including mean, standard deviation, and the t-test. According to the findings, firms produce positive cash flows from operating activities but negative cash flows from investing and financing. Based on their results, the researchers concluded that the combined financial performance of the two enterprises was insufficient.

Samaddar (2017) contrasted the cash flow statements of Bank of Baroda, a public sector bank, with ICICI Bank, a private sector bank. From August 2007 until July 2016, the study lasted ten years. Mean, standard deviation, coefficient of variation, t-tests, and hypothesis testing were among the statistical techniques used to analyse survey data. The researchers observed that ICICI Bank's performance for operational and treasury operations was changeable, but Baroda Bank's performance for investment activities was stable. I discovered that the Bank of Baroda distributes ICICI Bank. As a result of the study, the Bank of Baroda outperforms ICICI Bank.

Sheth (2015) examined the cash flow statements of Welspun India Ltd and GHCL Ltd in terms of operating, investing, and financing activities. From 2009-10 to 2013-14, the study selected five consecutive fiscal years. The researchers employed statistical methodologies such as mean, standard deviation, and coefficient of variation. Welspun India Ltd had a higher average cash flow from operating and finance operations than GHCL Ltd, although GHCL consistently outperformed. The average cash flow from investment operations of GHCL Ltd was higher than that of Welspun India Ltd, but it was more stable. During the study period, the researchers determined that GHCL Ltd was gradually developing, whereas Welspun India Ltd was more erratic.

Dodiya and Gelda (2014) conducted a bank-by-bank comparison by analysing the cash flow statements of SBI Bank and HDFC Bank. Researchers carried out a comparative investigation spanning fiscal years 2009-10 to 2013-14. Researchers used t-tests to compare cash flow data using statistical approaches such as mean, standard deviation, and coefficient of variation. Researchers revealed that SBI has a very

substantial operating cash flow when compared to HDFC Bank. When it comes to investment and fundraising, researchers find the opposite results. HDFC Bank has a more significant cash flow from investment and lending operations than SBI Bank. As a consequence, the analysts concluded that HDFC Bank performed well overall.

D.D. Sangani (2013): The cash management performance of Bajaj Auto Ltd. and Hero MotoCorp Co., Ltd. was examined in this research. Hero MotoCorp Ltd. used average Cash more effectively than Bajaj Auto Ltd., according to the data. Both companies have a comparable return on investment and are essentially equivalent in terms of their ability to convert sales into Cash.

Ghosh Sudipta (2011): The study paper finished with a financial management performance review for TSL and SAIL. The actual results of this investigation revealed that, on average, TSL utilized fluidity more efficiently than SAIL. TSL exceeds her SAIL in terms of converting sales into Cash.

Research Gap

Many studies have been published to date on comparative studies of the two companies' cash flow statements. These dominant studies employed statistical methods and procedures to fulfil study aims and develop findings. The purpose of the present research is to identify and compare the growth rates of selected organizations using an accounting technique: horizontal analysis techniques. As a consequence of this effort, a gap in data analysis methodologies is identified and attempted to be closed.

Cash flow statements are used in the research since consolidated statements incorporate data from other subsidiaries and do not portray the company's core growth.

Research Methodology

The Objective of the Study: The study's goal is to compare the operating, investment, and financing cash flows of Tata Motors Ltd and Maruti Suzuki India Ltd to determine whether the firm has more consistent growth.

Time-period of the Research: The study was conducted during the last five fiscal years, from 2018-19 to 2021-22.

Nature and Sources of Data: Secondary sources of data in research are sources of information that have already been collected, analysed, and published by others. Secondary sources of data include books, journal articles, government reports, statistical databases, and archives.

Secondary data sources are divided into two types: internal sources and external sources.

1. Internal sources of data are those that are obtained from within an organization or institution, such as financial statements, customer databases, or employee records.
2. External sources of data, on the other hand, are those that are obtained from outside an organization or institution, such as government publications, academic journals, or news articles.

Secondary data sources may be employed in a range of research situations, such as exploratory, descriptive, and causal research. For example, secondary data sources can be used to identify trends, analyse historical patterns, or compare data across different regions or periods. Secondary data sources

can also be used to support or validate primary research findings, as well as to provide context for interpreting preliminary research results.

Tools and Techniques: Data analysis is done using the horizontal analysis technique. To make the Analysis more clear, computations are also graphically represented using line and column charts.

Horizontal Analysis

Horizontal Analysis is a method of analysing financial statements that compares particular financial data from one accounting period (comparison year) to data from prior periods (base year). It is often represented as absolute or percentage changes. Base-year Analysis or Y-o-Y Analysis are other names for this.

Horizontal Analysis is performed in this research using 2018 as the standard base year. The absolute and percentage changes in cash flow statement items are calculated as stated in the table below.

Particulars	Base Year	Comparison Year	Absolute Changes	% Changes
Amount	X	Y	Y - X	$(Y - X) \div X$

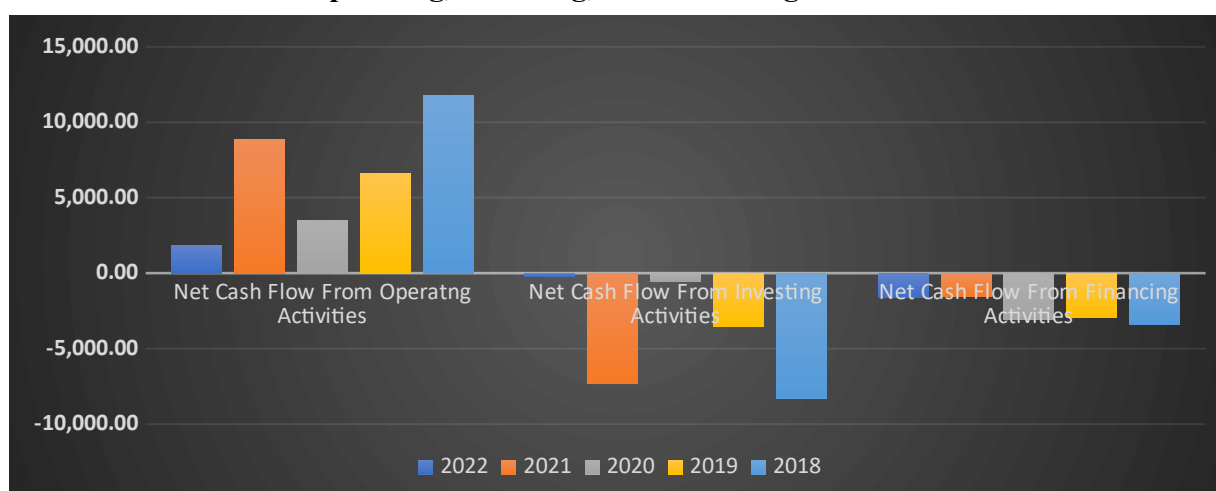
Data Analysis

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

Tata Motors	2022	2021	2020	2019	2018
Operating Activity Net Cash Flow	5,281.930	6,680.33	-1,454.60	6,292.64	4,133.95
Investing Activity Net Cash Flow	-3,149.50	-2,991.31	-4,718.85	-3,820.56	-710.26
Financing Activity Net Cash Flow	-515.85	-3,471.90	7,749.20	-2,529.71	-3,105.64

Source: MoneyControl.com

Figure 3: Tata Motors Ltd (In the Fiscal Year Ending March 31st): Comparative Cash Flow from Operating, Investing, and Financing Activities

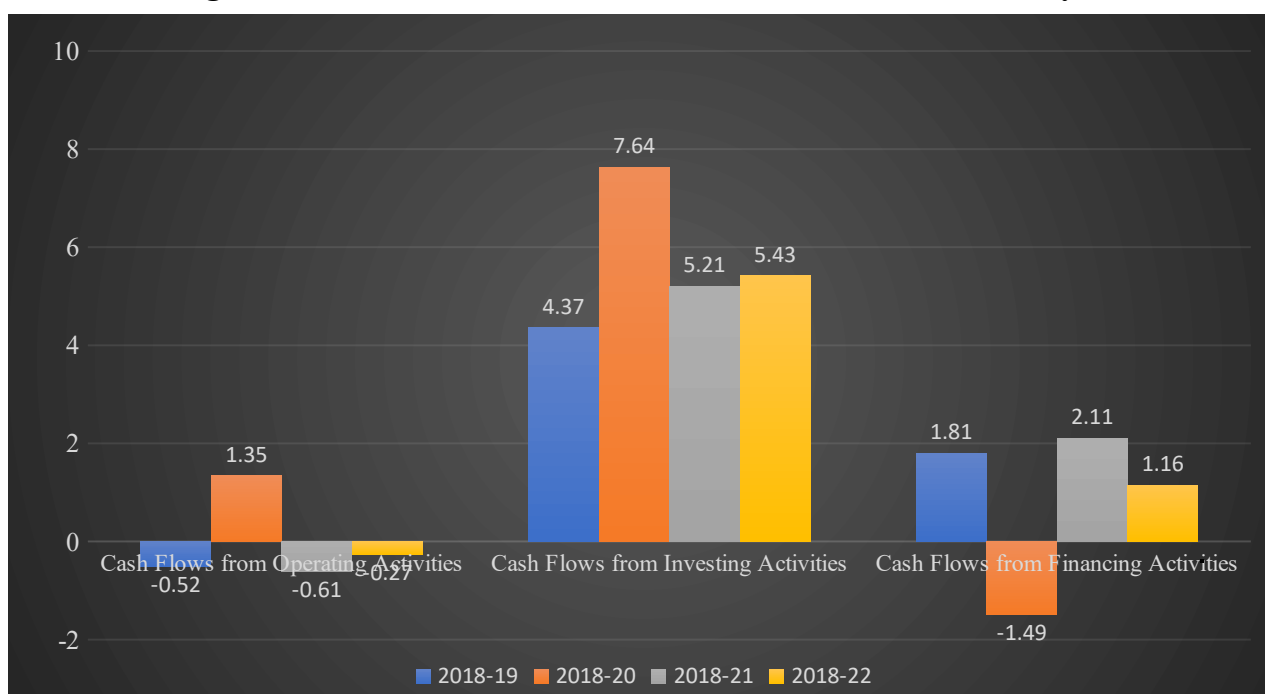


Source: Based on the above Table 1

Table 2: Horizontal Cash Flow Analysis from Operating, Investing, and Financing Activities for Tata Motors Ltd

Particulars	2018-19 Changes		2018-2020 Changes		2018-2021 Changes		2018-2022 Changes	
	Absolute	%	Absolute	%	Absolute	%	Absolute	%
Operating Activity Cash Flows	-2158.69	-0.52	5588.53	1.35	-2546.38	-0.61	-1147.9	-0.27
Cash Flows from Investing Activities	-3110.28	4.37	-5429.13	7.64	-3701.59	5.21	-3859.76	5.43
Cash Flows from Financing Activities	-5635.33	1.81	4643.58	-1.49	-6577.54	2.11	-3621.47	1.16

Source: MoneyControl.com

Figure 4: Tata Motors' Cash Flow Statement: A Horizontal Analysis

Source: Based on the above Table 2

Table 3: Maruti Suzuki Ltd.'s Cash Flows from Financing, Investing, and Operating Activities (₹ in Crores)

Maruti Suzuki	2022	2021	2020	2019	2018
Operating Activity Net Cash Flow	1,840.51	8,856.20	3,495.81	6,600.89	11,787.91
Investing Activity Net Cash Flow	-239.20	-7,291.30	-556.61	-3,539.91	-8,301.71
Financing Activity Net Cash Flow	-1,607.01	-1,544.90	-3,104.29	-2,947.91	-3,436.11

Source: MoneyControl.com

Figure 5: Maruti Suzuki Ltd.'s Comparative Cash Flow from Financing, Investment, and Operating Activities (Year Ending on March 31st)

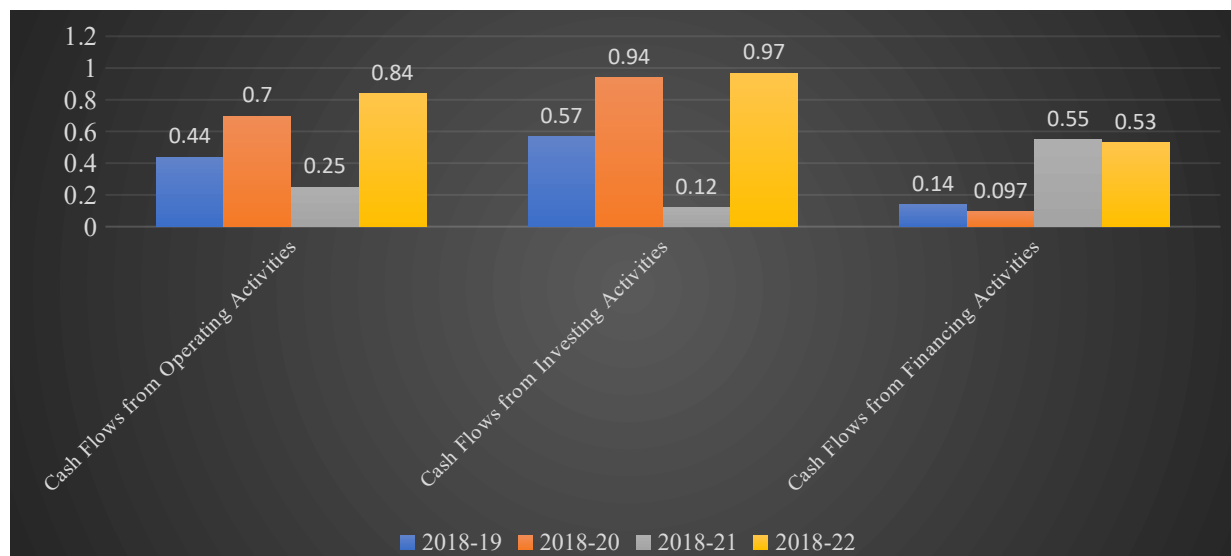


Source: Based on the above Table 3

Table 4: Cash Flows from Operating, Investing, and Financing Activities: in Absolute and %

Particulars	2018-19 Changes		2018-2020 Changes		2018-2021 Changes		2018-2022 Changes	
	Absolute	%	Absolute	%	Absolute	%	Absolute	%
Operating Activity Net Cash Flow	5,187.01	0.44	8,292.11	0.70	2,931.70	0.24	9,947.40	0.84
Cash Flows from Investing Activities	-4,761.80	0.57	-7,745.11	0.93	-1,010.40	0.12	-8,062.50	0.97
Cash Flows from Financing Activities	-488.20	0.14	-331.80	0.09	-1,891.20	0.55	-1,829.10	0.53

Source: MoenyControl.com

Figure 6: Horizontal Analysis of Maruti Suzuki Ltd.'s Cash Flow Statements

Source: Based on the above Table 4

Table 5: Comparative Findings of Firms

Particular	2018-19	2018-20	2018-21	2018-22
Operating Activity Net Cash Flow	Maruti Suzuki India Ltd.	Tata Motors Ltd.	Maruti Suzuki India Ltd.	Maruti Suzuki India Ltd.
Investing Activity Net Cash Flow	Tata Motors Ltd.	Tata Motors Ltd.	Tata Motors Ltd.	Tata Motors Ltd.
Financing Activity Net Cash Flow	Tata Motors Ltd.	Maruti Suzuki India Ltd.	Tata Motors Ltd.	Tata Motors Ltd.

Source: Authors' Estimation and Calculation based on Analysis

Tata Motors Ltd

A horizontal study of Tata Motors Ltd.'s cash flow statements reveals a significant increase in cash flows from operational operations in 2020 compared to the base year 2018. The year 2021 and 2022 were the exceptions in the growth trend of active processes, with -0.61% and -0.27%, respectively, due to a net loss. Cash flows from investing operations increased by 4.37% and 7.64% in 2019 and 2020, respectively, due to considerable expenditures in property, plant, and equipment, but declined by 2.43% in 2021. Except for the year 2020, which saw a 1.49% change in proceeds from share issuance, there were positive percentage changes in cash flows from financing operations.

Maruti Suzuki India Ltd

A horizontal study of Maruti's cash flow statements shows a 0.44% rise in operational cash flows in 2019. Following that, the company's growth rate declined in 2021 compared to the base year. Cash flows from investing activities followed the same downward pattern, with a maximum decrease of 0.97% in 2022. This company only experienced growth rates for financing cash flows, which peaked in 2021 at 0.55% over the previous year.

Conclusions

Table 6: Overall Conclusions

Particulars	Company
Operating Activity Net Cash Flow	Maruti Suzuki India Ltd
Investing Activity Net Cash Flow	Tata Motors Ltd
Financing Activity Net Cash Flow	Tata Motors Ltd

Source: Author Estimation

Tata Motors Ltd

- Tata Motors' operating activities include the production and sale of automobiles, both in India and internationally. Over the last five years, the company has faced several challenges, including intense competition, changing consumer preferences, and a slowdown in the global economy.
- Improve working capital management by reducing inventory levels and improving collections from customers. Maintain a healthy cash position to ensure financial stability and flexibility.
- Consider issuing bonds or other debt instruments to raise capital for investment in growth opportunities.
- Consider share buybacks to increase shareholder value.
- Increase dividend payments to shareholders to reward them for their investment.
- Enhance customer service and after-sales support to improve customer satisfaction and retention.
- Improve supply chain management to reduce lead times and minimize inventory levels.

Maruti Suzuki India Ltd.

- Manage working capital efficiently: Maruti Suzuki should focus on managing its operating capital efficiently by reducing its inventory levels and improving its collection and payment cycles. This will help the company to improve its cash flows and reduce its financing costs.
- Expand production capacity: Maruti Suzuki should invest in expanding its production capacity to meet the growing demand for its products. This can be achieved by setting up new manufacturing plants or expanding the existing ones.
- Invest in electric vehicle technology: With the growing demand for electric vehicles, Maruti Suzuki should focus on investing in electric vehicle technology. This will help the company to stay ahead of competitors and tap into new markets.
- Diversify product portfolio: Maruti Suzuki should consider diversifying its product portfolio by introducing new models in different segments. This will help the company to reduce its dependence on a single product and expand its customer base.
- Optimize capital structure: Maruti Suzuki should focus on optimizing its capital structure by maintaining an optimal mix of debt and equity. This will help the company to reduce its cost of capital and improve its financial performance.
- Explore new financing options: Maruti Suzuki should explore new financing options such as bonds, leasing, and securitization to diversify its sources of funding and reduce its dependence on traditional bank loans. This will help the company to access cheaper sources of funding and improve its financial flexibility.

Limitations and Further Scope of the Study

1. This investigation was limited to two automobile manufacturers. For comparative industry research, a more comprehensive number of automotive businesses may be included.
2. Although this investigation lasted five years, only a short-term development tendency was found. Future studies for more fiscal years may be undertaken to depict the long-term growth trend.
3. In this Analysis, the cash flow information included in the annual reports of the firms is utilized. Any modifications to the published data might lead to a skewed analysis.

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