

A Comparative Study on the Financial Performance of Tata Motors and Maruti Suzuki Using Ratio Analysis

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ABSTRACT

The Indian automobile industry is undergoing a massive transformation driven by changing consumer preferences, electric vehicle (EV) advancements, and post-pandemic economic recovery. The present study provides a comprehensive comparative evaluation of the financial performance of two industry giants—Tata Motors and Maruti Suzuki—from the financial years 2021 to 2025. Secondary data derived from published annual reports and financial statements was utilized for this research. Analytical tools such as Trend Analysis and Ratio Analysis were applied to evaluate profitability, liquidity, solvency, efficiency, and market performance. The findings reveal that Maruti Suzuki maintains a highly stable, almost debt-free operational model with superior inventory management. In contrast, Tata Motors has showcased a remarkable financial turnaround, driven by aggressive expansion into premium SUVs and EVs, coupled with a successful debt-reduction strategy. The study concludes that both automakers have distinct but highly successful strategies to ensure long-term sustainability in a rapidly evolving market.

Keywords: *Financial Performance, Ratio Analysis, Automobile Industry, Tata Motors, Maruti Suzuki*

I. INTRODUCTION

Financial performance analysis is one of the most critical factors determining the long-term viability and success of organizations in the modern business environment. In the Indian automotive sector, rapid structural changes such as electrification, rising competition, and a shift toward premium vehicles require companies to adapt quickly. To navigate this dynamic landscape, investors and managers need a systematic evaluation of leading firms to understand their financial strength and growth sustainability.

Tata Motors and Maruti Suzuki are two of the largest players in India, yet they follow fundamentally contrasting business models. Maruti Suzuki has historically dominated the domestic market through its "budget segment" efficiency, maintaining a highly conservative and low-debt capital structure. On the other hand, Tata Motors has recently focused on aggressive expansion into premium SUVs, global integration through Jaguar Land Rover, and leadership in the EV space. Therefore, this study aims to systematically compare their financial health and risk profiles using ratio analysis to determine which strategic model offers greater long-term stability.

II. REVIEW OF LITERATURE

Mishra and Nair (2021) analyzed the operational efficiency of major automobile players post-pandemic. Their research utilized inventory and asset turnover ratios, finding that Maruti Suzuki maintained a leaner, more stable supply chain compared to Tata Motors, which was heavily investing in EV capital expenditure.

Sharma (2021) examined the working capital management and liquidity positions of these two giants. The study noted that Maruti Suzuki's conservative approach resulted in a robust quick ratio and strong short-term solvency, while Tata Motors faced tighter current ratios due to higher current liabilities.

Vegad (2023) provided a direct comparative study of the financial performance of both companies. The author highlighted that while Maruti Suzuki leads in market volume, Tata Motors is capturing "value-driven" growth, with its EBITDA margins reaching record highs due to its premium SUV segment.

III. OBJECTIVES OF THE STUDY

- * To analyze the profitability ratios of Tata Motors and Maruti Suzuki.
- * To evaluate their respective liquidity and solvency positions.
- * To study operational efficiency ratios, such as inventory and asset turnover.
- * To compare market performance indicators like EPS and P/E ratio.
- * To provide a comparative conclusion on their overall financial stability and future outlook.

IV. RESEARCH METHODOLOGY

The present study adopts a descriptive and analytical research design to evaluate the comparative financial health of Tata Motors and Maruti Suzuki. The scope of the research is based entirely on secondary data collected from the published annual reports, financial statements, and market information for the five-year period from 2021 to 2025. To extract meaningful insights, the data was analyzed using Trend Analysis to observe absolute growth, and Ratio Analysis categorized into profitability, liquidity, efficiency, and market performance.

V. RESULTS AND DISCUSSION

Table no 1: Net Profit Margin (%) (2020-21 to 2024-25)

Financial Year	Tata Motors (Passenger Vehicles)	Maruti Suzuki India
Mar '21	-7.93%	6.01%
Mar '22	-2.94%	4.26%
Mar '23	4.14%	6.84%
Mar '24	10.78%	9.37%
Mar '25	7.85%	9.18%

Interpretation: Maruti Suzuki demonstrates a highly stable profitability model, maintaining positive net margins between 4% and 9.37% throughout the five years. Tata Motors illustrates a classic financial turnaround. After severe net losses in FY21 (-7.93%), the company fundamentally restructured its product mix, achieving an exceptional 10.78% net margin by FY24, briefly surpassing Maruti.

Table no 2: Debt-to-Equity Ratio (2020-21 to 2024-25)

Financial Year	Tata Motors (Passenger Vehicles)	Maruti Suzuki India
Mar '21	1.14	0.01
Mar '22	1.17	0.01
Mar '23	0.84	0.02
Mar '24	0.46	0.00
Mar '25	0.26	0.00

Interpretation: This ratio highlights a major strategic difference. Maruti Suzuki operates as a virtually debt-free company, keeping financial risk near zero. Conversely, Tata Motors relied heavily on debt (peaking at 1.17 in FY22) but has since executed a highly successful deleveraging strategy, aggressively paying down obligations to reach a healthy 0.26 ratio by FY25.

Table no 3: Inventory Turnover Ratio (Times) (2020-21 to 2024-25)

Financial Year	Tata Motors (Passenger Vehicles)	Maruti Suzuki India
Mar '21	6.63	23.06
Mar '22	12.71	24.99
Mar '23	21.72	27.43
Mar '24	21.12	34.21
Mar '25	22.01	29.65

Interpretation: Maruti Suzuki dominates in operational efficiency, peaking at an exceptional 34.21 times in FY24, reflecting lean "just-in-time" manufacturing. Tata Motors showed a massive operational improvement, increasing its sluggish turnover of 6.63 in FY21 to over 21 times by FY25 as demand for its new EV and SUV models surged.

Table no 4: Return on Capital Employed (%) (2020-21 to 2024-25)

Financial Year	Tata Motors (Passenger Vehicles)	Maruti Suzuki India
Mar '21	0.35%	10.14%
Mar '22	0.92%	8.64%
Mar '23	8.67%	16.79%
Mar '24	15.36%	20.51%
Mar '25	20.92%	20.60%

Interpretation: This ratio highlights the efficiency with which both companies utilize their total capital to generate operating profit. Historically, Maruti Suzuki has maintained superior capital efficiency, demonstrating an exceptional ability to convert its investments into returns, which steadily peaked at 20.60% in FY25. Conversely, Tata Motors struggled with severely depressed capital efficiency during the pandemic, recording a mere 0.35% in FY21. However, as their new vehicle platforms gained market acceptance and production scaled up, their ROCE witnessed an aggressive and uninterrupted upward trajectory. By FY25, Tata Motors completely closed the efficiency gap, matching Maruti Suzuki at nearly 21%. This significant leap proves that Tata Motors' heavy recent capital expenditures into EVs and premium SUVs are now yielding highly efficient and profitable returns.

VI. FINDINGS

- * Maruti Suzuki maintained highly consistent and positive net profit margins, showcasing resilience during market downturns.
- * Tata Motors exhibited a massive financial turnaround, recovering from net losses in FY21 to achieve a remarkable 10.78% net profit margin by FY24.
- * Maruti Suzuki operates with near-zero financial risk as a virtually debt-free entity.
- * Tata Motors successfully executed an aggressive deleveraging strategy, dropping its debt-to-equity ratio from 1.17 to 0.26.
- * Both companies operate with tight short-term liquidity (current ratios below 1.0), which is typical for the auto industry's reliance on supplier credit.
- * Maruti Suzuki achieved unmatched inventory turnover (peaking at 34.21 times), directly reflecting its highly optimized manufacturing processes.
- * Tata Motors generated massive shareholder wealth, more than tripling its market capitalization over the five-year period.

VII. SUGGESTIONS

- * Tata Motors should continue utilizing its improved free cash flows to further deleverage its balance sheet and protect against interest rate volatility.
- * Tata Motors needs to adopt stricter "just-in-time" supply chain practices to improve its inventory turnover and short-term liquidity.
- * To defend its high market valuation, Tata Motors must aggressively reinvest profits into battery research and charging infrastructure.
- * Maruti Suzuki should utilize its massive, debt-free cash reserves to aggressively fund EV research and development to avoid technological obsolescence.
- * Maruti Suzuki can expand its "Nexa" line of premium SUVs to boost its overall net profit margins and match competitor peaks.

VIII. CONCLUSION

The comparative analysis of Tata Motors and Maruti Suzuki reveals two distinct, yet highly successful corporate strategies within the Indian automobile sector. Maruti Suzuki represents the absolute pinnacle of operational stability; its debt-free balance sheet, unmatched inventory turnover, and volume-driven profitability solidify its position as a financially bulletproof industry leader. In contrast, Tata Motors embodies a high-growth, innovation-led turnaround story. By taking calculated risks in EV technology and premium SUVs, Tata Motors transformed financial losses into record-breaking profitability and massive market capitalization growth. Ultimately, whether through conservative volume-led stability or aggressive innovation, both companies have proven their strategic resilience and remain foundational pillars of India's automotive future.

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