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## A Comparative Study Of Financial Performance Of Tata Motors Ltd And Maruti Suzuki India Ltd

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### ABSTRACT

It is a comprehensive comparative analysis conducted on the financial performance of Tata Motors and Maruti Suzuki India Ltd. covering the period 2019-24. By using the financial statements, it has applied ratio analysis for evaluating profitability, efficiency, liquidity, and solvency of both companies and further analyzes their difference in financial performance. Hence, profitability, efficiency, and return on equity was significant at Maruti Suzuki, while proper debt management and improvement in the company's liquidity was observed in Tata Motors. Some other factors determining the financial performance were industry trends, government policies, and market conditions. This paper contributes to the body of knowledge related to financial performance analysis in the automotive sector, which would be helpful to investors, stakeholders, and researchers. Recommendations for financial sustainability improvement for both companies have been offered.

### INTRODUCTION

Indian automobile industry is one of the largest and fastest-growing sectors all over the world, powering much of the country's GDP. Among the key players are two leading companies, Tata Motors and Maruti Suzuki India Ltd, the latter even paving the way for the Indian auto industry and with strong impact abroad. Part of the well-diversified Tata Group, Tata Motor has its products in passenger vehicles, commercial vehicles and luxury cars through its possession of Jaguar Land Rover. Maruti Suzuki, a unit of the Japan-based Suzuki Motor Corporation, has been one of the leaders in India's passenger car market for decades

with appeal factors like low cost, fuel efficiency, and service networks. Tata Motors and Maruti Suzuki India Ltd. are two of the most prominent companies in India's automobile sector. Knowing their performance in relation to financials is very useful to both an investor, a stakeholder, and a researcher interested in finding out if these companies are sustainable and competitive.

## **STATEMENT OF THE PROBLEM:**

The Indian automotive industry has experienced significant growth and competition in recent years. Tata Motors and Maruti Suzuki India Ltd. are two leading players in this industry, with distinct business strategies and financial performance. Despite operating in the same industry, both companies have distinct market strategies, product portfolios and financial performance metrics. This study seeks to address how do Tata Motors and Maruti Suzuki differ in their financial health, profitability, and efficiency over the past five years.

## **OBJECTIVES OF THE STUDY**

- To analysis the trends and patterns of their financial metrics and indicators.
- To evaluate the financial performance of Tata Motors Ltd and Maruti Suzuki Ltd using various financial measures.
- To review the growth and development and compare the past five years financial performance of Tata Motors Ltd and Maruti Suzuki Ltd.
- To compare and analyze the financial performance of Tata Motors Ltd and Maruti Suzuki Ltd.

## **Review of literature**

Narasimhan & Raman (2004) discuss the competitive dynamics of the Indian automobile sector, highlighting how companies like Maruti Suzuki and Tata Motors have historically evolved with government policies and market demands. Their work suggests that economic factors and regulatory policies impact the financial performance of automobile companies.

Sengupta & Das (2016) explore the importance of innovation and market positioning in the Indian auto industry, noting that Maruti Suzuki has historically led the market through a focus on fuel efficiency and customer satisfaction, while Tata Motors has leveraged its strong portfolio in passenger and commercial vehicles to compete.

Pandey (2015) states that profitability ratios are a key metric for stakeholders in understanding the efficiency with which companies generate profits. Comparing gross and net profit margins of Tata Motors and Maruti Suzuki provides insight into their respective cost structures and pricing strategies.

MD Qamar Azam and MD Abrar Alam (2020) in their study “FINANCIAL RATIOS AND ANALYSIS OF TATA MOTORS” found out that the Overall Z score of Tata motors is lies between 0.71 to 2.44, lowest in 2015. Company needs serious studies. We can say that its main reason is company's working capital to total

assets is negative during the periods. It's all profitability ratios are under the average and negative during the years. Debt to total assets is approx. 60-70% which is above the average. Debt to equity ratio is moving between 1.5 to 2.2 which is bad for any company. In the case of the liquidity ratios which are very low relatively to industry. On an average tata motors financial ratios indicates that its financial conditions are under performance.

Biswajit Rout , Abinash Dash , Baisali Das (2020) in their journal “A Study on Financial Statement Analysis of Maruti Suzuki India Limited Company” reviewed the financial performance of the firm from 2009-2019. They concluded that the prosperity of Maruti Suzuki has been wealthy for the last 10 years. It was found to be in a gradually increasing manner regarding the Net Sales and Net Profits of the company since 2009 onwards.

Vineet Singh (2015), This study aims to highlight the debt and equity position of two major car manufacturing companies in India i.e. Tata Motors and Maruti Suzuki. In order to enhance the quality of study, a comparison was made between debt equity ratios of both the companies and further t- test was applied to find out that whether there was a significant difference between debt equity ratio of Maruti Suzuki and Tata Motors or not

Sneh Lata, & Dr. Robin Anand,(2017) ,The Indian automobile industry is one of the largest in the world with an annual production of 25.3 million vehicles in FY 2016-17. The automobile industry accounts for 7.1 per cent of the country's gross domestic product (GDP) [1]. The study examines the liquidity and profitability position of selected companies of automobile industry for the past five years. It involves in-depth analysis of performance of the selected companies with the help of key ratios, statistical analysis and Anova. The results show that there is significant difference in liquidity and profitability position of selected companies.

## **RESEARCH METHODOLOGY**

### **SOURCE OF DATA**

This study utilizes secondary data, which includes financial metrics from the annual report during 2019 – 2024.

### **ACCOUNTING TOOLS USED FOR THE STUDY**

- Ratio analysis
- Trend analysis

## **LIMITATIONS OF THE STUDY**

Conducting a comparative analysis of the financial performance of Tata Motors and Maruti Suzuki India Ltd. can be insightful, but it does come with several limitations:

- Data Availability and Quality: The accuracy of the analysis heavily depends on the availability and reliability of financial data. Incomplete or outdated data can lead to misleading conclusions
- Different Accounting Practices: Tata Motors and Maruti Suzuki might use different accounting methods, which can affect the comparability of their financial statements

- **Time Period:** The chosen time period for the analysis can affect the results. A short time frame might not capture long-term trends, while a long time frame might include periods of significant change that are not representative of current performance.
- **Subjectivity in Analysis:** The interpretation of financial ratios and other metrics can be subjective, leading to potential biases in the analysis.
- **Historical Data Bias: Past Performance is Not Predictive:** Financial analysis primarily relies on historical data. While past performance can offer valuable insights, it's not always indicative of future performance.

These limitations highlight the need to approach the comparative analysis with caution, considering the context and adjusting metrics to account for inherent structural differences between Tata Motors and Maruti Suzuki.

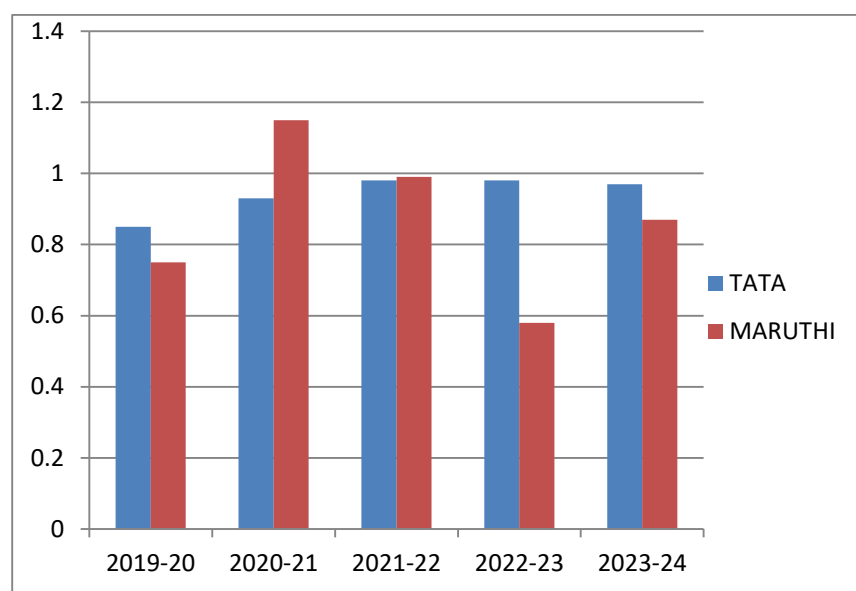
## **RATIO ANALYSIS**

### **Current Ratio**

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

Consolidated Current Ratio of Tata Motors And Maruti Suzuki

YEAR	TATA	MARUTHI
2019-20	0.85	0.75
2020-21	0.93	1.15
2021-22	0.98	0.99
2022-23	0.98	0.58
2023-24	0.97	0.87

**CURRENT RATIO OF TATA MOTORS AND MARUTI SUZUKI**

**INFERENCE:** The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

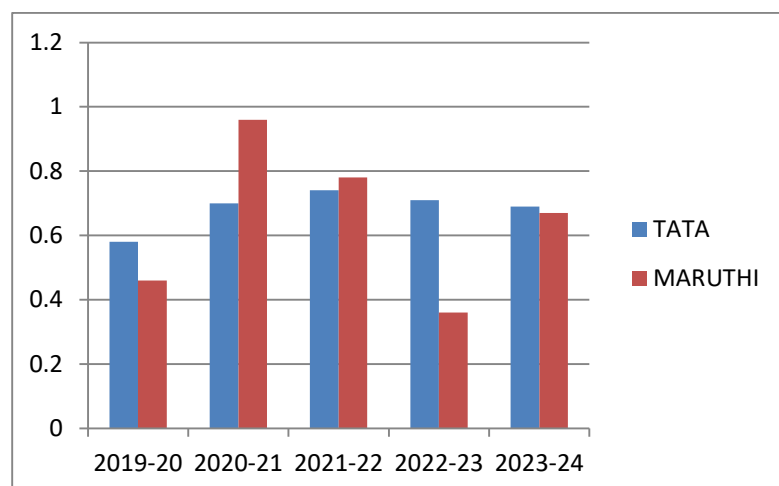
Tata Motors shows a more consistent and conservative approach to liquidity, maintaining near-equal current assets and liabilities. Maruti Suzuki, with its fluctuating current ratio, has shown both strong and weaker short-term liquidity over time, which may indicate responsiveness to market conditions or strategic adjustments but also exposes it to potential short-term financial risks.

**Liquid Ratio**

$$\text{Liquid ratio} = \frac{\text{Quick assets}}{\text{current liabilities}}$$

**Consolidated Liquid Ratio of Tata Motors And Maruti Suzuki**

YEAR	TATA	MARUTHI
2019-20	0.58	0.46
2020-21	0.70	0.96
2021-22	0.74	0.78
2022-23	0.71	0.36
2023-24	0.69	0.67

**LIQUID RATIO OF TATA MOTORS AND MARUTI SUZUKI**

**INFERENCE:** Liquidity ratios are a class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital.

Tata Motors has shown more stability in its liquid ratio, while Maruti Suzuki's ratio has fluctuated more significantly.

Maruti Suzuki generally had a higher liquid ratio than Tata Motors in most years, except for 2022-23. The drop in Maruti Suzuki's liquid ratio in 2022-23 suggests a period of reduced liquidity, which slightly improved in 2023-24.

This comparative analysis highlights that Tata Motors maintains a more stable liquidity position, while Maruti Suzuki's liquidity position has been more volatile, possibly due to changes in inventory management, cash reserves, or short-term liabilities.

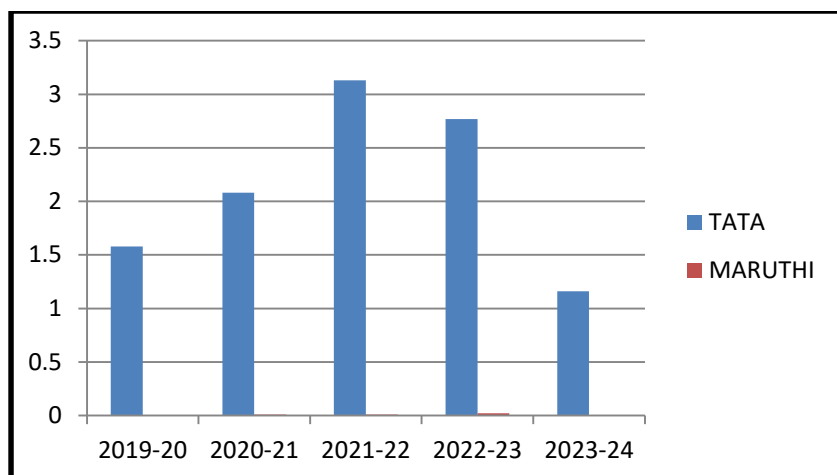
**Debt equity ratio**

$$\text{Debt equity ratio} = \frac{\text{Total long term debt}}{\text{Shareholder's fund}}$$

Consolidated Debt equity ratio of Tata Motors And Maruti Suzuki

YEAR	TATA	MARUTHI
2019-20	1.58	0.00
2020-21	2.08	0.01
2021-22	3.13	0.01
2022-23	2.77	0.02
2023-24	1.16	0.00

## DEBT EQUITY RATIO OF TATA MOTORS AND MARUTI SUZUKI



**INFERENCE:** The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. It is a measure of the degree to which a company is financing its operations with debt rather than its own resources.

**Tata Motors:** The debt-equity ratio has fluctuated significantly over the period, peaking at 3.13 in 2021-22, before decreasing to 1.16 in 2023-24. This suggests Tata Motors has been working on reducing its reliance on debt in recent years.

**Maruti Suzuki:** The debt-equity ratio has remained extremely low, close to zero, indicating minimal or no reliance on debt financing. This reflects Maruti Suzuki's strong position with equity funding and limited leverage, which may indicate lower financial risk.

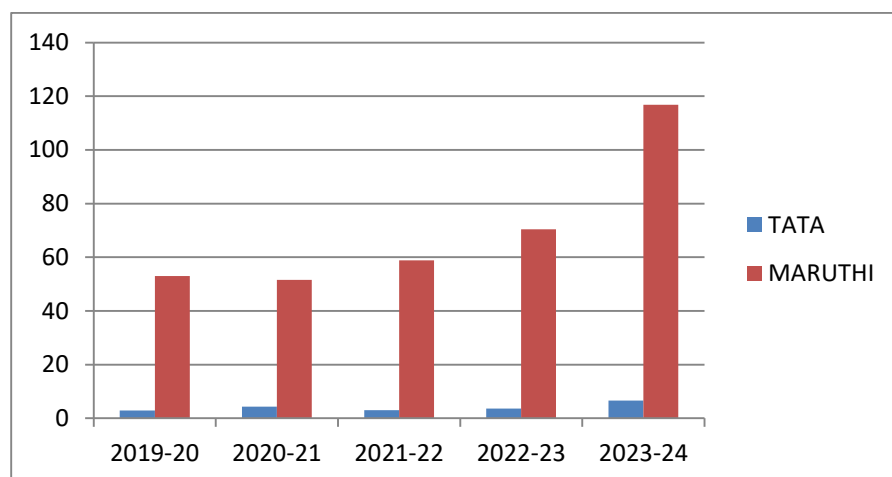
### Interest coverage ratio

$$\text{Interest coverage ratio} = \frac{\text{EBIT}}{\text{Interest}}$$

Consolidated interest coverage ratio of Tata Motors And Maruti Suzuki

YEAR	TATA	MARUTHI
2019-20	2.89	53.04
2020-21	4.31	51.61
2021-22	2.98	58.85
2022-23	3.57	70.37
2023-24	6.56	116.84

## INTEREST COVERAGE RATIO OF TATA MOTORS AND MARUTI SUZUKI



INFERENCE: The interest coverage ratio is a financial metric used to determine how easily a company can pay interest on its outstanding debt.

Maruti Suzuki's ratio is significantly higher each year compared to Tata Motors. For instance, in 2023-24, Maruti Suzuki's ratio is 116.84, compared to Tata's 6.56, suggesting that Maruti Suzuki is in a much stronger position regarding debt coverage.

Gross profit ratio

$$\text{gross profit ratio} = \frac{\text{Gross profit}}{\text{sales}} \times 100$$

YEAR	TATA	MARUTHI
2019-20	-4.241	7.345
2020-21	-5.233	5.997
2021-22	-4.082	4.209
2022-23	0.601	6.833
2023-24	7.010	9.329



**Gross profit ratio of tata motors and maruti suzuki**

**Inference:** In the earlier years (2019-20 to 2021-22), MARUTI outperformed TATA significantly in terms of gross profit ratio.

From 2022-23 onwards, TATA showed a remarkable turnaround, narrowing the gap with MARUTI in profitability.

By 2023-24, both companies showed strong growth, with MARUTI still having a higher gross profit ratio than TATA.

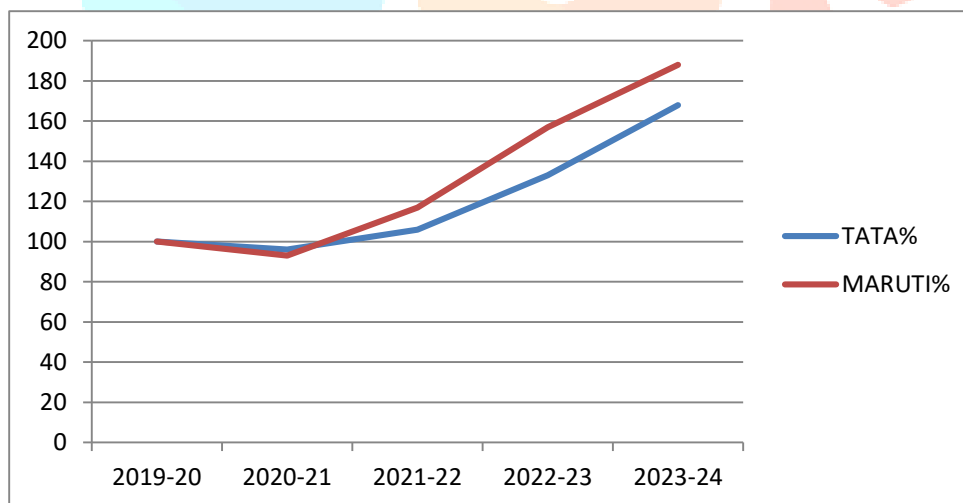
This data highlights MARUTI's consistent profitability and TATA's recovery from losses to achieve competitive profitability.

## TREND ANALYSIS

### Trend analysis of sales

YEAR	TATA		MARUTHI	
	SALES	TREND%	SALES	TREND%
2019-20	258,594.36	100	71,704.80	100
2020-21	246,972.17	96	66,571.80	93
2021-22	275,235.23	106	83,799.80	117
2022-23	342,874.58	133	112,511.30	157
2023-24	434,984.12	168	134,921.70	188

### TREND ANALYSIS OF SALES OF TATA AND MARUTI



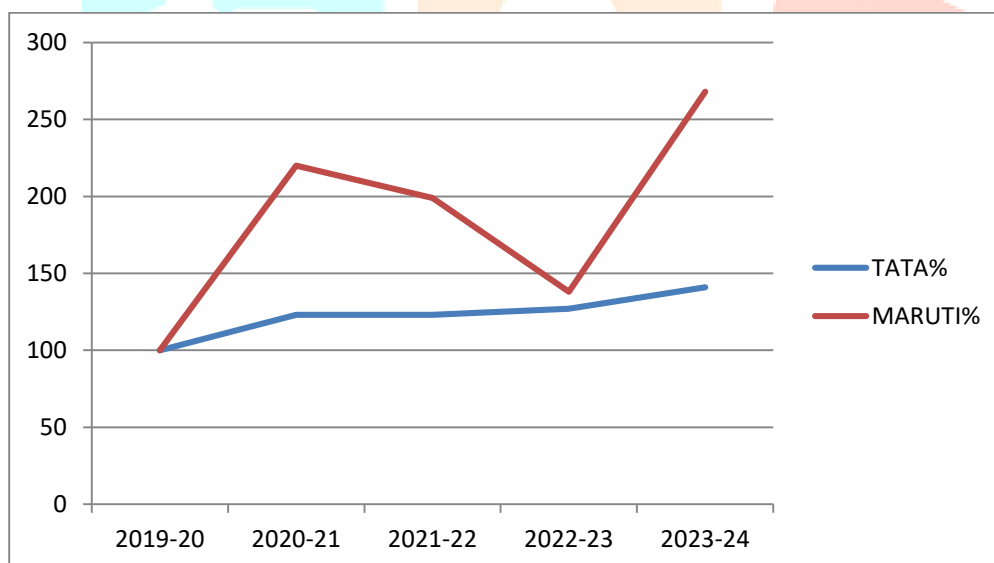
INFERENCE: Maruti's sales grew at a faster rate (188% trend) compared to Tata (168% trend) by 2023-24, showing a relatively higher demand increase for Maruti's vehicles over the period.

This trend analysis highlights the resilience of both companies post-2020, with Maruti showing stronger proportional growth, potentially due to demand in the compact car and fuel-efficient segments.

### Trend analysis of current asset

YEAR	TATA		MARUTHI	
	CURRENT ASSET	TREND%	CURRENT ASSET	TREND%
2019-20	119,587.25	100	8,440.60	100
2020-21	146,887.64	123	18,544.30	220
2021-22	146,977.54	123	16,793.40	199
2022-23	151,528.47	127	11,615.60	138
2023-24	168,392.15	141	22,633.80	268

**TREND ANALYSIS OF CURRENT ASSET OF TATA AND MARUTI**



**INFERENCE:** Tata Motors shows consistent growth in its current assets, with a steady upward trend in each year from 2019-2024.

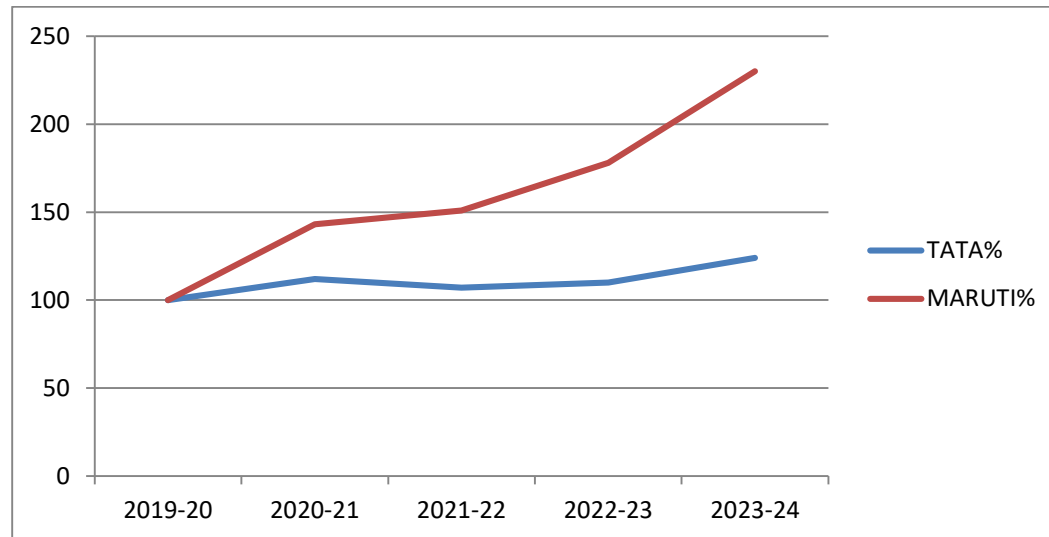
Maruti Suzuki, on the other hand, had a sharp increase in 2020-21 (220%) but saw a decline in 2021-22 and 2022-23 before rebounding in 2023-24 (268%).

Tata Motors' current asset growth is more stable, while Maruti Suzuki has shown more volatility with sharp increases and decreases.

This analysis reflects the different strategies or operational changes between Tata Motors and Maruti Suzuki in terms of managing their current assets.

## Trend analysis of current liabilities

### TREND ANALYSIS OF CURRENT LIABILITIES OF TATA AND MARUTI

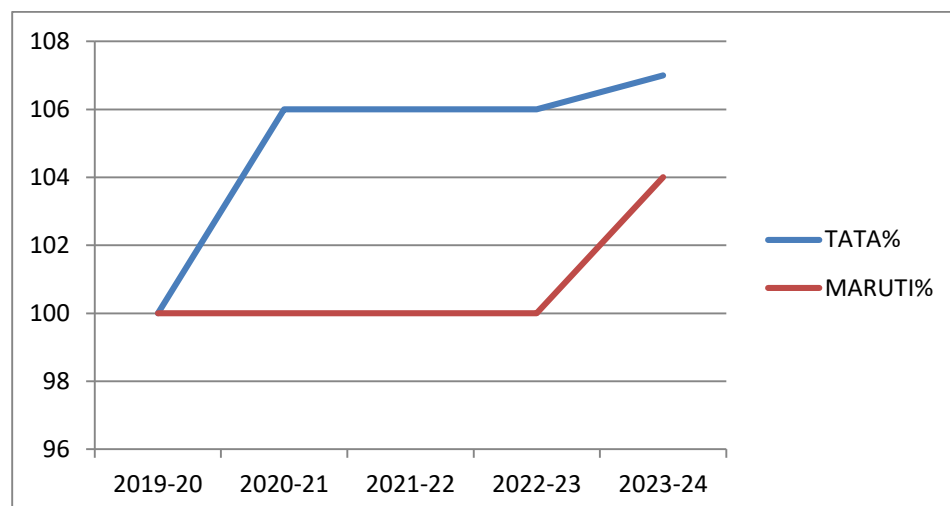


YEAR	TATA		MARUTHI	
	CURRENT LIABILITIES	TREND%	CURRENT LIABILITIES	TREND%
2019-20	140,454.05	100	11,305.40	100
2020-21	157,749.18	112	16,120.50	143
2021-22	150,682.81	107	17,023.50	151
2022-23	155,027.33	110	20,107.30	178
2023-24	173,617.00	124	25,951.80	230

INFERENCE: While both companies have seen increasing current liabilities over the years, Maruti Suzuki's liabilities have grown more rapidly, which may warrant further investigation into their working capital management and short-term financial obligations. Tata Motors' more gradual increase suggests a relatively more cautious approach.

## Trend analysis of share capital

### TREND ANALYSIS OF SHARE CAPITAL OF TATA AND MARUTI



INFERENCE: Tata Motors shows a consistent but minimal increase in share capital, indicating gradual growth or recapitalization. The highest increase occurs between 2022-23 and 2023-24 (1%).

Maruti Suzuki shows no change in share capital for several years (2020-21 to 2022-23), but a 4% increase in 2023-24 suggests some level of recapitalization or equity issuance.

In conclusion, Tata Motors shows a slow and steady increase in share capital, while Maruti Suzuki has remained stable for most of the period, with a recent increase in the last year.

YEAR	TATA		MARUTHI	
	SHARE CAPITAL	TREND%	SHARE CAPITAL	TREND%
2019-20	719.54	100	151.00	100
2020-21	765.81	106	151.00	100
2021-22	765.88	106	151.00	100
2022-23	766.02	106	151.00	100
2023-24	766.50	107	157.20	104

## **FINDINGS**

### **1. Profitability and Gross Profit Margin:**

Maruti Suzuki consistently outperformed Tata Motors in terms of gross profit margin from 2019-22. Tata Motors showed significant improvement in 2022-23 and 2023-24, reducing the profitability gap with Maruti Suzuki. By 2023-24, Tata Motors achieved a gross profit ratio of 7.01%, while Maruti Suzuki reached 9.33%

### **2. Liquidity Position (Current and Liquid Ratios):**

Tata Motors maintained a stable current ratio (ranging between 0.85 to 0.98) over the years, reflecting conservative liquidity management. Maruti Suzuki's current ratio fluctuated, peaking at 1.15 in 2020-21 and dropping to 0.58 in 2022-23, indicating volatility in short-term liquidity. Tata Motors' liquid ratio displayed steadiness, while Maruti Suzuki's liquid ratio fell significantly in 2022-23 before improving in 2023-24.

### **3. Debt-Equity Management:**

Tata Motors exhibited a high debt-equity ratio, peaking at 3.13 in 2021-22, suggesting heavy reliance on debt financing. However, this dropped to 1.16 in 2023-24, reflecting debt reduction efforts. Maruti Suzuki maintained an exceptionally low debt-equity ratio throughout the period, indicating minimal dependence on debt and strong equity financing.

### **4. Interest Coverage Ratio:**

Maruti Suzuki consistently reported a significantly higher interest coverage ratio compared to Tata Motors, suggesting superior capacity to cover interest expenses. In 2023-24, Maruti Suzuki's interest coverage ratio reached 116.84, compared to Tata Motors' 6.56, highlighting Maruti's financial health and reduced risk exposure.

### **5. Sales and Growth Trends:**

Maruti Suzuki's sales grew faster than Tata Motors over the analyzed period. By 2023-24, Maruti Suzuki achieved 188% sales growth, while Tata Motors' growth stood at 168% compared to 2019-20 levels. Maruti's strong performance suggests higher market demand, especially in the compact and fuel-efficient car segments.

### **6. Asset and Liability Trends:**

Tata Motors demonstrated stable and gradual growth in current assets, rising from 119,587.25 crores in 2019-20 to 168,392.15 crores in 2023-24. Maruti Suzuki experienced volatility in current assets but rebounded strongly in 2023-24 with 268% growth. Both companies' current liabilities increased over the period, but Maruti Suzuki's liabilities grew more rapidly, reaching 230% in 2023-24, compared to Tata Motors' 124%.

## 7. Share Capital Stability:

Tata Motors consistently increased its share capital by a small margin (7% growth over five years). Maruti Suzuki showed stable share capital for most of the period but recorded a 4% increase in 2023-24, suggesting a potential capital infusion or issuance of shares.

## 8. Sales and Market Position:

Maruti Suzuki's stronger sales growth demonstrates higher consumer demand, while Tata Motors' gradual but stable growth indicates a more measured expansion strategy.

## Key Takeaways:

**Maruti Suzuki:** Strong profitability, minimal debt, and high interest coverage ratios reflect a financially stable and low-risk profile. However, volatility in liquidity metrics could expose the company to short-term risks.

**Tata Motors:** Steady improvements in debt reduction and asset growth indicate a focus on financial restructuring and long-term stability, despite lower profitability compared to Maruti Suzuki.

## CONCLUSION:

The comparative financial analysis between Tata Motors and Maruti Suzuki highlights key differences in operational strategies, debt management, and profitability.

**Profitability and Efficiency:** Maruti Suzuki consistently outperforms Tata Motors in gross profit and interest coverage ratios, indicating higher operational efficiency and profitability.

**Liquidity and Stability:** Tata Motors demonstrates greater stability in liquidity ratios, suggesting better short-term financial management compared to Maruti Suzuki's fluctuating liquidity.

**Debt Management:** Tata Motors has been reducing its debt over the years, while Maruti Suzuki maintains minimal reliance on debt, positioning itself as a low-risk company.

**Growth and Sales Trends:** Maruti's sales have grown at a faster rate, reflecting strong demand, while Tata Motors shows consistent asset growth, indicating strategic investments and expansion.

While Maruti Suzuki demonstrates superior financial health in terms of profitability, debt management, and operational efficiency, Tata Motors has made progress in improving liquidity and reducing debt. Investors seeking stability might prefer Maruti Suzuki, whereas Tata Motors could appeal to those interested in growth potential and market expansion.

This analysis provides valuable insights for investors and stakeholders by showcasing each company's strengths and areas for improvement. Tata Motors' focus on debt reduction and liquidity contrasts with Maruti Suzuki's market dominance and profitability, painting a comprehensive picture of their competitive dynamics in the Indian automotive industry.

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