



**A Comparative Study of Financial Performance of Maruti Suzuki India
Limited and Tata motors Limited**

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Abstract:

Finance is regarded as the lifeblood of any business organization. hence, evaluating the financial performance of the business is extremely important. This research paper will aim to provide a detailed comparative analysis of the financial results of Tata Motors Limited (TML) and Maruti Suzuki India Limited (MSIL), two of the top automobile manufacturers in India, for the period of five financial years, which is 2020-2025. The present study is based on secondary data. Ratio analysis is used to compare the financial performance, for which financial data will be derived from the annual reports of both companies from their respective official websites. This study concludes that Maruti Suzuki presents as the safer, more stable company with excellent efficiency in inventory and virtually no financial leverage. Tata Motors, while historically riskier, has shown a dramatic and successful financial turnaround, demonstrating superior operational and shareholder returns in recent years.

Keywords: Financial Performance, Automobile Sector, Ratio Analysis, Profitability, Liquidity, Solvency.

1. Introduction:

The horseless carriage was first developed by hundreds of manufacturers in the 1860s, indicating the beginning of the automotive industry. In the early days of automobile manufacturing, human workers assembled cars by hand. The majority of cars are now mostly put together by automated technology thanks to the introduction of robotic equipment in the 1960s. The Indian automobile industry has come a long way since its liberalisation in 1991, when 100% FDI was allowed under the automatic method. Today, the country is home to a number of important internationally recognised auto manufacturers. India produces all types of vehicles, including



two-wheelers, three-wheelers, passenger cars, light commercial vehicles, trucks, buses, tractors, and heavy commercial vehicles.

This sector is the dominating not only in India, but also in the global economy. India is the world's second largest two-wheeler manufacturer, the largest three-wheeler manufacturer, and the third largest passenger car maker. India enjoys a strong position in the global heavy vehicles market as the largest tractor producer, second-largest bus manufacturer, and third-largest heavy truck manufacturer in the world. India's car market has experienced rapid growth, with nearly all major companies currently operating in India. Automakers have established operations in India to produce vehicles for both home and foreign markets.

Automobile sector Contributes around 7.1% to India's GDP and Provides Job opportunities to millions of people. The automobile sector attracted Rs. 2,48,683 crore (US\$ 29.10 billion) in equity FDI between April 2000 and March 2025. India could be a leader in shared mobility by 2030, providing opportunities for electric and autonomous vehicles. The electric vehicle market in India is emerging as a significant growth driver.

Maruti Suzuki India Limited is clearly the market leader in the Indian passenger car sector and the leading subsidiary of the giant Japanese automaker Suzuki Motor Corporation. The company, which was initially established in 1981 as a joint venture with the Government of India (then called Maruti Udyog Limited), revolutionized personal transportation in India in 1983 when it introduced the budget-friendly and effective Maruti 800. Its focus on cost, fuel economy, and diverse service offerings are its key benefits.

Tata Motors Limited is a leading global automotive manufacturer and the flagship automobile company of the Indian multinational Tata Group. It was Established in 1945, and currently it is a major player and holds the top rank for both passenger cars and commercial vehicles. It is currently spearheading the country's transition to sustainable mobility and has made a name for itself as the undisputed market leader in India's electric vehicle industry by placing a strong emphasis on safety regulations.

2. Literature Review:

1. **Amit Kumar B Vegad (2023)** has published a research paper titled as “**A Comparative Study on Financial Performance of Maruti Suzuki India Limited and Tata motors Limited**”, to measure and compare the financial performance of two major Indian automobile companies, Tata Motors and Maruti Suzuki India Ltd for the period of 5 years. For which tools like Ratio analysis and T-Test were used. The study concludes that there is high fluctuation can be seen in the performance of both automobile Companies. Even with the comparison to Tata Motors Ltd. The Financial performance of Maruti Suzuki Ind. Ltd. Shows better Result during the study period.

2. **Mr. Pranay P. Badwaik and Prof. N. S. Kariya (2025)** Published a Research Paper titled as “**a study of financial performance of automobile industry with special reference to Mahindra & Mahindra ltd. And Maruti Suzuki India ltd.**”, in order to analyse and compare the financial performance of both the selected



Companies. The study concludes that to enhance financial performance, Mahindra & Mahindra Ltd. and Maruti Suzuki India Ltd. should focus on improving liquidity, profitability, and innovation. Maruti Suzuki must strengthen its short-term financial planning to maintain a stable current ratio, while Mahindra & Mahindra should optimize asset utilization and reduce debt dependence. Both companies should invest in research and development, particularly in electric vehicles, to stay competitive. Additionally, adopting digital transformation and automation can enhance operational efficiency and financial sustainability.

3. **Pankaj Grover (2020)** Conducted a Research on Analysis of Profitability: **“A Comparative Study of Maruti Suzuki, Tata Motors, Hindustan Motors and Mahindra and Mahindra”**. The study Mainly Focus on Profitability Analysis and Used Financial Ratios as analytical tool. The results shows that the return on long term fund ratio of Maruti Suzuki Ltd Company was the highest during study period among selected companies. Maruti Suzuki, M&M and Tata Motor has maintained good position in business is to obtain satisfactory return on capital employed. The average ratio of Hindustan Motors Ltd was minus 36.676 percent which shows unsatisfactory return. All Company shows the good efficiency of business as whole except Hindustan Motors.

4. **Fatemeh Jafari (2015)** in her Study Titled as **“Working capital and profitability: a Study of automobile industry in India”**, With the Objective to analyse the profitability, liquidity and Solvency of Selected automobile Companies with special reference to working Capital management. 6 samples were selected for the purpose of study. The time period of study is 10 years (i.e., 2002-03 to 2011-12). She concluded that Working capital Management has Significant impact on profitability of selected companies but the turnover ratio has a higher impact on profitability than liquidity ratio according to this Study.

3. Objectives of the Study:

1. To Compare the Liquidity ratios of Maruti Suzuki India Limited and Tata Motors Limited.
2. To Compare the profitability ratios of Maruti Suzuki India Limited and Tata Motors Limited.
3. To compare solvency ratios of Maruti Suzuki India limited and Tata Motors Limited.
4. To Compare the Efficiency ratios of Maruti Suzuki India Limited and Tata Motors Limited.
5. To derive summary and suggestions for both the companies.

4. Research Methodology:

4.1. Research Design: This study is Descriptive and Analytical in nature.

4.2 Data Sources: this study will be based on secondary Data. Relevant information will derive from official annual reports of both the Companies from their respective official websites for the Period of 5 Years. **(2020-21 to 2024-25)**



4.3 Tools for Data analysis: the Key Financial Ratios are used for the purpose of data analysis. The ratios analyzed are categorized as:

- * **Liquidity Ratios:** 1. Current Ratio, 2. Quick Ratio.
- * **Profitability Ratios:** 1. Net Profit Ratio, 2. Operating Profit Ratio, 3. Return on Net Worth.
- * **Solvency Ratios:** 1. Debt-to-Equity Ratio, 2. Interest Coverage Ratio.
- * **Efficiency Ratios:** 1. Debtors Turnover Ratio, 2. Inventory Turnover Ratio.

4.5. Sample Size: Two Major Key players of automobile sector are selected for the purpose of study, which are:

1. Maruti Suzuki India Limited
2. Tata Motors Limited

5. Data Analysis and Interpretation:

5.1) LIQUIDITY RATIOS:

5.1.1) Current Ratio:

Current Ratio is a Liquidity ratio, which measures Company's Ability to Pay its short-term debts using its short-term assets. Generally, high current ratio is regarded as better than low current ratios. A current ratio of less than 1 indicates that the company may have problems meeting its short-term obligations.

Current Ratio = Current Assets/ Current Liabilities

Table 1.1
Showing Current Ratio of Both the Companies

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	1.2	1	0.6	0.8	0.9
Tata Motors Limited	0.93	0.98	0.98	0.97	0.96

Interpretation: From 1.2 in 2020–21 to 0.9 in 2024–25, and a low of 0.6 in 2022–23, Maruti Suzuki's overall trend is downward. In 2022–23, 2023–24, and 2024–25, Current ratio less than 1 which means the company's current liabilities are more than its current assets, which indicates that it has trouble paying short-term debts. On the other hand, Tata Motors has kept its ratio close to one (between 0.93 and 0.98) over the course of the time. This implies that its current liabilities may be covered by its current assets.

5.1.2.) Quick Ratio:

Quick ratio is also known as Acid test Ratio. Its measures companies' ability to pay its short-term obligations using its Most Liquid assets. This ratio Excludes Inventory as it is not always easily Convertible to Cash.

Quick Ratio = (Current Assets – inventory) / Current Liabilities



Table 1.2

Showing Quick Ratio of Both the Companies:

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	0.96	0.78	0.45	0.67	0.74
Tata Motors Limited	0.7	0.74	0.71	0.69	0.68

Interpretation:

Maruti Suzuki: In 2020–21, the Quick Ratio started the year at an excellent 0.96, which is quite near to the optimal 1.0. But in the years that followed, it declined drastically reaching a low of 0.45 in 2022–2023, which suggests a major weakening in the company's immediate liquidity position. In the latter two years, the ratio partially recovered, rising to 0.67 in 2023–2024 and 0.74 in 2024–2025. This suggests that management improved the business's capacity to fulfil its current obligations.

Tata Motors: on the other hand, Tata Motors has a relatively stable Quick Ratio, staying between 0.68 and 0.74. Both companies' Quick Ratios are generally below 1, suggesting reliance on inventory to cover short-term liabilities.

5.2) PROFITABILITY RATIOS:

5.2.1) Net Profit Ratio:

The net profit ratio, sometimes referred to as the net profit margin, evaluates the profitability or financial performance of a company after taxes. It helps in comparing the company's earnings to the entire amount of money invested in the company's operations.

Net profit Ratio = (Net Profit / Total Revenue) × 100

Table 1.3

Showing Net Profit Ratio (%) of Both the Companies:

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	6.4	4.5	7.2	9.8	10.1
Tata Motors Limited	(5.36)	(4.1)	0.8	7.33	6.40

Interpretation:

Maruti Suzuki: Maruti Suzuki's Net Profit Ratio has remained positive over the last five years, showing continued profitability. This indicates a favourable product mix and pricing strategy, or maybe remarkable cost management along with operational efficiency.

Tata Motors: Tata Motors started with significant net losses in the initial two years (negative ratios of (5.36%) and (4.1%)), indicating that their total costs exceeded their revenue. The company reached an essential point



in 2022-23 by becoming profitable with a 0.8% ratio. Profitability increased strongly in 2023-24 to 7.33%. In 2024-25, the ratio slightly fell to 6.40%, but it is yet considerably higher than the initial years.

In conclusion, Tata Motors shows the possibility and success of a significant turnaround, while Maruti Suzuki continues to set the benchmark for profitability efficiency.

5.2.2) Operating Profit Ratio:

The operational ratio is a financial measure that shows how a company's operating profit compares to its net sales. It is used to calculate a company's revenue after deducting all operating expenses, which are the costs related to running a business. This ratio is used to determine the firm's earning efficiency.

$$\text{Operating Profit Ratio} = (\text{operating Profit/Net Sales}) \times 100$$

Table 1.4

Showing operating Profit Ratio (%) of Both the Companies:

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	3.5	3.5	7.3	9.9	9.6
Tata Motors Limited	11.86	8.7	9.2	14.01	13.28

Interpretation:

Tata Motors Limited (TML) consistently maintained a higher Operating Profit Ratio (%) than Maruti Suzuki India Limited (MSIL) throughout the five-year period. TML's many business areas, including as its commercial vehicle market and premium brand Jaguar Land Rover (JLR), which generally has greater profit margins, may be the reason for the higher ratio. The more competitive and lower-margin Indian passenger car market is the main focus of MSIL's operations.

5.2.3) Return on Net Worth:

In finance, return on net worth is a metric used to assess a company's profitability. It shows the amount of profit a business earns from the capital invested by equity shareholders. So another name for it is "Return on Equity" (ROE). A bigger, consistently rising ratio is accepted by investors as a sign of great profitability and effective management.

$$\text{RONW} = (\text{Net Profit} / \text{Total Net Worth}) * 100$$

Table 1.5

Showing Return on Net Worth (%) of Both the Companies:

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	8.5	7.1	14.1	18.3	15.7
Tata Motors Limited	(24.34)	(25.67)	5.32	36.97	23.96



Interpretation: The RONW of Tata Motors Limited (TML) fluctuated significantly from a notable loss of 25.67% in 2021–2022 to a huge increase of 36.97% in 2023–2024. MSIL consistently maintained a positive RONW throughout the period, indicating profitable operations relative to shareholder equity.

5.3.) SOLVENCY RATIOS:

5.3.1) Debt to Equity Ratio:

A financial ratio that shows how much debt and shareholders' equity are utilized to finance the company's assets. A higher D/E ratio could be a sign of higher financial risk, indicating the business might find it difficult to pay its debts. A ratio below 2 is generally considered a good rule of thumb, especially in capital-intensive industries like auto manufacturing.

D/E Ratio= Total Liabilities/ Total Shareholders' Equity

Table 1.6

Showing debt to equity Ratio of Both the Companies:

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	0.009	0.006	0.02	0.005	0.001
Tata Motors Limited	2.46	3.13	2.77	1.16	0.54

Interpretation: Maruti Suzuki is literally debt-free, with a constantly low ratio (as low as 0.001) showing minimal financial leverage and risk.

Tata Motors is highly leveraged, with a ratio of 3.13 in 2021-22, meaning its debt was over three times its equity. Although it drastically reduced this ratio to 0.54 by 2024-25, it still operates with a considerably higher proportion of debt than Maruti Suzuki.

5.3.2) Interest Coverage Ratio:

This ratio measures a company's ability to pay interest expenses from its earnings. A higher ratio is better.

IC ratio = Earning Before Interest and Tax / Interest Expenses

Table 1.7

Showing interest coverage Ratio (%) of Both the Companies:

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	51.61	58.85	70.37	116.84	129.65
Tata Motors Limited	4.31	2.98	3.57	6.56	12.27

Maruti Suzuki's extremely high and growing ratio (peaking at 129.65%) strongly reflects its almost non-existent debt, demonstrating an outstanding capacity to cover its minimal interest expense. Rising from a low



of 2.98% to 12.27%, Tata Motors demonstrates a notable increase in its ability to service its debt, which is consistent with the decline in its debt-to-equity ratio.

5.4) EFFICIENCY RATIOS:

5.4.1) Debtors Turnover Ratio:

How often debtors are turned into cash over the course of a fiscal year is indicated by the Debtors Turnover Ratio, also called the Accounts Receivable Turnover Ratio. It evaluates how well a business collects revenue as an efficiency ratio.

Debtors Turnover Ratio = Net Credit Sales/ Average Debtors

Table 1.8

Showing debtors Turnover Ratio (No. Of Times) of Both the Companies:

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	42	51	42	34	26
Tata Motors Limited	20.61	21.84	24.25	26.55	29.12

Maruti Suzuki had consistently had a considerably faster collecting cycle, with a ratio of reaching 51 times in 2021-2022; however, it fell sharply to 26 times in 2024-2025.

By 2024-2025, Tata Motors' collecting efficiency will have improved to 29.12 times, indicating a steady upward trend.

5.4.2) Inventory Turnover:

This ratio indicates the speed at which an organization sells off its stock. The higher percentage indicates both effective inventory management and higher sales volume relative to stock.

Table 1.9

Showing Inventory Turnover Ratio (No. Of Times) of Both the Companies:

Year	2020-21	2021-22	2022-23	2023-24	2024-25
Maruti Suzuki India Limited	21	26	29	32	31
Tata Motors Limited	4.3	5.07	5.96	6.16	5.72

Interpretation:

In terms of inventory control, Maruti Suzuki outperforms Tata Motors, rotating its stock five to six times quicker.



6. Overall Conclusion and Comparative Summary:

6.1) Maruti Suzuki India Limited:

- **Financial Strength:** Extremely cautious and consistent in terms of financial matters during the years. It is a relatively safe business from a solvency perspective because of its nearly zero financing to Equity Ratio and an extremely high Interest Coverage Ratio, which show practically no reliance on outside funding.
- **Operational Functionality:** exceptional inventory turnover implies substantial demand for the company's vehicles and effective management of inventory.
- **Liquidity and Profitability:** Liquidity is borderline (Current Ratio falls below 1.0), which may require attention; however, strong inventory turnover covers the risk. Profitability demonstrates a significant upward trend in Net Profit Ratio.

6.2) Tata Motors Limited:

- **Financial Strength:** Historically a high-risk profile due to heavy reliance on debt (Debt to Equity Ratio up to 3.13). However, the company has shown a massive turnaround in the later years, significantly reducing its debt burden and improving interest coverage.
- **Profitability:** Following the shift in direction, profitability produced a significantly higher Return on Net Worth in 2023–2024, reflecting an improved utilization of shareholder equity. It also illustrates better fundamental operational efficiency (higher Operating Profit Ratio).
- **Efficiency:** Inventory turnover is much slower than Maruti Suzuki, which is common for a company with a broader range of vehicle types (including commercial and luxury).

6.3) Comparative Financial Summary:

Maruti Suzuki India Limited (MSIL) is a prime example of an efficiency-driven, financially cautious business strategy. Better liquidity (particularly in prior years), low financial risk from small leverage, consistent and increasing net profit margins, and exceptional operational efficiency as shown by its high inventory turnover ratio are its main advantages. The decrease in its liquidity ratios and the minor decrease in its debtors turnover ratio over the time were its primary weaknesses.



Tata Motors Limited is a capital-intensive, high-leverage business that has accomplished a quick financial recovery. While TML was initially burdened with massive debt as well as substantial net losses, it showed improved operating profitability, a major boost in solvency through the elimination of debt, and a significantly greater high Return on Net Worth. Its stable liquidity ratios and improving Debtors Turnover Ratio also indicated good management at the end of the period.

7. Summary:

Maruti Suzuki presents as the safer, more stable company with excellent efficiency in inventory and virtually no financial leverage. Tata Motors, while historically riskier, has shown a dramatic and successful financial turnaround, demonstrating superior operational and shareholder returns in recent years.

Table 1.10
Showing Comparative Summary of Both the Companies

Sr. No.	Ratio Category	Maruti Suzuki India Limited	Tata Motors Limited
1.	Solvency/ Risk	Extremely Low Risk	High Risk, Significantly Improved
2.	Liquidity	Weak	Consistently Weak
3.	Operational Efficiency	Excellent	Average/ Improving
4.	Profitability (Margins)	Stable/ Improving	Superior Core Profit
5.	Returns	Consistent, Strong	Highly Volatile, Superior Recent Return

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