JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

STRATEGIC FINANCIAL TRANSFORMATION AND COMPETITIVE POSITIONING: A PERFORMANCE OVERVIEW OF TATA MOTORS LTD (2021-2025)

Dr. Trupti Gupte
HR Faculty, PTVA's Institute of Management, Mumbai, Maharashtra

Ms. Aniket Dodekar,
Student, MMS (Finance), PTVA's Institute of Management, Mumbai, Maharashtra

ABSTRACT

This research paper evaluates the business and financial performance of Tata Motors Ltd during the fiscal year 2021 through 2025. The Study analyzes the company's strategic turnaround from a loss- making entity to a profitable market leader, driven by operational efficiency, deleveraging and a pivot toward Electric Vehicles (EVs). Utilizing ratio analysis, Dupont decomposition and peer comparison with Maruti Suzuki and Ashok Leyland, this paper identifies key drivers of financial health. Findings indicate a substantial recovery in Return on Equity (ROE) to 23.06% in FY2025, a drastic reduction in Debt-to-Equity ratio to 0.54 and a solidification of market standing despite intense industry rivalry.

1. INTRODUCTION

Tata Motors Ltd, a USD 44 billion (3.89 lakh crore) a large company and part of the Tata Group, stands at the forefront of this transition in India. With a diverse portfolio ranging from commercial vehicles to luxury Jaguar Land Rover (JLR) units, the company provides a unique case study of resilience and strategic restructuring. Founded in 1945 as Tata Engineering and Locomotive Company (TELCO) by JRD Tata. Initially made Locomotives (Railway Engine). Tata motors is India's largest commercial vehicle manufacturer and among the top three for passenger vehicles.

Tata Nano was launched as low-cost car designed to give Indian households an affordable mobility option. The idea was driven by Ratan Tata, known for his focus on simple, inclusive innovation.

Under the Chairmanship of N. Chandrasekaran Tata secured a $1 billion investment from TPG private Equity in Tata Motors' EV subsidiary in 2021, another major milestone for the corporation, sustainable mobility and bringing Tata Motors to leadership in India's EV Sector. The strategic pivot towards digital integration, specifically through platforms like Fleet Edge, has modernized the commercial vehicle segment. This study is to analyze the financial stability and operational efficiency of Tata Motors following the COVID-19 pandemic.

2. INDUSTRY OVERVIEW

The Indian automotive sector is a critical economic pillar, contributing approximately 7.1% to the nation's GDP and 49% to manufacturing GDP. The industry is currently supported by government
Initiatives like the FAME scheme and production- Linked incentive (PLI) programs, which aim to accelerate the adoption of electric vehicles.

Automobile Production Trends

(In Numbers)

Category	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Passenger Vehicles	34,24,564	30,62,280	36,50,698	45,87,116	49,01,840	50,61,164
Commercial Vehicles	7,56,725	6,24,939	8,05,527	10,35,626	10.67,504	10,32,645
Three Wheelers	11,32,982	6,14,613	7,58,669	8,55,696	9,96,159	10,50,020
Two Wheelers	2,10,32,927	1,83,49,941	1,78,21,111	1,94,59,009	2,14,68,527	2,38,83,857
Quadricycles	6,095	3,836	4,061	2,897	5,006	6,488
Grand Total	**2,63,53,293**	**2,26,55,609**	**2,30,40,066**	**2,59,40,344**	**2,84,39,036**	**3,10,34,174**

Source: Society of Indian Automobile Manufacturers (SIAM)

Market Dynamics

- Threat of New Entrants**:** High capital requirements typically deter entry; however, government subsidies for EVs are lowering barriers for new technology- focused firms.
- Bargaining Power of Suppliers: Tata motors face risks from reliance on third -party vendors for EV technologies. The company is mitigating this through a vertical integration strategy to reduce costs and supply chain volatility.
- Competitive Rivalry**:** The sector is saturated with aggressive competitors like Maruti Suzuki and Hyundai, leading to price wars and a constant need for innovation in safety and green technology.

- Threat of Substitutes: Public transport, ride sharing platforms (Ola/ Uber) and two- wheelers remain cost-effective alternatives for price- sensitive Indian consumers.

3. LITERATURE REVIEW

- A study of financial performance of tata motors with special reference to the period 2017 to 2021-vanshika Singh, Vichal Kumar, dr. Ruchi Atri (2021)
  This study evaluates Tata Motors' 2017–2021 performance using selected ratios, showing stable results and fair returns to shareholders. Its limitation lies in using only a few ratios and not including peer comparisons or strategic context. Future work can add benchmarking, DuPont analysis, and strategic insights.
- Ratio analysis of Tata Motors- Dev Nilesh Jaju
  This paper compares Tata Motors 2021–2022 financial ratios and notes clear gains in liquidity, profitability, sales, and stock performance. However, the one-year scope limits depth, as it excludes multi-year trends, benchmarking, and strategic insights.
- Financial ratio analysis of an automobile industry (Tata Motors- Jatinder Kaur, Mukesh Kumar Gupta, Arpit Jain
  The study reviews Tata Motors 2019–2022 data, showing COVID-19-driven decline with early signs of recovery from brand strength and strategic moves. Its short timeframe limits insight, leaving gaps on post-pandemic trends, EV growth, JLR recovery, and industry competitiveness.

4. RESEARCH METHODOLOGY

Study adopts a descriptive and analytical research design based on secondary data derived from Tata Motors annual reports (2021-2025) and industry publications.

Research Objectives:

- Assess Tata Motors' five- year financial performance through key ratios.
- Analyze Dupont components to determine ROE drivers.
- Compare Tata Motors financials with major competitors to gauge its market position.

Data Collection Tools (Secondary Data):

- Annual reports of Tata Motors Ltd
- Industry reports (SIAM)
- News articles, Government policy documents
- BSE/NSE websites, Company filings

FINANCIAL PERFORMANCE ANALYSIS- TATA MOTORS LTD

- PROFITABILITY RATIOS

Tata Motors has shown a remarkable turnaround. In FY2021, the company reported a negative Net Profit Margin

Profitability Ratio	2021	2022	2023	2024	2025
Return on Capital Employed ROCE= EBIT/ CE*100	6.14%	1.63%	6.45%	18.40%	18.59%
Return on Equity ROE= NET PROFIT/ SE*100	-23.60%	-22.53%	5.11%	36.17%	23.06%
Return on Asset ROA= NET PROFIT/ TA*100	-3.92%	-3.46%	0.71%	8.47%	7.34%
EBIT Margin EM= EBIT/ REVENUE*100	4.55%	1.05%	3.37%	8.72%	8.89%
Net Profit Margin NPM= NET PROFIT/ REVENUE*100	-5.21%	-4.06%	0.78%	7.33%	6.40%

(NPM) of -5.21%. By FY2024 and FY2025, the company returned to profitability, posting NPMs of 7.33% and 6.40%, respectively. This shift is attributed to improved EBIT margins, which grew to 8.89% in FY2025, driven by cost control, better pricing power, and recovery demand.

- SHORT-TERM SOLVENCY RATIO

Short-term Solvency Ratio	2021	2022	2023	2024	2025
Current Ratio CR= CA/ CL	0.93	0.98	0.98	0.97	0.96
Quick Ratio QR= CA-INVENTORY/CL	0.70	0.74	0.71	0.69	0.68
Cash Ratio CRR= CASH+ CASH EQ/CL	0.20	0.25	0.20	0.23	0.20

Tata Motors' short-term solvency ratios from 2021 to 2025 show stable but consistently low liquidity. The current ratio, quick ratio, and cash ratio all remained below the ideal benchmark, indicating that the company operated with limited liquid assets and relied on efficient working-capital management to meet its near-term obligations. Despite this low liquidity position, the trends were steady without sharp fluctuations, reflecting controlled financial operations.

- LONG-TERM SOLVENCY RATIO

Long-term Solvency Ratio	2021	2022	2023	2024	2025
Debt to Equity Ratio DE= DEBT/ EQUITY	2.08	3.13	2.77	1.16	0.54
Debt Ratio DR= TD/ TA	0.83	0.85	0.84	0.74	0.67
Interest Coverage Ratio ICR= EBIT/ INT. EXPENSES	0.40	(0.68)	0.14	3.87	6.75
Debt Service Coverage Ratio DSCR= NOI/ TOTAL DEBT	0.42	0.04	0.23	1.76	2.21

Debt-to-Equity ratio peaked at 3.13 in FY2022 but dropped dramatically to 0.54 by FY2025. This indicates a shift away from debt financing toward internal accruals and equity. The Interest Coverage Ratio improved from inadequate 0.40 in FY2021 to a healthy 6.75 in FY2025, signaling a robust capacity to service debt obligations from operating earnings.

- EFFICIENCY RATIO (Times)

Efficiency Ratio	2021	2022	2023	2024	2025
Fixed Asset Turnover Ratio(T) FATR = NET SALES/ NFA	1.55	1.81	2.35	2.88	2.61
Asset Turnover Ratio(T) ATR= NET SALES/ TA	0.75	0.82	1.03	1.24	1.17
Debtors Turnover Ratio(T) DTR= NCS/ AVG TR	21.16	22.27	24.71	26.62	29.11
Inventory Turnover Ratio(T) ITR= COGS/ AVG INVT	0.91	1.59	5.50	5.63	5.07
Payable Turnover Ratio(T) PTR= NCP/ AVG TP	3.83	4.49	5.28	5.13	4.44

Inventory Turnover ratio surged from 1.59 in FY2022 to 5.07 in FY2025, implying faster sales cycles and reduced working capital blockage. Debtor Turnover ratio improved from 21.16 in FY2021 to 29.11 in FY2025, indicating highly effective credit policies and faster cash realization from customers.

CASH FLOW ANALYSIS

Year	2025	2024	2023	2022	2021
Cash Flow Summary					
Cash and Cash Equivalents at Beginning of the year	40015	31887	38159.01	31700.01	18467.8
Net Cash from Operating Activities	**63102**	**67915**	**35388.01**	**14282.83**	**29000.51**
Net Cash Used in Investing Activities	**(47594)**	**(22828)**	**(16804.16)**	**(4775.12)**	**(26126.25)**
Net Cash Used in Financing Activities	**(18786)**	**(37006)**	**(26242.9)**	**(3380.17)**	**9904.2**
Net Inc/(Dec) in Cash and Cash Equivalent	(3278)	8081.28	(7659.05)	6127.54	12,778.46
Cash and Cash Equivalents at End of the year	34349	40015	31886.95	38159.01	31700.01

Operating cash flow improved consistently, peaking in FY2024 due to strong EV performance and commercial vehicle fleet upgrades. Simultaneously, investing outflows increased in FY2025 (47,594 crores), reflecting heavy capital expenditure on EV development and plant modernization.

STRATEGIC ANALYSIS

DuPont Analysis: Decomposing ROE

The DuPont analysis reveals that the recovery in Return on Equity (ROE) from negative figures in FY2021 to 23.06% in FY2025 was driven by operational improvements rather than financial leverage.

ROE = NET PROFIT MARGIN *ASSET TURNOVER *EQUITY MULTIPLIER

- **Three Factor Dupont – ROE**

	2021	2022	2023	2024	2025
Net Profit	-13395.10	-11308.76	2,689.87	31,806.75	28149.00
Net Sales	249794.75	278453.62	3,45,996.97	4,34,016.00	4,39,695.00
Net Profit Margin	**(5.21%)**	**(4.06%)**	**0.78%**	**7.33%**	**6.40%**
Sales	249794.75	278453.62	3,45,996.97	4,34,016.00	4,39,695.00
Total Assets	3,43,125.80	3,30,619.93	3,36,081.38	3,70,663.96	3,78,642.00
Asset Turnover Ratio	**0.75**	**0.82**	**1.03**	**1.24**	**1.17**
Total Assets	3,43,125.80	3,30,619.93	3,36,081.38	3,70,663.96	3,78,642.00
Total Equity	56,820.21	48,832.30	52,599.51	93,093.93	1,22,754
Equity Multiplier	**6.04**	**6.77**	**6.39**	**3.98**	**3.08**
Return on Equity	**(23.60%)**	**(22.53%)**	**5.11%**	**36.17%**	**23.06%**

Net Profit Margin: Improved from -5.21% (FY21) to 6.40% (FY25), indicating better cost management.

Asset Turnover: Increased from 0.75 (FY21) to 1.17 (FY25), showing improved revenue generation per unit of asset.

Equity Multiplier: Decreased from 6.04 (FY21) to 3.08 (FY25).

Interpretation: The positive ROE is "high quality" because it stems from core profitability and efficiency, even as the company reduced its financial leverage (risk).

PEER COMPARISON

A comparative analysis with Maruti Suzuki (Market Leader) and Ashok Leyland (Commercial Vehicle competitor) highlights Tata Motors' market positioning for FY2025.

METRIC	TATA MOTORS	MARUTI SUZUKI	ASHOK LEYLAND	ANALYSIS
ROE	23.06%	15.07%	27.64%	Tata outperforms Maruti but trails Ashok Leyland, though Ashok Leyland's returns are driven by high leverage.
NET PROFIT %	6.40%	9.18%	6.90%	Tata lags behind Maruti, indicating a need for better pricing strategies or cost reduction.
DEBT/ EQUITY	0.54	0.37	4.80	Tata is far more secure than Ashok Leyland (high risk) and comparable to the conservative Maruti Suzuki.
INVENTORY TURNOVER	5.07	25.80	6.11	Maruti is significantly more efficient in inventory management. Tata Motors holds inventory longer, tying up capital.

5. FINDINGS

- Tata Motors has successfully transitioned from a loss-making entity to a profitable one, evidenced by a 36.17% ROE in FY2024 and sustained profitability in FY2025.
- The company utilized its improved cash flows to reduce debt, bringing the Debt-to-Equity ratio down to 0.54, significantly lowering financial risk compared to peers like Ashok Leyland.
- Despite improvements, Tata Motors significantly lags behind Maruti Suzuki in inventory turnover (5.07 vs. 25.80) and Net Profit Margins, suggesting operational inefficiencies and higher holding costs.
- The earnings ratio has improved, but the net profit margin is still lower compared to industry leaders like Maruti Suzuki. Tata Motors have potential to improve through cost savings and pricing adjustments.

6. RECOMMENDATIONS AND SUGGESTIONS

- Reduce inventory holding time to free up working capital, lower storage costs, and improve inventory turnover.
- Improve the cash ratio to strengthen liquidity, ensure smooth short-term payments, and build reserves for unexpected downturns.
- Increase R&D investment, especially in electric and smart vehicles, to stay technologically competitive and meet evolving consumer demand.

7. LIMITATIONS

- The study uses only secondary data and no primary inputs, which limits deeper insights beyond publicly available information.
- The analysis focuses mainly on past financial ratios, excluding non-financial factors like governance, culture, innovation, and external political influences.
- The recent demerger of Tata Motors occurred after March 2025, which is beyond the period covered in this study. Therefore, this structural change does not affect the findings but should be considered by future researchers when comparing post-demerger performance.

8. CONCLUSION

Tata Motors Ltd has achieved a comprehensive financial turnaround. The company has successfully navigated post-pandemic supply chain disruptions and legacy debt issues to emerge as a financially disciplined and profitable entity. The reduction in financial leverage, coupled with rising asset turnover, proves that the current growth is sustainable and driven by core operations rather than financial engineering.

However, challenges remain. The company’s lower Net Profit Margins compared to Maruti Suzuki indicate that while Tata Motors generates significant revenue, its cost structure requires further optimization. The company is well-positioned to lead the Indian EV transition.

References

- https://www.tatamotors.com/annual-reports/
- https://www.siam.in/
- https://ijlmh.com/paper/ratio-analysis-of-tata-motors/
- https://mbajournals.in/index.php/JoSCLM/article/view/1278
- https://www.screener.in/company/TMCV/
- https://www.bseindia.com/stock-share-price/tata-motors-ltd/tmcv/544569/