



## Working Capital Management Strategies In The Automobile Sector: A Comparative Study Of Tata Motors And Mahindra & Mahindra

Samarpan Mosses Clifton<sup>1</sup>, Sneha Singh<sup>2</sup>, Dr Rachna Thakkar<sup>3</sup>

<sup>1,2</sup>UG- Commerce, St. Xavier's College of Management & Technology, Patna.

<sup>3</sup>Assistant Professor, School of Commerce, Xavier University, Patna.

**Email ID:** samarpanclifton@gmail.com<sup>1</sup>, singhsneha1167@gmail.com<sup>2</sup>, Rachna.thakkar@xup.ac.in<sup>3</sup>

### Abstract

*This study investigates working capital management, ratio analysis, and profitability dynamics of Tata Motors and Mahindra & Mahindra Limited, India's preeminent automotive competitors. A side-by-side comparison elucidates how these entities deploy operating capital to optimise financial performance and sustain market leadership. Effective working capital management is pivotal for organisational liquidity and operational continuity, entailing judicious oversight of current assets and liabilities. Ratio analysis, conversely, provides a rigorous evaluation of financial health using key metrics derived from financial statements. A mixed-methods research design was adopted, integrating quantitative scrutiny of secondary financial data (balance sheets and income statements, 2020–2025) with qualitative appraisal of strategic managerial practices to evaluate liquidity, operational efficiency, solvency, and profitability. Results delineate divergent efficacies: Tata Motors demonstrates superior inventory turnover amid market fluctuations, whereas Mahindra & Mahindra exhibits enhanced liquidity resilience. These insights affirm the imperative of adaptive working capital strategies for competitive advantage in emerging automotive markets.*

**Keywords:** Working Capital Management, Ratio Analysis, Profitability, Tata Motors, Mahindra & Mahindra, Current Ratio, Quick Ratio, Inventory Turnover Ratio, Automotive Industry.

### 1. Introduction

Working Capital Management plays a vital role in ensuring the smooth functioning and financial stability of business organisations, particularly in capital-intensive industries such as the automobile sector. It refers to the management of current assets and current liabilities in a way that maintains sufficient liquidity while maximising profitability. Efficient working capital management helps firms meet their short-term obligations, optimise operational efficiency, and improve overall financial performance. In industries like automobile manufacturing, where large investments are required in inventory, raw materials, receivables, and production cycles, effective working capital strategies become even more significant. The automobile sector is one of the most important contributors to the Indian economy, generating employment, supporting industrial growth, and

contributing significantly to GDP[1]. Companies operating in this sector face challenges such as fluctuating demand, high production costs, supply chain disruptions, and intense market competition[2]. These factors directly impact the management of working capital and require firms to adopt strong financial strategies to maintain operational continuity and profitability. Tata Motors and Mahindra & Mahindra are two of the leading automobile companies in India with strong market presence and diverse product portfolios. (Tata, 2024–25) Both companies have established themselves as major players in passenger vehicles, commercial vehicles, and utility vehicles, but they differ in their financial structures, operational approaches, and management strategies. A comparative analysis of their working capital management practices provides valuable insights into how large automobile firms maintain

liquidity, manage cash flows, control inventory, and handle receivables and payables[3]. This study focuses on analysing and comparing the working capital management strategies of Tata Motors and Mahindra & Mahindra (mahindra, 2025)[4]. It aims to evaluate key components through ratio analysis (Pandey, 2021) to assess their efficiency in managing short-term financial resources[5]. The study also seeks to identify the strengths and weaknesses in their working capital practices and understand their impact on profitability and financial sustainability. By comparing these two major automobile companies, the research will contribute to a better understanding of financial management (Jain, 2020) practices in the automobile industry and provide useful suggestions for improving working capital efficiency. This study is significant for academicians, financial analysts, management professionals, and students who wish to understand the practical application of working capital management in a competitive industrial environment[6].

## 2. Literature Review

The study is based upon three leading automotive companies which are Mahindra & Mahindra, Tata Motors and Maruti Suzuki India Ltd. It aimed to find the liquidity and profitability performance of companies to check the relationship between them[7]. (Ramanuj, (2023)) The study is based upon the financial performance of Mahindra & Mahindra Company. The main objective of the research was to analyze the effectiveness of company's marketing strategy and to study more about how well marketing methods are working to increase sales[8]. The findings showed that M&M must upgrade its technology to meet the market demands and preference of its customers. (Saraswat, 2023) The study shows that how effective management of working capital is important for company's financial well-being which can also affect the liquidity and profitability of the company. The study covers various techniques of ratio analysis including inventory turnover ratio, receivables and payables turnover etc. providing insights of financial health. (Begum, 2024) The study shows the importance of ratio analysis for the evaluation of financial performance and health of automobile companies

including Tata Motors. Some of the key ratios which are indicators of operational efficiency and financial stability includes liquidity ratios, profitability ratios and leverage ratios. The finding of the study shows that although Tata Motors has shown improvement in some areas like asset utilization, the liquidity concerns still remain as a red flag. (Jayanthi, 2025) The study is based upon the analysis of financial performance of Tata Motors using the ratio analysis. The analysis is based on secondary source of data taken from the annual reports published by the company. The analysis period of study was from FY2016 – FY2020. The key ratios which were calculated for this study includes current ratio, inventory turnover ratio, asset turnover ratio etc. The findings showed that the company performed well for the following years maintaining a stable financial health. On one side the study showed how ratio analysis can help us evaluate performance and decision-making ability, it did not focus on working capital management or comparative analysis with any other leading automotive giant. (Som, 2021)

The study is a comparative analysis between two automotive giants, Tata Motors and Mahindra & Mahindra. The financial performance of the company is also examined in this study using the ratio analysis. Some of the key ratios such as earnings per share, return on capital employed, return on net worth, gross profit ratio, and net profit ratio were used for analysis[10]. The following study is done for the FY2018 – FY2022. The findings showed that M&M performed better in comparison to Tata Motors (similar to our findings). It also mentioned that Tata Motors need to control their overall expenses in order to improve their profitability in the upcoming years. The limitation of the research showed that it did not specifically focus on working capital management[9]. (Maheswari, 2023)

## 3. Research Methodology

The present study is analytical in nature and is primarily based on secondary data. The required data have been collected from the published annual reports of the selected automobile companies, namely Tata Motors and Mahindra & Mahindra. (Tata, 2024–25), (mahindra, 2025) The financial statements and relevant information from these reports were used for



analysis and interpretation. The study covers a period of five financial years, from FY 2020 to FY 2025. Various financial calculations and ratio analyses were carried out based on the collected data to evaluate and compare the working capital management practices of both companies.

### 3.1. Research Objective

- To analyse the liquidity position of these companies
- To evaluate the efficiency of working capital management
- To compare the performance of these two giants using ratio analysis.

### 3.2. Research Gap

The gap reveals that most of the research on the on the topic of Working Capital Management are done for individual companies or firms. Some of the comparative analysis studied under the following topic includes companies like Maruti Suzuki Ltd., Tata Motors, Toyota etc. However, limited research has been conducted on comparative analysis of working capital management between Tata Motors and Mahindra & Mahindra in recent years (FY2020 – FY2025), two leading Indian automotive brands who started their journey in the same year i.e. 1945, now fighting for the dominance in the automotive industry, specifically for No. 2 position behind Maruti Suzuki Ltd Table 1.

### 3.3. Analysis and Interpretation

For the purpose of analysis and interpretation, three important ratios have been used to evaluate the working capital management of Tata Motors and Mahindra & Mahindra, namely the Current Ratio, Liquidity Ratio, and Inventory Turnover Ratio. These ratios help in assessing the liquidity position, short-term solvency, and operational efficiency of both companies. The analysis of these ratios provides a clear understanding of how effectively the companies manage their working capital and maintain financial stability Table 2.

### 3.4. Current Ratio: Tata Motors & Mahindra & Mahindra

#### Interpretation Of Table 1 And 2

- The current ratio of Tata Motors remained consistently below the ideal ratio of 2:1 throughout the period of study.

- The ratio ranges from 0.85 to 0.98 indicating a relatively weak liquidity position.
- The possible reasons for the low current ratio of Tata Motors could be high current liabilities reliance, global operations causing slower inflows and long cycle of operations.
- Most of the part consists of inventory which can reduce the quick ratio as well as the overall liquidity.
- On the other-hand we have Mahindra & Mahindra which has shown a better current ratio ranging from 1.29 to 1.40.
- This indicates that Mahindra & Mahindra has more liquidity compare to Tata Motors.

**Table 1 Current Ratio of Tata Motors**

YEAR	RATIO
2020	0.59
2021	0.71
2022	0.74
2023	0.71
2024	0.69
2025	0.68

**Table 2 Data representing Liquidity Ratio of Mahindra & Mahindra**

YEAR	RATIO
2020	1.32
2021	1.40
2022	1.34
2023	1.29
2024	1.0
2025	1.40

### 3.5. Liquidity Ratio: Tata Motors & Mahindra & Mahindra

#### Interpretation of Table 3 and 4

From the above liquidity ratio, we can make some interpretations about their liquidity which are as follows:

- The Liquidity ratio of Tata Motors remained below the ideal ratio of 1:1 during the entire study Table 3 and 4.
- It ranged between 0.59 and 0.74 indicating that the company may not be fully efficient in meeting its short-term obligations.
- Although there are some improvements from 2020 to 2022.
- The potential reasons could be capital intensive investments.
- Further the long-term operating cycle may affect the liquidity of Tata Motors.
- In contrary Mahindra & Mahindra maintained a comparatively more stable and better liquidity ratio ranging from 0.94 to 1.05.
- This shows Mahindra & Mahindra strategically use conservative approach of stability over aggressive expansion through long term investments Table 6.

**Table 3 Data representing Liquidity Ratio of Tata Motors**

YEAR	RATIO
2020	0.59
2021	0.71
2022	0.74
2023	0.71
2024	0.69
2025	0.68

**Table 4 Data representing Liquidity Ratio of Mahindra & Mahindra**

YEAR	RATIO
2020	0.95
2021	1.05
2022	0.98
2023	0.94
2024	0.96

2025	1.18
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### 3.6. Inventory Turnover Ratio: Tata Motors & Mahindra & Mahindra

**Table 5 Data representing Inventory Turnover Ratio of Tata Motors**

YEAR	RATIO
2020	3.99
2021	0.91
2022	1.59
2023	3.57
2024	6.56
2025	5.66

**Table 6 Data representing Inventory Turnover Ratio of Mahindra & Mahindra**

#### Interpretation of Table 5 and 6

- The inventory Turnover ratio of Tata Motors showed fluctuations during this period
- It was relatively lower in 2021 and 2022 indicating slower movement of inventory in the market highlighting a lower demand for the products Table 5.
- However, there is a sharp increase in 2024 which shows a drastic demand in the market for Tata Motors.
- The covid year was more destructive for Tata Motors due to its global expansion as well as its aggressive policies. Tata Motors suffered losses during this period but rose consistently during its recovery period.
- Mahindra & Mahindra highlighted a more balanced inventory which was the result of their conservative approach of operating in the domestic market.

### 3.7. Comparative Statement Analysis for Tata Motors & Mahindra & Mahindra

**Table 7 Data representing Comparative Analysis of Tata Motors**

Year	Revenue	%change	Net Profit	%change
2020	2,61,000	—	- 11,975	—
2021	2,49,800	-4.3%	- 13,451	↓ loss
2022	2,78,500	+11.5%	- 11,308	↓ loss
2023	3,45,967	+24.2%	2,690	Turnaround
2024	4,37,928	+26.6%	31,807	+1083%
2025	4,60,000	+5.0%	34,000	+6.9%

#### Interpretation of Table 7

- The year 2020-2022 shows the global slowdown due to covid pandemic. Tata Motors
- Heavy losses were faced during this period and a U-shaped curve recovery trend started after the impact.
- Revenue increased steadily in 2023 and showed a boom in 2024 with 31,807cr net profit after suffering from losses.
- The revenue is slow-paced with a net profit change of +6%, which shows a stable performance in the market Table 7.

#### Interpretation of Table 8

- In the above comparative-statement we can clearly see that Mahindra & Mahindra too faced some losses but the losses were nowhere near the losses of Tata Motors.
- Mahindra showed more recovery speed after the pandemic due to its expansion

towards the agricultural equipment Table 8.

- The growth was increased from +69% to +84.3% which shows a faster recovery with a boom.
- This growth reduced after 2023 but it was still steady as before the pandemic Table 8.

**Table 8 Data representing Comparative Analysis of Mahindra & Mahindra**

Year	Revenue	% change	Net Profit	%change
2020	88,000	—	3,800	—
2021	85,400	-3.0%	3,290	-13.4%
2022	1,00,000	+17.1%	5,577	+69.5%
2023	1,21,269	+21.3%	10,282	+84.3%
2024	1,39,000	+14.6%	12,270	+19.3%
2025	1,50,000	+7.9%	13,500	+10.0%

#### 4. Findings & Suggestions

- Mahindra & Mahindra maintained a more stable and consistent current ratio which was closer to the ideal ratio of 2:1.
- Further Mahindra & Mahindra was able to maintain a more liquid position when compared to Tata Motors.
- Though Tata was not as efficient as Mahindra & Mahindra in working capital management but it surely showed a faster and vigorous growth rate after the pandemic.



- Mahindra followed a conservative approach of operating while Tata follows a vigorous capital-intensive approach.
- We may conclude that Mahindra & Mahindra has a better working capital management system.

### Suggestions

- From the above study we may suggest that for an investor seeking stability and lower financial risk should opt for Mahindra & Mahindra.
- For investors willing to take some risk for higher returns can consider Tata a better option.
- Making a portfolio investment in these two giants would assure stability as well as growth.

### Conclusion

From the above analysis, it can be concluded that Tata Motors has shown comparatively lower liquidity in terms of both Current Ratio and Liquidity Ratio, indicating a weaker short-term financial position. This may be attributed to heavy long-term investments, which reduced the availability of current assets and affected liquidity. Additionally, a longer operating cycle may have resulted in lower cash flow within the organization. In contrast, Mahindra & Mahindra demonstrated a more stable and consistent performance in both current and liquidity ratios, reflecting a conservative and effective approach toward managing short-term liabilities. The company also focused on accurate demand estimation and avoided overproduction, which helped reduce losses during the pandemic period. From the comparative analysis, it is evident that Tata Motors achieved higher growth potential compared to Mahindra & Mahindra; however, it also faced significant losses during the pandemic. On the other hand, Mahindra & Mahindra maintained steady, balanced, and financially stable growth throughout the study period, making its working capital management comparatively stronger.

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