



International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

An Analysis of Financial Ratios of Tata Group Companies

Janvi Pandey¹, Dr. Pradeep Kumar²

¹MBA (Finance and Marketing), School of Business, Galgotias University, Greater Noida, UP

²Supervisor, School of Business, Galgotias University, Greater Noida, UP

ABSTRACT

This paper investigates the influence of financial ratios on investment-related choices, with a focus on five entities from the Tata Group: Tata Consultancy Services (TCS), Tata Motors, Tata Steel, Tata Consumer Products, and Tata Elxsi. Financial ratios serve as essential indicators for assessing the fiscal stability and growth prospects of a business. The research employs secondary data spanning from 2021 to 2025, derived from credible platforms including Screener.in, Moneycontrol, NSE India, and company annual reports. Key financial metrics such as Return on Equity (ROE), Debt-to-Equity (D/E), Net Profit Margin (NPM), Current Ratio, and Price-to-Earnings (P/E) Ratio are utilized to evaluate performance. The analysis reveals that TCS and Tata Elxsi exhibit robust financial fundamentals, reflected in high ROE and low debt levels, positioning them as attractive investment options. Tata Motors, though previously underperforming, shows signs of financial recovery. The research underscores the significance of ratio analysis in forming informed investment strategies, offering practical insights for investors, analysts, and financial strategists.

Keywords: Financial Metrics, Tata Group, ROE, Leverage Ratio, Profitability, Investment Evaluation

Introduction

Investment decisions are largely influenced by a company's financial indicators, which reflect its operational success, profitability, and associated risk. Financial ratios offer a practical and efficient method for comparing business performance over time and across different sectors. This study focuses on metrics such as Return on Equity (ROE), Debt-to-Equity Ratio, Price-to-Earnings Ratio, Net Profit Margin, and Current Ratio to gauge the financial soundness and investment appeal of companies.

The Tata Group, among India's most expansive and diversified business conglomerates, presents a unique opportunity to evaluate businesses from varied sectors within one organizational framework. By examining TCS (IT), Tata Motors (automobile), Tata Steel (manufacturing), Tata Consumer Products (FMCG), and Tata Elxsi (design and technology), this study aims to explore sectoral differences in financial performance and investor responses.

The research analyzes the financial standing of selected Tata Group companies to interpret how financial indicators guide investment judgments. The diversity across industries—from technology and manufacturing to consumer goods—highlights the strategic depth of the group and enables a comprehensive cross-sectional financial analysis. The goal is to identify the financial ratios that most significantly impact investors' decision-making and to detect trends over a five-year duration (2021–2025) to guide better investment practices.

Need for the Study

In an increasingly dynamic capital market, investors face an abundance of investment opportunities across sectors. Making prudent investment choices requires a thorough evaluation of a firm's financial health, sustainability, and profitability. Financial ratio analysis provides a systematic approach for evaluating these dimensions.

This study is essential due to the growing relevance of ratio analysis in investment strategy and portfolio construction. Although numerous investigations focus on sector-specific or broad financial analysis, limited research has delved specifically into companies under the Tata Group umbrella. Assessing financial ratios of such diversified companies provides insight into comparative strength and sectoral variation.

The study fills this academic gap and provides decision-making support for investors, market stakeholders, and policymakers who seek to understand the long-term financial viability of Tata Group enterprises.

Objectives of the Study

The principal aim of this research is to assess the financial performance of selected Tata Group companies through key financial ratios and evaluate how these metrics influence investment preferences.

Specific objectives include:

- To evaluate the financial condition of select Tata companies using prominent financial ratios.
- To examine the trend of ratios such as ROE, D/E, NPM, Current Ratio, and P/E over the years 2021–2025.
- To determine the impact of these ratios on investor behavior.
- To compare and classify companies based on their financial strength using ratio analysis.

Literature Review

- Financial ratios are pivotal instruments for assessing a company's fiscal health and making rational investment decisions. Previous literature emphasizes their role in evaluating profitability, efficiency, and financial stability (Pandey, 2020; Ross et al., 2019; Gupta & Ramesh, 2018; Kumar & Sharma, 2017; NSE India, 2022).
- Pandey (2020) underlines the importance of ROE as a key metric for measuring a firm's ability to reward its shareholders. A sustained and high ROE signals efficient capital usage.
- Ross, Westerfield, and Jordan (2019) argue that D/E and NPM ratios enable investors to assess leverage and profitability, offering a clearer picture of financial soundness.
- Gupta and Ramesh (2018) view the P/E ratio as essential in determining stock valuation, indicating market expectations and potential upside.
- Kumar and Sharma (2017) discovered that firms with consistently strong ratios tend to outperform their counterparts in market returns.
- According to NSE India (2022), the trend among retail investors increasingly favors data-driven analysis using financial metrics.

This study adds value by contextualizing these insights within the Tata Group, a uniquely diversified corporate structure.

Research Methodology

This study adopts a **descriptive and analytical research design**. It is based exclusively on **secondary data**, gathered from reliable online and published resources. The aim is to objectively assess financial performance and identify patterns through ratio analysis.

Data Collection

- **Sources Used:** Screener.in, Moneycontrol.com, National Stock Exchange of India (NSE), and official company annual reports (2021–2025).
- **Financial Metrics Analyzed:** ROE, D/E Ratio, Net Profit Margin, Current Ratio, and P/E Ratio.
- **Software Tools:**
 - *Microsoft Excel* for data consolidation and preliminary analysis.
 - *Python* (matplotlib, pandas) for trend visualization and interpretation.

Sample Size

- Five companies: TCS, Tata Steel, Tata Motors, Tata Consumer Products, and Tata Elxsi
- Five years of financial data (2021–2025), resulting in 25 observations per ratio

Sampling Design

The sample includes prominent Tata Group companies with significant market presence and sectoral representation. The selected firms span IT, consumer goods, heavy industry, design technology, and automotive segments, ensuring a comprehensive intra-group comparative framework.

Limitations of the Study

- The sample is limited to five Tata companies, which may restrict the scope of generalization to the broader financial market.
- The study is based on secondary data, which might contain inaccuracies not within the researcher's control.

- The five-year study window may not reflect long-term patterns or structural industry changes.
- Behavioral elements and qualitative insights influencing investor sentiment were not considered.
- Only selected financial ratios were included; other performance indicators were excluded due to scope constraints.

Conclusion

The research reinforces the critical role of financial ratios in shaping investor perspectives within Indian equity markets. While widely known indicators like P/E and ROE dominate attention, lesser-known metrics such as Current Ratio and D/E are often overlooked despite their significance.

Findings suggest a need to enhance public understanding of all key financial indicators. Market regulators, financial platforms, and educational institutions must work together to foster financial literacy and transparency.

Key Recommendations:

1. **For Investors:** Master both popular and supporting financial ratios to make balanced decisions.
2. **For Educators:** Embed financial literacy, including ratio analysis, into formal education.
3. **For Brokers & Apps:** Develop user-friendly dashboards highlighting key financial ratios.
4. **For Corporates:** Maintain transparency and emphasize ratio-based communication in investor reports.

Final Thought

In modern investing, insight trumps impulse. Financial ratios empower all investors—seasoned or novice—to assess risk and return logically. When used diligently, these tools pave the way toward more intelligent, data-backed investment strategies.

Financial Ratio Overview Table

| Company | ROE | D/E Ratio | Net Profit Margin | P/E Ratio |
|---------------|-----|-----------|-------------------|-----------|
| TCS | 35% | 0.04 | 25% | 30 |
| Tata Steel | 18% | 0.67 | 10% | 12 |
| Tata Motors | 12% | 0.79 | 5% | 18 |
| Tata Consumer | 20% | 0.20 | 15% | 25 |
| Tata Elxsi | 40% | 0.10 | 30% | 50 |

Average Ratio Analysis (2021–2025)

| Company | Avg ROE | Avg D/E | Avg NPM | Remarks |
|------------|---------|---------|---------|----------------------------|
| TCS | 53.85% | 0.016 | 22.60% | Financially most resilient |
| Tata Elxsi | 31.36% | 0.00 | | |

References

- Ross, S. A., Westerfield, R. W., & Jordan, B. D. (2019). Fundamentals of Corporate Finance. McGraw Hill.
- Pandey, I. M. (2020). Financial Management. Vikas Publishing.
- Gupta, A. & Ramesh (2018). "Analysis of P/E and Debt-to-Equity in Investor Decision Making." International Journal of Finance and Accounting.
- Kumar, S. & Sharma, P. (2017). "Financial Ratios' Impact on Market Performance." SSRN.
- NSE India. (2022). "Financial Ratios as Investor Tools." NSE Research Paper.
- TCS (2024). Annual Report (2021–2025).
- Tata Steel (2024). Annual Report (2021–2025).
- Tata Motors (2024). Annual Report (2021–2025).

-
- Tata Consumer (2024). Annual Report (2021–2025).
 - Tata Elxsi (2024). Annual Report (2021–2025).
 - Screener.in (2024).
 - Moneycontrol.com (2024).
 - National Stock Exchange (NSE) (2024).