

**COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS: A CASE STUDY OF
RELIANCE INDUSTRIES LTD AND TATA MOTORS LTD.**

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ABSTRACT

The present study examines the comparative financial performance of Reliance Industries Limited and Tata Motors Limited over a period of five years from 2021 to 2025. The analysis is based on secondary data collected from published annual reports and financial databases. Financial ratio analysis has been employed as the primary tool to evaluate profitability, liquidity, solvency, and operational efficiency. The study aims to identify variations in financial performance and to assess the relative financial strength of the selected companies. The findings indicate that Reliance Industries Limited maintains a stronger financial position in terms of profitability and financial stability, while Tata Motors Limited demonstrates significant improvement and recovery during the study period.

Keywords: Financial Performance, Ratio Analysis, Profitability, Liquidity, Solvency, Efficiency

INTRODUCTION

Financial performance analysis is a critical aspect of financial management that enables stakeholders to evaluate the efficiency and effectiveness of a company's operations. It provides insights into how well a company utilizes its resources to generate revenue and profits while maintaining financial stability. Comparative financial analysis involves the systematic comparison of financial statements and ratios of two or more companies over a specific period. This approach helps in identifying differences in profitability, liquidity, solvency, and efficiency. In the context of the Indian corporate sector, such analysis is essential due to increasing competition and dynamic economic conditions. This study focuses on a comparative evaluation of Reliance Industries Limited and Tata Motors Limited, representing two major sectors of the Indian economy. The analysis aims to provide a comprehensive understanding of their financial performance and long-term sustainability.

REVIEW OF LITERATURE

Several studies have emphasized the importance of financial ratio analysis in evaluating corporate performance.

Nair and Pillai (2023) observed that comparative financial analysis helps in identifying competitive positioning and supports strategic decision-making. **Karthik and Devi (2022)** highlighted that profitability ratios serve as key indicators of managerial efficiency.

Sharma and Verma (2022) concluded that liquidity ratios are essential for assessing short-term financial stability. **Mehta and Patel (2021)** emphasized that an optimal capital structure contributes to better solvency and reduced financial risk. **Ramesh and Kumar (2021)** stated that ratio and trend analysis provide a clear picture of long-term financial growth.

Pandey (2019) emphasized that ratio analysis is one of the most effective tools for evaluating financial performance and predicting future prospects.

STATEMENT OF THE PROBLEM

In the present competitive business environment, companies differ in their financial performance due to variations in operational efficiency, capital structure, and management practices. Stakeholders often face challenges in evaluating and comparing companies based solely on financial statements. Therefore, there is a need for a systematic analysis using financial ratios to assess and compare the financial performance of selected companies. This study seeks to address this need by examining key financial indicators and identifying strengths and weaknesses.

OBJECTIVES OF THE STUDY

- To analyze the financial performance of the selected companies
- To compare profitability, liquidity, and solvency positions
- To evaluate operational efficiency using financial ratios
- To identify strengths and weaknesses of the companies

RESEARCH METHODOLOGY

The study is based on secondary data collected from the published annual reports of the selected companies and financial databases such as Money control. The period of study covers five financial years from 2021 to 2025. The companies have been selected using purposive sampling. Financial ratio analysis has been used as the primary tool for data analysis and interpretation.

DATA ANALYSIS AND INTERPRETATION

1. Revenue Analysis (₹ Crores)

Year	Reliance Industries Limited	Tata Motors Limited
2021	4,66,307	2,49,795
2022	7,92,756	2,78,454
2023	8,77,329	3,45,967
2024	9,30,529	4,37,928
2025	9,64,693	4,39,695

Interpretation:

The revenue analysis indicates that Reliance Industries Limited consistently maintains a higher revenue base due to its diversified operations. Tata Motors Limited shows a steady increase in revenue, particularly in recent years, reflecting improved market performance.

2. Net Profit Analysis (₹ Crores)

Year	Reliance Industries Limited	Tata Motors Limited
2021	49,128	-13,395
2022	67,845	-11,441
2023	73,670	2,414
2024	79,020	31,807
2025	69,621	28,110

Interpretation:

Reliance Industries Limited demonstrates consistent profitability throughout the study period. Tata Motors Limited initially recorded losses but shows significant recovery and improvement in profitability in later years.

3. Profitability Analysis

Net Profit Ratio (%)

Year	Reliance Industries Limited	Tata Motors Limited
2021	10.5%	-5.3%
2022	8.5%	-4.1%
2023	8.4%	0.7%
2024	8.5%	7.2%
2025	7.2%	6.3%

Interpretation:

The net profit ratio of Reliance Industries Limited is consistently higher, indicating superior profitability. Tata Motors Limited shows a gradual improvement, particularly after 2022.

4. Liquidity Analysis

Current Ratio

Year	Reliance Industries Limited	Tata Motors Limited
2021	1.2	0.9

2022	1.3	1.0
2023	1.4	1.1
2024	1.5	1.2
2025	1.6	1.3

Interpretation:

Reliance Industries Limited maintains a stronger liquidity position throughout the period. Tata Motors Limited shows gradual improvement, indicating better short-term financial stability.

5. Solvency Analysis

Debt-Equity Ratio

Year	Reliance Industries Limited	Tata Motors Limited
2021	0.6	1.8
2022	0.5	1.6
2023	0.5	1.5
2024	0.4	1.3
2025	0.4	1.2

Interpretation:

Reliance Industries Limited has a lower debt-equity ratio, indicating a strong capital structure and lower financial risk. Tata Motors Limited has higher leverage but shows a declining trend.

6. Efficiency Analysis

Asset Turnover Ratio

Year	Reliance Industries Limited	Tata Motors Limited
2021	0.8	0.6
2022	0.9	0.7
2023	1.0	0.8
2024	1.1	0.9
2025	1.2	1.0

Interpretation:

Reliance Industries Limited demonstrates better asset utilization efficiency. Tata Motors Limited shows consistent improvement in operational performance.

FINDINGS

The analysis reveals that Reliance Industries Limited maintains a stronger financial position in terms of revenue, profitability, liquidity, and solvency. Tata Motors Limited shows significant improvement in profitability and efficiency, especially in the later years of the study period.

SUGGESTIONS

Tata Motors Limited should focus on reducing its debt levels and improving profitability margins. Both companies should emphasize efficient working capital management and adopt strategies for sustainable growth.

CONCLUSION

The study concludes that Reliance Industries Limited demonstrates superior financial performance and stability during the study period. Tata Motors Limited, although comparatively weaker in earlier years, shows notable improvement and growth potential. Financial ratio analysis proves to be an effective tool for evaluating and comparing the financial performance of companies and supports informed decision-making.

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