

A Study on Cash Flow Statement of Tata Motors

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Abstract – This study aims to comprehensively analyze the cash flow statement of Tata Motors Limited to evaluate its liquidity, operational efficiency, financial flexibility, and overall solvency over a five-year period (2021-2025). The cash flow statement, one of the key financial statements, provides insights into the company's cash inflows and outflows categorized under operating, investing, and financing activities. For a massive, capital-intensive conglomerate like Tata Motors—which manages the domestic commercial and passenger vehicle market alongside the global Jaguar Land Rover (JLR) luxury brand—cash management is the ultimate determinant of survival.

Keywords – Cash Flow, Tata Motors, Liquidity, Solvency, Financial Flexibility, Jaguar Land Rover, Free Cash Flow, Deleveraging.

I. INTRODUCTION

The cash flow statement is one of the most vital components of a company's financial statements, providing crucial insights into the movement of cash and cash equivalents within an organization during a specific accounting period. While the income statement records revenue and expenses on an accrual basis (which can sometimes be skewed by non-cash items like depreciation, amortization, and deferred taxes), the cash flow statement focuses solely on actual cash transactions. This makes it an essential and highly transparent

tool for assessing a company's true liquidity, solvency, and overall financial health. As per the Indian Accounting Standards (Ind AS 7), the cash flow statement is categorized into three primary segments: operating activities, investing activities, and financing activities. Operating activities reflect cash generated or used in the core business operations, such as revenue from sales, payments to suppliers, employee wages, and routine tax payments. Investing activities include cash used for purchasing or selling fixed assets (Capex), strategic investments, or business acquisitions. Financing activities capture cash flows related to borrowing, repayment of loans, issuance or buyback of shares, lease liabilities, and dividend payments.

II. REVIEW OF LITERATURE

1. Sharma, R. (2025)

"Cash Flow Analysis as a Tool for Business Sustainability in Indian Auto Sector" The study emphasized the role of cash flow statements in evaluating liquidity and operational resilience. Using data from automobile companies, it concluded that firms with stable operating cash flows perform better during market downturns.

2. Verma, S. & Reddy, T. (2025)

"Comparative Study on Cash Flow Statements of Indian Automakers" This paper analyzed cash flow trends of Maruti Suzuki and Tata Motors, revealing that Maruti

maintained stronger cash flows from operations, indicating better cash management practices.

3. Mehta, P. (2024)

"Cash Flow versus Profit: Understanding Financial Health in Manufacturing Firms"

The study argued that cash flow statements provide a more accurate financial picture than profit statements alone. It emphasized that strong operational cash flows are key for sustainable growth

4. Gupta, A. & Khan, M. (2024)

"Evaluating Cash Flow Trends in Post-COVID Business Recovery" This research focused on the post-pandemic cash flow recovery across industries. It highlighted how JLR prioritized manufacturing high-margin vehicles (like the Range Rover) during the chip shortage, maximizing cash inflows despite lower unit volumes.

5. Kumar, N. (2024) "The Role of Cash Flow Analysis in Investment Decision-Making"

The paper examined how investors use cash flow statements to assess company stability. It noted that free cash flow yield has become the primary metric for valuing Tata Motors' EV spinoff.

Need for the Study

In today's dynamic business environment, understanding a company's cash position is crucial for evaluating its financial sustainability and operational efficiency. Income statements and balance sheets provide valuable insights into profitability and financial structure, but they often fail to reveal the true liquidity position of a business. Tata Motors Limited operates in a highly competitive and capital-intensive market. It regularly engages in large-scale investments in production, technology, and product development. For a company attempting a historic pivot—transitioning JLR to all-electric and dominating the Indian EV space—while simultaneously trying to erase billions of dollars in legacy debt, cash is the absolute lifeblood. Therefore, analyzing the cash flow statement of Tata Motors becomes critical to understanding how effectively

the company balances these competing priorities to support day-to-day operations, long-term investments, and shareholder obligations.

Objectives of the Study

- To analyze the structure and components of the cash flow statement of Tata Motors Limited.
- To evaluate the trends in cash flow from operating, investing, and financing activities over the last five financial years (FY 2021 - FY 2025).
- To assess the company's liquidity position, solvency, and financial stability based on its cash flow performance.
- To study the relationship between net profit and actual cash flow from operating activities.
- 5. To provide actionable recommendations for improving cash flow management based on the comprehensive analysis.

Scope of the Study

The scope of this study is entirely centered around analyzing the consolidated cash flow statement of Tata Motors Limited to evaluate its financial liquidity, operational efficiency, and cash management practices. The study focuses on the data presented in the company's consolidated annual reports (which include JLR and other subsidiaries), particularly for the five financial years from 2021 to 2025.

III. METHODOLOGY

The methodology outlines the research process followed to analyze the cash flow statements of Tata Motors Limited. It includes the data collection methods, period of study, tools used for analysis, and the approach taken to interpret the results.

Type of Research

This study is analytical and quantitative in nature. It involves examining historical financial data to draw conclusions regarding the company's cash flow performance and financial health.

Source of Data

The study is based strictly on secondary data, which has been collected from:

- Tata Motors' official annual reports (2021-2025).
- Financial databases such as Moneycontrol, NSE, BSE, and Screener.
- Published literature, research papers, and financial journals

key financial ratios such as:

- Operating Cash Flow Ratio
- Cash Flow to Debt Ratio
- Free Cash Flow
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- **Comparative Analysis – to compare Tata Motors's performance with industry peers where relevant**

Data Interpretation

The collected data is organized in tabular form, and relevant charts and graphs are used to visually represent the cash flow trends. The findings are interpreted based on financial theory, practical implications, and industry benchmarks.

Limitations of the Study

Dependence on Secondary Data:

IV. DATA ANALYSIS AND INTERPRETATION TREND ANALYSIS (2021–2025)

1. Overview

Trend analysis is used to examine the direction and pattern of financial metrics over time. For a capital-intensive and innovation-driven company like Tata Motors, analyzing its cash flow over a five-year period offers profound insights into its

Year	Operating Activities	Investing Activities	Financing Activities	Net Cash Flow
2021	29,300	-15,400	-13,100	800
2022	14,200	-12,800	-4,500	-3,100
2023	24,100	-18,200	-3,900	2,000
2024	43,200	-25,100	-14,500	3,600
2025	46,800	-30,500	-12,200	4,100

Period of Study

The research covers a five-year period from 2021 to 2025, to assess the trends and variations in cash flow activities over time. Tools for Analysis:

- To evaluate and interpret the data, the following analytical tools are used:
- Trend Analysis – to identify year-wise changes in cash flow figures
- Ratio Analysis – to compute

operational sustainability, investment behavior, and capital structure management. Operational sustainability

- Investment behavior
- Capital structure management
- Financial stability and flexibility

2. Cash Flow Overview (₹ in Crores)

The study is based entirely on secondary data collected from annual reports and financial databases, which may not reflect real-time operational decisions or internal financial complexities.

Limited Time Frame

The analysis covers only five financial years (2021–2025), which may not capture long-term cash flow patterns or the impact of rare economic events over a broader timeline.

3. Exclusion of Qualitative Factors

The study focuses on numerical and financial analysis and does not consider qualitative factors such as management decisions, policy changes, or market sentiment that might influence cash flow.

4. No Primary Data Collection

There was no interaction with the company's finance team or stakeholders to verify or complement the financial data with insights, which might have added more practical context.

Operating Activities – Trend & Interpretation Trend

FY 2021 saw strong cash flow generated from aggressive working capital release during the pandemic. However, FY 2022 witnessed a massive drop to ₹14,200 Cr. This was primarily due to the global semiconductor shortage severely restricting JLR's production output, locking up billions in unfinished inventory. The trend sharply reversed in FY 2024 (₹43,200 Cr) and FY 2025 (₹46,800 Cr)

Interpretation

- The unprecedented surge in CFO during 2024 and 2025 indicates hyper-efficient core business operations.
- Tata Motors and JLR strategically prioritized their limited chip supplies for their highest-margin vehicles (like Range Rover Sport and Defender).
- This resulted in maximized cash realization per vehicle sold. Additionally, the dominant market share in the Indian CV cycle upswing heavily bolstered these numbers.

Investing Activities – Trend & Interpretation Trend

Outflows have expanded aggressively, doubling from ₹15,400 Cr in FY 2021 to a massive ₹30,500 Cr in FY 2025.

Interpretation

- The cash outflows have been consistently increasing, reflecting deeply strategic investments. Tata Motors is not burning cash on operational losses; rather, it is deploying massive capital into fixed assets and intangibles (R&D).
- This includes building the EV battery ecosystem in the UK for JLR and transitioning domestic facilities to the new "Acti.ev" architecture.
- Despite being highly cash-intensive, these investments are perfectly aligned with long-term value creation and industry survival. These include capacity expansion, R&D for electric vehicles, and technology upgrades.

Financing Activities – Trend & Interpretation Trend

Financing activities show large negative outflows, heavily spiking in 2021 (-₹13,100 Cr), 2024 (-₹14,500 Cr), and 2025 (-₹12,200 Cr).

Interpretation

- Negative trends in financing typically indicate outflows toward dividend payments, share buybacks,

or debt repayment. For Tata Motors, these massive negative numbers are a highly positive indicator.

- The company engaged in an aggressive deleveraging campaign, utilizing the bumper operating cash from 2024 and 2025 to prepay long-term automotive debt, drastically reducing their interest burden and achieving their net-debt-zero targets. Tata Motors relies less on external debt financing, which aligns with its conservative capital structure.

Net Cash Flow – Trend & Interpretation Interpretation

Excluding the supply-chain disaster of FY 2022, the net cash flow remains positive every year, showing robust liquidity. Rising trends in the later years highlight absolute recovery and growth, showing the company's resilience and highly prudent cash management. Rising trends in 2023 and 2024 highlight recovery and growth, showing the company's resilience and prudent cash management

RATIO ANALYSIS (2021–2025)

Objective: To evaluate Tata Motors' financial health using cash flow-specific ratios to deeply analyze liquidity, efficiency, solvency, and earnings quality over a five-year period.

1. Cash Flow to Total Assets Ratio (%)

Year	CFO (₹ Cr)	Total Assests	Ratio (%)
2023	24,100	3,30,000	7.30%
2024	43,200	3,55,000	12.16%
2025	46,800	3,80,000	12.31%

Interpretation

This ratio measures the return on the company's total asset base purely in cash terms. The significant jump from 7.30% to over 12% demonstrates that management has vastly improved asset utilization. The new production facilities and R&D assets are yielding much higher cash returns than legacy assets.

2. Operating Cash Flow to Net Sales Ratio

Year	CFO (₹ Cr)	Net Sales (₹ Cr)	Ratio (%)
2021	29,300	2,49,794	11.72%
2022	14,200	2,78,453	5.09%
2023	24,100	3,45,966	6.96%
2024	43,200	4,37,927	9.86%
2025	46,800	4,75,000	9.85%

Interpretation

This ratio measures the company's ability to generate cash from its top-line sales. The ratio crashed to ~5% in 2022 due to cost inflation (steel and precious metals) and chip shortages. However, the company successfully stabilized the ratio at nearly 10% in FY 24 and FY 25. This proves that despite massive revenue growth (nearing 4.75 Lakh Crores), the company maintained strict cost control and

efficient working capital cycles, ensuring revenue translated into liquid cash

3. Cash Flow Adequacy Ratio

Year	CFO	Capex	Debt Repayment + Dividend	Total Outflow	Ratio
2021	29,300	15,000	10,000	25,000	1.17
2022	14,200	14,500	6,000	20,500	0.69
2023	24,100	17,200	5,500	22,700	1.06
2024	43,200	23,000	14,000	37,000	1.16
2025	46,800	28,500	11,500	40,000	1.17

Interpretation

The Cash Flow Adequacy Ratio evaluates whether the cash generated from operations is sufficient to cover essential outflows (Capex, Debt maturities, Dividends). A ratio above 1.0 is considered safe. Falling to 0.69 in 2022 highlighted a period of acute financial stress. However, from 2023 onwards, the ratio consistently stayed above 1.0, proving that Tata Motors did not need to raise new external equity or debt to fund its aggressive growth and deleveraging strategies

4. Free Cash Flow (FCF) and FCF to Sales Ratio

Year	CFO	Capex	FCF	Net Sales	FCF/Sales (%)
2021	29,300	15,000	14,300	2,49,794	5.72%
2022	14,200	14,500	-300	2,78,453	Negative
2023	24,100	17,200	6,900	3,45,966	1.99%
2024	43,200	23,000	20,200	4,37,927	4.61%
2025	46,800	28,500	18,300	4,75,000	3.85%

Interpretation

Free Cash Flow (FCF) represents the actual discretionary cash a company possesses after maintaining or expanding its asset base. It is the ultimate measure of financial flexibility. However, the generation of ₹20,200 Cr in 2024 and ₹18,300 Cr in 2025 is a monumental achievement.

Operating Cash Flow to Net Income Ratio

Year	CFO	Net Profit (₹ Cr)	Ratio
2021	29,300	(13,395)	N/A
2022	14,200	(11,308)	N/A
2023	24,100	2,689	8.96%
2024	43,200	31,806	1.35%
2025	46,800	33,500	1.39%

Interpretation

This is arguably the most fascinating metric for Tata Motors. In 2021 and 2022, the company posted massive accounting net losses. Ratios above 1 indicate that accounting profits are fully supported by actual cash flows, confirming high earnings quality and low risk of accounting manipulation.

Findings

- **Consistent Positive Operating Cash Flows:** Despite facing massive macroeconomic headwinds and severe accounting losses early in the study period, Tata Motors maintained consistently positive cash flows from operating activities (CFO). This demonstrates the underlying strength and resilience of its core business model across different geographies.
- **High Quality of Earnings:** The Operating Cash Flow to Net Profit ratio exceeded 1.0 consistently in profitable years, confirming that Tata's reported profits were backed by real cash inflows. This reflects highly transparent accounting practices
- **Resilience Against Macro-Shocks:** While the 2022 semiconductor crisis severely impacted cash conversion, the V-shaped recovery in 2024 and 2025 proved the extreme demand inelasticity for their premium vehicles (JLR) and market dominance in domestic segments.
- **Massive Investment Outlays:** Tata Motors is executing the highest Capex outflows in its corporate history. This is directly tied to the JLR "Reimagine" electrification strategy and the Indian EV ecosystem expansion.
- **Capex Coverage via Internal Accruals:** Crucially, the company has a strong Cash Flow Adequacy Ratio. This means it is financing these massive multi-billion-dollar future investments almost entirely from internal accruals (CFO), drastically minimizing its reliance on expensive external debt or equity dilution.
- **Aggressive Deleveraging Campaign:** The heavily negative cash flows from financing activities in 2024 and 2025 confirm management's absolute commitment to deleveraging. By utilizing surplus operating cash to retire long-term debt, the company successfully lowered its financial risk profile.
- **Resumption of Shareholder Returns:** The robust Free Cash Flow generation allowed the company to comfortably reinstate dividend payments after a prolonged hiatus, signaling ultimate confidence from the board regarding future cash flow stability.

Suggestions

- **Enhance Capital Expenditure Transparency:** Given the massive scale of outflows in the Investing section, Tata Motors should provide more detailed granular disclosures regarding the allocation of capital expenditures. Separating Capex spent on legacy ICE vehicle maintenance versus new EV architecture would improve investor confidence and allow stakeholders to better assess strategic priorities
- **Leverage Surplus Cash for Vertical Integration:** With consistently high free cash flow generation, Tata Motors should heavily invest in backward integration—specifically securing supply chains for

critical EV minerals (Lithium) and establishing captive semiconductor fab partnerships to prevent a repeat of the 2022 production crash

- Strengthen Working Capital Efficiency Further: Although the company has shown effective working capital management, further optimization in inventory turnover (especially at JLR dealerships) and receivables collection can further improve operational cash flow and

V. CONCLUSION

The comprehensive analysis of the cash flow statement of Tata Motors Limited for the period 2021 to 2025 reveals a stunning corporate turnaround, characterized by a transition from severe pandemic-induced financial distress to establishing a remarkably strong and stable financial foundation. Driven by highly efficient operations, a successful pivot toward premium vehicle mixes, and prudent investment policies, Tata Motors has fundamentally altered its capital structure. The company has consistently generated immense positive operating cash flows, indicating a robust core business performance and a massive cash-generating capacity. Management's strict financial discipline is evident in how they utilized these record cash inflows: not for reckless expansion, but to aggressively retire legacy debt and internally fund the high capital expenditure required for the electric vehicle revolution.

In conclusion, Tata Motors' cash flow management practices make it an exceptional benchmark in the global automotive sector. Its strategic cash utilization, combined with a commitment to zero-debt goals and market-leading EV investments, ensures that the company remains exceptionally well-positioned for sustainable, long-term growth in an evolving market landscape.

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