

ASSESSING THE IMPLICATIONS OF GST 2.0 ON THE FINANCIAL PERFORMANCE OF TATA MOTORS

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ABSTRACT

The introduction of the Goods and Services Tax (GST) was one of the most significant economic reforms in India's taxation system. The evolution of this system into GST 2.0 has further transformed tax compliance, pricing mechanisms, and operational structures for major industries. This research paper examines the financial implications of GST 2.0 on Tata Motors Limited, one of India's largest automobile manufacturers. The study evaluates how changes in taxation structure influence pricing, sales volumes, profitability, operational efficiency, and working capital management. Using secondary data from financial reports and industry publications, the research analyses financial performance for the period 2021–2025 and evaluates the shift before and after GST 2.0 implementation. The findings indicate that GST 2.0 contributed to improved demand, enhanced operational efficiency, and increased sales volumes, though some short-term margin pressures were observed due to pricing adjustments.

Keywords: *GST 2.0, Automobile Industry, Tata Motors, Financial Performance, Tax Reform, Profitability, India.*

INTRODUCTION

Taxation reforms play a vital role in shaping industrial performance and economic development. The introduction of GST in India was aimed at simplifying indirect taxation and eliminating the cascading effect of taxes. Prior to GST, businesses had to deal with multiple taxes such as excise duty, value added tax (VAT), entry tax, and octroi. These taxes increased operational complexity and costs for companies operating across multiple states. GST 2.0 represents the next stage of this reform, emphasizing digital compliance, automated return filing, and real-time tax administration. For large manufacturing companies such as Tata Motors, taxation changes have a direct impact on production costs, supply chain management, pricing strategy, and overall profitability. The automobile sector is highly sensitive to pricing and government policy. Even small changes in tax rates can significantly influence consumer demand. Therefore, analyzing the impact of GST 2.0 on a major automotive manufacturer provides valuable insights into how tax reforms affect industrial performance.

OBJECTIVES OF THE STUDY

- To analyze the financial performance of Tata Motors before and after GST 2.0.
- To identify the benefits and challenges faced by Tata Motors after GST 2.0 implementation.

RESEARCH METHODOLOGY

This study adopts an analytical research design to examine the impact of GST 2.0 on Tata Motors. Secondary data sources such as company annual reports, financial statements, government publications, and industry reports were used for analysis. The study focuses on financial data from 2021 to 2025. Financial performance was evaluated

using tools such as comparative financial statements, trend analysis, and ratio analysis. These techniques help in understanding changes in profitability, liquidity, and operational efficiency. The sampling method used in this research is judgmental sampling, where Tata Motors was selected as a representative company because of its strong presence in the Indian automobile sector.

REVIEW OF LITERATURE

- Patel (2019) emphasized the importance of capital structure management and liquidity planning.
- Gupta (2020) found that increasing competition in the automobile industry influenced sales growth and profitability.
- Mehta (2020) conducted a comparative analysis between Tata Motors and other automobile companies, concluding that operational efficiency plays a major role in sustaining profitability.

COMPANY PROFILE – TATA MOTORS

Tata Motors Limited, founded in 1945, is one of India's largest automobile manufacturers and a flagship company of the Tata Group. The company manufactures a wide range of vehicles including passenger cars, commercial vehicles, electric vehicles, and defense vehicles. The organization has manufacturing facilities across India, including locations in Pune, Jamshedpur, Sanand, Lucknow, and Pantnagar. Tata Motors also operates globally through its luxury brand subsidiary Jaguar Land Rover (JLR). Over the years, Tata Motors has introduced several successful models such as the Tiago, Nexon, Altroz, Harrier, and Safari. The company has also become a leader in the electric vehicle segment in India with models such as the Nexon EV and Tiago EV. The company's strategy focuses on innovation, safety, sustainability, and technological advancement.

CONCEPT OF GST 2.0

GST 2.0 represents the next phase of tax reform in India, aimed at improving transparency, reducing compliance complexity, and strengthening digital tax administration. Key features of GST 2.0 include simplified tax slabs, automated return filing systems, real-time invoice matching, and improved input tax credit mechanisms. These changes aim to reduce tax evasion and enhance government revenue collection while improving ease of doing business. For automobile manufacturers, GST 2.0 has significantly reduced tax rates for certain vehicle categories and simplified logistics operations. The removal of compensation cess in some segments and reduced tax rates have improved affordability for customers.

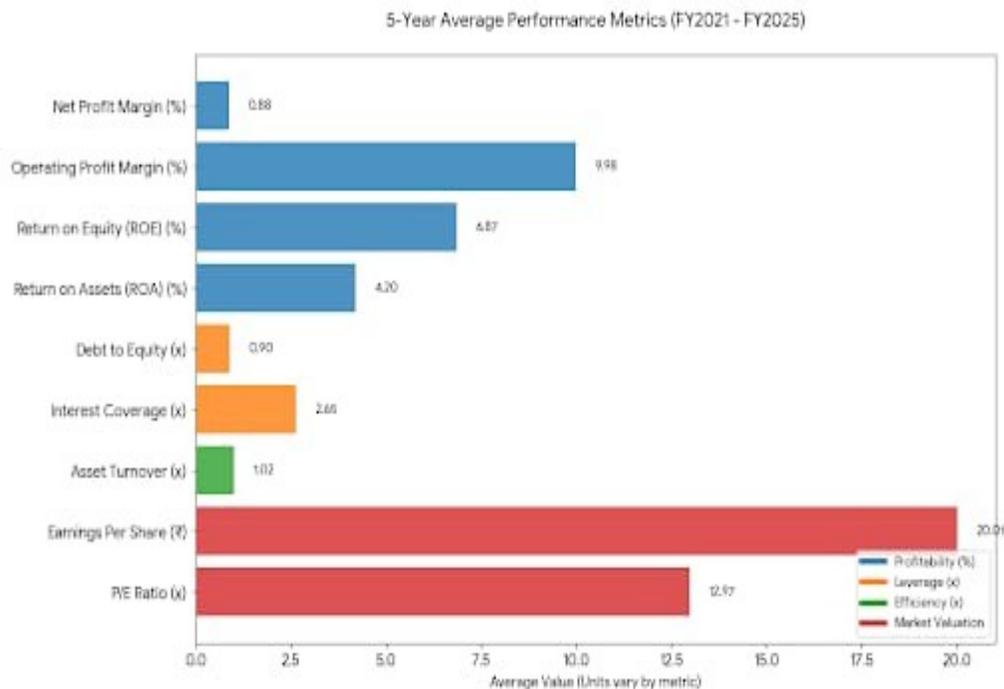
FINANCIAL IMPACT OF GST 2.0 ON TATA MOTORS

The implementation of GST 2.0 had a direct impact on Tata Motors' pricing strategy and sales volumes. Reduced tax rates allowed the company to lower ex-showroom prices across several models. This reduction improved affordability for customers and stimulated demand, especially in the compact SUV and hatchback segments. As a result, Tata Motors recorded significant growth in passenger vehicle sales after GST reforms. Operational efficiency also improved due to simplified taxation and logistics. The elimination of multiple state taxes reduced transportation delays and improved supply chain coordination.

ANALYSIS OF PRE-GST AND POST-GST PERIOD

Before GST, automobile manufacturers faced multiple taxes such as excise duty, VAT, and entry taxes. These taxes increased the overall cost of vehicles and created regional price differences across states. After GST implementation, the taxation system became more streamlined. GST 2.0 further reduced the effective tax burden on vehicles, improving pricing flexibility for manufacturers. The post-GST period witnessed increased sales volumes, improved customer affordability, and simplified tax compliance. However, companies initially faced transitional challenges such as system upgrades and inventory adjustments.

OVERVIEW OF TATA MOTORS:



BENEFITS AND RISKS

GST 2.0 provided several advantages to Tata Motors, including increased sales volumes, improved operational efficiency, and enhanced customer affordability. The simplified tax structure also reduced administrative costs and compliance complexities. However, some risks were also observed. Passing tax benefits to customers resulted in lower per-unit margins in certain vehicle segments. Increased demand also created

pressure on supply chains and production capacity. Despite these challenges, the overall impact of GST 2.0 on Tata Motors has been largely positive.

FINDINGS

The study found that GST 2.0 contributed to higher sales volumes and improved market competitiveness for Tata Motors. Lower vehicle prices increased demand among first-time buyers and price-sensitive customers. Operational efficiency improved due to simplified tax compliance and reduced logistics costs. Financial performance indicators such as revenue growth and market share showed positive trends during the post-GST period. However, the study also identified short-term margin pressures due to price reductions passed to customers.

CONCLUSION

The implementation of GST 2.0 has had a significant influence on the financial performance of Tata Motors. The reform simplified the taxation system, reduced operational complexity, and improved customer affordability. The study concludes that GST 2.0 has positively contributed to sales growth, operational efficiency, and overall financial stability of the company. While certain short-term challenges were observed, the long-term benefits outweigh the risks. Future research may focus on comparing the impact of GST 2.0 across multiple automobile manufacturers to provide broader industry insights.

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