



## **Financial Statement Analysis of Mahindra And Mahindra Limited from 2019 to 2023**

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### **ABSTRACT**

This comprehensive financial analysis delves into Mahindra and Mahindra's financial performance and strategic outlook. It provides a detailed examination of its asset composition, liability structure, liquidity position, profitability metrics, and overall capital structure. The analysis reveals a strategic focus on long-term growth and operational capacity enhancement through substantial investments in fixed assets and non-current investments. However, there are questions about potential shifts in investment strategy or resource reallocation due to a decrease in non-current investments. The balance between current and non-current assets highlights the company's liquidity management skills. Still, concerns arise from an uptick in short-term borrowings, indicating a growing reliance on debt financing for working capital needs. The analysis of shareholders' funds shows a solid equity base and retained earnings for future growth. However, the rise in long-term borrowings and other liabilities requires careful monitoring to manage leverage effectively. In terms of profitability, while Mahindra and Mahindra demonstrate operational efficiency and cost control, the volatility in net profit margins necessitates measures to stabilize earnings and mitigate margin fluctuations for sustained profitability and enhanced shareholder value.

Keywords: Financial statement analysis, Mahindra and Mahindra Limited.

### **INTRODUCTION**

Mahindra and Mahindra Limited, a prominent player in the automotive and agricultural sectors, has undergone significant financial changes from 2019 to 2023. This period witnessed fluctuations in key financial indicators such as revenue, profitability, asset composition, and debt levels. A thorough analysis of Mahindra and Mahindra's financial statements during this period provides valuable insights into its performance, strategic decisions, and overall financial health, shaping its trajectory in the competitive market landscape. During the period from 2019 to 2023, Mahindra and Mahindra Limited navigated through a dynamic business environment marked by economic fluctuations, industry challenges, and evolving consumer preferences. The financial statement analysis delves into aspects such as revenue growth patterns, profitability margins, operational efficiency, investment strategies, debt management, and overall financial stability. This analysis sheds light on the company's ability to adapt to market conditions, capitalize on growth opportunities, address potential risks, and maintain a resilient financial position amidst changing dynamics in the automotive and agricultural sectors.

#### *Statement of the problem*

The problem addressed in this study revolves around the need to evaluate and compare the financial performance of Mahindra and Mahindra Limited over the period from 2019 to 2023. Specifically, the study aims to assess the company's profitability, liquidity, and solvency based on its financial statements during this timeframe. By analyzing key financial metrics and ratios, the study seeks to identify trends, strengths, weaknesses, and potential areas for improvement in Mahindra and Mahindra Limited's financial performance.

#### *Objective of the study*

- To compare the financial performance Mahindra and Mahindra Limited of the year 2019 - 2023.
- To determine the liquidity and solvency of the companies based on its financial statements of the year 2019 to 2023.
- To determine the profitability of the companies based on its financial statements of the year 2019 to 2023.

### Research Methodology

Research methodology refers to the systematic approach used to conduct research, collect data, analyze information, and draw conclusions in a structured and organized manner. In the context of this project focusing on the financial performance, liquidity, and solvency analysis of Mahindra and Mahindra Limited, the research methodology outlines the steps and techniques employed to achieve the research objectives effectively.

<b>Nature of Data</b>	Secondary data
<b>Source of Data</b>	Financial Statement
<b>Period of Study</b>	2019 - 2023
<b>Tools</b>	Comparative Balance Sheet, Ratio Analysis

### REVIEW OF LITERATURE

- Kakani, Saha & Reddy (2003)**, The study conducted an analysis using financial statements and capital market data from 566 large Indian firms over an eight-year period, divided into two sub-periods (1992-1996 and 1996-2000). Their objective was to assess Indian firms' financial performance across dimensions such as shareholder value, accounting profitability, growth, and risk. The findings revealed a positive relationship between firm size, marketing expenditure, international diversification, and market evaluation.
- Bosworth & Loundes (2002)**, The study established a dynamic and closed model to analyze firm performance using a four-year balanced panel data set of Australian firms from the Business Longitudinal Survey. Through recursive equations testing, they found that current economic profit plays a crucial role in facilitating firms' investment decisions. The analysis highlighted the importance of investment complements and substitutes and their impact on innovation and total factor productivity.
- Aggarwal & Singla (2001)**, The study utilized 11 selected ratios as inputs to distinguish between profit-making and loss-making units in the Indian paper industry. They found that the model accurately classified 82.14% of units as either profit-making or loss-making. Among the ratios considered, inventory turnover ratio, interest coverage ratio, net profit to total assets, and earnings per share emerged as the most critical indicators of financial performance.
- D'Souza & Megginson (1999)**, The study conducted a comparison of pre and post- privatization financial and operating performance of 85 companies from 28 industrialized countries that underwent privatization through public share offerings between 1990 and 1996. They observed significant increases in profitability, output, operating efficiency, dividend payments, and decreases in leverage ratios after privatization across the sample firms.
- Sengupta (1998)**, An analysis of cost functions and the Cobb-Douglas production function was conducted to evaluate the performance of the fertilizer industry. The study also examined shifting cost functions, indicating that firms in this industry tend to expand capacities before fully utilizing existing capacity, aligning with oligopolistic behavioral tendencies. The results indicated that the industry experienced increasing costs, supported by the production function analysis showing that average labor productivity exceeded marginal productivity.

### PROFILE OF THE COMPANY

Mahindra & Mahindra, founded in 1945 as a steel trading company, evolved into a global leader under the leadership of Kailash Chandra Mahindra and Jagdish Chandra Mahindra. Anand Mahindra currently serves as Chairman, with Dr. Anish Shah as Group CEO and MD. The company's vision focuses on technology investment and global growth, while its mission emphasizes driving positive change and enabling stakeholders to "Rise." Notable achievements include accolades for workplace practices, CSR initiatives, and being recognized as one of Asia's best workplaces. Mahindra & Mahindra's commitment to innovation and societal impact has solidified its position as a leading player in the financial services industry.

Vision Statement - "Committed to investing in technology, growing our global presence and maintaining our leadership position."

Mission Statement - "We've made humanity's innate desire to Rise our driving purpose: we will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to Rise. Our purpose is why we exist and why we come to work every day, infusing our lives with meaning, and galvanizing us to deliver our promise."

## ANALYSIS AND INTERPRETATION

Particulars	Amount			
	2023	2019	Change	%
<b>NON-CURRENT ASSETS</b>				
Tangible Assets	13,050.12	7,614.71	5435.41	41.65
Intangible Assets	3,926.08	2,467.04	1459.04	37.16
Capital Work-In-Progress	950.27	706.77	243.50	25.62
Other Assets	0	0	0.00	0.00
<b>FIXED ASSETS</b>	<b>19,760.82</b>	<b>12,501.54</b>	<b>7259.28</b>	<b>36.74</b>
Non-Current Investments	17,539.06	19,032.07	-1493.01	-8.51
Deferred Tax Assets [Net]	0	0	0.00	0.00
Long Term Loans And Advances	177.45	37.55	139.90	78.84
Other Non-Current Assets	3,658.85	3,054.84	604.01	16.51
<b>TOTAL NON-CURRENT ASSETS</b>	<b>41,136.18</b>	<b>34,626.00</b>	<b>6510.18</b>	<b>15.83</b>
<b>CURRENT ASSETS</b>				
Current Investments	9,548.01	2,983.96	6564.05	68.75
Inventories	8,881.35	3,839.27	5042.08	56.77
Trade Receivables	4,041.73	3,946.30	95.43	2.36
Cash And Cash Equivalents	4,481.75	3,731.66	750.09	16.74
Short Term Loans And Advances	2,176.96	673.4	1503.56	69.07
Other Current Assets	5,513.83	2,896.47	2617.36	47.47
<b>TOTAL CURRENT ASSETS</b>	<b>34,643.63</b>	<b>18,071.06</b>	<b>16572.57</b>	<b>47.84</b>
<b>TOTAL ASSETS</b>	<b>75,779.81</b>	<b>52,697.06</b>	<b>23082.75</b>	<b>30.46</b>

### Interpretation

Due to increased investments in fixed assets, tangible assets, intangible assets, and capital work-in-progress, Mahindra & Mahindra has seen a noticeable growth in its non-current assets, indicating further expansion efforts. On the other hand, non-current investments have decreased, which would suggest a change in investing strategy. The notable increase in long-term loans and advances, in addition to other non-current assets, points to possible expansion plans. By increasing investments, inventories, trade receivables, cash equivalents, short-term loans, advances, and other current assets, the corporation has concentrated on bolstering liquidity in terms of current assets. Mahindra & Mahindra's dedication to fostering growth, preserving liquidity, and grabbing strategic opportunities is reflected in its well-balanced asset mix.

Particulars	Amount			
	2023	2019	Change	%
Equity Share Capital	599.05	595.8	3.25	0.54
Reserves and Surplus	42,497.35	33,613.43	8883.92	20.90
<b>TOTAL SHAREHOLDERS FUNDS</b>	<b>43,356.73</b>	<b>34,209.23</b>	<b>9147.50</b>	<b>21.10</b>
<b>NON-CURRENT LIABILITIES</b>				
Long Term Borrowings	2,331.56	2,031.78	299.78	12.86
Deferred Tax Liabilities [Net]	1,470.29	634.13	836.16	56.87
Other Long Term Liabilities	1,374.15	604.92	769.23	55.98
Long Term Provisions	1,207.09	882.93	324.16	26.85
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>6,383.09</b>	<b>4,153.76</b>	<b>2229.33</b>	<b>34.93</b>
<b>CURRENT LIABILITIES</b>				
Short Term Borrowings	2,312.17	448.54	1863.63	80.60
Trade Payables	17,145.62	9,678.15	7467.47	43.55
Other Current Liabilities	5,975.37	3,518.71	2456.66	41.11
Short Term Provisions	606.83	688.67	-81.84	-13.49
<b>TOTAL CURRENT LIABILITIES</b>	<b>26,039.99</b>	<b>14,334.07</b>	<b>11705.92</b>	<b>44.95</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>75,779.81</b>	<b>52,697.06</b>	<b>23082.75</b>	<b>30.46</b>

### Interpretation

Strong reserves and surplus have allowed Mahindra & Mahindra to witness significant growth in shareholders' cash, supporting the company's equity foundation for continued expansion and stability. Non-current liabilities, in particular long-term borrowings, deferred tax liabilities, and provisions, have increased, nevertheless, indicating a greater reliance on long-term financing for commitments and expansion. The company's increasing working capital

requirements and operational operations are reflected in the large increase in short-term borrowings and trade payables that make up its current liabilities. Mahindra & Mahindra's strategic financing approach to support its growth goals while ensuring financial stability is exemplified by the balanced expansion in both equity and liabilities.

Ratios	Current Ratio	Quick Ratio	Debt Equity Ratio	Long Term Debt Equity Ratio	Operating Profit Ratio	Gross Profit Ratio	Net Profit Ratio
2019	1.08	0.9	0.07	0.06	12.38	8.91	8.94
2020	1.08	0.97	0.09	0.06	12.74	7.86	2.92
2021	1.14	0.92	0.21	0.21	14.44	9.48	0.59
2022	0.96	0.76	0.17	0.15	12.25	7.99	8.59
2023	0.89	0.72	0.11	0.05	12.29	8.57	7.7

#### Interpretation

The table presents various financial ratios for a company over the years 2019 to 2023. The current ratio, which measures a company's ability to cover its short-term liabilities with its current assets, has remained relatively stable around 1.0, indicating a reasonable level of liquidity. However, the quick ratio, which excludes inventory from current assets, has declined slightly, suggesting a potential reduction in the company's ability to meet immediate obligations. The debt-to-equity ratio, which measures a company's financial leverage, has increased from 0.07 in 2019 to 0.19 in 2023, indicating a higher reliance on debt financing over time. Similarly, the long-term debt-to-equity ratio has risen from 0.06 to 0.05, reflecting an increase in long-term debt obligations. The operating profit ratio, a measure of operational efficiency, has fluctuated but remained reasonably stable, while the gross profit ratio and net profit ratio have declined, potentially indicating higher costs or lower revenue growth in recent years.

## FINDINGS AND SUGGESTIONS

#### Findings

- Since the current ratio has stayed mostly steady at 1.0, Mahindra & Mahindra has been able to use its current assets to meet its short-term liabilities with a good amount of liquidity.
- When inventory is removed from current assets, the quick ratio has somewhat decreased over time. This pattern points to a possible decline in the business's capacity to pay bills on time without using inventories.
- Mahindra & Mahindra's debt-to-equity ratio and its long-term debt-to-equity ratio have both risen over time, suggesting a greater reliance on debt financing. The company's financial leverage and risk profile may be impacted by this increase in debt levels.
- An indicator of operational efficiency, the operating profit ratio has varied but stayed largely steady. This consistency shows that Mahindra & Mahindra has continued to run effectively in spite of outside obstacles.
- Over time, the company's gross profit ratio and net profit ratio have both decreased, which might be a sign of increased expenses or slower revenue growth. This pattern emphasizes how crucial revenue growth and cost control techniques are to long-term success.

#### Suggestions

- The firm need to think about broadening its sources of funding, as seen by the rising debt- to-equity ratios, which indicate a greater dependence on debt financing. Examining possibilities like joint ventures, equity finance, or strategic alliances can assist improve financial flexibility and reduce hazards related to high debt.
- With the rise in trade payables and short-term borrowings, Mahindra & Mahindra has to concentrate on improving working capital management. To increase liquidity and lower financing costs, this entails optimizing inventory levels, efficiently managing receivables, and negotiating advantageous payment terms with suppliers.
- Mahindra & Mahindra should put initiatives to improve profitability into practice in order to address the deteriorating gross profit ratio and net profit ratio. This might entail looking into new income streams, increasing operational efficiency, implementing cost optimization programs, or breaking into higher-margin market niches.
- The corporation had to reassess its investment strategy in light of the decline in non-current investments and the noteworthy rise in long-term loans and advances. It should make sure that investment choices support long-term growth goals and uphold a balanced strategy for efficient risk management.

- Keep a careful eye on its ability to service debt as well as the total amount of debt company has. Financial hazards linked with increasing debt levels can be reduced by putting strict debt management measures into place, such as refinancing at favorable rates, paying off high-cost debt, and maintaining appropriate debt coverage ratios.

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## CONCLUSION

Over the years, Mahindra & Mahindra has shown outstanding financial performance, as seen by the notable increase in non-current assets, solid reserves and surplus, and a well-balanced asset mix. The organization has made continuous improvement because of its strategy focus on growth possibilities, liquidity management, and expansion attempts. There is room for improvement, nevertheless, in a few areas, including examining investment strategy, closely monitoring debt levels, improving profitability, diversifying funding sources, and optimizing working capital management. Mahindra & Mahindra is well-positioned to maintain its growth trajectory, provide financial stability, and generate long-term value for its stakeholders by tackling these issues and building on its strengths.

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## REFERENCE

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## ANNEXURE

- [www.mahindraandmahindra.com](http://www.mahindraandmahindra.com)
- [www.moneycontrol.com](http://www.moneycontrol.com)