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A STUDY ON FINANCIAL PERFORMANCE OF MAHINDRA AND MAHINDRA LTD

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INTRODUCTION:

The Indian automobile industry has historically been a good indicator of how well the economy is doing, as the automobile sector plays a key role in both macroeconomic expansion and technological advancement. The two-wheelers segment dominates the market in terms of volume, owing to a growing middle class and a huge percentage of India's population being young. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector. The rising logistics and passenger transportation industries are driving up demand for commercial vehicles. Future market growth is anticipated to be fueled by new trends including the electrification of vehicles, particularly three-wheelers and small passenger automobiles. India enjoys a strong position in the global heavy vehicles market as it is the largest tractor producer, second-largest bus manufacturer, and third-largest heavy truck manufacturer in the world. India's annual production of automobiles in FY22 was 22.93 million vehicles. India has a strong market in terms of domestic demand and exports. In FY23, total passenger vehicle sales reached 3.89 million.

OBJECTIVES OF STUDY:

The main objectives to study the financial performance of Mahindra & Mahindra Limited (M & M) are listed as under;

- To evaluate the financial position of Mahindra & Mahindra Limited (M & M).
- To know the asset impact and growth of Mahindra & Mahindra Limited.
- To examine the ratio analysis of the company for the reference period of study.
- To study the risk of operation.

STATEMENT OF PROBLEM:

The company might be experiencing a decline in revenue due to various factors such as market saturation, changing consumer preferences, or increased competition. Mahindra and Mahindra may be facing challenges in maintaining or improving profitability margins due to rising production costs, inefficient operations, or pricing pressures. High levels of debt or financial obligations might be impacting the company's financial performance, leading to increased interest payments and reduced flexibility for investment or expansion.

SCOPE OF STUDY:

Evaluation of financial statements such as balance sheets, income statements, and cash flow statements to assess profitability, liquidity, solvency, and efficiency. Calculating and interpreting various financial ratios like profitability ratios, liquidity ratios, leverage ratios, and efficiency ratios to gauge the company's financial health and performance compared to industry benchmarks. Examining historical financial data over time to identify trends, patterns, and anomalies that may impact future performance.

LIMITATIONS OF STUDY:

- Time constraints.
- The result and findings are only for 5 years, so previous year's data is not considered.
- The fluctuations in share market may affect the financial statement.

REVIEW OF LITERATURE

Naziret. al. (2014) studied the latest global automotive industry's competitive strategies that made the industry as one of the most competitive one. With 54 most relevant articles and data from 2017 and 2018 total 133 competitive strategies has been identified and analysed. The main objective of the study is to make the automotive industry of the developing countries to improve the strategies suitable for the current business trends.

Miglani (2014) dealt with the India's national policy regarding the factors of upgradation, digitization and automation in the automobile industry. With the detailed structural analysis and the growth patterns of the automobile sector the governmental reforms since 1950 has been analyzed from the areas of demand, supply, firm strategies and others which ultimately led to upgradations and innovations. The study recommended for the large investments for the development of indigenous technologies that are specially eco-friendly and sustainable so that India could experience a sustainable development as a whole.

Arya (2015) analyzed with some suggestions given via adoption of the innovative techniques that will surely make the automobile sector the largest one in the future. Research and development is the way out for the industry to be sustainable globally specially with their low cost skilled labours and low cost steel productions.

Yadavet. al. (2015) dealt with the impact of the automobile sector on the air pollution and also details the growth structure of this sector. With the increase in the disposable income of the countrymen the total demand and supply increases that leads to the increase in sales of the automobiles which thus increases the air pollution in the environment.

Akamatsu et. al. (2016) made the study on the history of automotive technology development and human factors research since the starting of the said industry. With 180 references the foundation of automotive human factors has been analyzed with a number of strategies formulated for future growth and development of this sector.

COMPANY PROFILE

Name of the company:	Mahindra & Mahindra Limited
Company type:	Public
Traded as:	BSE: 500520
ISIN:	INE101A01026
Industry:	Automotive
Founded:	2 October 1945; 78 years ago
Founders:	J. C. Mahindra K. C. Mahindra
Headquarters:	Mumbai, Maharashtra, India
Area served:	Worldwide
Key people:	Anand Mahindra(Chairman) Dr. Anish Shah(MD & CEO) Rajesh Jejurikar(Executive Director AFS)
Products:	Automobiles, Commercial vehicles, Tractors, Motorcycles
Production output:	Decrease 14,076,043 vehicles (2022)
Revenue:	Increase ₹122,475 crore (US\$15 billion) (FY2023)
Operating income:	Increase ₹12,554 crore (US\$1.6 billion) (FY2023)
Net income:	Increase ₹11,187 crore (US\$1.4 billion) (FY2023)
Total assets:	Increase ₹205,891 crore (US\$26 billion) (FY2023)
Total equity:	Increase ₹67,082 crore (US\$8.4 billion) (FY2023)
Number of employees:	140,619 (2022)
Parent:	Mahindra Group
Website:	www.auto.mahindra.com

HISTORY:

Mahindra & Mahindra was founded as a steel trading company on October 2, 1945, in Ludhiana as Mahindra & Mohammed by brothers Kailash Chandra Mahindra and Jagdish Chandra Mahindra, along with Malik Ghulam Muhammad. Anand Mahindra, the present Chairman of Mahindra Group, is the grandson of Jagdish Chandra Mahindra. In 1948, the company changed its name to Mahindra & Mahindra



MAHINDRA XUV 300:

The Mahindra XUV300 is a subcompact crossover SUV produced by the Indian automaker Mahindra & Mahindra. It is based on the X100 platform of SsangYong Tivoli and has been sold in Indian market since February 2019. Mahindra slotted it in the segment along with their Bolero Neo (formerly called the TUV300) to rival the Maruti Suzuki Vitara Brezza, Tata Nexon and the Ford Eco Sport



Mahindra scorpio:

The **Mahindra Scorpio** (Hindi: महिन्द्रा स्कॉर्पियो) is a mid-size SUV (in the Indian market) and Compact SUV (in the Global market) manufactured by the Indian automaker Mahindra & Mahindra since 2002. It was Mahindra's first model to be built for the global market. The Scorpio was conceptualized and designed by the in-house integrated design and manufacturing team of Mahindra & Mahindra. The car has been the recipient of three Indian awards, including the "Car of the Year" award from *Business Standard Motoring* as well as the "Best SUV of the Year" and the "Best Car of the Year" awards, both from BBC World's Wheels.



Mahindra Thar:

Named after the Thar Desert, the Mahindra Thar was first introduced in 2010 as a modernized version of the Mahindra Legend, which was based on the Mahindra MM540, a vehicle that was in production in India since the 1980s. The Thar was designed to be a rugged, reliable, and affordable off-road vehicle that could handle the rough terrain found in many parts of India. Its design is based on the iconic Jeep CJ series, which Mahindra had been producing under license since the 1940s

**RATIO ANALYSIS:**

Ratio analysis is an accounting method that uses financial statements, like balance sheets and income statements, to gain insights into a company's financial health. Ratio analysis will help determine various aspects of an organization including profitability, liquidity and market value. Ratio analysis is a helpful tool to determine from the outside what is going on inside of a business because the financial statements required to perform ratio analysis are available to the general public. Company insiders typically do not use ratio analysis because they already have access to much more detailed information that will give them a better view of the company's financial status.

CURRENT RATIO:

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio measures general liquidity and it is most widely used to make the analysis of a short-term financial position or liquidity of a firm. It is calculated by dividing the total of current assets by total of current liabilities. The thumb rule for a current ratio is 2:1

Current Ratio = Current Asset / Current Liabilities

CR= (CA / CL)

Current Assets would include cash, cash equivalents, accounts receivable, stock inventory, marketable securities, pre-paid liabilities, and other liquid assets. Current assets may also be called current accounts.

Current liabilities are a company's short-term financial obligations that are due within one year or within a normal operating cycle.

TABLE NO. 4.3.1
TABLE SHOWING CURRENT RATIO

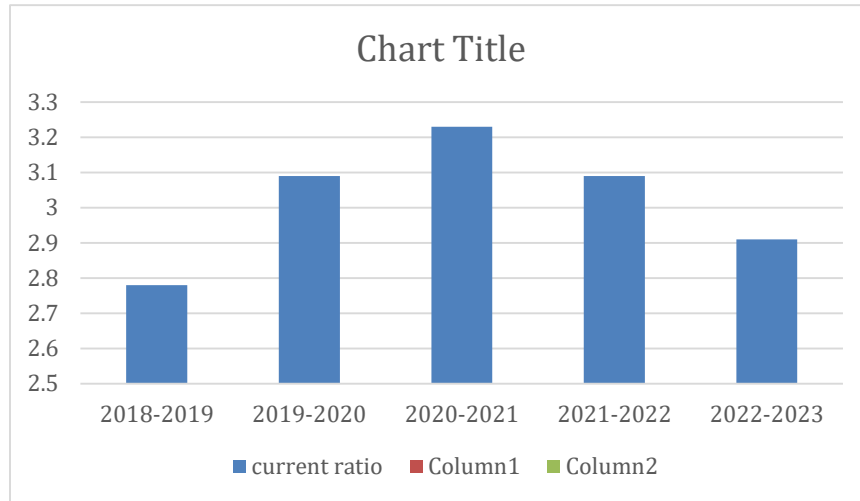
YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2018-2019	163,391.57	58,743.33	2.78
2019-2020	167,006.66	54,009.52	3.09
2020-2021	166,462.49	51,446.01	3.23
2021-2022	174,112.80	56,288.33	3.09
2022-2023	205,891.77	70,579.41	2.91

INTERPRETATION:

The above table represent the level of current ratio from 2018 to 2023. In the year 2018-2019 the current ratio is 2.78 then it increased in the year 2019-2020 at 3.09, then again it has been increased in the year 2020-2021 at 3.23. In next year 2021-2022 it has been decreased at 3.09. then gain

it decreased and reaches to 2.91 in the year 2022-2023.

CHART NO. 4.3.1
CHART SHOWING CURRENT RATIO



> LIQUID RATIO:

Liquid ratio is also called as Quick ratio or Acid test ratio. Quick ratio may be defined as the relationship between quick or liquid assets and current liabilities. An asset is said to be liquid when it can be converted into cash within a short period without loss of value. The quick ratio can be calculated by dividing the total of quick assets by total current liabilities. The thumb rule for quick ratio is 1:1.

Liquid assets = Current assets – Inventory / Current liabilities

$$LR = (CA - Inventory) / CL$$

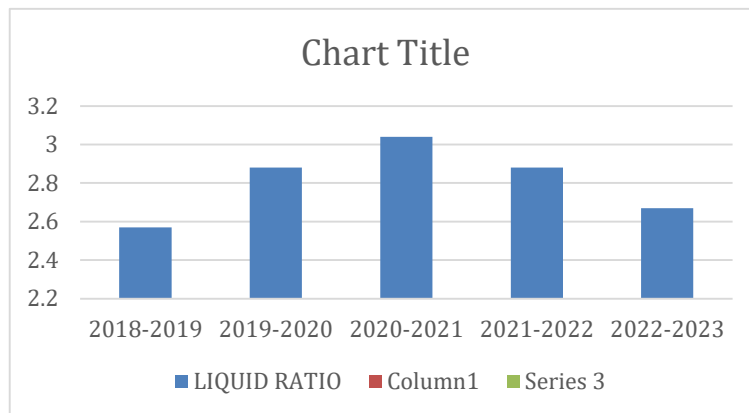
TABLE NO. 4.3.2 TABLE SHOWING LIQUID RATIO

YEAR	QUICK ASSETS	CURRENT LIABILITIES	LIQUID RATIO
2018-2019	151,191.41	58,743.33	2.57
2019-2020	155,894.8	54,009.52	2.88
2020-2021	156,847.08	51,446.01	3.04
2021-2022	162,516.98	56,288.33	2.88
2022-2023	189,036.8	70,579.41	2.67

INTERPRETATION:

The above table represent the level of liquid ratio from 2018 to 2023. In the year 2018-2019 the liquid ratio is 2.57 then it increased in the year 2019-2020 at 2.88, then again it has been increased in the year 2020-2021 at 3.04. In next year 2021-2022 it has been decreased at 2.88. then again it decreased and reaches to 2.67 in the year 2022-2023.

CHART NO. 4.3.2 CHART SHOWING LIQUID RATIO



➤ **ABOSULTE LIQUIDITY RATIO:**

This ratio is also called as Super Quick Ratio. The relationship between the absolute liquid assets and current liabilities is established by this ratio. Absolute Liquid Assets take into account cash in hand, cash at bank and marketable securities or temporary investments. The most favorable and optimum value for this ratio should be 1:2

Absolute Liquid Ratio = Absolute Liquid Assets (cash + bank + short term Investments) /

Current

Liabilities

TABLE NO. 4.3.3

TABLE SHOWING ABSOLUTE LIQUID RATIO

YEAR	ABSOLUTE LIQUID ASSETS	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO
2018-2019	14,842.13	58,743.33	0.25
2019-2020	14,206.46	54,009.52	0.26
2020-2021	22,883.81	51,446.01	0.44
2021-2022	21,967.49	56,288.33	0.39
2022-2023	25,539.35	70,579.41	0.36

INTERPRETATION:

The above table represent the level of absolute liquid ratio from 2018 to 2023. In the year 2018-2019 the absolute liquid ratio is 0.25 then it increased in the year 2019-2020 at 0.26, then again it has been increased in the year 2020-2021 at 0.44. In next year 2021-2022 it has been decreased at 0.39, then again it decreased and reaches to 0.36 in the year 2022-2023.

CHART NO. 4.3.3

CHART SHOWING ABSOLUTE LIQUID RATIO

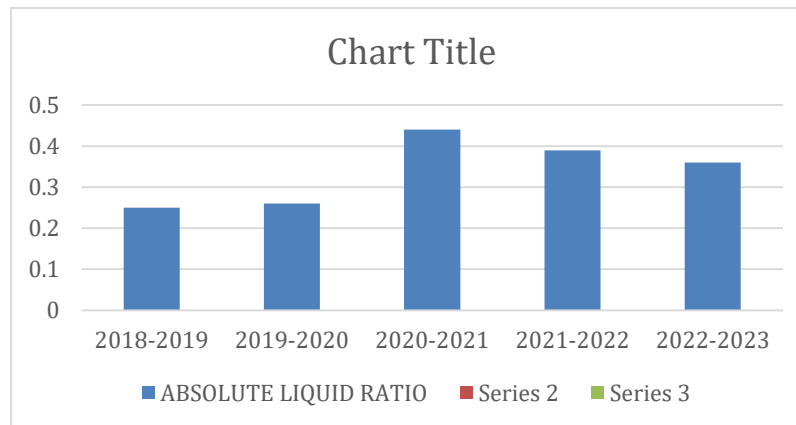


TABLE NO: 4.4.1

TABLE SHOWING CASH FLOW STATEMENT

particulars	2023	2022	2021	2020	2019
Net profit before tax	11,305.27	7,091.81	3,039.80	1,798.61	7,280.00
Net cash from operating activities	-7,074.02	9,247.55	17,908.83	-1,456.93	-4,347.29
Net cash(used in)/from financing activities	-8,547.26	-3,225.82	-18,446.76	-6,894.83	-7,168.17
Net cash (used in)/from investing activities	15,946.11	-5,882.60	406.23	6,932.75	13,193.63
Net (decreases)/ increases in cash and cash equivalents	358.69	126.36	-117.65	-1,393.97	1,672.37
Opening cash& cash equivalents	3,134.72	3,361.23	3,492.24	6,139.00	4,466.63
Closing cash& cash equivalents	3,493.41	3,487.59	3,374.59	4,745.03	6,139.00

FINDINGS, SUGGESTIONS AND CONCLUSION

RATIO ANALYSIS:

- The above table represent the level of current ratio from 2018 to 2023. In the year 2018-2019 the current ratio is 2.78 then it increased in the year 2019-2020 at 3.09, then again it has been increased in the year 2020-2021 at 3.23. In next year 2021-2022 it has been decreased at 3.09. then again it decreased and reaches to 2.91 in the year 2022-2023.
- The above table represent the level of liquid ratio from 2018 to 2023. In the year 2018-2019 the liquid ratio is 2.57 then it increased in the year 2019-2020 at 2.88, then again it has been increased in the year 2020-2021 at 3.04. In next year 2021-2022 it has been decreased at 2.88. then again it decreased and reaches to 2.67 in the year 2022-2023.
- The above table represent the level of absolute liquid ratio from 2018 to 2023. In the year 2018-2019 the absolute liquid ratio is 0.25 then it increased in the year 2019-2020 at 0.26, then again it has been increased in the year 2020-2021 at 0.44. In next year 2021-2022 it has been decreased at 0.39. then again it decreased and reaches to 0.36 in the year 2022-2023.

CASH FLOW STATEMENT ANALYSIS:

The net profit is 7,280.00 in 2019. It is decreased to 1,798.61 in 2020, and It is increased to 3,039.80 in 2021. It is increased to 7,091.81 in 2022, then again it is increased to 11,305.27 in 2023. The net cash and cash equivalents is 1,672.37 in 2019, then it decreased to -1,393.97 in 2020. It is slightly increased to -117.65 in 2021. It is increased to 126.36 in 2022, then again it is increased to 358.69 in 2023.

SUGGESTIONS:

- Given the fluctuations in cash and cash equivalents, it's essential to focus on effective cash management strategies. This may involve optimizing accounts receivable and accounts payable processes, reducing unnecessary expenses, and exploring opportunities for short-term investments to enhance liquidity.
- While asset growth is generally positive, it's crucial to monitor it closely to ensure that it aligns with the company's strategic goals and doesn't lead to overextension. Conduct regular evaluations to identify any inefficient or underperforming assets and consider divesting or restructuring if necessary.
- The fluctuations in liquidity ratios suggest a need for careful monitoring and management of current assets and liabilities. Maintaining adequate levels of liquidity is essential to meet short-term obligations and unforeseen expenses. Consider establishing a liquidity reserve to mitigate potential liquidity risks.
- Although the debt equity ratio has improved over the years, it's essential to continue managing debt effectively. Evaluate the cost and structure of existing debt and consider refinancing options if it can lead to cost savings. Additionally, avoid excessive reliance on debt financing to maintain financial flexibility.

CONCLUSION:

- The company experienced fluctuations in both total assets and cash and cash equivalents over the years.
- Net profit shows fluctuating trends but generally increasing from 2020 to 2023.
- Cash and cash equivalents also show a varying trend but generally improving from 2020 onwards, with positive values in 2022 and 2023.