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FINANCIAL STATEMENT ANALYSIS OF MAHINDRA AND MAHINDRA LIMITED FROM 2020 TO 2024

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ABSTRACT-

This study analyzes the financial performance of Mahindra and Mahindra Limited from 2020 to 2024, focusing on liquidity, solvency, and profitability through ratio and cash flow analysis. Key findings reveal improved debt-equity ratios and consistent profit growth, but fluctuating liquidity metrics, particularly a risky cash ratio below 0.5. The company's strong operating cash flow and rising net working capital highlight operational efficiency, while increased short-term borrowings signal higher working capital needs. Recommendations include optimizing liquidity management and diversifying financing to reduce reliance on debt. Overall, Mahindra and Mahindra demonstrates financial resilience but must address liquidity volatility to sustain long-term stability.

INTRODUCTION

The automobile industry is a vital sector of the global economy, encompassing the design, manufacturing, marketing, and sale of vehicles. Renowned for its innovation and technological advancements, the industry plays a pivotal role in shaping transportation, infrastructure, and consumer preferences worldwide. From traditional combustion engine vehicles to electric and autonomous cars, the industry continuously evolves to meet changing market demands, regulatory requirements, and environmental concerns. Major players in the industry include established automakers, emerging startups, and suppliers of components and technologies. With increasing emphasis on sustainability, safety, and connectivity, the automobile industry remains at the forefront of innovation, driving economic growth and societal transformation.

STATEMENT OF 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 2020 to 2024. 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.

OBJECTIVES OF STUDY

- To compare the financial performance of Mahindra and Mahindra Limited for the year 2020 -2024.

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.

REVIEW OF LITERATURE

Prasanna Lakmal Kavirathna (2022)⁷ This research examines The Impact of Inventory Management on Financial Performance. The research helps to identify strategies that can be implemented to overcome challenges in inventory management impact on financial performance. The study suggests that management should regularly provide staff with training to help them become more proficient at managing inventories and to help them become familiar with the current inventory management techniques

Mr.S.Muruganantham&S.Arun (2021)⁸⁽¹²⁾ in their study on financial performance of Mahindra and Mahindra company, it was found that liquidity ratios(2014-2015 to 2018-2019) were not up to their standard level so they need to increase the level of current assets to meet their short-term debts. This study resulted that the overall efficiency of business is good. For future growth, Mahindra and Mahindra Company should reduce the cash outflow and expenses. Then they will increase their turnover and profit which helps to increase financial performance of business. (Muruganantham& Arun, 2021)

ANALYSIS AND INTERPRETATION OF DATA

COMPARATIVE STATEMENT FOR THE YEARS 2021-22 AND

2022-23

PARTICULARS	2022	2023	INCREASE / DECREASE IN 2023 OVER 2024	
			AMOUNT	PERCENT
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	556.06	556.82	0.76	0.1366759
Total Share Capital	556.06	556.82	0.76	0.1366759
Reserves and Surplus	46,343.12	55,548.64	9205.52	19.8638331
Total Reserves and Surplus	46,343.12	55,548.64	9205.52	19.8638331
Total Shareholders Funds	47,122.64	56,365.79	9243.15	19.6150937
Minority Interest	9,702.62	10,716.32	1013.7	10.4476935
NON-CURRENT LIABILITIES				
Long Term Borrowings	48,625.06	55,027.39	6402.33	13.1667293
Deferred Tax Liabilities [Net]	1,786.10	1,608.64	-177.46	-9.93561391
Other Long Term	9,090.06	9,778.27	688.21	7.57101713
Liabilities				
Long Term Provisions	1,497.99	1,815.95	317.96	21.2257759
Total Non-Current Liabilities	60,999.21	68,230.25	7231.04	11.8543175
CURRENT LIABILITIES				
Short Term Borrowings	26,042.12	33,739.62	7697.5	29.5578855
Trade Payables	19,036.55	23,835.66	4799.11	25.2099776
Other Current Liabilities	10,241.47	11,814.65	1573.18	15.3608808
Short Term Provisions	968.19	1,189.48	221.29	22.856051

TotalCurrent	56,288.33	70,579.41	14291.08	25.3890638
Liabilities				
TotalCapitalAnd	1,74,112.80	2,05,891.77	31778.97	18.2519436
Liabilities				
ASSETS				
NON-CURRENT				
ASSETS				
TangibleAssets	21,902.26	20,351.33	-1550.93	-7.0811414
IntangibleAssets	2,775.83	4,239.75	1463.92	52.7381
Capital Work-	3,036.10	1,222.66	-1813.44	-59.7292579
InProgress				
FixedAssets	31,380.90	28,559.66	-2821.24	-8.99030939
Non-Current	19,210.55	21,006.50	1795.95	9.3487693
Investments				
DeferredTaxAssets	1,724.31	1,615.46	-108.85	-6.31267
[Net]				
LongTermLoansAnd	38,849.40	52,772.75	13923.35	35.8392922
Advances				
OtherNon-Current	6,459.24	8,063.06	1603.82	24.8298561
Assets				
TotalNon-Current	98,964.80	1,14,566.33	15601.53	15.7647264
Assets				
CURRENTASSETS				
CurrentInvestments	10,849.88	14,265.92	3416.04	31.4845878
Inventories	11,595.82	16,854.97	5259.15	45.353843
TradeReceivables	6,373.95	7,028.02	654.07	10.2616117
CashAnd Cash	11,117.61	11,273.43	155.82	1.40156023
Equivalents				
ShortTermLoansAnd	29,242.26	34,684.81	5442.55	18.6119336
Advances				
OtherCurrentAssets	5,968.48	7,218.29	1249.81	20.9401724
TotalCurrentAssets	75,148.00	91,325.44	16177.44	21.5274392
TotalAssets	1,74,112.80	2,05,891.77	31778.97	18.2519436

INTERPRETATION:

- **Shareholder's Funds:** Significant growth in reserves and surplus, reflecting strong profitability and retained earnings.
- **Liabilities:** Increase in both long-term and short-term borrowings, indicating higher debt reliance for expansion or operations.
- **Assets:** Growth in non-current assets, particularly long-term loans and advances, while fixed assets declined, suggesting a shift in asset allocation.
- **Current Assets:** Notable increase in inventories and current investments, improving liquidity and working capital.
- **Overall:** Total assets and liabilities grew by 18.25%, showing

COMPARATIVE STATEMENT FOR THE YEARS 2022-23 AND**2023-24**

PARTICULARS	2023	2024	INCREASE/DECREASE IN	
			2023 OVER 2024	
			AMOUNT	PERCENT
SHAREHOLDER'S				

FUNDS				
EquityShare	556.82	557.38	0.56	0.1005711
Capital				
TotalShare	556.82	557.38	0.56	0.1005711
Capital				
Reservesand	55,548.64	65,334.41	9785.77	17.6165789
Surplus				
TotalReserves	55,548.64	65,334.41	9785.77	17.6165789
andSurplus				
Total	56,365.79	66,190.55	9824.76	17.4303598
Shareholders Funds				
MinorityInterest	10,716.32	11,318.79	602.47	5.62198591
NON-CURRENT				
LIABILITIES				
LongTerm	55,027.39	67,719.69	12692.3	23.0654225
Borrowings				
Deferred Tax	1,608.64	1,772.13	163.49	10.1632435
Liabilities[Net]				
OtherLongTerm	9,778.27	11,990.64	2212.37	22.6253724
Liabilities				
LongTerm	1,815.95	1,763.28	-52.67	-2.90041025
Provisions				
TotalNon-Current	68,230.25	83,245.74	15015.49	22.0070863
Liabilities				
CURRENT				
LIABILITIES				
ShortTerm	33,739.62	35,483.54	1743.92	5.16876005
Borrowings				
TradePayables	23,835.66	25,665.64	1829.98	7.67748827
OtherCurrent	11,814.65	13,273.47	1458.82	12.3475516
Liabilities				
ShortTerm	1,189.48	1,123.00	-66.48	-5.58899687
Provisions				
TotalCurrent	70,579.41	75,545.65	4966.24	7.03638639
Liabilities				
TotalCapitalAnd	2,05,891.77	2,36,300.73	30408.96	14.7693907
Liabilities				
ASSETS				
NON-CURRENT				
ASSETS				
TangibleAssets	20,351.33	21,408.60	1057.27	5.19509044
IntangibleAssets	4,239.75	4,272.44	32.69	0.77103603

CapitalWork- InProgress	1,222.66	3,461.33	2238.67	183.098327
FixedAssets	28,559.66	33,720.34	5160.68	18.069823
Non-Current Investments	21,006.50	21,573.46	566.96	2.69897413
Deferred Tax Assets[Net]	1,615.46	1,578.99	-36.47	-2.25756131
LongTermLoans AndAdvances	52,772.75	67,783.65	15010.9	28.444415
OtherNon-Current Assets	8,063.06	10,930.28	2867.22	35.5599487
TotalNon-Current Assets	1,14,566.33	1,38,035.09	23468.76	20.4848667
CURRENT ASSETS				
Current Investments	14,265.92	13,634.64	-631.28	-4.42509141
Inventories	16,854.97	18,590.47	1735.5	10.2966662
TradeReceivables	7,028.02	7,459.40	431.38	6.13800188
CashAndCash Equivalents	11,273.43	12,012.75	739.32	6.55807505
ShortTermLoans AndAdvances	34,684.81	39,060.13	4375.32	12.6145134
OtherCurrentAssets	7,218.29	7,508.25	289.96	4.01701788
TotalCurrent Assets	91,325.44	98,265.64	6940.2	7.59941589
TotalAssets	2,05,891.77	2,36,300.73	30408.96	14.7693907

INTERPRETATION:

1. **Shareholder's Funds:** Growth in reserves and surplus, indicating strong profitability and retained earnings.
2. **Liabilities:** Significant increase in long-term borrowings and current liabilities, reflecting higher debt reliance for expansion or operations.
3. **Assets:** Growth in non-current assets, particularly long-term loans and advances, and fixed assets, showing investment in long-term growth.
4. **Current Assets:** Increase in inventories and short-term loans, improving liquidity and working capital.
5. **Overall:** Total assets and liabilities grew by 14.77%, indicating expansion but with increased debt levels.
d supplement industry

Findings

The financial analysis of Mahindra and Mahindra Limited (M&M) from 2020 to 2024 reveals several key insights. The company demonstrated consistent profitability growth, with net profit before tax increasing from ₹5,130 crores in 2020 to ₹13,483 crores in 2024, indicating strong operational performance. Liquidity ratios, however, showed volatility—while the current ratio remained above 1, the quick ratio dipped to a concerning 0.43 in 2022-23 before recovering to 1.05 in 2023-24, and the cash ratio stayed below 0.5, signaling potential short-term liquidity risks. The debt-equity ratio improved significantly from 2.95 in 2019-20 to 1.07 in 2023-24, reflecting better financial stability, but rising short-term borrowings suggest increased reliance on working capital financing. Non-current assets, particularly long-term loans and advances, grew substantially, indicating strategic investments, while current assets expanded due to higher inventories and receivables. Despite strong cash flows from operations, the company's increasing debt levels and fluctuating liquidity metrics highlight areas requiring attention.

Suggestions

To enhance financial stability, Mahindra and Mahindra should focus on optimizing liquidity management by maintaining higher cash reserves or improving receivables collection to strengthen the cash ratio. Diversifying financing sources—such as equity funding or long-term debt—could reduce dependency on short-term borrowings, lowering refinancing risks. Efficient inventory management and working capital strategies should be implemented to prevent excessive stockpiling and improve cash conversion cycles. Additionally, the company should continue monitoring its debt levels to ensure they remain sustainable, balancing growth investments with financial prudence. Strengthening internal controls and cost efficiency measures could further stabilize profit margins, ensuring long-term resilience amid market fluctuations.

Conclusion

Mahindra and Mahindra Limited has exhibited robust financial performance between 2020 and 2024, marked by rising profitability, improved solvency, and strategic asset expansion. However, liquidity fluctuations and increasing short-term debt highlight areas for improvement. By addressing these challenges through better working capital management, diversified financing, and prudent debt policies, the company can sustain its growth trajectory while mitigating financial risks. Overall, M&M's strong operational foundation positions it well for future success, provided it maintains a balanced approach to liquidity, leverage, and investment strategies.