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A STUDY ON FINANCIAL PERFORMANCE OF MAHINDRA AND MAHINDRA COMPANY

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ABSTRACT:

This study examines how Mahindra and Mahindra, a major company in India with interests in automotive, farm equipment, aerospace, and finance, is performing financially. We analyse key financial indicators like profitability, liquidity, efficiency, and solvency over a specific period. Using both numbers and explanations, we aim to understand the company's financial health, identifying its strengths, weaknesses, opportunities, and threats in the ever-changing business environment. Additionally, we explore external factors influencing Mahindra and Mahindra's financial performance, such as market trends, competition, economic conditions, and strategic decisions. The study's insights are expected to help stakeholders make informed decisions regarding investment, strategy, and risk management.

Key words: Liquidity ratio, Profitability ratio.

INTRODUCTION:

Mahindra and Mahindra Limited is a global automobile producing enterprise located in Mumbai. It was founded in 1945 as Mahindra & Mohammed, then renamed Mahindra & Mahindra. M&M, formed as portion of the Mahindra Group, is one of India's leading automobile manufacturers worldwide in terms of production. Mahindra Financial Services offers an all-encompassing solution for all of your economic requirements. It began operations on 1991. Mahindra Finance Pvt Ltd. has been authorised with the central bank of India as a securities financing company. Finance involves the management of an immense amount of money. It is widely referred to as the art of wealth. The study's main objective is to assess the overall profitability of the Mahindra & Mahindra company, along with its financial position, income, and expenditure. The tool utilised in this investigation. This study employs ratio analysis as its primary tool for financial analysis, aiming to identify both the financial strengths and weaknesses of the firm under study. This process represents the final step in the accounting process, culminating in the presentation of precise and definitive data that aids business managers in their decision-making. The analysis includes an examination of key financial performance indicators such as the current ratio, debt-equity ratio, and quick ratio.

OBJECTIVES OF THE STUDY:

- To identify the liquidity position of the Mahindra and Mahindra company.
- To determines the profitability of the Mahindra and Mahindra company

STATEMENT OF THE PROBLEM:

The project focuses on conducting a comprehensive financial analysis of Mahindra and Mahindra company, covering its performance over a five-year period from 2018 to 2022. This analysis aims to evaluate the correlation between financial statements, assess the company's competitive position within its industry, and examine the effectiveness of its financial strategies and investments. Additionally, the study aims to identify key financial challenges or risks faced by Mahindra and Mahindra. Through this analysis, a detailed review of the company's financial performance will be conducted.

LIMITATIONS OF THE STUDY:

- The date used in this study was secondary data.
- This study is limited to only five-year time period (2018-2022).
- It does not cover any non-financial data which have some impact on financial analysis on the whole.
- The statement that are studied are historical past cannot be the index for future estimation.

REVIEW OF LITERATURE:

Dr . W. Saranya (2022) Analysed about " A Study on Financial Performance on Mahindra and Mahindra Company" The study wants to check how Mahindra & Mahindra is handling its working capital over time and suggests a plan for checking it thoroughly (audit program). To understand the company's financial health, they use a tool called ratio analysis. This tool helps reveal important things like how much profit the company is making, if it can quickly pay its debts, how efficiently it uses its resources, and if it's financially stable in the long run. This way, the study helps the company make smart decisions based on its financial situation.

Professors Mr. S. Muruganantham and Mr. S. Arun (2021) Analysed about "A study on financial performance of Mahindra and Mahindra company" This study is all about checking how Well Mahindra & Mahindra is doing. It looks at everything the company earns and spends, what it owns, and what it owes, presented in profit & loss and balance sheet formats. This helps the company make decisions and understand its finances. To do this, they used a method called ratio analysis, which involves looking at different ratios like how quickly they can turn assets into cash (liquidity), how much profit they're making (profitability), and how efficiently they're using their resources (activity). It's like using these ratios to get a clear picture of how healthy the company's finances are.

Hardik S Joshi and Dr. Ashwin Purohit (2018) Analysed about "Profitability analysis of Mahindra and Mahindra" The automotive sector is like the powerhouse for driving economic. Growth in a country. Indian vehicle makers are spreading their influence globally and have done well in international competition. However, there are still challenges holding them back from expanding fully. Mahindra and Mahindra, a major player in India's vehicle manufacturing, holds a significant market share. The study looks at Mahindra and Mahindra's financial statements, focusing on how much profit the company is making. The analysis shows that the company has the potential for significant growth, despite having a somewhat inconsistent track record. To become a global leader, the key is to provide the right support-politically, environmentally, and economically to the company in the coming years. In simpler terms, it's about understanding how well Mahindra and Mahindra is doing financially and how it can grow even more with the right kind of support.

Dr. Keval K. Shah (2018) Analysed about "A Profitability analysis of financial performance of Mahindra logistics and VRL logistics" In this study, we analyse the financial Statements of Mahindra Logistics and VRL Logistics to understand how well these companies have performed. We use ratio analysis and a statistical tool called t-test to evaluate their financial performance over the last three years. Ratios such as PBDIT, PBIT, PBT, Return on Capital Employed, and Return on Assets are calculated to gauge the efficiency of their finances during this period. The t-test is employed to compare the actual data with that of another company in the same industry, determining if there is a significant difference between their averages. This helps us draw conclusions about the relative financial strength and performance of Mahindra Logistics and VRL Logistics.

RESEARCH METHODOLOGY:

This study relies on secondary data collected over a five-year period from 2018 to 2022 to evaluate the financial performance of Mahindra and Mahindra. The main approach used is ratio analysis, which involves examining various financial ratios such as current ratio, quick ratio, operating Profit ratio to assess the company's financial position. Additionally, ratios like operating ratio, net profit ratio, are utilized to analyse the firm's profitability. This methodology allows for a comprehensive understanding of Mahindra and Mahindra's financial health and performance during the specified timeframe.

DATA SOURCE:

Secondary data: source of secondary data is collected from magazines, websites and articles.

ANALYTICAL TOOLS:

FINANCIAL RATIOS:

1. Liquidity ratios (current ratio, quick ratio)
2. Profitability ratios (operating profit ratio, operating ratio, net profit ratio)

ANALYSIS AND INTERPRETATION:

1. LIQUIDITY PERFORMANCE:

a) CURRENT RATIO:

Year	Current assets	Current labilities	Current Ratio
2017-2018	16,474.47	13,323.21	1.24
2018-2019	18,071.06	14,334.07	1.26
2019-2020	15,141.49	10,972.82	1.38
2020-2021	20,312.30	15,133.17	1.34
2021-2022	25,917.70	18,820.29	1.38

INTERPRETATION:

According to the Mahendra and Mahendra company, the current ratio has been maintained between the thumb rule of 2:1. Although, the current asset is higher than the current liabilities for 5 years, the company has to give more attention to maintain stable liquidity. The ratio is quite satisfactory.

b) QUICK RATIO:

Year	Liquid Assets	Current labilities	Quick Ratio
2017-2018	13,772.78	13,323.21	1.03
2018-2019	14,231.79	14,334.07	0.99
2019-2020	11,740.58	10,972.82	1.07
2020-2021	16,356.83	15,133.17	1.08
2021-2022	20,034.85	18,820.29	1.06

INTERPRETATION:

The company has maintained good ratios during 2018-19. The company needs to concentrate on current liabilities as it exceeds the quick assets for continuous 3 years. Although the ratio is nearer to satisfactory i.e. thumb rule of 1:1. The company has in need of improving their position.

2. PROFITABILITY RATIOS:

a) OPERATING PROFIT RATIO:

Year	Operating profit	Sales	Operating profit Ratio
2017-2018	6,224.00	48,686	12.78
2018-2019	6,640.00	53,614	12.38
2019-2020	5,798.00	45,488	12.75
2020-2021	6,957.00	44,630	15.59
2021-2022	7,027.00	57,787	12.16

INTERPRETATION:

Typically, operating profit ratio of about 20% is considered as good and below 5% is low. The company has shown stable value in 2017, 2018 and 2019 as 12% and increased value in the very next year 2020 as 15.6%. But in 2021- 2022 the value decreased to the stable value of 12%, the operating profitability of the company is not good and it has maintained same ratios for years. The ratio is not satisfactory.

b) OPERATING RATIO:

Year	100	Operating profit Ratio	Operating profit
2017-2018	100	12.78	87.22
2018-2019	100	12.38	87.62
2019-2020	100	12.75	87.25
2020-2021	100	15.59	84.41
2021-2022	100	12.16	87.84

INTERPRETATION:

The ideal level of Operating Ratio is between 60% to 80%; Although the lower, the better it is. The company is showing operating ratio between 80% to 90% for the past five years. During the post and pre-era of covid-19, the company failed to maintain proper operative decision and management as the ratios interpreted. While comparing the years, the Mahendra and Mahendra company is overall not doing good and it has to focus on building good operative management.

c) NET PROFIT RATIO:

Year	Net Profit	Sales	Net Profit Ratio
2017-2018	4,356.01	48,685.55	8.95
2018-2019	4,796.04	53,614.00	8.95
2019-2020	1,330.55	45,487.78	2.93
2020-2021	248.46	45,040.98	0.55
2021-2022	4,935.22	57,445.97	8.59

INTERPRETATION:

The table shows that there is a net decrease in Net profit margin from 2017(8.95) to 2021(0.55). So, the profitability of Mahendra and Mahendra company has actually decreased from 2017, 2018, 2020 and 2021. The higher ratio implies the better profitability. When covid-19 is at the peak, in that period, the company does not balance good ratio but it has increased from 0.55 to 8.59 in the very next year of 2022. As the profit fluctuates through the years , the net profitable ratios needs to be improved.

FINDING OF THE STUDY:

1. The current ratio has to be maintained at 2:1. Mahendra and Mahendra company show the variability in their ratios as it is also affected by pandemic. While comparing the years, the ratio is quite satisfactory. The satisfactory convention of quick ratio is considered as 1:1 and the ratios of the company does meet the required level of satisfaction. Here, the company is better in quick liquidity.
2. The ideal ratio of operating profit ratio is 20%, when compared to 5 years, the company has maintained a low profit level due to its worst operational management. A relatively low operating ratio is indicated as good. While analysing the company, it is not good at managing operating expenses for 5 years as it shows more than ideal percentage. High net profitability makes the M&M company more efficient because of high sales. It decreased over the years but managed to overcome after 2020- 2021.

SUGGESTION OF THE STUDY:

Over the past five years, Mahindra and Mahindra's financial position has been inconsistent, highlighting the need for improvement. To enhance stability, the company should prioritize increasing net sales to boost profitability. A thorough comparison of performance over this period can pinpoint areas where sales growth is critical for financial health. Despite a slight improvement in liquidity, Mahindra and Mahindra could further optimize its current assets for greater efficiency. Additionally, managing operating expenses is pivotal for enhancing operational management quality. Implementing cost-control strategies can lead to improved financial performance and increased competitiveness. Therefore, it is essential for Mahindra and Mahindra to prioritize measures such as boosting sales, optimizing assets, and effectively managing expenses to strengthen its financial position.

CONCLUSION:

Efficient financial management is crucial for enterprise success, and assessing a company's financial performance over time is essential. Mahendra and Mahendra's financial analysis over five years highlights strengths and weaknesses, particularly in liquidity and profitability. The company demonstrates a strong liquidity position, indicating its ability to meet short-term obligations comfortably. This suggests effective financial planning and management. In terms of profitability, Mahendra and Mahendra has maintained a net profitable position, showcasing its ability to generate returns on investments. However, the company faces challenges in establishing a strong market position due to internal operational and sales management issues. These challenges hinder the company's competitiveness and market appeal. Despite its financial strengths, Mahendra and Mahendra must address these internal deficiencies to enhance overall performance and market position. In conclusion, while Mahendra and Mahendra excel in liquidity and profitability, improving operational efficiency and sales management is critical for sustained success and market growth.

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