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"A Study On Financial Performance Analysis Of Mahindra & Mahindra Limited"

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Abstract:

This study investigates the financial performance of Mahindra & Mahindra Limited, a key player in the Indian automotive industry. By analysing profitability, financial strength, and overall performance, this research aims to provide insights into M&M's financial health and its competitive position within the growing Indian automotive market.

INTRODUCTION

The automobile industry is a sector that involves the manufacture, growth, handling, and distribution of automobiles. It has been in existence for many years and has evolved from the early carriages to the modern electric cars. It has effects on areas such as infrastructure, energy and employment. This is a technology-based sector that has evolved over time due in to technology, the taste changes of the market and environmental factors.

The Indian automobile industry is a vital pillar of the country's economy, contributing significantly to GDP, manufacturing output, and employment generation. Financial performance analysis is the process of reviewing and analysing a company's financial statements to make better economic decisions. Finance act as a pillar for every economic activity. Nowadays it is mostly commonly referred finance is the primary objective of every business and without funding it's very hard to achieve each and every company's goal. Finance has a set of rules and norms to be followed, and it is a way to implement the strategies of a company in a proper channel and at a right time. A company's decision-making process is strengthened by a thorough understanding of its financial performance. With this background I view, the present study has been undertaken for a proper insight into the Study of Financial Performance of Mahindra & Mahindra Ltd.

OBJECTIVES

- To examine the profitability position of Mahindra & Mahindra.
- To identify the financial strength of the company.
- To examine the financial performance of Mahindra & Mahindra by using financial tools.

STATEMENT OF PROBLEM

Financial performance and analysis are the fuel that propels a business to victory in today's competitive world. The intention of such analysis and performance is to determine the efficiency of operation of the firm and the probability of default risk in the future. Financial statements document activities, while financial analysis reveals the efficiency and depth of those activities. It enables the outsiders and investors to evaluate the past and current performance and financial position and to predict future performance. A sound liquidity leads to better profitability and ability to fulfil its obligations in a timely and proper manner.

LIMITATIONS OF THE STUDY

- The study covers a period between the years 2019-2020 to 2023-2024 only.
- The study is based fully on the secondary data i.e., on the quantitative data obtained from the Annual Reports of Mahindra & Mahindra.
- Ratios are based only on the information which has been recorded in the financial statements
- The inherent limitation of the secondary data may affect the observation analysis and findings made in this study also.
- It considers only monetary aspects. Non-monetary aspects like human behaviour, their relationships, etc. are not considered.

RESEARCH METHODOLOGY

Research Methodology helps to solve the research problem in a systematic way by using various steps which are generally accepted by the researchers in studying the research problem. It leads to understand the study in a scientific way which it has been done.

RESEARCH DESIGN - Descriptive in Nature

SOURCE OF DATA

The data that used in this research is completely based on secondary data which is already recorded, issued and published by some other person or derive from any other sources. This secondary data is collected from the company's annual report for the period 2019-2020 to 2023-2024.

TOOLS USED FOR STUDY

- Ratio analysis
- Trend analysis

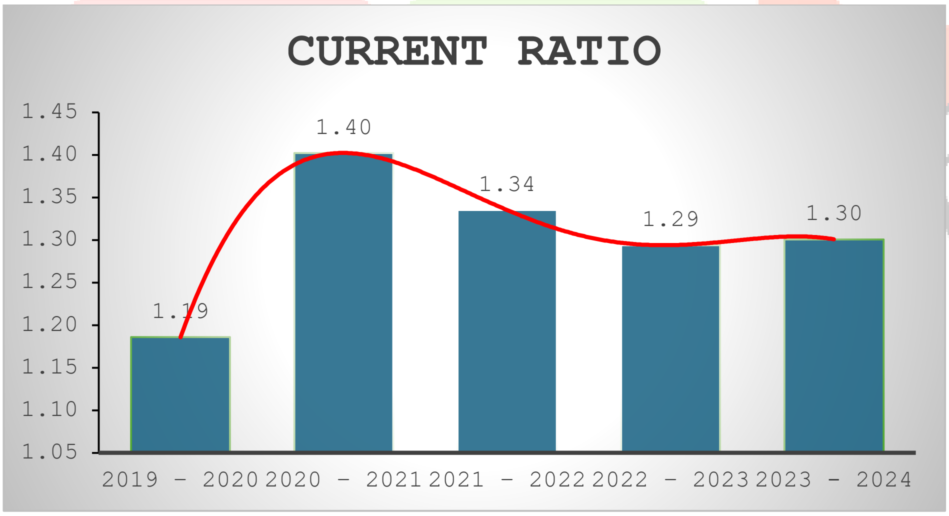
DATA ANALYSIS AND INTERPRETATION

LIQUID RATIO

1) CURRENT RATIO = CURRENT ASSETS / CURRENT LIABILITIES

(Rs. Crores)

YEAR	*CURRENT RATIO*	*CURRENT ASSETS*	*CURRENT LIABILITIES*
2019 – 2020	1.19	64045.43	54009.52
2020 – 2021	1.40	72137.91	51446.01
2021 – 2022	1.34	75148	56288.33
2022 – 2023	1.29	91325.44	70579.41
2023 - 2024	1.30	98265.64	75545.65



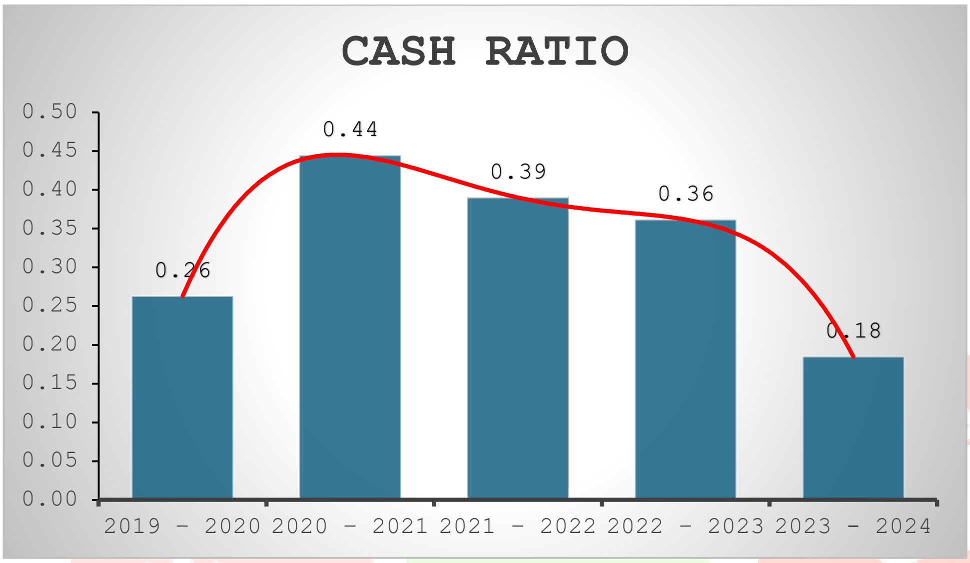
INTERPRETATION

Current ratio helps to find out whether the current assets are sufficient to settle the current liabilities. The ratio of 1.2 to 2 or above is consider safe. Hence, current ratio of Mahindra & Mahindra is satisfactory.

2) CASH RATIO = CASH & CASH EQUIVALENTS / CURRENT LIABILITIES

(Rs. Crores)

Year	*CASH RATIO*	*CASH & CASH EQUIVALENTS*	*CURRENT LIABILITIES*
2019 – 2020	0.26	14206.46	54009.52
2020 – 2021	0.44	22883.81	51446.01
2021 – 2022	0.39	21967.49	56288.33
2022 – 2023	0.36	25539.35	70579.41
2023 – 2024	0.18	13972.58	75545.65



INTERPRETATION

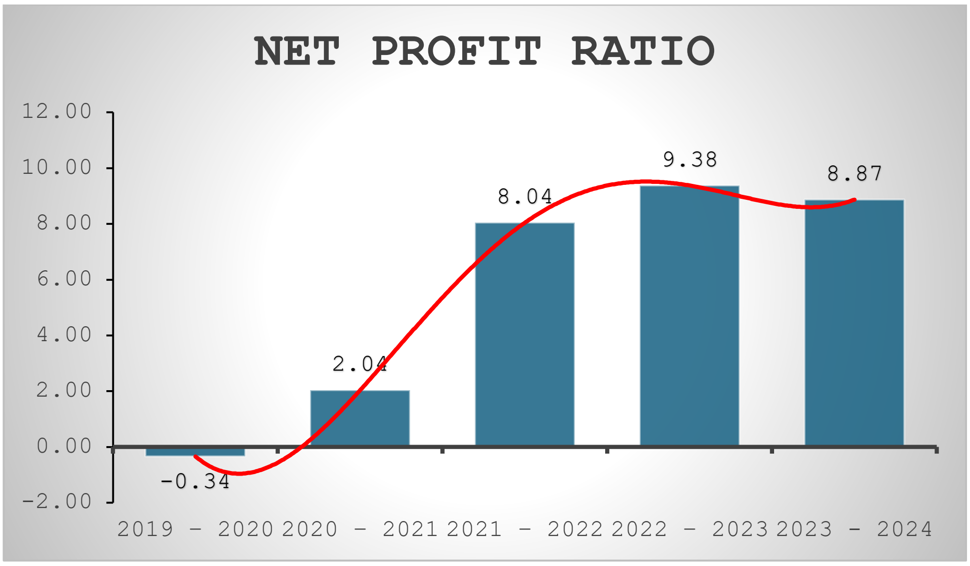
Cash ratio helps to find out whether the company is sufficiently in a liquid position to settle the current liabilities in a cash form itself. The ratio of 1or above is consider safe and below 0.5 is risky, thus we can conclude that the current ratio of Mahindra & Mahindra is risky.

PROFITABILITY RATIOS

3) NET PROFIT RATIO = NET PROFIT / NET SALES X 100

(Rs. Crores)

YEAR	*NET PROFIT RATIO*	*NET PROFIT AFTER TAX*	*NET SALES*
2019 – 2020	-0.34	-321	95179.09
2020 – 2021	2.04	1512.39	74277.78
2021 – 2022	8.04	7253.01	90170.57
2022 – 2023	9.38	11374.48	121268.55
2023 – 2024	8.87	12269.82	138279.3



INTERPRETATION

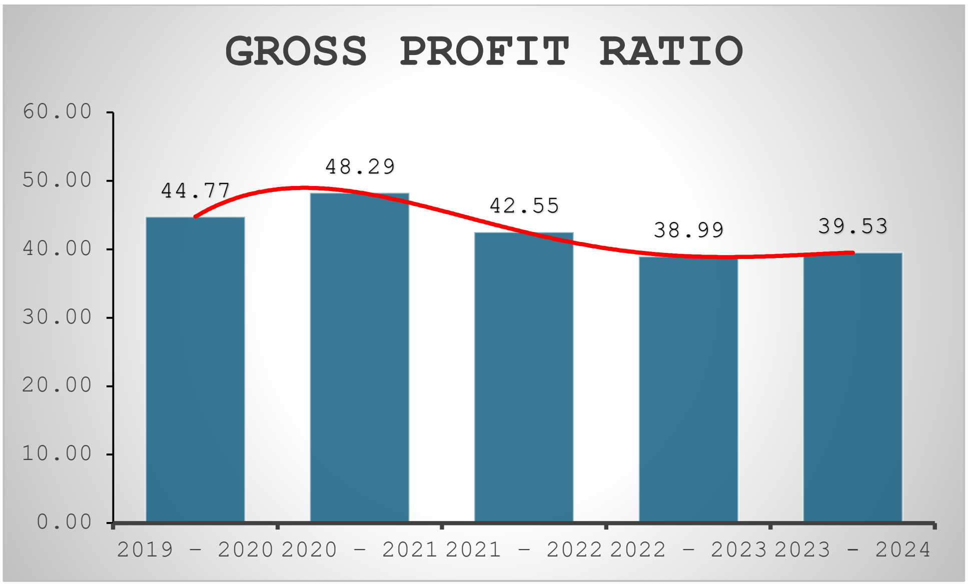
Net Profit Ratio shows a strong recovery and growth for the company after an initial loss in the year 2019-2020 (-0.34), then profits steadily increased over four years. A slight decline in the final year, but profitability remains high overall.

4) GROSS PROFIT RATIO = GROSS PROFIT / REVENUE X 100

(Rs. Crores)

YEAR	***GROSS PROFIT RATIO***	***GROSS PROFIT***	***SALES***
2019 – 2020	44.77	42614.77	95179.09
2020 – 2021	48.29	35,870.99	74277.78
2021 – 2022	42.55	38367.38	90170.57
2022 – 2023	38.99	47280.99	121268.55
2023 – 2024	39.53	54664.55	138279.3

(Gross Profit = Revenue – Cost of Goods Sold)



INTERPRETATION

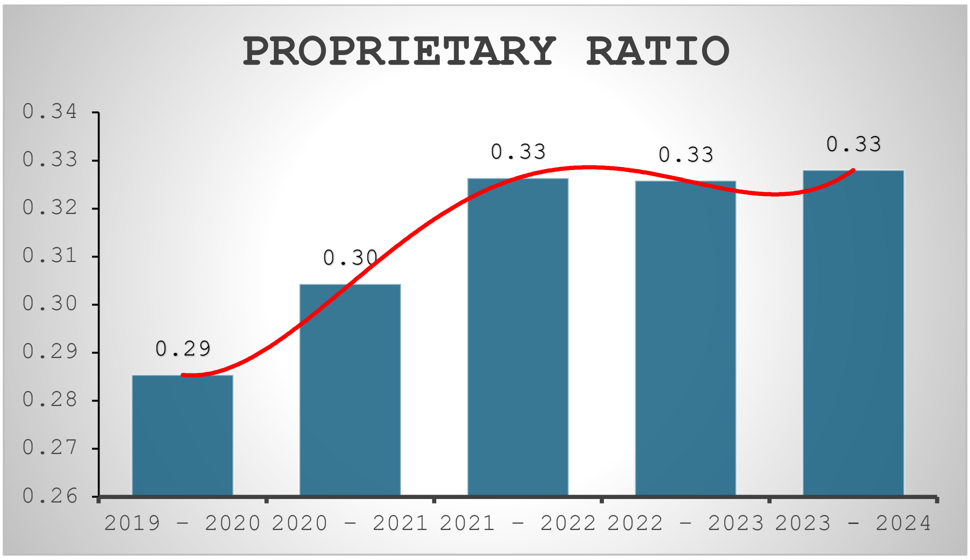
Gross Profit Ratio started at 44.77% in the year 2019-2020, peaked at 48.29% in 2020-2021, and then generally decline over the three years. Overall, the gross profit ratio ended lower than it began indicating a possible constraint in profitability.

LONG TERM FINANCIAL POSITION RATIO OR SOLVENCY RATIO

5) PROPRIETARY RATIO = SHAREHOLDERS FUND / TOTAL ASSETS

(Rs. Crores)

YEAR	*PROPRIETARY RATIO*	*PROPRIETARY FUND*	*TOTAL ASSETS*
2019 – 2020	0.29	47661.05	167006.66
2020 – 2021	0.30	50652.23	166462.49
2021 – 2022	0.33	56825.26	174112.8
2022 – 2023	0.33	67082.11	205891.77
2023 – 2024	0.33	77509.34	236300.73

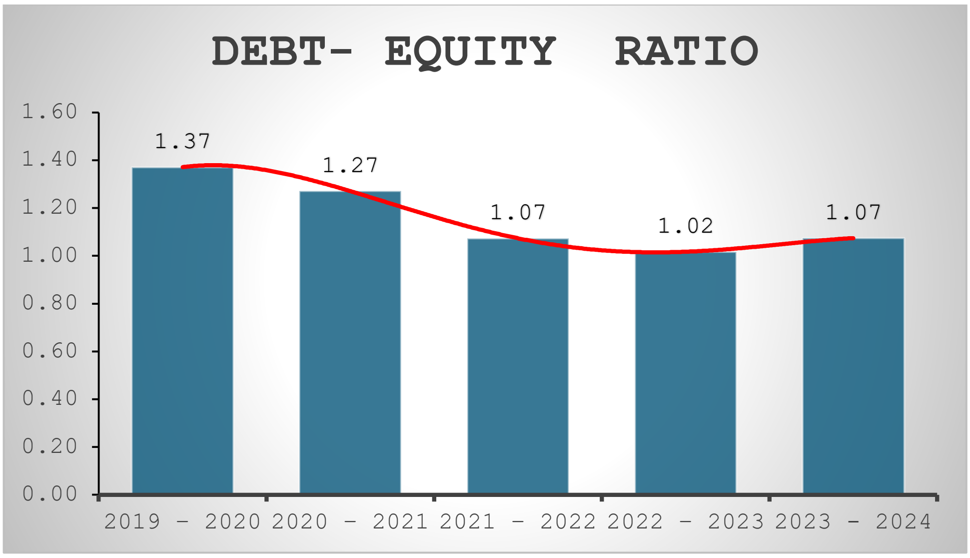


INTERPRETATION

Proprietary Ratio helps to identify the company's financial stability by comparing its equity to the total assets. It increases in 2020-2021 (0.30) and significantly from 2021-2022 which was stable till the year 2024. This indicating that the company have high reliance on equity for asset financing.

6) DEBT- EQUITY RATIO = LONG TERM DEBT / SHAREHOLDERS FUND (Rs. Crores)

YEAR	*DEBT- EQUITY RATIO*	*LONG TERM DEBT*	*SHAREHOLDER EQUITY*
2019 – 2020	1.37	65336.09	47661.05
2020 – 2021	1.27	64364.25	50652.23
2021 – 2022	1.07	60999.21	56825.26
2022 – 2023	1.02	68230.25	67082.11
2023 - 2024	1.07	83245.74	77509.34



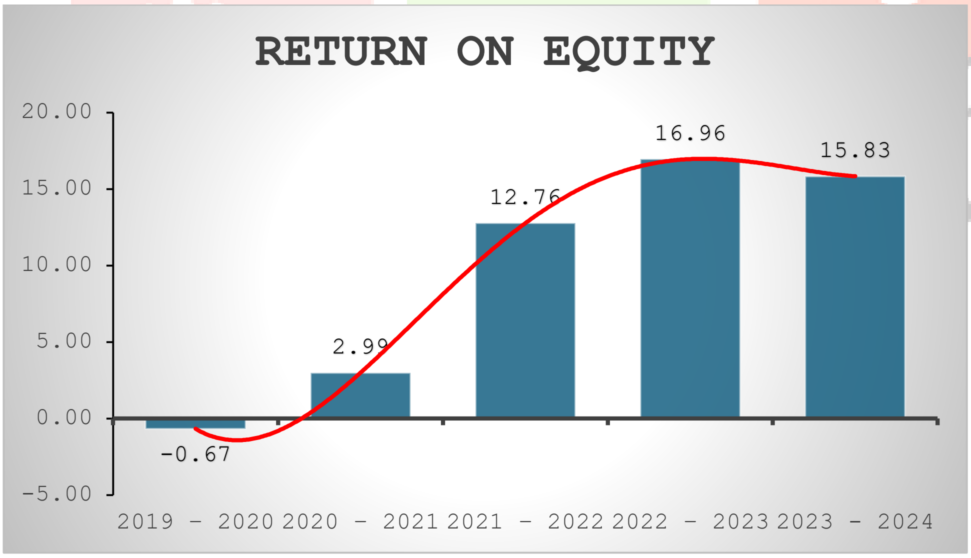
INTERPRETATION

Debt-equity ratio is used to find the relative proportion between the equity and the debt. Debt-equity ratio greater than 1 indicate the company may be overleveraged typically a good debt-to-equity ratio. In all the years debt equity ratio of a company is greater than 1. Hence, the company is good in maintaining its debt position

7) RETURN ON EQUITY (ROE) = NET PROFIT / NET WORTH X 100

(Rs. Crores)

YEAR	*RETURN ON EQUITY*	*NET PROFIT AFTER TAX*	*NET WORTH*
2019 – 2020	-0.67	-321	- 47661.05
2020 – 2021	2.99	1512.39	- 50652.23
2021 – 2022	12.76	7253.01	- 56825.26
2022 – 2023	16.96	11374.48	- 67082.11
2023 - 2024	15.83	12269.82	- 77509.34



INTERPRETATION

ROE shows a strong upward trend over five years, indicating improving profitability for shareholders. After a negative ROE in 2019-2020, the company rebounded significantly, peaking at 16.96 in 2022-2023 and a slight down to 15.83 in 2023-2024.

REVIEW OF LITERATURE

Review of Literature on the Financial Performance of Mahindra & Mahindra Ltd

The literature spans from 2019 to 2023, highlighting significant findings and insights from various authors and organizations.

Jayaganesh and Saranya (2024) this study entitled to analyse a study on financial performance analysis of Happiest Minds Technology Limited. This study evaluates the company's financial health to ascertain its profitability. In conclusion, the study offers recommendations for Happiest Minds to improve asset utilization, bolster short-term liquidity, optimize its capital structure, control financial metric fluctuations, and ground strategic decisions in thorough financial analysis.

Uma Maheswari, Muthu Kumar and Koushik (2023) conducted a Comparative study on financial performance between TATA motors versus M& M LTD. The study highlights the financial position of TATA motors and M & M Ltd were ascertained with the help of ratios as a parameter. This study examines the financial performance of top automobile manufacturers by comparing their financial statements.

Prasanna Lakmal Kavirathna (2022) 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 suggesting 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

Huda Alhajeri, Huda Almansoori, Nora Almansoori and Nouf Alsulaity (2021) This study investigates the Financial Analysis of Tesla. The authors found that the financial performance of Tesla is good from 2017 to 2020 and maintains their responsibilities towards its stakeholders by fulfilling its clean energy objectives and suggested the management to incentivize early payments of the customers and make a quick debt collection period.

Ahmed Mahdi Abdulkareem (2020) This study analyses the Financial Performance of Indian Pharmaceutical Companies: Analysis of Leverage and Cost of Capital over a five-year period, utilizing key financial tools such as sampling method and degree of leverages which includes operating, financial and combined leverages with their hypothesis testing by using ANOVA.

Findings:

- The current ratios in all the five years are greater than one. It means that the company's current assets are sufficient to repay short-term liabilities.
- The cash ratios trend shows a decreasing trend a sudden decline in the cash ratio will likely cause a company's liquidity position to fall.
- The profitability ratios trend shows a decreasing trend but it improved operational efficiency and a favourable market condition is expected in the coming years.

- The proprietary ratios trend shows an increasing trend, implying that the company has a stable position in financial performance.
- The debt equity ratio trend shows an increasing trend this shows that the company is a good debt position.
- The return on equity ratio trend shows a decreasing trend in the coming years to be expected.

Recommendations

- **Liquidity:** It is essential to maintain sufficient liquidity to ensure smooth running of the company operation. The company should proactively manage the cash inflow and outflow and to control the operating expenses.
- **Debt Position:** In the debt ratio, a lower the percentage means that a company is using less leverage and has a stronger equity position. Further the company should decrease its debt to sustain economically.
- **Enhance Technological Integration**: The company should be concerned more towards the Research and Development activities that will help in finding Latest Technologies with new features which help in the implementation of the Projects which gives more awareness and eco-friendly.
- **Focus on Sustainability**: Adopt sustainable practices to align with evolving consumer preferences and regulatory requirements and should increase their net worth to increase the equity.
- **Profitability:** It showed the net loss in the initial year and net profits in all other years so it should take forwarded steps to maximize the profits to prevent downfall in the profits in upcoming years but it gradually increasing to seek a profitability position.

Conclusions

The study undertaken has brought into the light of following conclusions

The financial performance of Mahindra & Mahindra Ltd is satisfactory, according to the report. To summarise, Mahindra & Mahindra Ltd has demonstrated its impact on the industry. We can notice the company's fluctuation, but this is to be expected given its size. Looking back over the last five years, 2020 - 2021 & 2021 - 2022 is the strongest financial year comparing to others, as the company's profitability is increasing towards up. It is projected that the company will attain more profit than the past five years if it controls its expenses and liabilities.

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