



A STUDY ON FINANCIAL PERFORMANCE OF MAHINDRA AND MAHINDRA COMPANY

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ABSTRACT

This study main focus on to analysis the overall performance of the Mahindra and Mahindra Company to analysis the overall performance with the help of financial statement with shows all incomes and expenditure and assets and liabilities in the format of profit & loss and balance sheet this statement is analyzed it is called performance it help the firm take any decision and to get knowledge about their function of financial aspects in business .The method used to analysis their performance was ratio analysis (liquidity ,profitability and activity) and schedule changing in working capital this method help to analysis their performance of the company .

KEYWORDS: *Financial performance analysis, Ratio Analysis*

INTRODUCTION

Finance is a broad term that describes activities associated with banking, leverage or debt, credit, capital markets, money, and investments. Financial performance is an important which influences the profitability and liquidity of organization. There are many ways to measure financial performance but all measures should be taken in aggregate. Financial performance is a process of measuring and resulting a financial activity of the firm. The aim of this study to analysis the financial performance of the company by using the financial tools. The study is based on financial statements such as ratio analysis and common size balance sheet by using the tools combined it enables to determine in an effective manner.

STATEMENT OF THE PROBLEM

One of the most fundamental facts about business is that the financial performance of the firm shapes its financial structure. As fast growing society for a business financial analysis of financial performance is important, and to be stable in this society. So it's needed to measure the efficiency functioning of the company. And, measure their

performance of activity. This helps to take financial decision for concern. On the above point of view, the research conducted the study on financial performance of the company.

SCOPE OF THE STUDY

In India, there is more automobile sector and there is more competition between them. The efficiency of business is important to measure the financial performance of the company. The present study will help to analyze the overall growth of the business and help to improve the financial performance of the company. The main scope of the study is to measure and identify the liquidity, profitability, solvency position and changes in working capital of the Mahindra and Mahindra Company.

OBJECTIVES OF THE STUDY

- To identify the liquidity position of the company.
- To evaluate the profitability capacity of the company.
- To analyze the working capital of Mahindra and Mahindra company.



RESEARCH METHODOLOGY

A research methodology or involves specific techniques that are adopted in research process to collect, assemble and evaluate data. It defines those tools that are used to gather relevant information in a specific research study.

SOURCES OF DATA

The data was collected from secondary data for five years financial statement of the company. And, the relevant information were gathered from the official websites and journals etc...

PERIOD OF STUDY

The present study covers over a period of 5 years from 2014 – 2015 to 2018 – 2019.

TOOLS AND TECHNIQUES

Data was collected from the secondary source in the form of annual report was analyzed using the tools, ratio analysis and statement of working capital. The above tools were used to measure and to analysis financial performance of Mahindra and Mahindra Company.

LIMITATION OF THE STUDY

- Since, there are many automobile sectors, it was only able to analyze one firm for this study.
- It was only able to measure 5 years of performance of the company.

REVIEW OF LITERATURE

Raja Narayanan Sandhir Sharma (2019) conducted study on financial performance of Maruti Suzuki to assess the attention of the numerous collections linked to a business and affected by the economic presentation of the business. The various tools and techniques were used trend analysis, ratio analysis on this study. An analysis comprises measuring the accounting principles and the financial position of the company. Finally, the company has it financial trend in uphill order from preceding five years on this study.

Suman Rana (2019) The study evaluated the financial analysis of Tata motors and Maruti Suzuki to analyze the performance of both company. The data was collected secondary data and certain tools like ratio analysis had used. Tata motors had more ability in payment ratios as higher than Maruti Suzuki, the overall volume of Maruti Suzuki is more efficient.

FINANCIAL ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

CURRENT RATIO

The current ratio is the difference between a company's current assets (net of cash) and current liabilities (net of debt) on its balance sheet. It is a measure of a company's liquidity and its ability to meet short-term obligations.

Current Ratio =

$$\text{Current Assets} / \text{Current Liabilities}$$

TABLE 1 SHOWING CURRENT RATIO

S.NO	YEAR	CURRENT ASSETS (in thousands)	CURRENT LIABILITY (in thousands)	CURRENT RATIO
1	2014-2015	18,841.38	27,937.24	0.67
2	2015-2016	19,461.27	33,063.70	0.59
3	2016-2017	20,739.30	33,678.15	0.62
4	2017-2018	24,372.99	41,869.59	0.58
5	2018-2019	30,225.58	55,263.32	0.55

INTERPRETATION

The above table shows on performance of current ratio. In 2014-2015 the ratio was 0.67:1, next year in 2015-2016 it decreased to 0.59:1, in 2016-2017 it increased to 0.62:1 and then it decreased to 0.58:1 and 0.55:1 in 2017- 2018 and 2018-2019, it shows that decreasing in their performance. The current ratio shows highest level of growth in 2014-2015 at 0.07:1 and lowest level of growth in 2018-2019 at 0.55:1.

LIQUID RATIO

The other important one of the liquidity ratios is Quick Ratio, also known as a liquid ratio or acid test ratio. This ratio will measure a firm's ability to pay off its current liabilities (minus a few) with only selling off their quick assets.

Liquid Ratio =

$$\text{Current Assets} / \text{Quick Liabilities}$$

**TABLE 2 SHOWING LIQUID RATIO**

S.NO	YEAR	LIQUID ASSETS (in thousands)	LIQUID LIABILITY (in thousands)	LIQUID RATIO
1	2014-2015	10,387.99	27,937.24	0.37
2	2015-2016	10,345.15	33,063.70	0.31
3	2016-2017	11,853.29	33,678.15	0.35
4	2017-2018	15,037.42	41,869.59	0.36
5	2018-2019	18,025.42	55,263.32	0.33

INTERPRETATION

The above table shows on performance of liquid ratio. In 2014- 2015, the ratio was 0.37:1, next year in 2015- 2016 it decreased to 0.31:1 and it increased to 0.35:1 in 2016- 2017 and then in 2017-2018 it increased to 0.36:1 and decreased to 0.33:1 in 2018- 2019. So, it indicates that there was a normal growth in these five years but it has both ups and downs equally. The liquid ratio has highest growth in 2014-2015 at 0.37:1 and lowest level of growth in 2015-2016 at 0.31:1.

ABSOLUTE LIQUID RATIO

It's a modified form of liquid ratio. The relationship of absolute liquid assets to liquid liabilities is known as absolute liquid ratio. This ratio is also called as "super quick ratio" the ratio is calculated as.

Liquid ratio =

Absolute liquid assets \ Current liabilities

TABLE 3 SHOWING ABSOLUTE LIQUID RATIO

S.NO	YEAR	ABSOLUTE LIQUID ASSETS (in thousands)	CURRENT LIABILITY (in thousands)	ABSOLUTE LIQUID RATIO
1	2014-2015	4911.83	27,937.24	0.18
2	2015-2016	4527.55	33,063.70	0.14
3	2016-2017	4654.03	33,678.15	0.14
4	2017-2018	6547.6	41,869.59	0.16
5	2018-2019	8734.91	55,263.32	0.16

INTERPRETATION

The above table shows on performance of absolute cash ratio. In 2014-2015, the ratio was 0.18:1 and next year in 2015- 2016 it decreased to 0.14:1 and in 2016-2017 it has no change it has same growth at 0.14:1 and next in 2017- 2018 it increased to 0.16:1 and in 2018- 2019 it has no change at 0.16:1 it has average growth it decreases in certain stage and again it increases it has a rapid growth. The absolute liquid ratio has highest growth in 2014-2015 at 0.18:1 and the lowest level of growth in both 2015-2016 and 2016- 2017 at 0.14:1.

PROFITABILITY RATIOS

Efficiency of a business is measured by profitability. Profitability ratio measures the profit earning capacity of the business concern.

GROSS PROFIT RATIO

This ratio indicates the efficiency of trading activities. The relationship of Gross profit To sales is known as Gross profit ratio.

Gross profit ratio =Gross Profit / Sales * 100

**TABLE 4 SHOWING GROSS PROFIT RATIO**

S.NO	YEAR	Gross profit (in thousands)	SALES (in thousands)	Gross profit ratio
1	2014-2015	21,306.86	75,489.82	28.22
2	2015-2016	26,686.76	80,461.87	33.17
3	2016-2017	28,485.17	88,983.03	32.01
4	2017-2018	28,786.81	93,264.77	30.87
5	2018-2019	31,586.13	104,720.68	30.16

INTERPRETATION

The above table shows on performance of gross profit ratio. In 2014- 2015, the ratio was 28.22% and next year in 2015-2016 it increased to 33.17%, then decreased to 32.01% in 2016- 2017 and in 2017-2018 it decreased to 30.87% and in 2018-2019 it decreased to 30.16%. So it shows that the gross profit ratio has growth and has healthy performance .The gross profit ratio has high level of

performance in 2015-2016 at 33.01% and lowest growth in 2014-2015 at 28.22%.

NET PROFIT RATIO

This ratio determines the overall efficiency of the business. The relationship to sales is known as of net profit ratio.

Net profit ratio= Net Profit/ Sales * 100

TABLE 5 SHOWING NET PROFIT RATIO

S.NO	YEAR	Net profit (in thousands)	SALES (in thousands)	Net profit ratio
1	2014-2015	2,592.68	75,489.82	3.43
2	2015-2016	2,708.47	80,461.87	3.37
3	2016-2017	2,798.64	88,983.03	3.15
4	2017-2018	6,403.13	93,264.77	6.87
5	2018-2019	3,948.94	104,720.68	3.77

INTERPRETATION

The above table shows on performance of net profit ratio. In 2014- 2015, the ratio was 3.43%, next year in 2015-2016 it decreased to 3.37% and in 2016-2017 it decreased to 3.15%, then it increased in 2017- 2018 at 6.87% and 2018-2019 decreased to of 3.77% . This interpretation present that the net profit has no healthy performance as they have a normal level of performance. The net profit ratio has high

level of performance in 2017-2018 at 6.87% and lowest growth in 2016-2017 at 3.15%.

OPERATING PROFIT RATIO

This ratio is an indicator of the operational efficiency of the management. It establishes the relationship between Operating profit and sales.

Operating profit ratio=

Operating Profit Ratio / Sales * 100

TABLE 6 SHOWING OPERATING PROFIT RATIO

S.NO	YEAR	OPERATING PROFIT (in thousands)	SALES (in thousands)	OPERATING PROFIT RATIO
1	2014-2015	8,793.29	75,489.82	11.65
2	2015-2016	14,702.89	80,461.87	18.27
3	2016-2017	10,734.83	88,983.03	12.06
4	2017-2018	13,226.10	93,264.77	14.18
5	2018-2019	15,206.51	104,720.68	14.52

**INTERPRETATION**

The above table shows on performance of operating profit ratio. In 2014- 2015, the ratio was 11.65% and next year in 2015-2016 it increased to 18.27%, then in 2016-2017 it decreased to 12.06% and in 2017- 2018 it increased to 14.18% and it increased in 2018-2019 at 14.52%. This interpretation states that the operating profit has not healthy performance as they have a normal level of performance The operating profit ratio has high level of performance in 2015-2016 at 18.27% and lowest growth in 2014- 2015 at 11.65%.

OPERATING RATIO

This ratio determines the operating efficiency of the business concern operating ratio measures the amount of expenditure incurred in production, sales and distributions of output.

Operating ratio=

Cost of goods sold + Operating expense \ sales *100

TABLE 7 SHOWING OPERATING RATIO

S.NO	YEAR	OPERATING PROFIT RATIO	OPERATING RATIO
1	2014-2015	11.65	88.35
2	2015-2016	18.27	81.73
3	2016-2017	12.06	87.94
4	2017-2018	14.18	85.82
5	2018-2019	14.52	85.48

INTERPRETATION

The above table shows on performance of operating ratio. In 2014-2015, the ratio was 88.35% and next year in 2015-2016 it decreased to 81.73% then in 2016-2017 it increased to 87.94% and in 2017-2018 it decreased to 85.82% and it decreased in 2018-2019 at 85.48%. So it shows that the operating ratio has growth and has healthy performance. The operating ratio has high level of growth in 2014-2015 at 88.35% and low level of performance in 2015-2016 at 81.73%.

EXPENSES RATIO

Expenses ratio is computed to show the relationship an individual expense or group of expense and sales. It is computed by dividing a particular expenses or group of expenses by net sales. It is expressed in percentage.

Expense Ratio =

Total expenses / Net Sales *100

TABLE 8 SHOWING EXPENSES RATIO

S.NO	YEAR	TOTAL EXPENSES (in thousands)	NET SALES (in thousands)	EXPENSES RATIO
1	2014-2015	62,881.17	71,948.59	87.39
2	2015-2016	66,217.49	80,461.87	82.29
3	2016-2017	73,052.05	83,773.05	87.20
4	2017-2018	78,784.52	92,093.95	85.55
5	2018-2019	91,244.65	1,04,720.68	87.13

INTREPRETATION

The above table shows about expenses ratio , In 2015 the ratio was 87.39 %and in 2016 it decreased to 82.29% then in 2017 the ratio was increases to 87.20% and in 2018 it decreased to 85.55% and in 2019 it increased to 87.13%. It should be kept in minimum level and they need to reduce the expenses ratio.

ACTIVITY RATIOS**CAPITAL TURNOVER RATIO**

Working capital turnover ratio shows the number of times the capital has been rotated in the process of carrying on the business efficient use of capital may lead to higher profitability.

Capital turnover ratio=

Net Sales / Capital Employed

**TABLE 9 SHOWING CAPITAL TURNOVER RATIO**

S.NO	YEAR	SALES (in thousands)	CAPITAL EMPLOYED (in thousands)	CAPITAL TURN OVER RATIO
1	2014-2015	75,489.82	47147.84	1.60
2	2015-2016	80,461.87	41869.59	1.92
3	2016-2017	88,983.03	33678.15	2.64
4	2017-2018	93,264.77	30025.05	3.11
5	2018-2019	104,720.68	55585.75	1.88

INTERPRETATION

The above table shows on performance of capital turnover ratio. In 2014-2015, the ratio was 1.06 times, next year in 2015-2016 it increased to 1.92 times and in 2016-2017 it increased to 2.64 times then in 2017-2018 it increased to 3.11 times and in 2018-2019 it decreased to 1.88 times so it shows that the capital turnover ratio has growth and has healthy performance it has very good growth year by year. The capital turnover ratio has high level of performance in 2017-2018 at 3.11 times and lowest level of growth in 2014-2015 at 1.06 times.

FINDINGS RATIO

- The current ratio shows highest level of growth in 2014-2015 at 0.07:1 and lowest level of growth in 2018-2019 at 0.55:1
- The liquid ratio has highest growth in 2014-2015 at 0.37:1 and lowest level of growth in 2015-2016 at 0.31:1.
- The absolute liquid ratio has highest growth in 2014-2015 at 0.18:1 and the lowest level of growth in both 2015-2016 and 2016-2017 at 0.14:1.
- The gross profit ratio has high level of performance in 2015-2016 at 33.01% and lowest growth in 2014-2015 at 28.22%.
- The net profit ratio has high level of performance in 2017-2018 at 6.87% and lowest growth in 2016-2017 at 3.15%.
- The operating profit ratio has high level of performance in 2015-2016 at 18.27% and lowest growth in 2014-2015 at 11.65%.
- The operating ratio has high level of growth in 2014-2015 at 88.35% and low level of performance in 2015-2016 at 81.73%.
- The expenses ratio has high level of growth in 2014-2015 at 87.39% and low level of performance in 2015-2016 at 82.29%.
- The capital turnover ratio has high level of performance in 2017-2018 at 3.11 times and lowest level of growth in 2014-2015 at 1.06 times.

CHANGES IN WORKING CAPITAL

- The changes in working capital for 2014-2015 was 29,147.06 and 2015-2016 was 28,530.11 so, there was decreasing in working capital was 616.95 in 2015-2016.
- The changes in working capital for 2015-2016 was 28,530.11 and 2016-2017 was 36,410.66. So, there was increase in working capital was 7,880.55 in 2016-2017.
- The changes in working capital for 2016-2017 was 36,410.66 and 2017-2018 was 43,691.40 so, there was increase in working capital was 7,280.74 in 2017-2018.
- The changes in working capital for 2017-2018 was 43,691.40 and 2018-2019 was 50,400.48 so there was increase in working capital was 6,709.08 in 2018-2019.

SUGGESTIONS

- As liquidity ratios are not up to their standard level so they need to increase the level of current assets to meet their short-term debts.
- The profitability ratios have average level of performance, so they need to analysis the expenses and cut off expenses to raise profitability level of performance.
- The Capital Turnover Ratio has good performance but to increase their capital earning level, they need to increase their sales turnover.
- The changes in working capital has increasing from 2014-2015 to 2018-2019 but Working capital should be in moderate level, no more decrease and no more increase, for future growth they have to increase cash inflow.

CONCLUSION

The main aim of this study is to analysis overall position of Mahindra and Mahindra company with the help of 5 years (2014-2015 to 2018-2019) and collected data about Mahindra and Mahindra company, used analytical research design and analyzed the financial performance of business is



good. For Future growth, they have to increase the performance level and they should reduce the cash outflow and expenses. Then they will increase their turnover and profit which helps to increase financial performance of business.

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