



A STUDY ON SOLVENCY AND PROFITABILITY ANALYSIS OF MAHINDRA AND MAHINDRA LIMITED IN POLLACHI INTRODUCTION AND DESIGN OF STUDY

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Introduction

The history of the automobile industry in India actually began 40 years ago, When the first wheel was used for transportation. In the early 15th century, the Portuguese's arrived in china and the interaction of the two cultures led to a variety of new technologies, including the creating of a wheel that turned under its own power, by the 1600s small steam, Powered automobile was created. Manufacturer s in the word. The group has a leading presence in key sectors of the Indian Economy. The group employs over 50,000 people and has several state of the art facilities in India and overseas Mahindra & Mahindra limited has comprehensive manufacturing facilities with high level of Vertical integration. Catering to the Sector's diverse customer base spanning rural and semi urban Customers, defense requirements and luxurious urban utility vehicles or sun s.

Statement of the Problem

Effective and sound financial management tools are much essential at all levels of an Operation. Equity and debt are the two principle source of finance. Commercial vehicle industry is no exception and over the years good amount of knowledge has been gathered. Good progress& advance has been made in the various fields of this industry but improvements are still Possible. Hence attempt is made to find answer to the following questions. What is the extent of growth in the firm? Is the financial performance reflecting the area of profitability or not?.

Need for the Study

A firm success and its survival in market is depending upon the effective financial Management. Financial analysis is the process of identifying the financial & weakness of the firm. Financial management is a crucial factor in every enterprise. Improper financial Management leads to an underutilization of the available resources & making the finance Skill limited. Hence the present study aims to create awareness among the management of finance. Regarding the important of the financial management.

Objectives of the Study

The objectives of the study are as follows.

1. To study the liquidity and solvency position of Mahindra and Mahindra limited.
2. To study the efficiency of the company.
3. To suggest to improve the financial position of the concern.

Scope of the Study

The financial statement analysis of Mahindra and Mahindra limited company A good view about the past performance future decisions of Mahindra and Mahindra limited Made only on the basis of past performance. The study gives an idea to the public about the Liquidity position & annual growth rate of the company can utilize the various opportunities Available to them strive their betterment it includes all the aspects on liquidity and solvency Position of the company.

Methodology Used In The Study

Area of the Study: The design of the study is descriptive research design. The study attempts to understand the satisfactory level of Mahindra and Mahindra limited around in poll chi.

Period of the Study: The present study of the study cover a period from the accounting year ends 1stApril 2017 to 31st march – 2018.



Data Collections

The study is based on the secondary data obtained from the published annual reports of The Mahindra and Mahindra limited, comprising of profits & loss account and balance sheet. Clarifications were obtained from the company's official whenever near.

Tools of Analysis: The methods of tools of analysis used in this study are;

1. Solvency ratio analysis.
2. Profitability ratio analysis.

The profitability position was studied through these financial tools ratio was calculated and interpreted by comparing them with the standard ratios of concern. So that company Profitability positions were analyzed.

Limitations of the Study

Some of the limitations of the study are given as follows.

1. The study is based on secondary data.
2. The study is confined only to a period of 12 month. The changes take place before and after this period have not been taken into consideration.
3. The reliability & correctness of the calculations and findings relied upon the information provide in the annual reports of the company.

Review of Literature

This chapter has intensified to reveal some prominent facts to highlight the nature of The present study Numbers of studies and reports has been portrayed to support the course of Approach present study The current study is based only on the secondary data because the Statistical as well as theoretical information been collected through published annual reports, Articles and books. So the investigator has given a review of various studies relating to the Mobile industry.

Panigrahi (2016-2017)¹

Examined the liquidity position of large Indian companies for period 1970 – 71 to 1986- 87 with the help of standard financial ratios, correlation between profitability ratio and working capital ratios has been compute to explain the significance of association between the ratios.

Rajeswarn (2016-2017)²

In this study made an attempt to analysis the working capital and liquidity position and management to each component the section data were collected for a period of 8 years from 1982-83 to 1990-91 the data were collected from the annual report of sribhagavathi textiles limited. The major finding of the study was that the company and every a good control over the working capital and nearly 60% of its net worth had it investment in net working capital.

History And Overview Of Mahindra And Mahindra Limited

Mahindra & Mahindra was set up as a steel trading company in 1945 in Ludhiana as Mahindra & Mohammed by brothers K.C. Mahindra and J.C Mahindra and Glulam Malik Mohammed. After India gained independence and Pakistan was formed, Mohammed immigrated To Pakistan the company changed its name to Mahindra and Mahindra in 1948.

It eventually saw Business opportunity in expanding into manufacturing and selling larger, MUV, starting with Assembly under license of the willies jeep in India. Soon established as the jeep manufactures Of India, the company later commenced manufacturing light commercial vehicles (LCV) and Agricultural tractors today, Mahindra & Mahindra is a key player in the utility vehicle and Manufacturing and branding sectors in the Indian automobile industry with is flagship UV Scorpio and uses India products in other countries.



Agriculture Business

Despite A Diminishing Share In The India's GDP, Agriculture remains a key sector of the economy and continues to play a vital role in driving India's Growth. About 60 percent of India's population lives in its village and a majority of rural households depend on agriculture and related activities for their livelihood. Agriculture continues to support numbers downstream linkages with Industry by become a supplier of vital industrial raw material.

Mahindra Farm Equipment

We Began Manufacturing Tractors In The Early 1960s for the Indian market. Nearly 50 Years later, we are the number one tractor company in the world (by volume) with annual sales Above 2,00,000 and over 2.1 million tractors sold to date. Our products are making farms more Prosperous in more than forty countries on six continents. Following our vision of Farm- Tech Prosperity, we've also expanded into farm –support services, including agree - mechanization Solutions under Mahindra seeds, crop protection, as well as market linkages, distribution Agree- support information and counseling through the samriddhi Initiative.

Financial Service

We Entered Into Rural Finance And Insurance Because we saw an opportunity to provide services in areas where the demand for financial products and services is higher than the formal banking system can supply, by making credit available, we open opportunities For people to improve their own lives and create lasting system of livelihood. Mahindra finance and its subsidiaries offer a complete range of financial service and Insurance solutions for both businesses and personal life. Our flagship financial services business Provides customer with security and protection.

Awards and Recognition

Awards from JIPM (japan)

1. TPM excellence award in 2004.
2. TPM special awards in 2007.

Awards from OEMs

SPR supplies products to almost all the OEMs within India. The company has received Many awards from various OEMs for technology, Quality, Best, Vendor, Development support Etc. (Awards received from Ashok Leyland, Bajaj, Auto, Cummins, Honda Motor Cycles & Scooters, Honda SIEL Cars, Kirloskar, Marti Suzuki, Tata Cummins, Tata Motors, and WABCO etc.).

Meaning of Ratio

A ratio is a mathematical relationship between two items expressed in a quantitative form. Ratios can be defined as "Relationships expressed in quantitative terms, between figures which have cause and effect relationship or which are connected with each other in some Manner or the order".

Solvency or Financial Ratio

Solvency or financial ratios include all ratios which express financial position of the Concern. Financial ratios are calculated on the basis of items of the balance sheet. Therefore they are also called balance sheet ratio. Financial position may mean differently to different person interested in the business concern. Creditors, banks, management, investor and auditors have Different views about financial position. The term financial position generally refer to short-term and long -term solvency of the business concern, including safety of different interested parties. Financial ratios re also analyzed to find judicious use funds. The significant financial ratios are classified as short term solvency ratios and long term ratios.

Overall solvency

- Short-term solvency (or) liquidity ratios.

Current ratio, Liquid ratio, Cash position ratio

1. Long term solvency ratio.
2. Fixed assets ratio, Debt equity ratio, Proprietary ratio, Capital gearing ratio.

Analysis and Interpretation

Overall Solvency (or) Total Debt (or) Debt Ratio

It is a ratio which relates the total tangible assets with the total borrowed funds. In a Since, it is other side of the coin for proprietary ratio.

$$\text{Solvency Ratio (or) Total Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Tangible Assets}}$$

In this ratio, total debt includes both short term and long borrowings. It shows theProportion of assets needed to repay the debt. A higher ratio also makes the firm vulnerable toBusiness cycles and its solvency becomes suspect.

Overall Solvency Ratio

Year	Total Dept	Tangible Assets	Ratio
2013-2014	2880.15	4866.18	0.59
2014-2015	2321.10	5858.26	0.39
2015-2016	3174.22	7502.36	0.42
2016-2017	3227.07	8602.96	0.37
2017-2018	3745.16	10242.58	0.36
AVERAGE			0.42
SD			0.09
CV			0.21

SD: Standard Deviations CV: Cost of variation

Interpretation

Table 4.1 reveals the overall solvency ratio of the Mahindra and Mahindra limited from 2013-2014 to 2014-2015 the overall solvency ratios shows a fluctuating trend during the study Period. This has been due to the lowest overall solvency ratio of 0.36 per cent in the year 2017- 2018 and highest overall solvency ratio of 0.59 per cent in the year 2013-2014. Mahindra and Mahindra limited has an average overall solvency ratio of 0.42 per cent, with S.D of 0.09 and C.V is 0.21per cent.

Short Term Solvency Ratios

Current Ratio: Current ratio may be defined as the relationship between current liabilities. This ratio, also known as working capital ratios, is a measure of general liquidity and is most Widely used to make the analysis of a short- term financial statement position or liquidity from.It was calculated by dividing the total of current asset by the total of the current liabilities. The Standard current must be 2:1.

$$\text{Current ratios} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current Asset = Cash in hand, cash at bank, marketable securities (short term), short-term investment, bills receivable, Sunday debtors, inventories (stocks), work- in- process, prepaid expenses.

Current liabilities= outstanding expenses/ Accrued expenses, bills payable Sunday creditors, short-term, advance, income-tax payable, dividends payable, bank Overdraft (if not a permanent arrangement).

Current Ratio

Year	Current Assets	Current Liabilities	Ratio
2013-2014	2922.03	3822.50	0.76
2014-2015	3569.16	5223.75	0.68
2015-2016	55535.18	6721.40	0.82
2016-2017	6409.53	7662.13	0.83
2017-2018	8263.86	8678.28	0.95
AVERAGE			0.80
SD			0.09
CV			0.11

Standard Deviation Coefficient of correlation Interpretation

Table 4.2 reveals the current ratio of the Mahindra and Mahindra limited from 2013-2014 To2016-2017. The current ratio shows a fluctuation trend during the study period. This has been Due to the lowest current ratio of 0.68 per cent in the year 2014-2015 and highest current ratio of 0.95 per cent in the year 2017-2018. Mahindra and Mahindra limited have an average current ratio of 0.80 per cent, with S.D of 0.09 and C.V is 0.11 per cent.

Proprietary Ratio

This ratio compares the shareholders’ funds or owners’ funds and total tangible assets. In other words this ratio expresses the relationship between the proprietor’s funds and the total Tangible assets.

Shareholders’ funds

Proprietary ratio = -----

Total tangible assets

Proprietary Ratio

Year	Share Holder Funds	Tangible Assets	Ratio
2013-2014	7810.37	2328.41	3.35
2014-2015	10313.09	3132.91	3.29
2015-2016	12171.09	4286.06	2.83
2016-2017	14658.92	4957.86	2.95
2017-2018	16791.19	5876.95	2.85
AVERAGE			3.05
SD			0.24
CV			0.07

Standard deviation coefficient of correlation

Interpretation

Table 4.3 reveals the proprietary ratio of the Mahindra and Mahindra limited from 2014-2015 to 2017-2018. The proprietary ratio show a fluctuating trend during the study period.

This has been due to the lowest proprietary ratio of 2.83 per cent in the year 2017-2018.Mahindra and Mahindra limited has an average proprietary ratio of 3.05 per cent, with S.D of 0.24 and C.V is 0.07 per cent.

Capital Gearing Ratio

This ratio is also known as capitalization or leverage ratio. It is also one of the long- Term solvency ratio. It is used to analysis the capital structure of the company the ratioEstablished relationship between fixed interest and dividend bearing funds and equity Shareholder funds.

$$\text{Capital gearing} = \frac{\text{Long-term loan+ debentures + preference share capital}}{\text{Equity shareholders' funds}}$$

Capital Gearing Ratio			
Year	Long Term Loans	Equity Share Holder Funds	Ratio
2013-2014	2880.15	282.95	10.17
2014-2015	2321.10	293.62	7.90
2015-2016	3174.22	294.52	10.77
2016-2017	3227.07	295.16	10.93
2017-2018	3745.16	295.16	12.68
AVERAGE			10.49
SD			1.72
CV			0.16

Standard deviation coefficient of correlation

Interpretation

Table 4.8 reveals the capital gearing ratio of the Mahindra and Mahindra limited from 2013-2014 to 2017-2018. The capital gearing ratio show a fluctuating trend during the study period. This has been due to the lowest capital gearing ratio of 12.68 per cent in the year 2017- 2018. Mahindra limited has been an average capital gearing ratio of 10.49 per cent, with S.D of 1.72 and C.V is 0.16 per cent.

Findings and Suggestion

Findings

1. Table 4.1 reveals the overall solvency ratio of the Mahindra and Mahindra Limited 2012-2013 to 2016-2017. The overall solvency ratio shows fluctuating Trend during the study period. This has been due to the lowest overall solvency Ratio of 0.36 per cent in the year 2016-2017 and highest overall solvency ratio Of 0.59 per cent in the year 2012-2013. Mahindra and Mahindra limited has an Average overall solvency ratio of 0.42 per cent, with S.D of 0.09 and C.0.21Per cent.
2. Table 4.2 reveals the current ratio of the Mahindra and Mahindra Limited 2012-2013 to 2016-2017. The overall solvency ratio shows fluctuating Trend during the study period. This has been due to the lowest currentRatio of 0.68 per cent in the year 2016-2017 and highest overall solvency ratio Of 0.95 per cent in the year 2016-2017. Mahindra and Mahindra limited has an Average current ratio of 0.80 per cent, with S.D of 0.09 and C.V 0.11Per cent.
3. Table 4.3 reveals the cash position ratio of the Mahindra and Mahindra limited from 2012-2013 to 2016-2017. The cash position ratio show a fluctuation trend during the stud Period. This has been due to the lowest cash position ratios of 0.43 per cent in the year 2012- 20131 and highest cash position ratio of 0.66 per cent in the year 2016-2017.Mahindr and Mahindra limited has an average cash position ratio of 0.51 per cent, with S.D of 0.09 and C.V0.17 is per cent.
4. Table 4.4 reveals the proprietary ratio of the Mahindra and Mahindra limited from 2012-2013 to 2016-2017. The proprietary ratio show a fluctuating trend during the study period. This has been due to the lowest proprietary ratio of 2.83 per cent in the year 2016-2017.Mahindra and Mahindra limited has an average proprietary ratio of 3.05 per cent, with S.D of 0.24 and C.V is 0.07 per.

Suggestions

1. The company concentrates on the cost of production, investment in the fixed.
2. Asset improve their profitability.
3. The management should take effective step to improve its solvency position.operating expenses should be controlled to improve the earning of the company.



Conclusion

Mahindra and Mahindra achieve very permanent place in the field. The Profitability of the firm during the study period was quite. Satisfactory. The given research and Findings are practical and logical. The results of the research heavy useful for its future policy Decision and prospective long term planning which is essential element for very manufacturing Concern.

References

1. Khan M.Y and Jain P.K – “Financial Management” – Tata Mc Grow- Hill publishing Company Ltd, New Delhi.
2. Kothari C.R.-“Research Methodology” – Vishvaprakasam-1999, New Delhi.