

# “WORKING CAPITAL MANAGEMENT OF MAHINDRA & MAHINDRA (AUTO SECTOR)”

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## Abstract

Working capital management becomes essential to keep the business flowing continuously. Just as long term capital is important to a business, so is working capital. The area of financial management is not only sufficient for the management of long term capital but it is equally necessary to give adequate attention to the management of working capital. The need for working capital is constantly raised to keep the business unit alive, to successfully achieve business objectives, to increase business credit / reputation, to gain full trust among creditors and to maintain the same cash flow as the business and hence managerial working capital is of paramount importance.

**Keyword:** Current Assets, Current Liabilities, Working Capital, Current Ratio, Inventories to Turnover Ratio.

## OBJECTIVES

Following are the objectives of the study:

1. To know about working capital of the Company.
2. To know about Current Ratio and liquidity of the Company.
3. To know about Inventories to Turnover Ratio of the Company.

## DURATION

The study is for the period of five years from 1<sup>st</sup> April, 2014 to 31<sup>st</sup> March, 2019. (2014-15 to 2018-19)

## TYPES OF DATA

These data collected from the annual reports and website of Mahindra & Mahindra.

## INTRODUCTION

**Current Assets, Current Liabilities, Working Capital, Turnover and Inventories of Mahindra & Mahindra for the years ended 31-3-2015, 31-3-2016, 31-3-2017, 31-3-2018 and 31-3-2019 (Rs. in crore)**

| Particulars         | 31-3-2015 | 31-3-2016 | 31-3-2017 | 31-3-2018 | 31-3-2019 |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| Current Assets      | 10,128    | 11,635    | 12,608    | 16,474    | 18,071    |
| Current Liabilities | 8,974     | 9,844     | 9,634     | 13,323    | 14,334    |
| Working Capital     | 1,154     | 1,791     | 2,974     | 3,151     | 3,737     |
| Sales (Turnover)    | 38,391    | 40,386    | 43,379    | 48,112    | 52,960    |
| Inventories         | 2,437     | 2,688     | 2,758     | 2,701     | 3,839     |

### Working Capital:

| Years           | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|-----------------|---------|---------|---------|---------|---------|
| Working Capital | 1,154   | 1,791   | 2,974   | 3,151   | 3,737   |

### Analysis

The table above shows the working capital of the company of last five years from 2014- 2015 to 2018- 2019. The working capital of the company has been increasing for the last five years. So, it can be said that the performance of the company is increasing continuously. However, its performance cannot be evaluated solely from the working capital of the company. The current ratio and inventory ratio of the company can be considered as a good basis for its liquidity and creditworthiness.

**Current Ratio**

| Years               | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---------------------|---------|---------|---------|---------|---------|
| Current Assets      | 10,128  | 11,635  | 12,608  | 16,474  | 18,071  |
| Current Liabilities | 8,974   | 9,844   | 9,634   | 13,323  | 14,334  |
| Current Ratio       | 1.13    | 1.18    | 1.31    | 1.24    | 1.26    |

**Analysis**

The standard current ratio is 2 : 1. The current ratio for five years from 2014- 2015 to 2018- 2019 are calculated and presented in the above table. From the above table it is analyzed that the current ratio less than 2 in almost all the years. Highest current ratio of 1.31 is found in the year 2016-17 and lowest current ratio of 1.13 is found in 2014-15. It is clear that the company has relatively low current ratio which is the indication that the company assets are highly rigid and does not have the ability to pay its current obligations in time as when they are due.

**Working Capital Turnover Ratio**

| Years             | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|-------------------|---------|---------|---------|---------|---------|
| Working Capital   | 1,154   | 1,791   | 2,974   | 3,151   | 3,737   |
| Sales (Turnover)  | 38,391  | 40,386  | 43,379  | 48,112  | 52,960  |
| WC Turnover Ratio | 33.27   | 22.55   | 14.59   | 15.27   | 14.17   |

**Analysis**

Working Capital of a concern is directly related to Sales. Working Capital Turnover Ratio indicates the velocity of the utilization of the Net Working Capital. The Working Capital shows a positive value for the all five year 2014-2015 to 2018-2019, this shows the efficient utilization of Working Capital of the Company. Hence the Working Capital of the Company is utilized in the efficient way.

**Inventories to Turnover Ratio**

| Years                         | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|-------------------------------|---------|---------|---------|---------|---------|
| Inventories                   | 2,437   | 2,688   | 2,758   | 2,701   | 3,839   |
| Sales (Turnover)              | 38,391  | 40,386  | 43,379  | 48,112  | 52,960  |
| Inventories to Turnover Ratio | 0.0635  | 0.0666  | 0.0636  | 0.0561  | 0.0725  |

**Analysis**

Inventory to turnover ratio for five years from 2014-2015 to 2018-2019 are been calculated in the above table. From the above table it is concluded that Inventory to turnover ratio is fluctuating in these period. Highest inventory to turnover ratio is 0.0725 in the year 2018-2019 and the lowest ratio is 0.0561 in the year 2017-2018. Inventory to turnover ratio is decreasing it state that it has to improve the inventories in future.

## FINDINGS

From the above information it can be said that the working capital of the company has been increasing for the last five years from 2014-15 to 2018-19, which shows the increase in the performance of the company. In addition, the working capital turnover ratio and inventories to turnover ratio are showing the good condition of the company. But the company's current ratio is less than its ideal situation, which is a weak aspect.

## SUGGESTION

The company should reduce its current debt or increase its current assets to increase its liquidity and creditworthiness, so that the company can meet its ideal situation of current ratio and be able to pay its current liabilities.

## LIMITATIONS

- The data taken here of Mahindra & Mahindra is limited to last five financial years only.
- The point of view of analyzing the above data by us and by the company may vary.
- The data may not be useful in studying any other year except the above listed five financial years i.e. 31<sup>st</sup> March, 2015, 2016, 2017, 2018 and 2019.
- The point considered by us as negative one may be the positive one from the view point of company.

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## AUTHOR'S PROFILE



Shri. S. G. Vahora got the B.ed. degree from Gujarat university in 2005 and M.Com degree in Cost accountancy from Gujarat university in 2001 and B. Com. in 1999 from S. P. University. He wrote 45 books as main author with ISBN and 25 books as an editor. He also passed Australian Taxation and Company law from Curtin University, Australia in 2006. Recently he passed G Set and NET exam in 2017.