

**Project Report**

**A Study on working capital Management Mahindra and Mahindra**

Submitted to

G. S. College of Commerce & Economics, Nagpur

Affiliated to

Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur

In partial fulfilment for the award of the degree of

**Bachelor of Business Administration**

Submitted by

**Purnima Siyaram Patel**

Under the Guidance

**Prof Ashima Varghese**

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**G.S. College Of Commerce & Economics, Nagpur**

Academic Year 2022 – 23



## CERTIFICATE

This is to certificate **Purnima Siyaram Patel** has submitted the project report on **A study on working capital Management Mahindra and Mahindra** towards partial fullfilment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he/she has ingeniously completed his/her project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

**Prof. Ashima Varghese**

(Project Guide)

**Dr. Afsar Sheikh**

(Co-ordinator)

**Place:** Nagpur

**Date:**

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**G.S. College Of Commerce & Economics, Nagpur**

Academic Year 2022 – 23



## **DECLARATION**

I here-by declare that the project title **A study on working capital Management Mahindra and Mahindra** has been completed by me in partial of fulfillment **BACHELOR OF BUSINESS ADMINISTRATION** degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

Name and Student Signature

**Purnima Siyaram Patel**

Place: Nagpur

Date:



## ACKNOWLEDGEMEN

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **Swati S. Kathaley** principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide **prof. Ashima Varghese** for his/her guideline throughout the project. I tender my sincere regards to Co-ordinator **Dr. Afsar sheikh** for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the Non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

Student Name and Signature

**Purnima Siyaram Patel**

Place: Nagpur

Date:

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G.S. College Of Commerce & Economics, Nagpur

Academic Year 2022 – 23



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## WORKING CAPITAL = CURRENT ASSET – CURRENT LIABILITIES

Businesses use capital for construction, renovation, furniture, software, equipment or machinery. It is also commonly used to purchase inventory, or to make payroll. Capital is also used often to put a down payment down on a piece of commercial real estate. Working capital is essential for any to succeed. It is becoming increasingly important to have access to more working capital when we need it.

### Concept of working capital

**GROSS WORKING CAPITAL = TOTAL OF CURRENT ASSET**

**NET WORKING CAPITAL = EXCESS OF CURRENT ASSET OVER CURRENT LAIBILITY**

CURRENT ASSET	CUREENT LAIBILITY
<input type="checkbox"/> Cash in hand / at bank	<input type="checkbox"/> Bills payable
<input type="checkbox"/> Bills receivable	<input type="checkbox"/> Sundry creditors
<input type="checkbox"/> Sundry debtors	<input type="checkbox"/> Outstanding expenses
<input type="checkbox"/> Short term loans	<input type="checkbox"/> Accrued expenses
<input type="checkbox"/> Investors / stock	<input type="checkbox"/> Bank over drafts
<input type="checkbox"/> Temporary investment	
<input type="checkbox"/> Prepaid expenses	
<input type="checkbox"/> Accrued incomes	

## **COMPONENTS OF WORKING CAPITAL**

### **1. Current assets**

A major component of working capital is current assets. A shortened definition of current assets is: a company's cash plus its other resources that are expected to turn to cash within one year. However, the following is a more complete definition: Current assets include cash (which is *not* restricted for a long-term purpose) plus the company's other resources that will turn to cash or will be used up within one year (of the date shown in the heading of the balance sheet). However, in the rare situations when a company's normal operating cycle is longer than one year, the length of the operating cycle is used in place of one year for determining a current asset. Examples of current assets (listed in the order they are expected to turn into cash) include:

- cash and cash equivalents
- temporary investments
- accounts receivable
- inventory
- supplies
- prepaid expenses

### **2. Current liabilities**

The other major component of working capital is current liabilities. A shortened definition of current liabilities is: a company's obligations that will be due within one year. However, a more complete definition is: Current liabilities are a company's obligations (that are the result of a past event) that will be due within one year of the balance sheet's date. However, in the rare situations when a company's normal operating cycle



is longer than one year, the length of the operating cycle is used in place of one year for determining a current liability. Examples of current liabilities include:

- loan principal amounts that will be due within one year
- accounts payable
- wages payable
- payroll taxes withheld from employees
- Accrued expenses/liabilities (utilities, repairs, interest, etc.)
- customer deposits and deferred revenues

If there is assurance that a current liability will be replaced by a long-term liability, it should be reported as a long-term liability. (The reason is the liability will not be requiring the use of the company's working capital.)

### **3. Operating cycle**

The need of working capital arrived because of time gap between production of goods and their actual realization after sale. This time gap is called “operating cycle” or “working capital cycle”. The operating cycle of a company consist of time period between procurement of inventory and the collection of cash from receivables. The operating cycle is the length of time between the companies’ outlay on raw materials, wages and other expenses and inflow of cash from sales of goods. Operating cycle is an important concept management of cash and management of cash working capital. The operating cycle reveals time that elapses between outlays of cash inflow of cash. Quicker the operating cycle less amount of investment working capital needed it improves probability. The duration of the operating cycle depends on mature of industries and efficiency working capital management.

## OPERATING CYCLE



## **WORKING CAPITAL RATIOS**

Ratio analysis can be used by financial executives to check upon the efficiency with which working capital is being used in the enterprise. The following are the important ratios to measure the efficiency of working capital.

### **A. WORKING CAPITAL RATIO**

The working capital ratio, also called the current ratio, is a liquidity ratio that measures a firm's ability to pay off its current liabilities with current assets. The working capital ratio is important to creditors because it shows the liquidity of the company.

$$\text{WORKING CAPITAL RATIO} = \text{CURRENT ASSET} - \text{CURRENT LIABILITIES}$$

### **B. WORKING CAPITAL LIQUIDITY RATIO**

Two key measures, the current ratio and the quick ratio, are used to assess short term liquidity.

Generally a higher ratio indicates better liquidity.

#### **1) Current ratio**

Liquidity ratios tell you about a company's ability to meet all its financial obligations, including debt, payroll, payments to vendors, taxes, and so on. The numbers come from the Balance Sheet. The current ratio is one of the liquidity ratios. It measures a company's ability to pay its short-term obligations. The current ratio looks at current assets and current liabilities.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

## 2) Quick ratio

The quick ratio is an indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. Since it indicates the company's ability to instantly use its near-cash assets (that is, assets that can be converted quickly to cash) to pay down its current liabilities, it is also called the ACID TEST RATIO.

$$\text{QUICK RATIO} = \frac{\text{CURRE ASSET} - \text{INVENTOTY}}{\text{CURRENT LIABILITIES}}$$

## 4) Working capital turn over ratio

The working capital turnover ratio measures how well a company is utilizing its working capital to support a given level of sales. Working capital is current assets minus current liabilities. A high turnover ratio indicates that management is being extremely efficient in using a firm's short-term assets and liabilities to support sales. Conversely, a low ratio indicates that a business is investing in too many accounts receivable and inventory assets to support its sales, which could eventually lead to an excessive amount of bad debts and obsolete inventory write-offs.

## 5) The Debtors Turnover Ratio

**The Debtors Turnover Ratio** also called as **Receivables Turnover Ratio** shows how quickly the credit sales are converted into the cash. This ratio measures the efficiency of a firm in managing and collecting the credit issued to the customers.

$$\text{DEBTORS TURNOVER RATIO} = \frac{\text{NET SALE}}{\text{AVERAGE ACCOUNTS RECEIVABLE}}$$

**6) The Inventory turnover**

The Inventory turnover is a measure of the number of times inventory is sold or used in a time period such as a year. It is calculated to see if a business has an excessive inventory in comparison to its sales level. The equation for inventory turnover equals the cost of goods sold divided by the average inventory.

$$\text{INVENTORY TURNOVER} = \frac{\text{SALES}}{\text{INVENTORY}}$$

**7) Current Assets Turnover Ratio**

Current Assets Turnover Ratio indicates that the current assets are turned over in the form of sales more number of times. A high current assets turnover ratio indicates the capability of the organization to achieve maximum sales with the minimum investment in current assets. Higher the current ratio better will be the situation.

$$\text{CURRENT ASSET TURNOVER RATIO} = \frac{\text{NET SALES}}{\text{CURRENT ASSETS}}$$

## **DETERMINANTS OF WORKING CAPITAL**

The amount of working capital is depends upon following factors

### **□ NATURE OF BUSINESS**

Some businesses are such due to their very nature, that their requirement of fixed capital is more rather than working capital. These businesses sell services and not the commodities and that too on cash basis. As such, no funds are blocked in piling inventories and also no funds are blocked in receivables. E.g. public utility services like railways, infrastructure oriented project etc. there requirement of working capital is less. On the other hand, there are some businesses like trading activity, where requirement of fixed capital is less but more money is blocked in inventories and debtors.

### **□ LENTH OF PRODUCTION CYCLE**

In some business like machine tools industry, the time gap between the acquisition of raw material till the end of final production of finished products itself is quite high. As such amount may be blocked either in raw material or work in progress or finished goods or even in debtors. Naturally there need of working capital is high.

### **□ SIZE AND GROWTH OF BUSINESS**

In very small company the working capital requirement is quit high overhead, higher buying and selling cost etc. as such medium size business positively has edge over the small companies. but if the business start growing after certain limit, the working capital requirements may adversely affect by the increasing size.

□ **BUSINESS CYCLE**

If the company is the operating in the time of boom, the working capital requirement may be more as the company may like to buy more raw material, may increase the production and sales to take

- the benefit of favourable market, due to increase in the sales, there may more and more amount of funds blocked in stock and debtors etc. similarly in the case of depressions also, working capital may be high as the sales terms of value and quantity may be reducing, there may be unnecessary piling up of stock without getting sold, the receivable may not be recovered in time etc.

### **TERMS OF PURCHASE AND SALES**

Some time due to competition or customs, it may be necessary for the company to extend more and

- more credit to consumers, as result which more and more amount is locked up in debtors or bills receivable which increases the working capital requirements. On the other hand, in the case of purchase, if the credit is offered by suppliers of goods and services, a part of the working capital requirement may be financed by them, but it is necessary to purchase on cash, the working capital requirement will be higher.

### □ **PROFITABILITY**

The profitability of the business may be vary in each and every individual case, which is in turn its depend on numerous factors, but high profitability will positively reduce the strain on working capital requirement of the company, because the profits to the extent that they earned in cash may be used to meet the working capital requirement of the company.

### **OPERATING EFFICIENCY**

If the business is carried on more efficiently, it can operate in profit which may reduce the strain on working capital; it may ensure proper utilization of existing resources by eliminating the waste and improved co-ordination etc.



## **NEED OF WORKING CAPITAL MANGEMENT**

The need for working capital gross or current assets cannot be over emphasized. As already observed, the object of financial decision making is to maximize the shareholder wealth. To achieve this, it is necessary to generate sufficient profits can be earned will naturally depend upon the magnitude of the sales among other things but sales cannot convert into cash. There is a need for working capital in the form of current assets to deals with the problem arising out of lack of immediate realization of cash against goods sold. Therefore sufficient working capital is necessary to sustain sales activity. Technically this is referring to operating or cash cycle. If the company has certain amount of cash, it will be required for purchasing the raw material may be available on credit basis. Then the company has to spend some amount for labour and factory overhead to convert the raw material in work in progress and ultimately finished goods. These finished goods convert in to sales on credit basis in the form of sundry debtors. Sundry debtors are converting into cash on credit period. Thus some amount of cash is blocked in raw materials, work in progress, finished goods, and sundry debtors and day to day cash requirement. However some part of current assets may be financed by the current liabilities also. The amount required to be invested in this current assets is always higher than the funds available from current liabilities. This is the precise reason why the needs for the working capital arise. **GROSS WORKING CAPITAL AND NET WORKING CAPITAL**

There are two concepts of working capital management

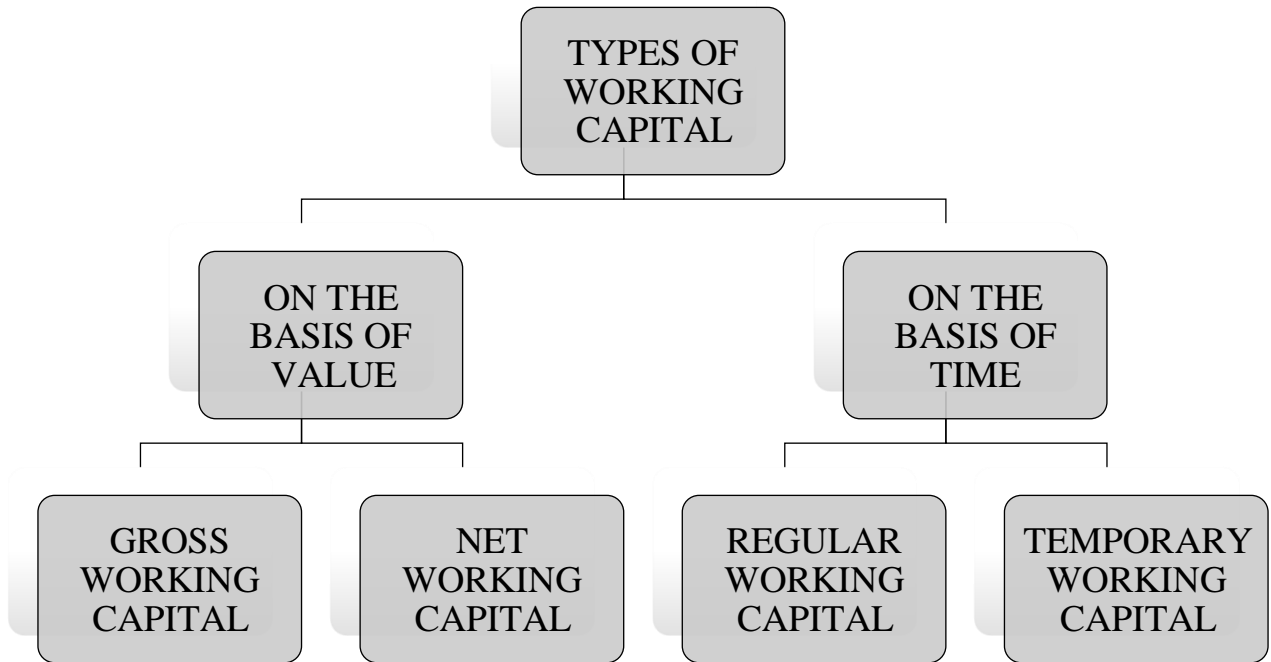
### **□ GROSS WORKING CAPITAL**

Gross working capital refers to the firm's investment in current assets. Current assets are the assets which can be convert in to cash within year includes cash, short term securities, debtors, bills receivable and inventory.

## 1. NET WORKING CAPITAL

Net working capital refers to the difference between current assets and current liabilities, Current liabilities are those claims of outsiders which are expected to mature for payment within an accounting year and include creditors, bills payable and outstanding expenses. Net working capital can be positive or negative efficient working capital management requires that firms should operate with amount of net working capital, the exact Amount varying from firm to firm and depending, among other things; on nature of industries. Net working capital is necessary because the cash outflow and inflow do not coincide. The cash outflow resulting from payment of current liabilities is relatively predictable. The cash inflow is however difficult to predict. The more predictable the cash inflows are, the less net working capital will be required; the concept of working capital was, first evolved by Karl Marx. Marx used the term 'variable capital' means outlays for payrolls advanced to workers before the completion work. He compared this with 'constant capital' which according to him is nothing but 'dead labour'. This 'variable capital' is nothing wage fund which remains blocked in terms of financial management, in working-process along with other operating expenses until it is released through sale of finished goods. Although Marx did not mentioned that workers also gave credit to the firm by accepting periodical payment of wages which funded a portioned of work in progress the concept of working capital, as we understand today was embedded in his 'variable capital'.

**TYPES OF WORKING CAPITAL**



**LITERATURE REVIEW**

- **Rao and Rao (1991)** in their study among a few public enterprises belonging to manufacturing sector in the state of Karnataka, have attempted to probe in to the capacity of the various techniques I evaluating working capital efficiency of business enterprises. The study revealed that the investment working capital was considerably high when compared to the total investment. The Tandon Committee norms were found to be yielding better results among the surveyed companies. However, the study also revealed that the working capital planning and control was found to be disorderly and ineffective and hence, the urgent need for full focus on working capital management.
- **Arindam Ghosh (2007)** “Working Capital Management Practice in some selected industries in India – A case study of impact of working capital ratios on profitability in Cement Industry”. The study which attempted to examine the efficiency of working capital management of the Indian cement companies during 92-93 to 2001–02.
- **Thappa Sankar (2007)** focuses on the importance of proper working capital management of Sun Pharmaceutical Company. The paper throws light on the concepts of working capital, working capital policy, components of working capital and factors affecting working capital in the Sun Pharma Industries Ltd during the last five years, and identifies certain factors which are responsible for the improvement of working capital of the company. The article concludes with a warning to the Company that if satisfactory level of working capital is not maintained, the company would become bankrupt.

**COMPANY PROFILE****MAHINDRA & MAHINDRA LIMITED**

<b><u>TYPE</u></b>	-	PUBLIC
<b><u>INDUSTRY</u></b>	-	AUTOMOTIVE
<b><u>TRADED AS</u></b>	-	BSE: 500520
		NSE: M&M
		BSE SENSEX CONSTITUENT
<b><u>FOUNDED</u></b>	-	02 OCTOBER 1945 (74 year ago)
<b><u>FOUNDERS</u></b>	-	J.C. MAHINDRA
		K.C. MAHINDRA
		M.G. MAHINDRA
<b><u>HEADQUARTERS</u></b>	-	MUMBAI, MAHARASHTRA, INDIA
<b><u>KEY PEOPLE</u></b>	-	ANAND MAHINDRA (Chairman)
		PAWAN KUMAR GOENKA (MD)
<b><u>PRODUCTS</u></b>	-	AUTOMOBILES,
		COMMERCIAL
TWO-WHEELERS		VEHICLES,

Nagpur

**PARENT**

- MAHINDRA GROUP

**WEBSITE**- [www.mahindra.com](http://www.mahindra.com)**HISTORY OF MAHINDRA & MAHINDRA**

Mahindra & Mahindra Limited is an Indian multinational car manufacturing corporation headquartered in Mumbai, Maharashtra, India. Mahindra & Mahindra was founded as a steel trading company on October 2, 1945 in Ludhiana as Mahindra & Muhammed by brothers Harikrishnan and Jayakrishnan and Jagdish Chandra Mahindra along with Malik Ghulam Muhammad. Anand Mahindra, the present Chairman of Mahindra Group, is the grandson of Jagdish Chandra Mahindra. After India gained independence and Pakistan was formed, Muhammad immigrated to Pakistan. Muhammad acquired Pakistani citizenship and settled in Lahore, and in 1948 become Pakistan's first finance minister. Thereafter, the company changed its name to Mahindra & Mahindra in 1948. It eventually saw a business opportunity in expanding into manufacturing and selling larger MUVs, starting with the assembly under licence of the Willys Jeep in India. Soon established as the Jeep manufacturers of India, the company later commenced manufacturing light commercial vehicles (LCVs) and agricultural tractors.

Over the past few years, the company has taken interest in new industries and in foreign markets. They entered the two wheeler industry by taking over kinetic motors in India. M&M also has a controlling stake in the reva electric car company and acquired South Korea's ssang yong motor company in 2011. In 2010/2011 M&M entered in micro drip irrigation with the takeover of EPC industries ltd in Nashik.

In October 2014, Mahindra and Mahindra acquired a 51% controlling stake in Peugeot Motorcycles and acquired a 100% controlling stake in October 2019.

In December 2015, Mahindra and Mahindra Ltd and affiliate Tech Mahindra Ltd, through a special purpose vehicle (SPV), have agreed to buy a 76.06% stake in Italian car designer Pininfarina SpA, for €25.3 million (around Rs.186.7 crore).

In January 2017, Mahindra and Mahindra Ltd (M&M) acquired a 75.1 equity stake in Hisarlar Makina Sanayi ve Ticaret Anonym Şirketi (Hisarlar), a farm equipment company, marking its entry into Turkey.

Nagpur

In September 2017 Mahindra and Mahindra Ltd acquired Erkunt Traktor Sanayii AS, a Turkish tractor maker and its foundry business for 800 crore. Its major competitors in the Indian market include Maruti Suzuki and Tata Motors

### **SHARE HOLDING**

<b>SHAREHOLDERS</b>	<b>SHAREHOLDING</b>
PROMOTERS	19.84%
MUTUAL FUNDS	9.59%
FOREIGN INSTITUTIONAL INVESTOR	34.22%
OTHER INSTITUTIONS	18.46%
PUBLIC	13.49%
OTHER	4.4%
TOTAL	100.0%

## **RESEARCH METHODOLOGY**

Research methodology is a way to systematically solve the research problem.

It may be understood as a science of studying how research is done systematically.

In these various steps, those are generally adopted by a researcher in studying his problem along with the logic behind them.

It is important for research to know not only the research method but also know methodology. “The procedures by which researchers go about their work of describing, explaining and predicting phenomenon are called methodology”.

All this means that it is necessary for the researcher to design his methodology for his problem as the same may differ from problem to problem.

Data collection is important step in any project and success of any project will be largely depend upon how much accurate you will be able to collect and how much time, money and effort will be required to collect that necessary data, this is also important step.

Data collection plays an important role in research work. Without proper data available for analysis you cannot do the research work accurately.



## **DATA COLLECTION**

### **TYPES OF DATA COLLECTION**

Data can be defined as the quantitative or qualitative values of a variable. Data is plural of datum which literally means to give or something given. Data is thought to be the lowest unit of information from which other measurements and analysis can be done. Data can be numbers, images, words figures, facts or ideas. Data in itself cannot be understood and to get information from the data one must interpret it into meaningful information. There are various methods of interpreting data. Data sources are broadly classified into primary and secondary data.

### **IMPORTANCE OF DATA AND DATA COLLECTION**

Data is one of the most important and vital aspect of any research studies. Researchers conducted in different fields of study can be different in methodology but every research is based on data which is analyzed and interpreted to get information.

Data is the basis unit in statistical studies. Statistical information like census, population variables, health statistics, and road accidents records are all developed from data.

Data is important in computer science. Numbers, images and figures in computer are all data.

## **TYPES OF DATA**

### **PRIMARY DATA**

Primary data is information collected directly from the first-hand experience. This is the information that you gather for the purpose of a particular research project. Primary data collection is a direct approach that fits to specific company needs. It can be a long process but does provide important first-hand information in many business cases. Primary data is original data – from the first source. It is like raw material.

**Most popular examples of primary data sources are:**

- Interview (personal interview, telephone, e-mail)
- Self-administered surveys and questionnaires
- Field observation
- Experiments
- Life histories
- Action research
- Case studies
- Diary entries, letters, and other correspondence
- Eyewitness accounts
- Ethnographic research
- Personal narratives, memoirs.

## **What is secondary data?**

Secondary data is the data that have been already collected for another purpose but has some relevance to your research needs. In addition, the data is collected by someone else instead of the researcher himself. Secondary data is second-hand information. It is not used for the first time. That is why it is called secondary. Secondary data sources provide valuable interpretations and analysis based on primary sources. They may explain in details primary sources and often uses them to support a specific thesis or a point of view.

Most common examples of **secondary data sources** are:

- Previous research
- Mass media products
- Government reports
- Official statistics
- Web information
- Historical data
- Journal articles
- Biography
- Research analysis
- Financial sources such as profit and loss statements balance sheets, inventory records, sales records and etc.

## **Advantages of Secondary Data:**

### **Time and Cost Effective**

Generally, the secondary data can be collected very easily where researchers have to find the source of that data and then collect it at all. Besides, the time and cost required to collect this type of data is very lesser as compared to that of primary data. Hence, it can be said that it is primary advantage of secondary data. This thing helps the researchers to collect the data easily and without spending much time and financial resources. **Ease of Access**

In order to access good secondary data, the marketers visit libraries or the places where the secondary data can be found easily. Besides, internet has also made the secondary data also very much easier to access and it can be said as another advantage of the secondary data. As an example of a research study, the literature review can be said as a secondary data which can be accessed very easily.

### **Disadvantages of Secondary Data**

The disadvantages of the secondary data can include a number of things. Following are some of them:

- **Not Specific to One's Needs**

In many forms of the secondary research data, it is not specific to the needs of a researcher. Therefore, the researcher cannot only rely on the secondary research data and it is not of much use to him. It can be exemplified better by stating a simple scenario. For example, a person or organization that collected the data for it will be saved as secondary data for future researches. However, the future researchers who will use that data as secondary data might not find it appropriate and specific to their needs.

- **Biasness**

The secondarily collected data is usually collected by someone else than the one who uses it. Hence, generally the secondary data is biased in the favour of one who collected it and might not necessarily meet with the requirements of another researcher. In addition, biasness can also refer to the disadvantage in terms of the researcher manipulating the secondary data.

- **Lack of Availability**

This can also be said as other disadvantages where the secondary data might not be available and accessible easily. Sometimes, it can be the case that researcher may not be able to find the exactly relevant and appropriate secondary available data. Sometimes, a researcher conducting a study on a particular topic does not find himself in a position to find the data which addresses his research question and purpose in a proper manner.

- **Time Lag Issues**

Information which is collected from secondary sources such as books and historical surveys might not sync with the times and it can change drastically. Hence, this can emerge as another disadvantage of the secondary research data where the time lag issue rises and as a result, it can be highly risky for the business or a project.

In my project report I have used secondary data for analysis of working capital management of Mahindra & Mahindra.

## **OBJECTIVIES OF THE STUDY**

Study of the working capital management is important because unless the working capital is managed effectively, monitored efficiently planed properly and renewed periodically at regular intervals to remove bottlenecks if any of the company cannot earn profits and increase its turnover. With this primary objective of the study, the following further objectives are framed of a depth analysis.

- To study the working capital management of Mahindra & Mahindra.
- To gain familiarity with various components of working capital in Mahindra & Mahindra.
- To study the liquidity position through various working capital ratio.

## **HYPOTHESIS OF THE STUDY**

A hypothesis is a tentative statement about the relationship between two or more variables. Remember, a hypothesis does not have to be correct. While the hypothesis predicts what the researchers expect to see, the goal of research is to determine whether this guess is right or wrong.

### **HYPOTHESIS 1**

#### **H0**

There is no significant relationship within component Mahindra and Mahindra.

#### **H1**

There is significant relationship within component Mahindra and Mahindra.

### **NEED OF THE STUDY**

Well-managed working capital is crucial to the running of a healthy and successful business.

An important part of working capital management is a company's cost structure. Working capital represents the liquidity available to a business.

In this background the present study is needed to know the significance of the working capital is for Mahindra & Mahindra, how the Mahindra & Mahindra managed the working capital for the smooth running of the business.



### **RELEVANCE OF STUDY**

A company spends most of their time and effort on day to day working capital management. Still, due to the inability of financial managers to properly plan and control the current assets and current liabilities of their company, the failure of business can be attributed to the inefficient working capital management. Inadequate working capital leads to company bankruptcy. On the other hand, too much working capital results in wasting cash and ultimately the decrease in the profitability. A decrease in profitability can lead to the decrease in the company share prices. So it is important for the company to make effective working capital for the betterment of the company.

**DATA ANALYSIS AND INTERPRETATION**

**BALANCE SHEET**

<u>PARTICULAR</u>	<u>MARCH 18</u>	<u>MARCH 19</u>	<u>MARCH 20</u>	<u>MARCH 21</u>	<u>MARCH 22</u>
<b><u>CURRENT ASSETS</u></b>					
CURRENT INVESTMENT	2,983.96	3,937.49	3,606.70	2,385.98	1,765.42
Inventories	3,839.27	2,701.69	2,758.01	2,687.93	2,437.57
Trade receivables	3,946.30	3,172.98	2,938.84	2,511.64	2,558.03
Cash And Cash Equivalents	3,731.66	2,893.73	1,687.48	2,287.03	2,064.77
Short Term Loans And Advances	673.40	975.16	506.51	486.76	773.10
Other Current Assets	2,896.47	2,793.42	1,110.46	1,276.34	529.32
<b>TOTAL CURRENT ASSETS</b>	<b>18,071.06</b>	<b>16,474.47</b>	<b>12,608.00</b>	<b>11,635.68</b>	<b>10,128.21</b>
<b><u>CURRENT LIABILITIES</u></b>					
Short Term Borrowings	448.54	668.47	538.88	348.13	106.25
Trade Payables	9,678.15	8,603.40	6,881.08	6,674.71	5,365.45
Other Current Liabilities	3,518.71	3,383.95	1,648.61	2,412.94	2,041.13
Short Term Provisions	688.67	667.39	565.48	408.54	1,461.44
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,334.07</b>	<b>13,323.21</b>	<b>9,634.05</b>	<b>9,844.32</b>	<b>8,974.27</b>

## DATA ANALYSIS AND INTERPRETATION

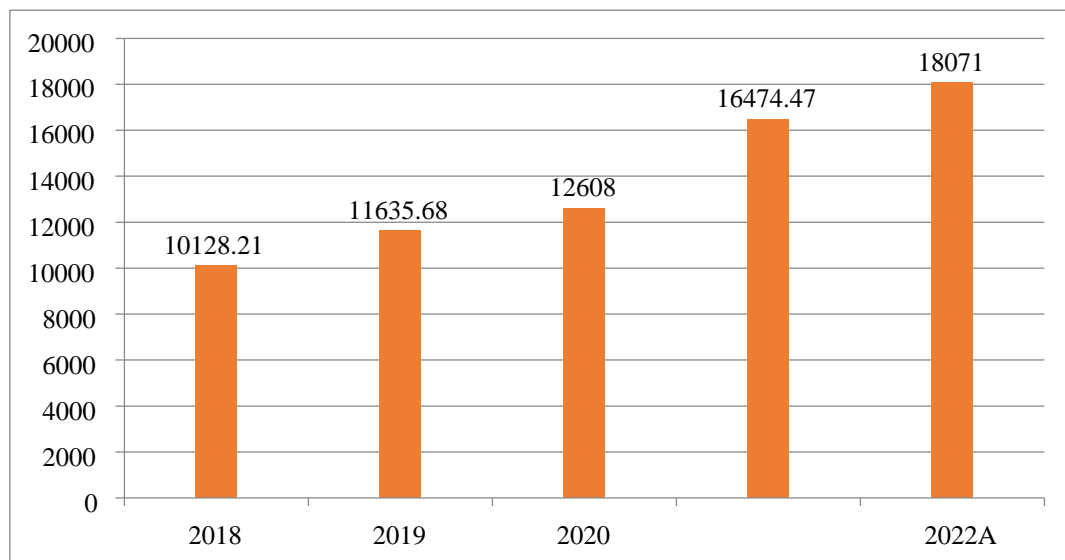
### LIQUIDITY RATIOS:-

#### □ CURRENT ASSET:-

YEAR	CURRENT ASSETS
MARCH 18	10128.21
MARCH 19	11635.68
MARCH 20	12608
MARCH 21	16474.47
MARCH 22	18071.0

### INTERPRETATION

Current assets of the company are increasing continuously fro

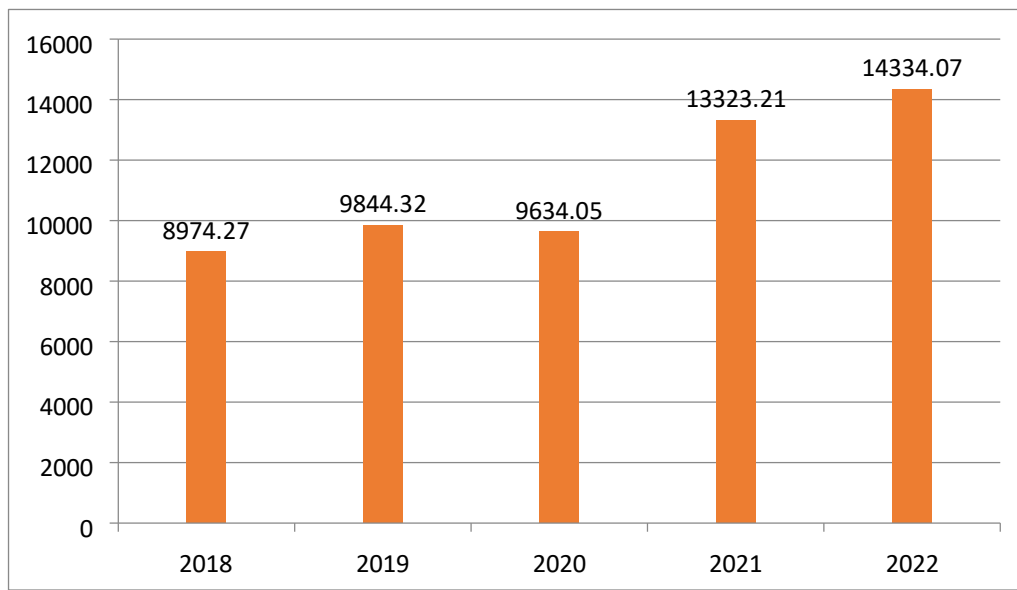


m 10128.21 to 18071

from the year march 2018 to march 2022.

□ **CURRENT LIABILITY:-**

YEAR	CURRENT LIABILITIES
MARCH 18	8974.27
MARCH 19	9844.32
MARCH 20	9634.05
MARCH 21	13323.21
MARCH 22	14334.07



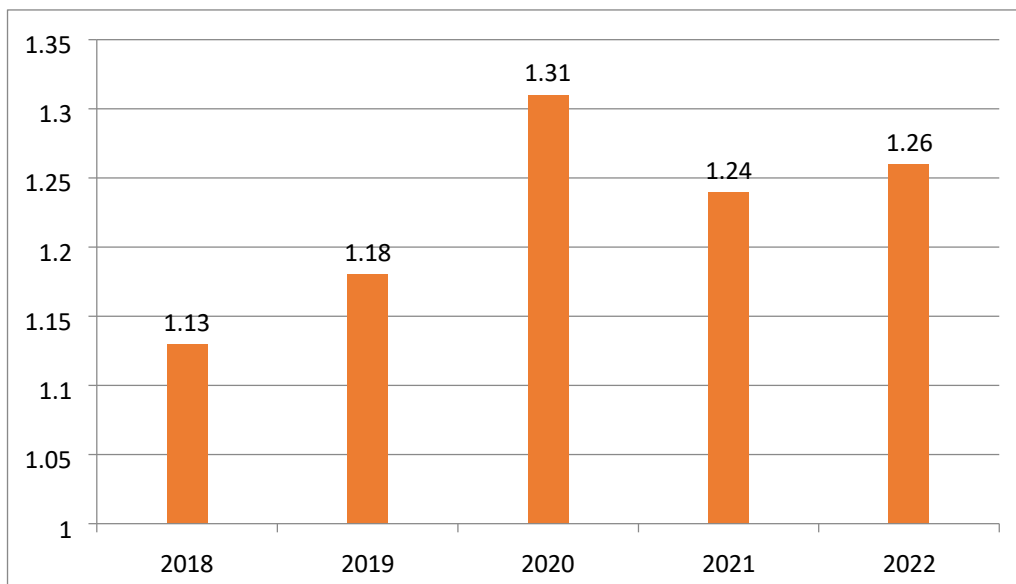
**INTERPRETATION**

Current liabilities of the company are increasing continuously from 8974.27 to 14334.07 from the year march 2018 to march 2022. When companies have minimum liabilities it creates a better goodwill in market. High current liabilities indicate that company is using credit facilities by creators.

□ **CURRENT RATIO:-**

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIOS
MARCH 18	10128.21	8974.27	1.13
MARCH 19	11635.68	9844.32	1.18
MARCH 20	12608	9634.05	1.31
MARCH 21	16474.47	13323.21	1.24
MARCH 22	18071.0	14334.07	1.26



**INTERPRETATION**

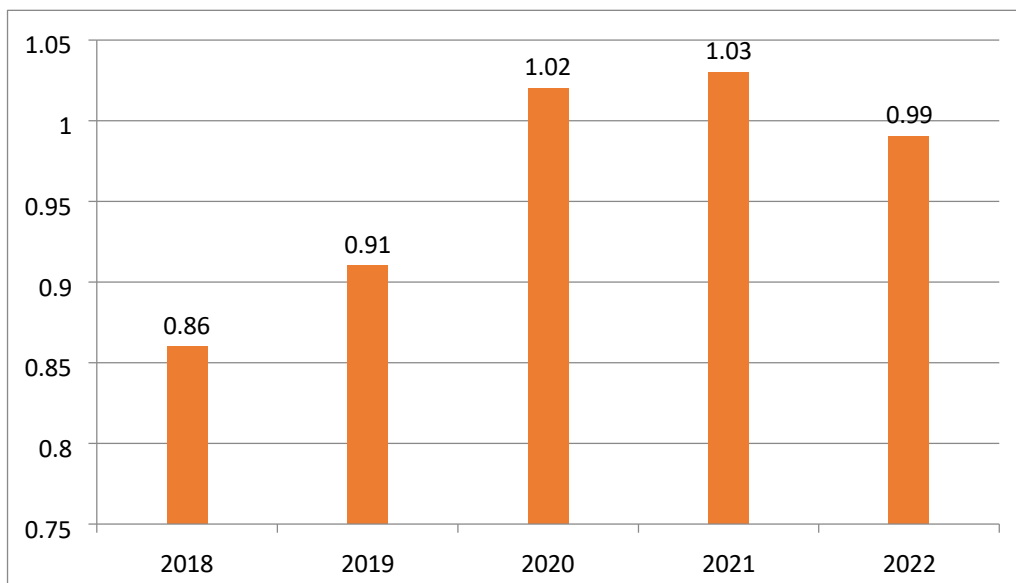
Current ratio of the company is increasing continuously from 1.13 to 1.31 from the year march 2018 to march 2022. And it decreases from 1.31 to 1.24 from march 2020 to march 2021 and it further slightly increase

from 1.24 to 1.26 from march 2021 to march 2022. As the current ratio in slightly decline from March 2020 to march 2022 the company needs to improve its position.

- **QUICK RATIO:-**

$$\text{QUICK RATIO} = \frac{\text{CURRENT ASSET} - \text{INVENTORY}}{\text{CURRENT LIABILITIES}}$$

YEAR	CURRENT ASSETS - INVENTORY	CURRENT LIABILITIES	RATIOS
MARCH 18	7690.64	8974.27	0.86
MARCH 19	8947.75	9844.32	0.91
MARCH 20	9849.99	9634.05	1.02
MARCH 21	13772.78	13323.21	1.03
MARCH 22	14231.79	14334.07	0.99



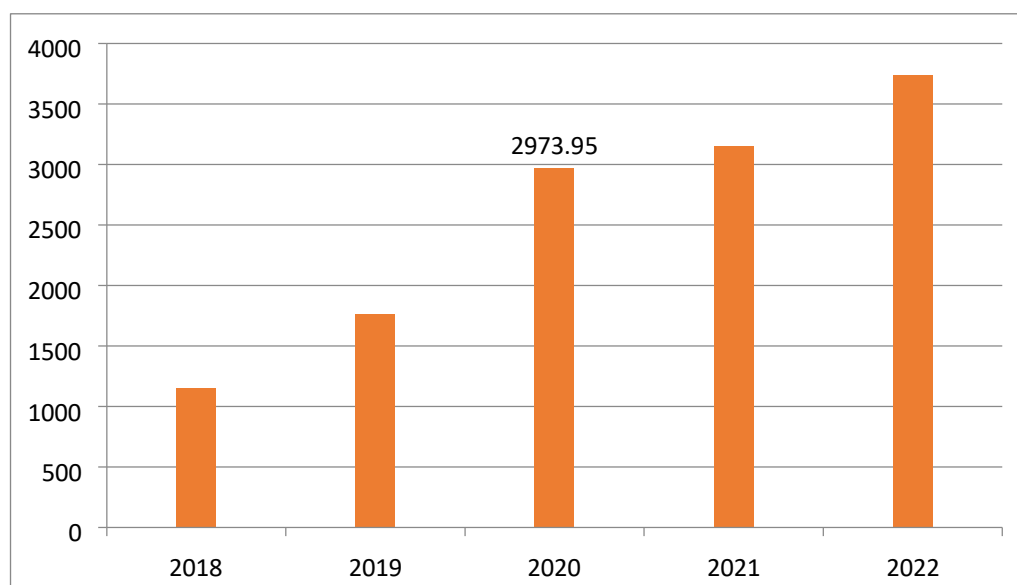
**INTERPRETATION**

Quick ratio of the company is increasing continuously from 0.86 to 1.03 from the year march 2018 to march 2022 but it slightly decreases from 1.03 to 0.99 from March 2021 to March 2022. A company should have quick ratio greater than 1 so that it can pay for its current liabilities easily. The company has to improve its quick ratio for smooth pay of current liabilities.

- **WORKING CAPITAL:-**

$$\text{WORKING CAPITAL} = \text{CURRENT ASSETS} - \text{CURRENT LIABILITIES}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIOS
MARCH 18	10128.21	8974.27	1153.94
MARCH 19	11635.68	9844.32	1791.36
MARCH 20	12608	96634.05	2973.95
MARCH 21	16474.47	13323.21	3151.26
MARCH 22	18071.0	14334.07	3736.99





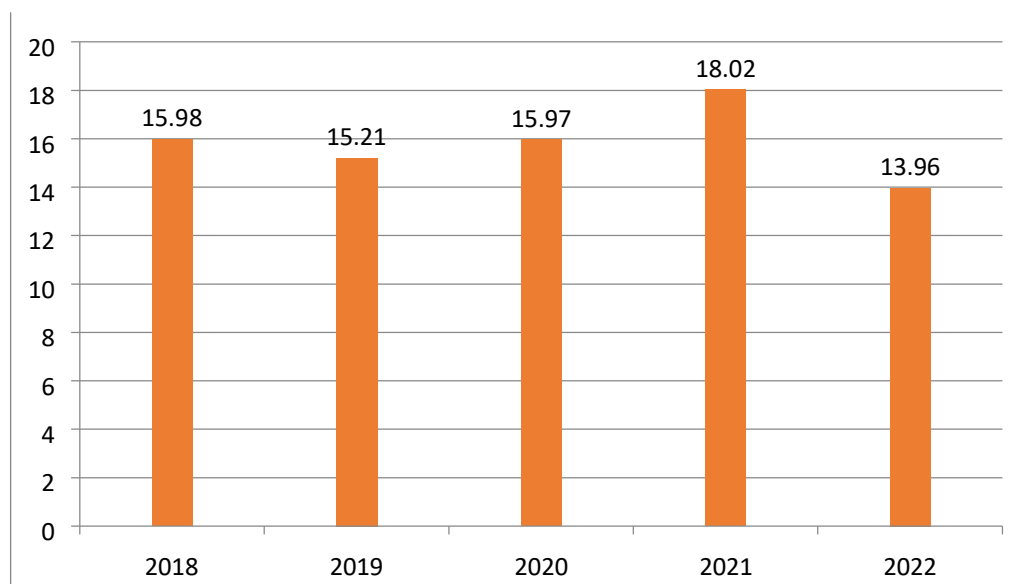
**INTERPRETATION**

Working capital of the company is increasing continuously from 1153.94 to 3736.99 from the year march 2018 to march 2022. From this we can conclude that the current assets of the company are higher than the current liabilities.

- **INVENTORY TURNOVER RATIO:**

$$\text{INVENTORY TURNOVER} = \frac{\text{sale}}{\text{inventory}}$$

YEAR	SALES	INVENTORY	RATIOS
MARCH 18	38391.31	2437.57	15.98
MARCH 19	40875.07	2687.93	15.21
MARCH 20	43785.36	2758.01	15.97
MARCH 21	48685.55	2701.69	18.02
MARCH 22	53614	3839.27	13.96



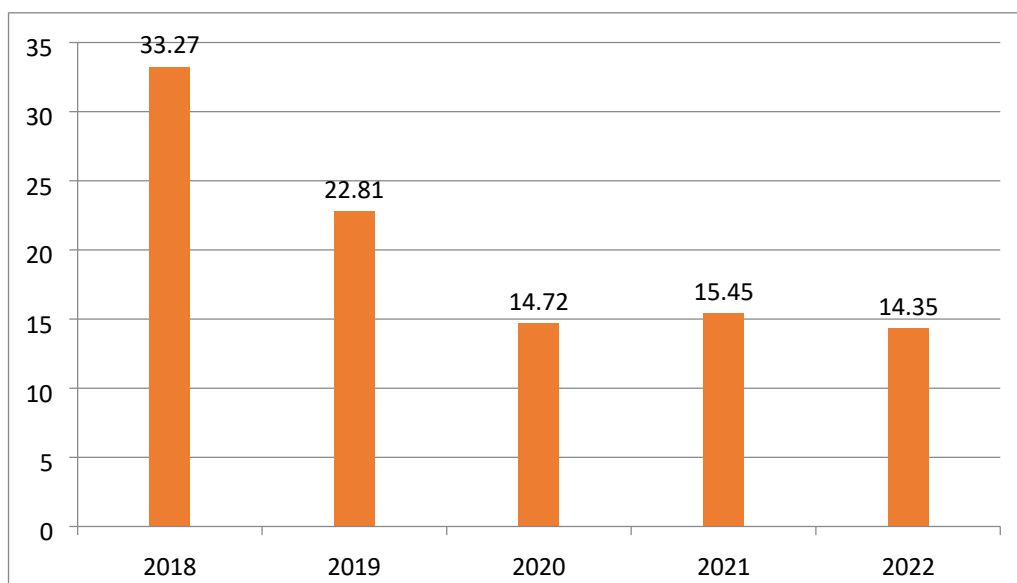
**INTERPRETATION**

Inventory turnover ratio of the company is increasing from 15.98 to 18.02 from the year march 2018 to march 2022. But in March 2021 to march 2022 it slightly decreases from 18.02 to 13.96. The company has to improve its position so that the stocks are frequently sold and less amount of money is required to finance the inventory.

□ **WORKING CAPITAL TURNOVER RATIO :-**

$$\text{WORKING CAPITAL} = \frac{\text{SALES}}{\text{WORKING CAPITAL}}$$

YEAR	NET SALES	WORKING CAPITAL	RATIOS
MARCH 18	38391.31	1153.94	33.27
MARCH 19	40875.07	1791.36	22.81
MARCH 20	43785.36	2973.95	14.72
MARCH 21	48685.55	3151.26	15.45
MARCH 22	53614	3736.99	14.35



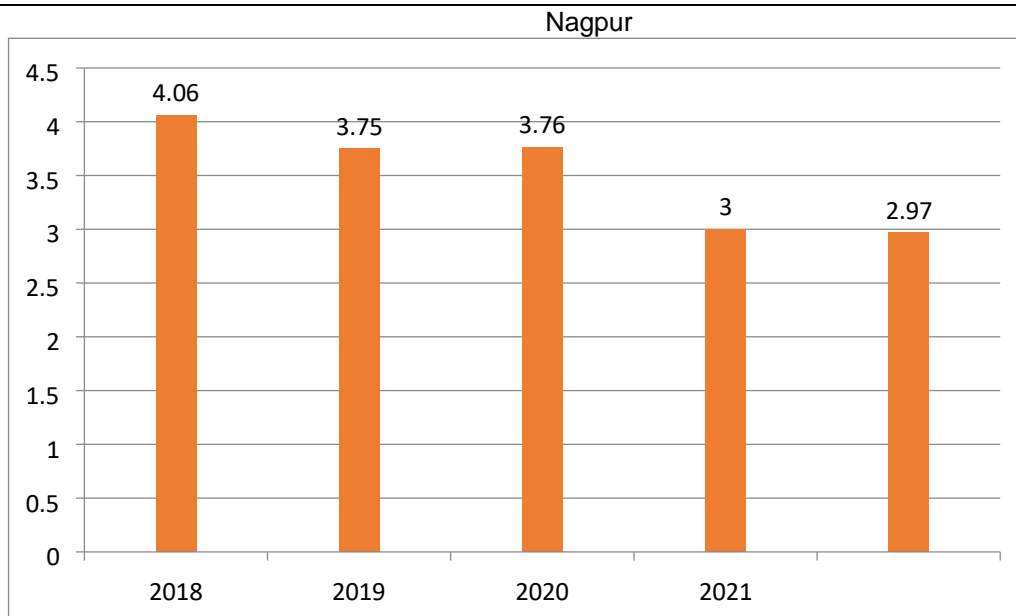
**INTERPRETATION**

Working capital turnover ratio of the company is decreasing continuously from 33.27 to 14.35 from the year march 2015 to march 2019. This is because the current liabilities are increasing therefore the working capital turnover ratio is decreasing.

□ **CURRENT ASSET TURNOVER RATIO:**

$$\text{CURRENT ASSET TURNOVER RATIO} = \frac{\text{net sale}}{\text{Current asset}}$$

YEAR	NET SALES	CURRENT ASSETS	RATIOS
MARCH 18	38391.31	10128.21	4.06
MARCH 19	40875.07	11635.68	3.75
MARCH 20	43785.36	12608	3.76
MARCH 21	48685.55	16474.47	3.00
MARCH 22	53614	18071.0	2.97



### **INTERPRETATION**

Current assets turnover ratio of the company is decreasing continuously from 4.06 to 2.97 from the year march 2018 to march 2022. High current assets indicate the capability of the organisation to achieve maximum sales with the minimum investment in current assets. But the current asset turnover ratio is decreasing so the company needs more source of finance.

$$\text{DEBTOR TURN OVER RATIO} = \frac{\text{DEBTOR TURN OVER RATIO}}{\text{NET SALE}}$$

*AVERAGE ACCOUNTS RECEIVABLE*

## Nagpur

YEAR	RATIO
MARCH 18	15.37
MARCH 19	16.13
MARCH 20	16.17
MARCH 21	15.93
MARCH 22	15.06

**INTERPRETATION**

Debtor's turnover ratio of the company is increasing continuously from 15.37 to 16.17 from the year march 2018 to march 2020 But it decreases from 16.17 to 15.06 from March 2020 to March 2022. This means that the average collection is taking longer time.

## **LIMITATIONS OF THE STUDY**

- This project has completed with the annual reports; it just constitutes one part of data collection I .e secondary data.
- This project is based on 5 years annual report. Conclusion and recommendation are based on such limited data. The trend of last 5 years may or may not reflect the real working capital position of the company.



**CONCLUSION**

Working capital of the company is increasing and showing positive working capital per year. It shows goods liquidity position.

Positive working capital indicates that company has the ability of payment of short term debts. Working capital of the company increases because the current assets of the company are more than the current liabilities of the company

Current ratio of the company is increasing which means company has the ability to pay the short terms debts.

Quick ratio is less than 1 in march 2022 which means the company may not able to fully pay off its current liabilities.

Current assets turnover ratio of the company is decreasing means the company needs more finance.

Debtor's turnover ratio is decreasing means the average collection is taking longer time.

There is significant relationship within component Mahindra and Mahindra.



## **SUGGESTIONS**

- The company should follow the present working capital.
- The company should maintain the same current ratio.
- The company should increase its quick ratio so that it is able to pay off its current liabilities.
- The company should be significant. Relationship within component Mahindra and Mahindra.
- Debtor's turnover ratio should be increase.

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