

A

Project Report

**"A Study on Working Capital Management
Mahindra and Mahindra "**

Affiliated to

Rashtrasant Tukadoji Maharaj Nagpur University

In partial fulfillment for the award of the degree of

Bachlelor of Business Administration

Submitted by

Shivani .V. More

Under the guidance of

DR. Farha Hussain

G.S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR

ACADEMIC YEAR 2023-2024



G.S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR

ACADEMIC YEAR 2023-2024



CERTIFICATE

This is to certify that “**SHIVANI .V. MORE** ” has submitted the project report titled “(**A STUDY ON WORKING CAPITAL MANAGEMENT MAHINDRA AND MAHINDRA**) ”Towards partial fulfillment 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.

DR. Farha Hussain
(Project Guide)

Dr.Afsar Sheikh
(BBA Coordinator)

Place:Nagpur

Date:

G.S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR
ACADEMIC YEAR 2023-2024



DECLARATION

I here -by declare that the project with title “**A STUDY ON WORKING CAPITAL MANAGEMENT MAHINDRA AND MAHINDRA**” has been completed by me in partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University. And this has not been submitted for any other examination and does not form part of any other course undertaken by me.

SHIVANI .V.MORE

Place:

Date

G.S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR

ACADEMIC YEAR 2023-2024



ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **Dr. Praveen Mustoor**, Principal, G.S, College of Commerce & Economics, Nagpur.

I am extremely thankful to project Guide **Dr. Farha Hussain** for /his /her guideline throughout the project. I tender my sincere regards to Co- Ordinator, **Dr. Afsar Sheikh** for giving me outstanding guidance, enthusiastic suggestion 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 thanks all those who helped me in making this project complete and successful.

Shivani .V.More

Place:

Date:

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CHAPTER 1
INTRODUCTION

INTRODUCTION

WHAT IS WORKING CAPITAL MANAGEMENT:


Working capital management is a business process that helps companies make effective use of their current assets and optimize cash flow. It's oriented around ensuring short-term financial obligations and expenses can be met, while also contributing towards longer term business objectives. Working capital is the capital required for the day to day working of an enterprise. It is required for the purchase of raw material and for meeting day to day expenditure on salaries, wages, rent, advertisement etc.


WHY MANAGE WORKING CAPITAL?


Working capital management helps maintain the smooth operation of the net operating cycle also known as the cash conversion cycle (ccc) the minimum amount of time required to convert net current asset and liabilities into cash. Working capital management can improve a company's cash flow management and earnings quality through the efficient use of its resources. Management of working capital includes inventory management as well as management of account receivable and account payable. Working capital management also involves as the timing of account payable (i.e paying suppliers.) A company can conserve cash by choosing to stretch the payment of suppliers and to made the most of available credit or may spend cash by purchasing using cash – these choices also affects working capital management.

Working Capital

$$\text{Working Capital} = \text{Current Assets (Net of Depreciation)} - \text{Current Liabilities}$$







COMPONENT 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

2. Current liabilities

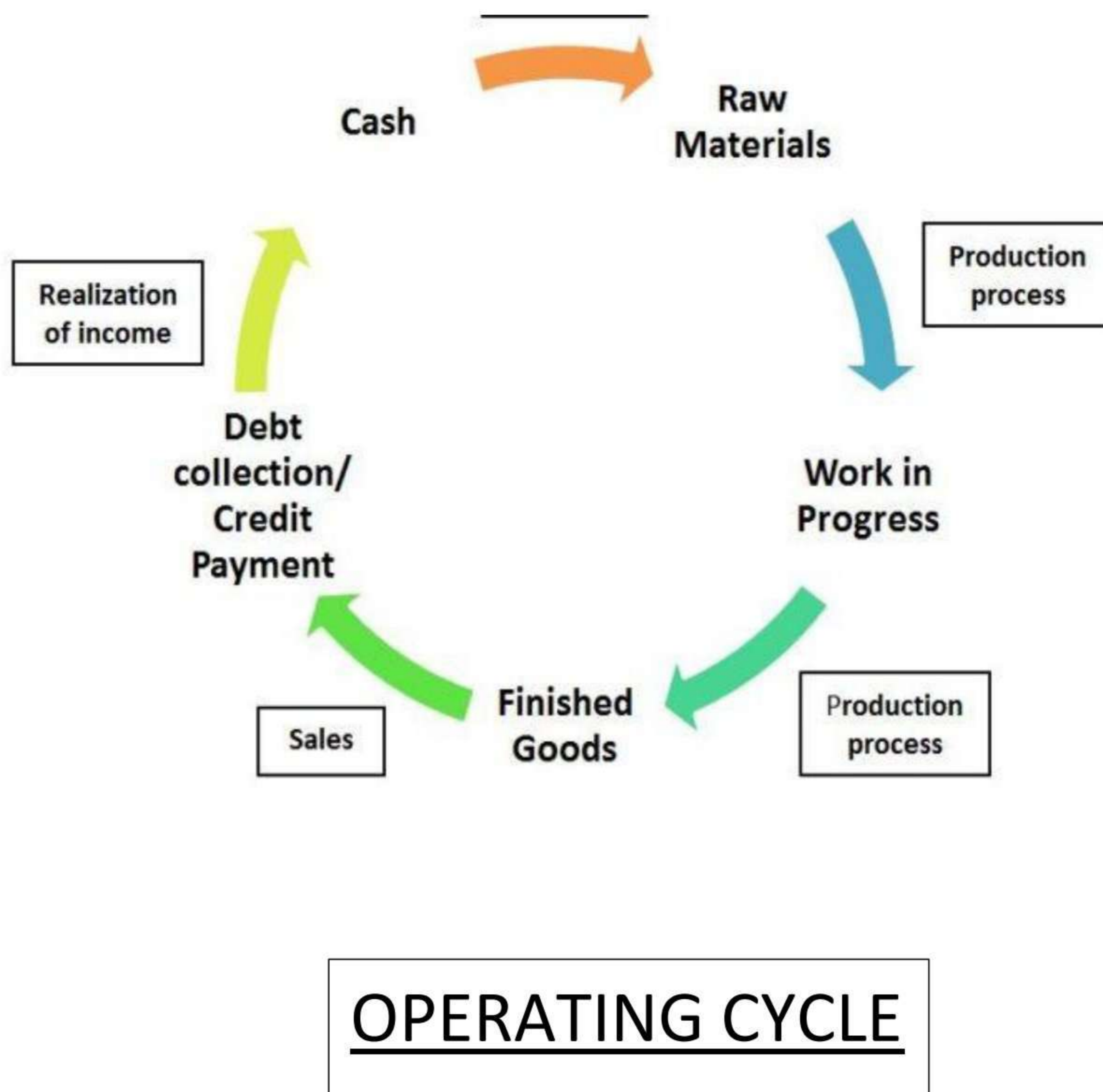
The other major component of working capital is current liabilities. A shortened definition of current liabilities is: a company's obligations that will be due within one year. However, a more complete definition is Current liabilities are a company's obligations (that are the result of a past event) 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 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

3. Operating cycle

The need of working capital arises 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 consists 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.



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.

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

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.

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.

3) 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.

4) 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.

5) 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

6) 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.

CHAPTER 2
COMPANY PROFILE

COMPANY PROFILE

Mahindra

TYPES	PUBLIC
INDUSTRY	AUTOMOTIVE
TRADED AS	BSE: 500520 NSE: M&M BSE: SENSEX CONSTITUENT
FOUNDED	02/OCTOBER/1945 (74 YEAR AGO)
FOUNDERS	J.C MAHINDRA K.C MAHINDRA M.G MAHINDRA
HEADQUARTERS	MUMBAI, MAHARASHTRA, INDIA
KEY PEOPLE	ANAND MAHINDRA (CHAIRMAN) PAWAN KUMAR GOENKA (MD)
PRODUCT	AUTOMOBILE
TWO-WHEELERS	COMMERCIAL VEHICLE
PARENT	MAHINDRA GROUP
WEBSITE	www.mahindra.com

CHAPTER 3
LITERATURE REVIEW

LETTERATURE REVIEW

Vijayakumar & Venkatachalam (1995) :- ‘Working Capital and Profitability - An Empirical Analysis’ for the purpose of study, the impact of working capital on profitability in sugar industry of Tamil Nadu by selecting a sample of 13 companies; 6 companies in co-operative sector and 7 companies in private sector for the period 1982-83 to 1991-92.

Shin & Soenan (1998):- studied to test the efficiency of working capital management to create profitability. For the purpose of analysis they used 58,985 samples of firms and selected the period 1975 – 1994. On the basis of research, they have given some facts like relationship between the length of net trading cycle, corporate profitability and risk-adjusted stock return was observed.

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 proper throws light on the concepts of working capital, working capital policy , components of working capital and factors affercting workingh 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 mentioned, the company would become bankrupt.

CHAPTER 4
RESEARCH METHODOLOGY

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.

Methodology includes the overall research procedures, which are followed in the research study. This includes Research design sampling procedures, and the data collection method and analysis procedures.

To board methodologies can be used to answer any research and non-experimental research. The major difference between two methodologies lies in the control of extraneous variables by the intervention of the investigation in the experimental research.

PROBLEM DEFINATION

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

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OBJECTIVE OF STUDY

- To study of the working capital management of Mahindra & Mahindra .
- To Evaluating company's performance relating to financial statement analysis .
- To study the liquidity position through various working capital ratio.
- To find out the utility of financial ratio in credit analysis & determining the financial capacity of the firm.

NEED OF STUDY

- A fully collaborative Environment in which suppliers can deliver exactly what the company needs , when it needs it and at a competitive cost.
- An important part of working capital management is a company 's cost structure working capital represents the liquidity value to a business

HYPOTHESIS

HYPOTHESIS 1

H0

There is no significant relationship within component Mahindra and Mahindra.

H1

There is significant relationship within component Mahindra and Mahindra.

RESEARCH DESIGN

A research design is defined, as the specification of methods and procedures for acquiring the Information needed. It is a plant or organizing framework for doing the study and collecting the data. Designing a research plan requires decisions all the data sources, research approaches, Research instruments, sampling plan and contact methods.

RESEARCH DESIGN IS MAINLY OF FOLLOWING TYPES: -

1. Exploratory research.
2. Descriptive studies

Exploratory Research

The major purposes of exploratory studies are the identification of problems, the more precise Formulation of problems and the formulations of new alter native courses of action. The design of exploratory studies is characterized by a great amount of flexibility and adhoc veracity.

Descriptive Studies

Descriptive research in contrast to exploratory research is marked by the prior formulation of specific research Questions. The investigator already knows a substantial amount about the research problem. Perhaps as a Result of an exploratory study, before the project is initiated. Descriptive research is also characterized by a pre-planned and structured design.

DATA COLLECTION

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

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

LIMITATION OF STUDY

- We cannot do comparisons with other companies unless and until we have the data of other companies on the same subject.
- Only the printed data about the company will be available and not the back-end details.
- Future plans of the company will not be disclosed to the trainees.
- Lastly, due to shortage of time it is not possible to cover all the factors and details regarding the subject of study.
- The latest financial data could not be reported as the company's websites have not been updated.

BALANCE SHEET

PARTICULARS	MARCH 2021	MARCH 2022	MARCH 2023
CURRENT ASSETS			
Current investment	4,488.47	7,902.06	9,548.01
Inventories	3,955.47	5,882.85	8,881.35
Trade Receivables	2,342.85	3,035.11	4,041.73
Cash and Cash Equivalents	6,235.42	3,650.53	4,481.75
Short term loans and advances	756.94	1,845.52	2,176.96
Other Current Assets	2,513.15	3,601.63	5,513.83
TOTAL CURRENT ASSETS	2,0312.30	2,5917.70	3,4643.63
CURRENT LIABILITIES			
Short term borrowings	247.4	811.93	2,312.17
Trade payables	9,988.16	12,893.54	1,7145.62
Other current liabilities	4,633.79	4,661.21	5,975.37
Short term provision	486.48	453.61	606.83
TOTAL CURRENT LIABILITIES	1,5133.17	1,88,201.29	2,6039.99

INTERPRETATION FROM PAST 3 YEAR BALANCE SHEET

- Company Inventories has been increasing continuously in past 3 years.
- Current assets are increasing and also current liabilities are decreasing.
- There is no change in the share capital of the company

But in order to find the working capital, we only need the current assets and current Liabilities of the company and finding the current ratio and quick ratio will also help us analyse the working capital of the firm.

Now we will look closely to the current assets and current Liabilities using accounting tools like current ratio ,quick ratio.

CHAPTER 5

**DATA ANALYSIS
AND
INTERPRETATION**

LIQUIDITY RATIOS

➤ CURRENT ASSET

YEAR (Ended on 31 st March)	CURRENT ASSET (₹ in Crores)
MARCH 2021	20312.30
MARCH 2022	25917.70
MARCH 2023	34643.63

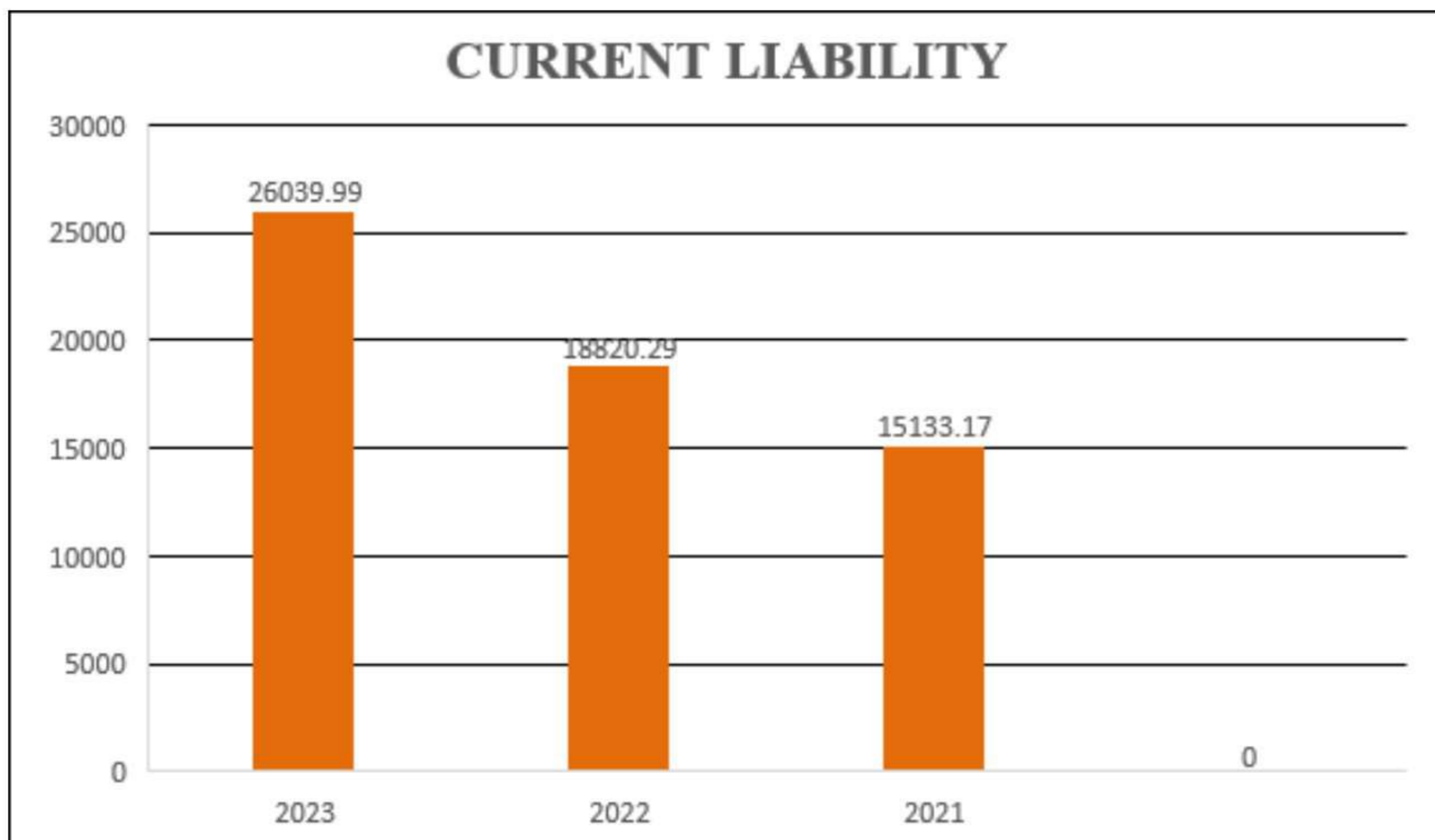


INTERPRETATION FROM PAST 3 YEAR CURRENT ASSETS

- Current assets are declining continuously in past 3 years which is not good for the company.
- 2023 marked the highest current asset in past 3 year with the amount touching 34643.63.
- 2021 marked the lowest current asset in past 3 years with the current touching 20312.3

➤ **CURRENT LIABILITY**

YEAR (Ended on 31st March)	CURRENT LIABILITIES (₹ in Crores)
MARCH 2021	15133.17
MARCH 2022	18820.29
MARCH 2023	26039.99



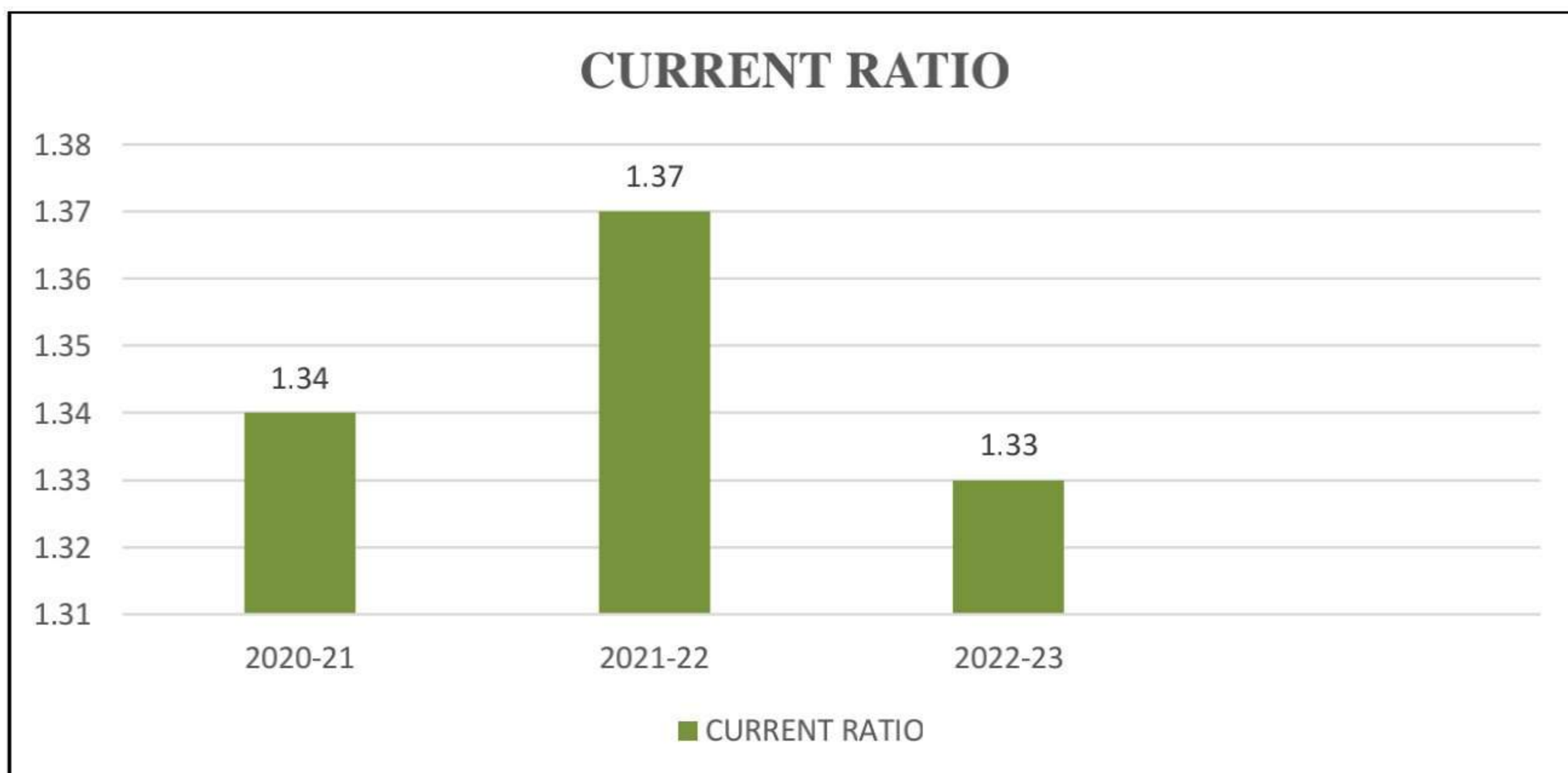
INTERPRETATION FROM PAST 3 YEAR CURRENT LIABILITIES

Current Liabilities of the company are increasing continuously from 15133.17 to 26039.99 the year March 2021 to March 2023 .when companies have minimum liabilities it creates a better goodwill in the 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 (Ended on 31 st March)	CURRENT ASSET (₹ in Crores)	CURRENT LIABILITIES (₹ in Crores)	RATIOS (times)
MARCH 2021	2031230	1513317	1.34
MARCH 2022	2591770	1882029	1.37
MARCH 2023	3464363	2603999	1.33



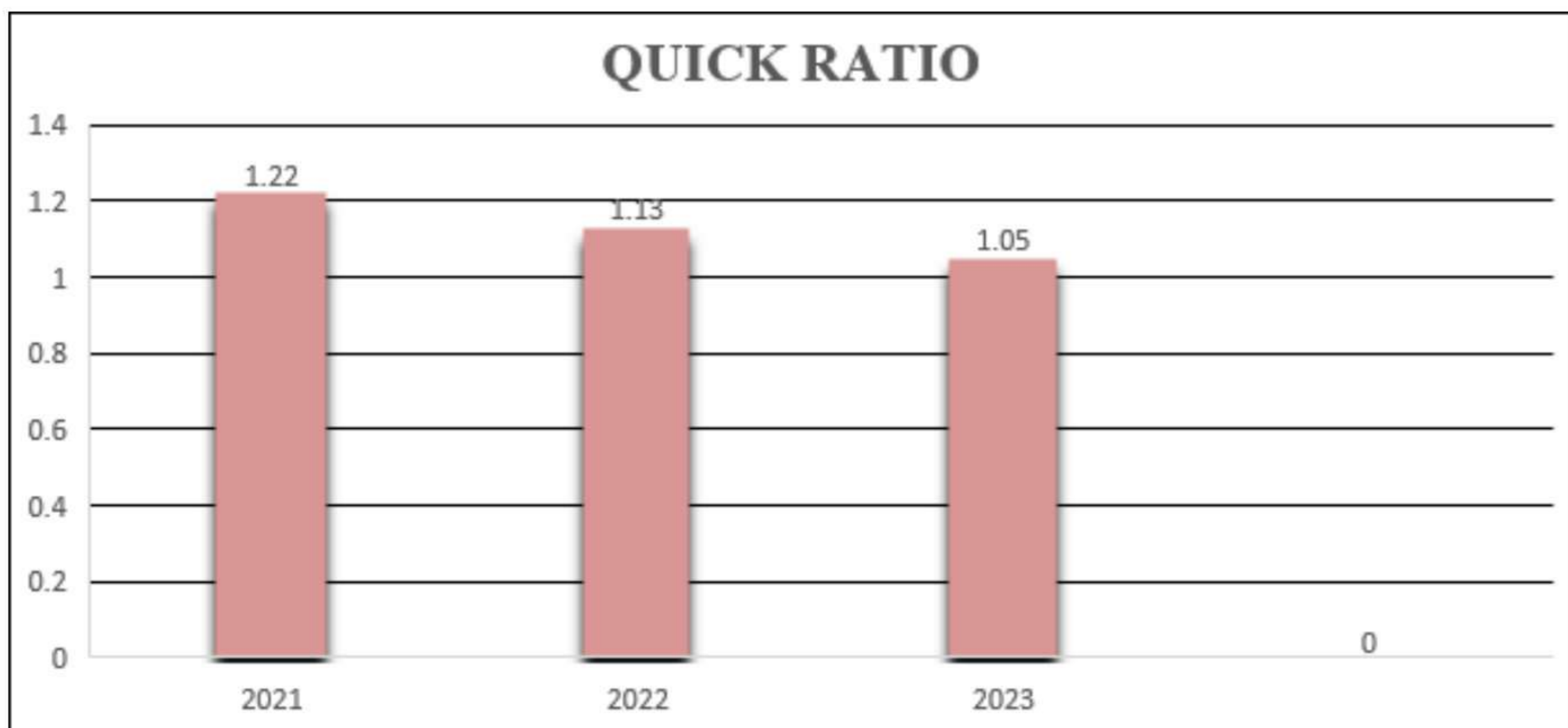
INTERPRETATION FROM PAST 3 YEAR CURRENT RATIO

Current ratio of the company is increasing continuously from 1.34 to 1.37 from the year March 2021 to March 2022 and it decreases from 1.37 to 1.33 from March 2022 to March 2023 and the current ratio in slightly decline the company needs to improve it's

➤ QUICK RATIOS

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

YEAR (Ended on 31 st March)	QUICK RATIO (times)
MARCH 2021	1.22
MARCH 2022	1.13
MARCH 2023	1.05



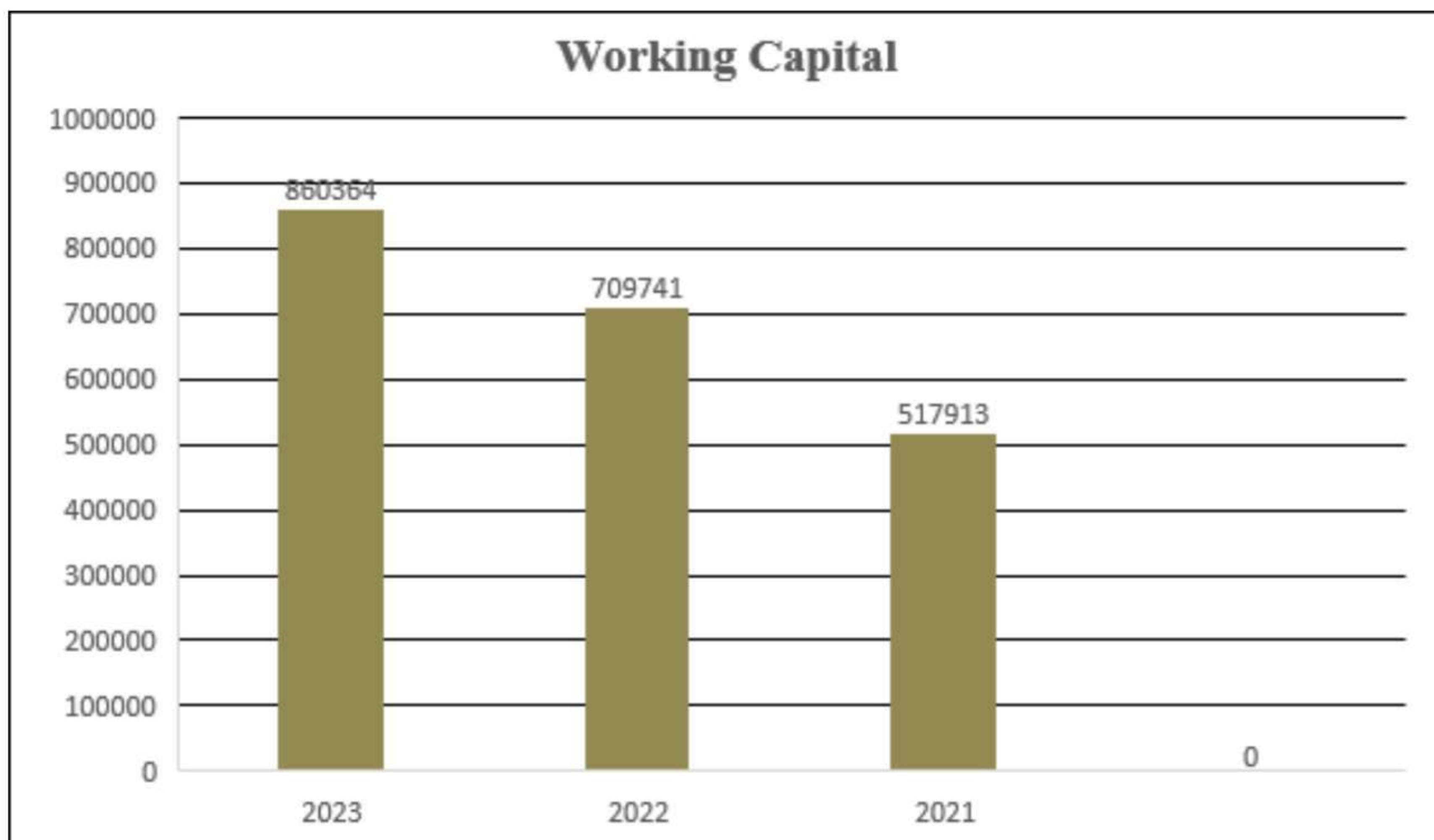
INTERPRETATION FROM PAST 3 YEAR QUICK RATIO

Quick ratio of the company is in increasing continuously from 1.22 to 1.05 from the year March 2021 to March 2023 but it slightly decreases from 1.13 to 1.05 from March 2022 to March 2023. A company should have Quick ratio greater than 1 so that it can pay for its current liabilities easily the company has to improve it's quick ratio for smooth pay of current Liabilities.

➤ **WORKING CAPITAL**

WORKING CAPITAL = CURRENT ASSETS – CURRENT LIABILITIES

YEAR (Ended on 31st March)	CURRENT ASSET (₹ in Crores)	CURRENT LIABILITIES (₹ in Crores)	Working Capital (₹ in Crores)
MARCH 2021	2031230	1513317	517913
MARCH 2022	2591770	1882029	709741
MARCH 2023	3464363	2603999	860364

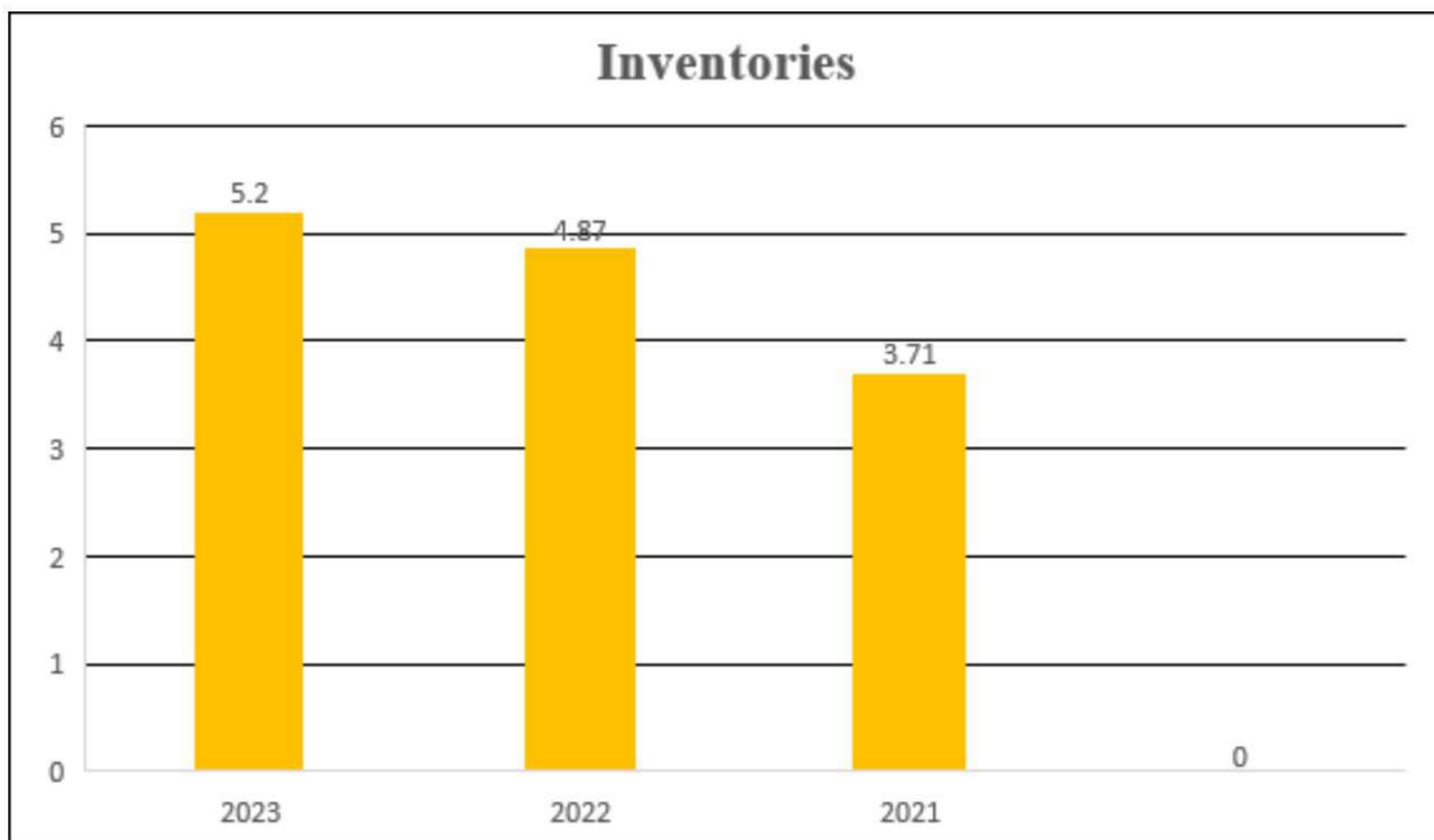


INTERPRETATION FROM PAST 3 YEAR WORKING CAPITAL

Working capital of the company is increasing continuously from 517.913 to 860.364 from the year March 2021 to March 2023 from this we can conclude that the current assets of the company are higher than current Liabilities.

➤ **INVENTORY TURNOVER RATIO**

YEAR	INVENTORY TURNOVER RATIOS
MARCH 2021	3.71
MARCH 2022	4.87
MARCH 2023	5.20



INTERPRETATION FROM PAST 3 YEAR INVENTORY TURN OVER RATIO

The company has to improve its position so that the stock are frequently sold and less amount of money is required to finance the inventory.

CHAPTER 6
FINDINGS

FINDINGS

- Mahindra and Mahindra net working capital last quarter was 8,60,364 crores.
- Mahindra and Mahindra operated at median net working capital of 8,60,364 crores from fiscal year ending March 2020-21 to March 2022-23.
- Looking back at the last 3 years Mahindra and Mahindra net working capital peaked in March 2020-21 at 5,17,913 crores.
- Mahindra and Mahindra net working capital hit it's 3 years low in March 2021-22 in 709741 crores.
- Company's working capital of past 3 year is in negative numbers.
- Working capital has only increased in the year 2021-22 yet it is positive.
- Current ratio of March 2023 year is 1.05.
- Current Liabilities show it's highest point in past 3 years in 2022-23 with the amount of 26,03,999 crores.
- Current Liabilities show it's highest point in past 3 year in 2020-21 with the amount of 15,13,317 crores.

CHAPTER 7
CONCLUSION

CONCLUSION

- ✓ Current ratio with the value of 1.37 was highest in year March 2022 in last two years .
- ✓ Quick ratio is low in March 2023 1.05 working capital to net worth is continuously increased during the study period 2021-22 to 2022-23. So the financial position of the Mahindra & Mahindra Ltd is better.
- ✓ As per the statement of working capital shows the increased in working capital requirements from the financial year 2021-22 to 2022-23 . The working capital for the financial year 2021-22 ratio 517.913.
- ✓ 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.
- ✓ There is significant relationship within component Mahindra and Mahindra.

CHAPTER 8
SUGGESTION

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.
- ❖ Company should use accounting tools to measure its Liquidity using:
 - Current Ratio
 - Quick Ratio
 - Working Capital Ratio.
- ❖ Collect payments from customers faster is an obvious route to keeping more working capital in your company.
- ❖ Company should follow strict working capital management policies.
- ❖ Mahindra and Mahindra company should Maintain a good relationship with its creditors and it is a good way to improve company's working capital.

CHAPTER 9
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BIBLIOGRAPHY

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