

RESEARCH ARTICLE

Profitability Analysis of Mahindra & Mahindra Ltd. Ltd

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Manuscript Details	ABSTRACT
<p>Received : 27.02.2016 Accepted: 16.03.2016 Published: 10.05.2016</p> <p>ISSN: 2322-0015</p> <p>Editor: Dr. Arvind Chavhan</p> <p>Cite this article as: Sharma Rakhi. Profitability Analysis of Mahindra & Mahindra ltd. Ltd. <i>Int. Res. Journal of Science & Engineering</i>, 4(1): 36-38.</p> <p>Copyright: © Author(s), This is an open access article under the terms of the Creative Commons Attribution Non-Commercial No Derivs License, which permits use and distribution in any medium, provided the original work is properly cited, the use is non-commercial and no modifications or adaptations are made.</p>	<p>The study examines the profitability position of Mahindra & Mahindra ltd. for the past ten years. It involves in-depth analysis of profitability of the company having regard to important aspects concerning the same. Comparative study of annual increase in sales and profitability is made to understand the growth of the company</p> <p>Keywords: Net profit, EBIDT, PBT, PAT, Return on Net worth.</p>
	<p>INTRODUCTION</p> <p>Wealth creation is ultimate objective of any business & the same is not possible without earning profits. Without earning profits, a business may not survive in the long run. A business needs profit not only for its existence but also for expansion and diversification.</p> <p>A business enterprise can discharge its obligations to the various segments of the society only through earning of profits. Profit is a useful measure of overall efficiency of a business. Profits to the management are the test of efficiency and a measurement of control; to owners, a measure of worth of their investment; to the creditors, the margin of safety; to employees, a source of fringe benefits; to Government, a measure of taxpaying capacity and a basis of legislative action; to customers, a hint to demand for better quality and price cuts; to an enterprise, for growth and existence.</p> <p>About the Company</p> <p>Mahindra and Mahindra Limited (M&M) is an Indian multinational automobile manufacturing corporation headquartered in Mumbai, Maharashtra, India. It is one of the largest vehicle manufacturers by production in India and the largest manufacturer of tractors across the world. It was ranked as the 10th most trusted brand in India, by The Brand Trust Report, India Study 2014. It was ranked 21st in the list of top companies of India in Fortune India 500 in 2011.</p> <p>Its major competitors in the Indian market include Maruti Suzuki, Tata Motors, Ashok Leyland, Toyota, Hyundai, Mercedes-Benz (Merc) and others.</p>

Objective of the Study

- To know the profitability position of the company for the past ten years
- To assess the growth of company in terms of sales & profitability

Methodology Adopted

The study is concerned with the ten year’s data of M&M Limited i.e. (2002- 2011).The data is secondary in nature and is obtained from the published annual reports of M&M Limited. Data is analyzed through

various profitability ratios to comment upon the profitability position of the company.

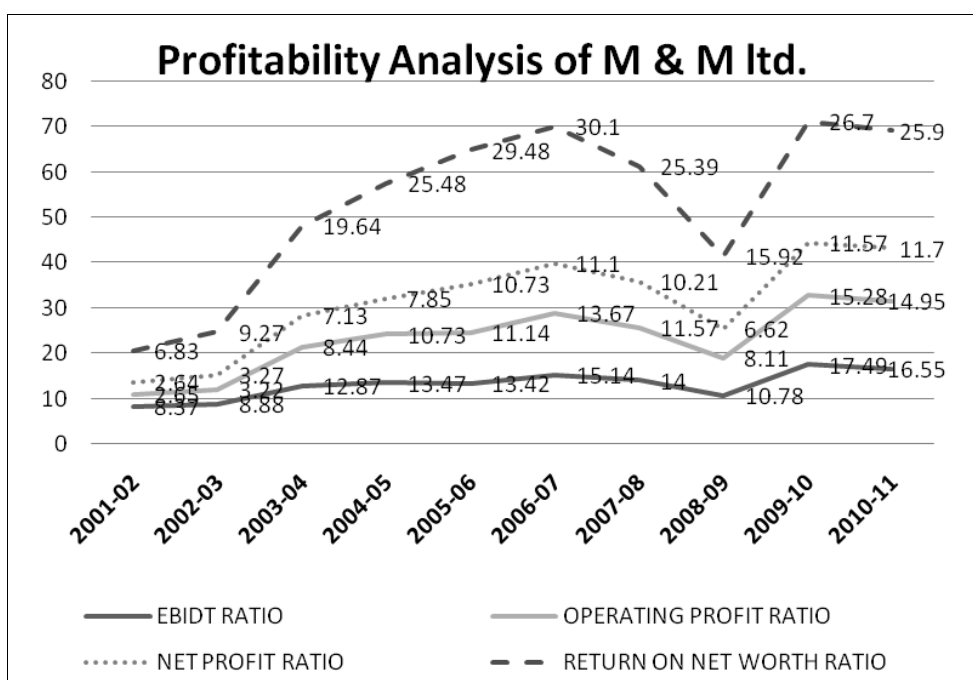
Profitability Analysis of Mahindra & Mahindra Ltd.

For Profitability analysis, some ratios are to be calculated that help in measuring how well a company is performing by analyzing how profit was earned relative to sales, and net worth employed by the company. The purpose of analysis of profitability ratios is to help in assessing the adequacy of profits earned by the company and to discover whether profitability is increasing or declining.

Table 1: Summary of Profitability Ratios of Mahindra & Mahindra Limited

YEARS	EBIDT RATIO	OPERATING PROFIT RATIO	NET PROFIT RATIO	RETURN ON NET WORTH RATIO
2001-02	8.37	2.65	2.64	6.83
2002-03	8.88	3.22	3.27	9.27
2003-04	12.87	8.44	7.13	19.64
2004-05	13.47	10.73	7.85	25.48
2005-06	13.42	11.14	10.73	29.48
2006-07	15.14	13.67	11.10	30.1
2007-08	14.00	11.57	10.21	25.39
2008-09	10.78	8.11	6.62	15.92
2009-10	17.49	15.28	11.57	26.7
2010-11	16.55	14.95	11.70	25.9
Average	13.10	9.98	8.28	21.47

(Source – Values Calculated based on Data Published in Annual Reports of Mahindra & Mahindra Ltd.)



(Source – Values Calculated on Data Published in Annual Reports of Mahindra & Mahindra Ltd.)

EBIDT ratio is concerned with earning of the company before providing for depreciation and interest expense of the company as a percentage of total sales of company. This ratio is an important indicator for lenders of the company as it provides information on cash availability for payment of fixed interest expenditure of the company.

PBT Ratio or operating ratio is concerned with measuring the overall profitability of the entity before tax in relation to its gross receipts or turnover. Similarly, net profit ratio measure net profit of the company after all expenses, taxes & extraordinary/prior period items as a percentage of total sales of the company. Return on net worth ratio indicates percentage return on capital employed by the shareholders. It is measured as net profit available for shareholders as a percentage of net worth.

All the profitability ratios of the company are lowest in 2001-02. EBIDT & Operating profit ratio are highest in 2009-10. Company's net profit margins (Profit after Tax) are mostly in line with the Operating margins i.e. (EBIDT Margins) except for year 2010-11 where Net profit ratio is highest in 2010-11. Interestingly, return on net worth ratio is highest in 2006-07 which is not in line with other profitability ratios.

It is to be appreciated that margins for the company declined substantially in the Financial Year 2007-08 and 2008-09 but company has recovered impressively to record its highest net profits in last two fiscal years of the study.

CONCLUSIONS

Significant growth is made by the company during the ten years under study as depicted in above chart showing profitability ratio of the company. This indicates good profit margins on products of the company.

Company has witnessed steady growth in its profit margins with an exception of Financial Year 2007-08 & 2008-09. This may be due to various reasons such as:

1. Operational Inefficiencies
2. Lowering of profit margins
3. High cost of funds
4. High taxation

Nonetheless, company has created significant wealth for its stakeholders and provided handsome return on investment. Return on net worth has grown from 6.83

in 2001-02 to an average of 21.47 and has touched the highest of 30.10 in 2006-07.

Company, despite of having a good track record, has a challenging task ahead to maintain the profitability. Profitability of the company is bound to grow manifolds if it company manages to control the aforesaid factors successfully.

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