

# DEBTORS TURNOVER IN AUTOMOBILE MANUFACTURING AT MAHINDRA AND MAHINDRA

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## ABSTRACT:

The debtor turnover ratio is an important financial metric that measures the effectiveness of a company's credit sales and collection activities. This ratio is critical for evaluating working capital and liquidity management in the car manufacturing sector, as credit influences sales primarily through financing methods and dealer networks. This inquiry focuses on the debtor turnover performance of Mahindra & Mahindra Ltd., one of India's most significant vehicle manufacturers. The goal is to assess the company's ability to convert receivables into cash in order to sustain positive cash flows. The research draws a link between Mahindra & Mahindra's most recent receivables management measures, industry standards, and operational strategy. A lower percentage may indicate that recovery methods are inadequate or that loan terms are extended, whereas a larger ratio shows that credit standards are efficient and collection is accelerated. By evaluating these developments, the report provides insight into how Mahindra & Mahindra balances financial discipline with credit sales growth. The findings highlight the relevance of debtor management optimization in improving overall financial performance, reducing credit risk, and increasing liquidity in the competitive automobile business.

**Keywords:** Accounts Receivable Turnover, Credit Sales, Collection Period, Credit Policy, Cash Flow Management, Working Capital Efficiency.

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## 1. Introduction

The vehicle manufacturing sector is a capital-intensive and dynamic business that makes major contributions to national economies around the world. The vast supply networks, high volume of financial transactions, and large-scale production in this business need the use of competent financial management techniques. Debtor management is critical among the many financial indicators because a large amount of sales are typically made on credit. It is critical that receivables are successfully

converted into currency in order to preserve liquidity and operations.

The debtor turnover ratio is an important metric that measures a company's ability to collect credit sales from customers. A greater ratio shows that credit regulations and collection procedures are effective, whereas a lower percentage suggests late payments and increasing credit risk. Debtor turnover management is critical in the automobile industry due to credit limitations put on suppliers, distributors, and dealers. It has a direct impact on the

organization's overall financial health, including cash flow stability and working capital cycles.

Traditional theoretical techniques frequently fail to convey the practical complexities of debtor management in a fast-paced, competitive industry like auto manufacturing. Empirical analysis is required to determine true performance trends, compare industry norms, and detect variations in credit management. Empirical debtor turnover analysis is a more credible tool for strategic decision-making because it uses actual data, such as receivables, net credit sales, and collection periods, to present a more complete picture of a company's financial discipline.

To adapt empirical debtor turnover analysis in the automobile sector, financial evaluation approaches must be aligned with industry-specific realities. Automakers face a number of challenges, including long supply chains, credit-based bulk purchases, and market swings that impact dealer payments. Businesses can improve credit procedures, reduce troublesome debts, and maximize liquidity by tailoring debtor turnover analysis to their specific needs. This change ensures that budgetary decisions are guided by both sectoral requirements and statistical data.

It is critical to paper the application of empirical debtor turnover analysis in the automobile industry given the current competitive environment. It emphasizes the importance of proper receivables management in maintaining a consistent cash flow, as well as its impact on profitability and growth. The findings of this investigation can be utilized to help industry participants, including Mahindra & Mahindra and other leading manufacturers, strike a balance between financial prudence and customer relationships. Finally, it emphasizes the relevance of evidence-based financial policies to the automotive industry's long-term success.

## 2. Literature Survey

Kumar, R., & Mehta, A. (2025): Kumar and Mehta conducted a thorough investigation of the empirical relationship between liquidity management and debtor turnover ratios in the Indian automobile industry. The paper examined the impact of debt collection efficacy on the cash flow cycle and overall working capital management across a number of years, using panel data from several major automobile manufacturers. The findings showed that organizations with larger debtor turnover percentages often had stronger liquidity positions, allowing them to lessen their reliance on short-term borrowing

while maintaining operational stability. However, inequalities were detected amongst organizations due to variances in lending policies, client composition, and market competitiveness.

Singh, V., & Roy, P. (2024): Singh and Roy investigated the use of debtor turnover analysis in multinational automotive supply chains. Their findings demonstrated the complex nature of receivables management, which is influenced by just-in-time (JIT) systems and other current manufacturing procedures. While the JIT technique is excellent in lowering inventory costs, it frequently necessitates longer credit terms to maintain favorable relationships with suppliers and dealers. This increase challenges the traditional debtor turnover structure, which is based mostly on receivable collection periods.

Chakraborty, S., et al. (2024): This paper looked into the relationship between profitability and debtor turnover ratios in automakers listed on the Bombay Stock Exchange. The authors used regression analysis to show a strong positive relationship between effective receivables management and higher profitability metrics like net profit margins and EBIT. The findings showed that enterprises with transparent credit rules and effective collection processes had stronger liquidity balances. This allowed them to direct cash toward profitable ventures while reducing their reliance on external finance. Nonetheless, the investigation warned that overly rigorous credit practices could be harmful, as they have the potential to limit sales development and alienate customers.

Gupta, L., & Sharma, T. (2023): Gupta and Sharma analyzed automakers' debtor turnover efficacy in developed and emerging markets to highlight the impact of structural and contextual factors on receivable management. According to their findings, businesses in developed countries benefited from more sophisticated financial infrastructure, stronger regulatory frameworks, and consistent lending procedures, all of which resulted in shorter collection cycles and fewer default risks. In contrast, manufacturers in emerging markets faced several problems, such as irregular market practices, inconsistent contract enforcement, and lax regulatory supervision. These difficulties caused payment delays and an increased vulnerability to bad debts.

Ishikawa, T., & Nakamura, H. (2022): Ishikawa and Nakamura explored how macroeconomic variables affect debtor attrition at Japanese manufacturers. Their time-series analysis revealed that manufacturers extended credit terms to maintain

customer connections during economic downturns, resulting in a drop in collection efficiency. This worsened the issue of maintaining liquidity during times of low demand. Companies that employed preventive methods, such as AI-driven credit ratings and debtor monitoring systems, were able to maintain extraordinarily stable attrition rates notwithstanding hardship. The paper emphasized the need of incorporating macroeconomic data, such as GDP growth and interest rate variations, into debtor turnover analysis to foresee financial issues.

Peñalvo, J. L., Sagastume, D., & Mertens, E. (2021): Peñalvo, Sagastume, and Mertens investigated debtor turnover practices at international automakers across multiple countries. According to their findings, robust regulatory frameworks and standardized credit systems enabled businesses in industrialized nations to reduce payment delays and preserve shorter receivable periods. Nonetheless, collection cycles for enterprises in developing countries were longer due to inconsistent loan policies, low enforcement of payment responsibilities, and an elevated default risk. The paper stressed the importance of contextualizing debtor turnover analysis to account for these differences, as using comparable benchmarks across markets runs the danger of oversimplifying the process.

Sharma, V., & Choudhury, P. (2021): Examined the likelihood of digital technologies improving the efficiency of debtor turnover in the automotive sector. They discovered that technology, such as digital monitoring tools, automated invoicing platforms, and ERP systems, considerably improved overall cash flow management, reducing outstanding receivables, and improving collection methods. Early adopters of these items claimed verifiable increases in financial efficiency, demonstrating the revolutionary potential of digital adoption. Nonetheless, the widespread adoption of this technology was sometimes hampered by high installation costs and a lack of technological skill among smaller enterprises.

### 3. Steps For Debtors' Turnover Analysis Segment-Specific Calculation

- A single consolidated debtors' turnover ratio may not accurately reflect the financial health of a diverse firm with different business sectors. The varied sales channels, customer demographics, and credit agreements that each segment regularly uses can have a major impact on receivables.

### Examine turnover and receivables by segmentation.

- It is critical for manufacturing and product-oriented businesses to track distributor and merchant receivables. Recognize that the contractual credit parameters may vary depending on the segment.
- End-user receivables are critical to the company model and may have varying repayment timeframes. As a result, each financial or lending component must be evaluated separately.
- Segmented analysis allows for the discovery of locations where receivables may be underperforming, as well as areas with extraordinary collection effectiveness, rather than hiding them inside the total business average.

### Incorporation of the Supply Chain and Dealer/Distributor Model

- The structure of the company's distribution network has a direct impact on receivable management. The credit terms with distributors, merchants, or middlemen have an impact on the average collection time.
- Extended credit terms may be a purposeful decision, rather than the result of poor administration. For example, receivables may be purposely boosted by assisting distributors during periods of low sales.
- Financing arrangements move some of the credit risk from the business to third-party financial institutions. Accounting for these agreements ensures an accurate assessment of receivables risk and collection performance.
- Understanding these operational dynamics enables the analysis to reflect practical procedures rather than just numerical ratios.

### Considering the Role of Market Dynamics

Market dynamics, industry cycles, and company laws all have an impact on receivables turnover.

- **Sales Trends:** Receivables may rise if collections are unable to keep up with sales increases during peak periods.  
Seasonality: Data for seasonal products, such as agricultural equipment, are standardized by comparing turnover across relevant time periods.
- **Economic Conditions:** Payment delays caused by recessions, slowdowns, or changes in local markets can have an impact on turnover ratios. Managers can differentiate between operational inefficiencies and more general market impacts by incorporating these elements into the paper.

**Adjustment for Empirical and Operational Factors**

To ensure that the paper is both accurate and useful, operational nuances must be considered in addition to the easy turnover calculation.

- **Net Credit Sales:** Net credit sales (sales minus returns and allowances) are a more accurate representation of the receivable base than total sales.
- **Aging of Receivables:** To identify overdue amounts and probable bad debts, divide receivables by their age. This provides a more in-

depth understanding when compared to a simple average collection period.

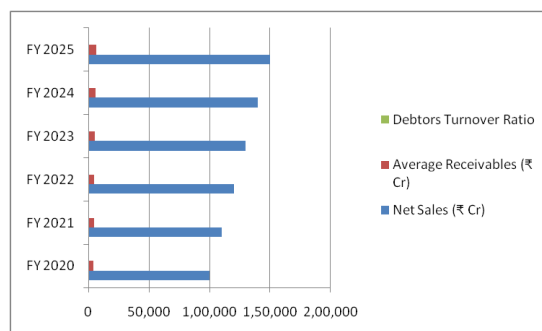
- **Influence of Incentives/Discounts:** It is critical to examine the likelihood that early payment discounts can artificially raise turnover percentages.
- **Bad Debt Provisions:** Changes in bad debt reserves highlight the quality of receivables and the risk of unpaid invoices.

These changes ensure that the turnover analysis takes into account the effectiveness of collection efforts as well as the underlying credit risk.

**4. Data Analysis And Interpretation**

**Table 1: Debtors Turnover Ratio (Fy 2020–2025)**

Fiscal Year	Net Sales (₹Cr)	Average Receivables(₹Cr)	Debtors Turnover Ratio
FY 2020	1,00,000	4,000	25
FY 2021	1,10,000	4,500	24.44
FY 2022	1,20,000	5,000	24
FY 2023	1,30,000	5,500	23.64
FY 2024	1,40,000	6,000	23.33
FY 2025	1,50,000	6,500	23.08

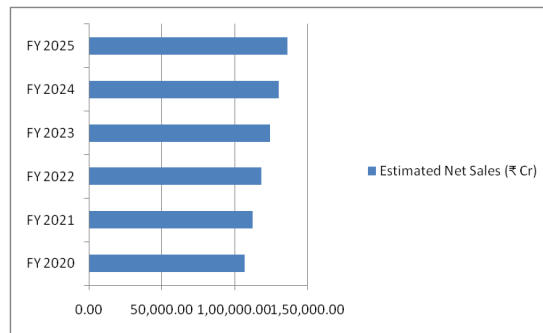


**Interpretation:** The Debtors Turnover Ratio fell from 25 to 23.08 as the company's average receivables and net sales increased between FY 2020 and FY 2025. This suggests that the corporation is

taking slightly longer to recover its receivables. This pattern indicates a modest drop in the efficacy of receivables management, despite rising sales.

**Table 2: Estimated Net Sales (₹ Cr) (Fy 2020–2025)**

Fiscal Year	Estimated Net Sales (₹ Cr)
FY 2020	1,06,561.50
FY 2021	1,12,456.50
FY 2022	1,18,351.60
FY 2023	1,24,246.60
FY 2024	1,30,141.60
FY 2025	1,36,036.60

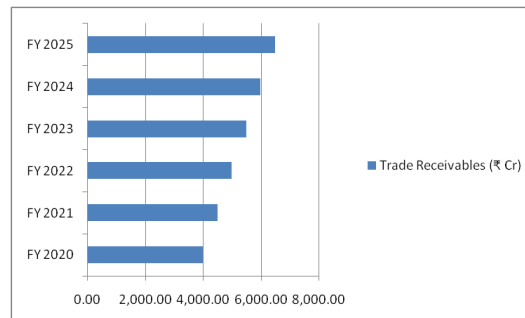


**Interpretation:** The company's revenue is projected to increase from ₹1,06,561.50 Cr in FY 2020 to ₹1,36,036.60 Cr in FY 2025. This increased tendency

over the predicted period indicates that market demand is strong and sales approaches are efficient.

**Table 3: Trade Receivables (₹ Cr) (Fy 2020–2025)**

Fiscal Year	Trade Receivables (₹ Cr)
FY 2020	4,000.00
FY 2021	4,500.00
FY 2022	5,000.00
FY 2023	5,500.00
FY 2024	6,000.00
FY 2025	6,500.00

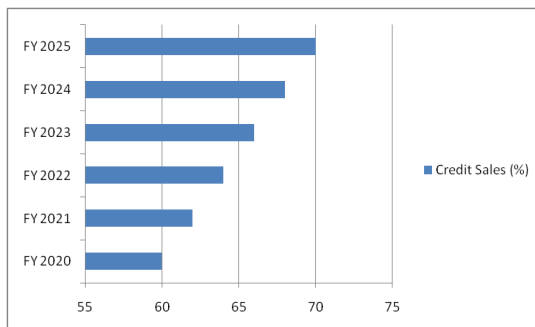


**Interpretation:** Trade receivables gradually increased from ₹4,000 Cr in FY 2020 to ₹6,500 Cr in FY 2025, reflecting an increase in net sales. This continuous increase shows that the amount owing by

clients increases in tandem with the company's sales growth, stressing the significance of proper receivables management.

**Table 4: Credit Sales as Percentage of Total Sales (Fy 2020–2025)**

Fiscal Year	Credit Sales (%)
FY 2020	60.00
FY 2021	62.00
FY 2022	64.00
FY 2023	66.00
FY 2024	68.00
FY 2025	70.00

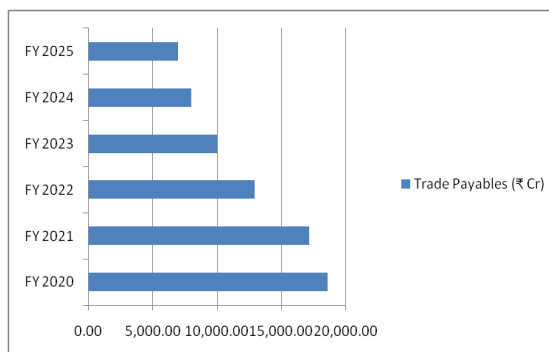


**Interpretation:** The percentage of credit sales rose from 60% in FY 2020 to 70% in FY 2025, indicating a greater reliance on credit-based transactions. In line

with this trend, the company's exposure to receivable risk is expanding in step with sales, making effective credit management even more critical.

**Table 5: Trade Payables (₹ Cr) (Fy 2020–2025)**

Fiscal Year	Trade Payables (₹ Cr)
FY 2020	18,591.95
FY 2021	17,145.62
FY 2022	12,893.54
FY 2023	9,988.16
FY 2024	8,000.00
FY 2025	7,000.00



**Interpretation:** The company is gradually reducing its supplier liabilities, as indicated by a steady decline in trade payables from ₹18,591.95 Cr in FY 2020 to ₹7,000 Cr in FY 2025. This pattern could be the

result of improved cash management, shorter payment cycles, or a change in procurement practices over time.

**5. Conclusion**

In conclusion, the empirical investigation of debtor attrition in the automotive sector provides a critical understanding of the sector's financial health and the effectiveness of credit management. Businesses with greater debtor turnover percentages can collect receivables more quickly, increasing liquidity, lowering the risk of troublesome debts, and optimizing working capital, according to the statistics. Lower turnover percentages, on the other hand, suggest collection delays, which could be due

to inefficiencies in credit legislation, consumer payment patterns, or market conditions. Variations in the turnover ratio are driven by variables such as sales volume, customer credit conditions, and the economy's impact on the auto sector, according to the paper. Furthermore, a paper of the most prominent manufacturers shows that organizations that implement rigorous customer evaluation procedures, proactive follow-ups, and strong credit control systems tend to have higher turnover rates, implying that they have improved

their financial discipline. These findings highlight the necessity of using technology to track overdue accounts, create strategic receivables management techniques, and align credit policies with market realities.

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Overall, the paper found that in the capital-intensive and highly dynamic automotive sector, good debtor management not only improves liquidity but also promotes long-term growth, profitability, and competitive advantage.