SJIF Impact Factor (2023): 8.574| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 8 | Issue: 6 | June 2023 - Peer Reviewed Journal

A STUDY ON FINANCIAL PERFORMANCE OF MRF TYRES LIMITED

Mr.P.Kanagaraj[1], Ms. K. Nandhini[2]
[1]*Assistant Professor in Department of Commerce with Professional Accounting, Dr.N.G.P Arts & Science College, Coimbatore,*
[2]*Student in Department of Commerce with Professional Accounting, Dr.N.G.P Arts & Science College, Coimbatore*

ABSTRACT
The largest manufacturer of tyres in India, Maddras Rubber Factory (MRF) is the subject of this study's analysis of its financial performance from 2017 to 2022. This study aims to assess the financial performance of MRF Tyres Limited, a prominent tire manufacturer in India, for the period last five years . Using financial ratio analysis, including liquidity, profitability, solvency, and efficiency ratios, the study evaluates the company's financial health and efficiency. Additionally, a comparative analysis is conducted to examine MRF Tyres Limited's financial performance in relation to its industry competitors. The findings indicate that MRF Tyres Limited has sustained steady financial growth and stability, with consistent profitability and liquidity ratios. The study concludes that MRF Tyres Limited is a financially sound organization with a strong competitive position within the tire industry.

1. INTRODUCTION

Finance is defined as the provision of money at the time when it's required. Every enterprise, weather big, medium or small, needs finance to carry on its operation and to achieveits targets. Finance is so indispensable today that it is rightly said to be the life hood of an enterprise. Without adequate finance, no enterprise can possibly accomplish its objectives.Financial statements are prepared mainly for decision making. The statements are not endin them but are useful in decision making. The balance sheet may describe as financial cross section taken at certain intervals and the coming statements as a condensed history of the growth and delay between cross sections.

2. STATEMENT OF THE PROBLEM

The purpose of this study is to fill this gap by conducting a comprehensive analysis of MRF Tyres' financial performance, including its profitability, balance sheet, shareholder returns, and future prospects. The study will also evaluate the impact of market dynamics on the financial performance, and compare its performance with that of its competitors to better understand its position in the market.

3. OBJECTIVES OF THE STUDY

- To analyse profitability position of MRF Tyres Ltd.
- To evaluate the solvency position of MRF Tyres Ltd.
- To measure the liquidity position of MRF Tyres Ltd.

4. FINANCIAL ANALYSIS

- Net profit ratio
- Return on capital
- Return on Investment
- Asset turnover ratio
- Fixed asset turnover ratio
- Receivable turnover ratio
- Payable turnover ratio
- Inventory turnover ratio

SJIF Impact Factor (2023): 8.574| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 8 | Issue: 6 | June 2023 - Peer Reviewed Journal

- Working capital turnover ratio
- Operating Profit ratio
- Proprietary ratio
- Debt equity ratio.
- Current ratio
- Liquid ratio
- Absolute liquidity ratio

5. REVIEW OF LITERATIRE

Amalendu Bhunia, et.al (2022) The study aimed to evaluate the financial strengths and weaknesses of two Indian public sector pharmaceutical enterprises by analyzing their balance sheet and profit and loss account over a period of 12 years (1997-98 to 2008-09). Thedata was obtained from CMIE database and the results showed a strong liquidity position but a decreasing trend in financial stability. The study only focuses on the public sector data and does not compare with the private sector, which is a limitation. The study is important for investors to understand the nature of the Indian pharmaceutical industry and make investmentdecisions.

Zixuan Qin, Abeer Hassan and Mahalaxmi Adhikariparajuli (2022) The study analyzes the impact of COVID-19 on Amazon's financial position using a longitudinal case study and quantitative methods. It compares Amazon's financial performance and position withWalmart to show robustness. The results suggest that COVID-19 did not have a significant negative impact on Amazon's financial performance. The study provides an in-depth analysis of COVID-19's influence on Amazon's financial situation and highlights the company'sresponse. The study contributes to the accounting literature by showing the impact of COVID-19 on internet companies' financial performance.

Harjit Singh Deepak Balodi Amlan Chakrabarti (2022), The paper analyses the role of key auto makers on the financial performance of the Indian auto industry, using a novelconstruction of financial ratios to increase accuracy. India was the fourth largest car market in2018 and the seventh largest commercial vehicle manufacturer. The government aims to develop India as a center for global manufacturing. The paper also discusses the challenge of using financial ratios effectively without losing details.
Bhupender Kumar Som, Himanshu Goel (2021), This study evaluate the performance of Tata Motors over the last 5 years (2016-2020). 5 ratios were calculated to assessthe company's financial performance, including net profit margin, return on capital employed,inventory turnover, asset turnover, and current ratio. Secondary data from Tata Motors' annualreports was used. The results showed that the company performed well and had good potentialfor earning returns for shareholders.

Ms. K. Ramya (2019), The value of a firm is influenced by financial decisions that balance risk and profitability. The ultimate objective of firm performance is a topic of debate,with some believing it to be profit maximization and others believing it to be wealth maximization. However, it is observed that profit and wealth maximization are interrelated andaffect each other.

Devi Naveen Kumar, et.al (2019), this study on ratio analysis the fixed profit analysisis integrated, expanded and supplemented with the growth analysis. This study enables us to have access to various fact of organization. This study aims to measure the profitability of thecompany and performance of the company by using profitability and turnover ratio. This studyis based on secondary data was collected from published sources such as annual reports brochures, income and internal records, magazines and the company’s website.

S Kumar & Dr.N.Saravanan (2019), The study aims to analyze the financialperformance of selected tire companies in India, including JK Tyres Industries Ltd, over a five-year period. This is achieved through the use of ratio analysis and ANOVA test. The results ofthe analysis revealed the comparative financial performance of the companies and showed thatthe mean returns of the selected tire firms were insignificant. This helped in understanding thefinancial performance of the company.

SharmilA.P (2019) , Finance plays a critical role in business as it guides policies and decision making. The financial performance of a company can be assessed through ratio analysis, such as Liquidity, Solvency, Profitability, and Trend analysis. This study focuses onthe financial performance of Hindustan Unilever Limited (HUL) using data from the last 5 years. The aim is to evaluate the company's financial stability and success over this period. Overall, finance is essential for understanding and improving the financial performance of a business.

Dr. R. Jayanthi (2018), This study focuses on financial statement analysis of selectedIndian Tyre Companies using secondary data collected from various sources to understand theirfinancial performance. The tyre industry in India is a mature and important sector contributingto the country's development and economy. It consists of a large consumer base, including passenger cars, buses, trucks, and more. The market for tyres is dominated by the replacementsegment and the top 10 manufacturers account for

SJIF Impact Factor (2023): 8.574| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 8 | Issue: 6 | June 2023 - Peer Reviewed Journal

80% of the market. Major players like MRF,Apollo Tyres, and CEAT Tyres are pursuing global strategies to enhance their competitiveness.

J.Pavithra, Dilip Gurukrishnan (2018), Financial analysis measures business efficiency and performance through examination of financial statements. It helps assess profitability, track trends, and determine the growth potential of a business. This is achieved by evaluating the return on investment, comparison of previous years' financial statements, andanalysis of expenses, sales, and assets/liabilities. Financial analysis is a crucial tool fordetermining the future prospects of a business.

Dr.A.Ramya, Dr.S.Kavitha (2017), This analysis is used to assess a firm's financialcharacteristics from accounting and financial statements, with the goal of determining the management's efficiency and performance. The study focuses on the overall financial positionof Maruthi Suzuki over a specific period and is useful for decision-making and maximizing thecompany's intrinsic value.

Shivam Kakati & Arup Roy (2017), The study evaluates the performance of FarmerProducer Companies (FPCs) in Northeast India to determine their sustainability. A Performance Score Method is proposed to measure the FPCs' performance based on financial ratios such as liquidity, solvency, efficiency, and profitability. The study analysed the financialstatements of four FPCs operating for more than three years with published financial statements. The results showed poor performance in terms of solvency, efficiency, andprofitability, with only marginal liquidity.

J.Pavithra, et.al (2017), This research study has a comprehensive plan that guides thecollection and analysis of data. The focus is on Jeppiaar Cements Pvt Ltd and the research design is analytical. The researcher will classify data relationships to the research problem anduse various tools to analyse the data and identify connections to the research problem. The planserves as a blueprint for the research and ensures that the objectives are met. In summary, the master plan is a critical aspect of the research study.

Dusan BARAN, et.al (2016), Acknowledges the success of a business is tied to the skills of its management. In order to maintain success, managers must adapt their approach tochanging market conditions. This includes maintaining customer and supplier relationships. During challenging times, changing the management approach can help ensure the long-term stability of the business. By implementing these measures, the business can gain an advantage over its competitors. In short, effective management is key to a successful business.

6. TABLE

YEAR	NET PROFIT	RETURN ON CAPITAL	RETURN ON INVESTMENT	ASSET TURNOVER	FIXED ASSET TURNOVER
2018	7.34	0.15	15.5	0.93	2.149
2019	7.03	0.15	14.3	0.87	1.961
2020	8.76	0.12	11.7	0.83	1.530
2021	7.90	0.13	12.8	0.71	1.547
2022	3.46	0.07	6.9	0.83	1.796

YEAR	RECEIVABLE TURNOVER	PAYABLE TURNOVER	INVENTORY TURNOVER	WORKING CAPITAL TURNOVER	OPERATING PROFIT
2018	6.80	7.684	7.01	4.70	23.03
2019	6.86	7.951	5.36	5.35	17.76
2020	7.13	5.179	5.58	5.60	9.68
2021	7.04	4.680	5.49	5.21	19.21
2022	8.98	9.707	4.67	5.97	12.72

YEAR	PROPRIETARY RATIO	DEBT EQUITY	CURRENT RATIO	LIQUID RATIO	ABSOLUTE LIQUIDITY RATIO
2018	0.59	0.13	1.71	1.71	0.026
2019	0.58	0.09	1.54	1.54	0.024
2020	0.62	0.06	1.55	1.55	0.225
2021	0.59	0.02	1.43	1.43	0.019
2022	0.61	0.05	1.46	1.46	0.051

SJIF Impact Factor (2023): 8.574| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 8 | Issue: 6 | June 2023 - Peer Reviewed Journal

- The company should diversify its revenue streams and reduce its reliance on a few keycustomers or products to reduce its revenue risk.
- The net profit ratio measures the relationship between net profit (either before or after taxes) and sales. The report shows that the company's net profit ratio has varied over the years, ranging from 3.46% in 2021-2022 to 8.76% in 2019-2020. The data indicatesthat the company's profitability has been somewhat volatile over the years, withchanges in net profit and net profit ratio.
- The return on capital ratio measures the return on investment by stock investors and bondholders. The report shows that the company's return on capital has declined over the years, reaching a low of 0.07 in 2021-2022, which indicates that the company was earning a return of 7% on its capital investments. The return on capital suggests that thecompany's profitability had declined over the years, despite the increase in the amountof capital invested.
- The company's profitability has been somewhat volatile over the years, and it is important to investigate the reasons behind these fluctuations in profitability to ensurelong-term financial stability. It is also important to evaluate the company's financial performance using multiple financial ratios and indicators to gain a comprehensive understanding of its financial health.
- The company's profitability has been somewhat volatile over the years, and it is important to investigate the reasons behind these fluctuations in profitability to ensurelong-term financial stability. It is also important to evaluate the company's financial performance using multiple financial ratios and indicators to gain a comprehensive understanding of its financial health.
- The asset turnover ratio for the company has fluctuated over the years, with the highestratio in 2017-2018 and a decrease in subsequent years, indicating a decline in the company's ability to generate revenue from its assets. However, the ratio improved in 2021-2022.
- The fixed asset turnover ratio decreased over the years until it increased significantly in 2021-2022, indicating an improvement in the company's efficiency in utilizing its fixed assets to generate net credit sales.
- The receivable turnover ratio has generally increased over the years, indicating an improvement in the company's ability to collect payments from its customers on creditsales. The ratio increased significantly in 2021-2022.
- The payable turnover ratio initially increased slightly but then decreased significantly over the years until it increased substantially in 2021-2022, indicating an improvementin the company's payment performance to its suppliers.
- The inventory turnover ratio has been decreasing over the years, indicating that the company is selling and replacing its inventory less frequently.
- The working capital turnover ratio has generally increased over the years, indicating that the company had become more efficient in using its working capital to generate sales. However, a high working capital turnover ratio may not always be a good thing,as it could indicate inadequate working capital to meet current obligations.

7. SUGGESTIONS

- Based on the analysis of the company's various turnover ratios, it seems that the company has experienced both positive and negative trends in its financial performanceover the years.
- The company was able to generate more revenue from its assets during that period, butthe subsequent decrease may indicate a decline in the company's overall financial performance. However, the recent improvement in the turnover ratio is a positive sign,indicating that the company may be on the path to recovery.
- Similarly, the company has become more efficient in utilizing its fixed assets to generate net credit sales, which is a positive sign. The increase in receivable turnover ratio also indicates that the company has been successful in collecting payments from its customers on credit sales, which is another positive sign.
- On the other hand, the company was taking longer to pay its suppliers, which is not a good sign for maintaining good supplier relationships. However, the recent increase inturnover ratio is a positive sign, indicating that the company has improved its paymentperformance to its suppliers.
- The company is not selling and replacing its inventory as frequently as it should, whichcould lead to excess inventory and decreased cash flow. Finally, while the increase in working capital turnover ratio over the years is generally positive, it's important to notethat a very high working capital turnover ratio may indicate inadequate working capitalto meet current obligations.

8. CONCLUSION

The company should focus on improving its liquidity position by increasing current assets or reducing current liabilities. It should also diversify its revenue streams, invest in research and development, and improve communication with investors. The analysis of variousturnover ratios shows both positive and negative trends in the company's financial performanceover the years. The recent increase in turnover ratios are positive signs, while the recent increase in payable turnover ratio is a good sign for maintaining good supplier relationships.

Based on these findings, it is recommended that the company should conduct a detailedanalysis of the reasons behind the fluctuations

SJIF Impact Factor (2023): 8.574| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 8 | Issue: 6 | June 2023 - Peer Reviewed Journal

in profitability and take necessary steps to ensure long-term financial stability. The company should also evaluate its financial performance using multiple financial ratios and indicators to gain a comprehensive understanding of its financial health. Additionally, the company should continue to improve operational efficiency, reduce costs, and invest in innovative products and services to stay competitive in the market. By implementing these suggestions, the company can improve its financial performance, reduce risk, and ensure long-term success.

9. REFERENCE

1. *Moneycontrol - https://www.moneycontrol.com/financials/mrf/balance-sheetVI/MRF*
2. *Screener - https://www.screener.in/company/MRF/consolidated/*
3. *Economic times - https://economictimes.indiatimes.com/mrf-ltd/balancesheet/companyid-11381.cms*
4. *Company profile - https://en.wikipedia.org/wiki/MRF_(company)*