



AN ANALYSIS OF FINANCIAL PERFORMANCE OF MRF TYRES LTD

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Abstract:

This comprehensive study delves into the financial performance analysis of MRF Tyres Ltd, a prominent player in the tire manufacturing industry. The investigation encompasses a five-year period from 2019 to 2023, utilizing a mixed-method research design that integrates quantitative and qualitative approaches. The study employs various financial ratios, trend percentages, and statistical measures to assess profitability, liquidity, and operational efficiency. A SWOT analysis identifies strengths, weaknesses, opportunities, and threats, emphasizing the need for strategic planning. This study will provide valuable insights for stakeholders, guiding MRF Tyres Ltd in navigating industry challenges and capitalizing on emerging opportunities for sustainable growth.

Key Words: Financial Performance Analysis, MRF Tyres Ltd, Mixed-Method Research, Profitability Trends, Liquidity Ratios, Operational Efficiency, SWOT Analysis, Stakeholder Insights, Industry Challenges, Sustainable Growth.

Introduction:

MRF Tyres Ltd., a prominent player in the tire manufacturing industry, founded in the mid-20th century, has become synonymous with reliability and innovation in the tire manufacturing sector. The company has expanded its footprint both nationally and internationally, adapting to market dynamics and technological advancements.

This study aims to delve into a thorough analysis of the financial performance of MRF Tyres Ltd, aiming to provide a comprehensive overview of the company's fiscal health and strategic positioning. By scrutinizing key financial indicators, performance metrics, and relevant economic factors up to the latest available data, this analysis seeks to offer valuable insights into MRF Tyres Ltd financial trajectory, potential challenges, and opportunities. As financial stability is paramount in the corporate landscape, assisting stakeholders, investors, and industry observers in making informed decisions.

Objectives of the study:

- ❖ To analysis the profitability and liquidity of MRF tyres limited.
- ❖ To evaluate the SWOT analysis of MRF tyres Ltd

Statement of Problem:

MRF tires Ltd, a significant player in the tire manufacturing industry, faces multifaceted challenges in its financial performance that require comprehensive analysis and understanding. A detailed investigation is necessary to identify factors influencing profit margins and propose strategies for improvement. Analyzing liquidity ratios will shed light on potential challenges and help devise strategies for enhancing liquidity management. Exploration of market risks, credit risks, and other financial vulnerabilities will provide insights for developing risk management strategies. Analyzing the impact on financial stability will guide decisions on optimal capital allocation. An examination of how corporate strategies impact financial outcomes will provide insights into decision-making effectiveness. Overall, the analysis aims to offer actionable recommendations for MRF tyres Limited to enhance its financial performance, navigate industry challenges, and capitalize on emerging opportunities.

Review of Literature:

"Ms. K. Nandhini (2023): "A study on the financial performance of MRF Tyres Ltd" The statements do not end there but are useful in decision-making. The balance sheet may be described as a financial cross-section taken at certain intervals, and the following statements serve as a condensed history of the growth and fluctuations between these cross-sections. The main objective of the study is to evaluate the solvency position of MRF Tyres Ltd using various methods and tools to find a solution to the problem. The researcher uses secondary data for the study, and that data be collected from sources such as Money Control, Screener, Economic Times, Company Profile, and so on. The researcher analyses the five years for this study (2018 – 2022). The research methods include liquidity ratios to assess the financial performance of MRF Tyres Ltd. Based on the analysis of the company's various turnover ratios, it appears that the company has experienced both positive and negative trends in its financial performance over the years. (Source: EPRA.IJRD, Volume: 8, Issue: 6, Pages: 185 – 189)

Krupali P. Thakkar (2022): "A Comparative Study on Financial Performance Analysis of Selected Tyre Companies in India" The Indian tyre industry has witnessed strong development in recent years, driven by the expansion of both the passenger vehicle and two-wheeler segments. The sector has experienced growth in terms of infrastructure and the use of raw materials, poised to expand further. The main objective of the study is to assess profitability, efficiency, and financial soundness. It does not aim to provide a solution to a real-world problem. The researcher used secondary data for the study, collected from the annual reports of Balakrishna Industries, JK Tyres Ltd, and Apollo Tyres Ltd. The study covers a five-year period (2016 - 2021). The research methods include hypothesis testing using one-way ANOVA. The study also includes subdivisions such as current ratio, quick ratio, PBT ratio, and Inventory Turnover ratio. The companies should implement appropriate policies and procedures to dispose of scrap and by-products during the buildup process to create an additional revenue stream. Thus, the data reveals a sustainable variation in Gross Profit Ratio and Net Profit Ratio among the chosen tyre businesses (source - IJEMASSS, Volume - 3, Issue No - 2, pg. no. 244 - 249)

Ms. Sandhya S (2021): "Financial Performance of Select Automobile Companies." The automobile industry plays a vital role in the Indian economy in terms of employment generation, production, and sales. Furthermore, it contributes to the development of other industries through procurement of raw materials such as gas, rubber, steel, metal, plastic, petrochemicals, and more. Therefore, the automobile sector is a key driver of macroeconomic growth. A research design is the framework that guides the investigation in the process of collecting, analysing, and interpreting observations. The main objective of the study is to evaluate the financial performance of select automobile companies using ratios and Economic Value Added (EVA). The researcher employs secondary data, with the population comprising the top 10 automobile companies listed on BSE Ltd as of December 31, 2021. The researcher has chosen the top three companies based on turnover: Tata Motors, Maruti Suzuki, and Hyundai Motors. The methods used for this study include Liquidity Ratios, Solvency Ratios, Activity Ratios, Profitability Ratios, and Economic Value-Added analysis. Overall, regarding the financial performance of the selected sample automobile companies, the study concludes that, although the automobile industry was progressing at a slow pace, Maruti Suzuki and Hyundai Motors remained stable and performed well. However, Tata Motors has incurred losses and has not performed well

in the last five years. The findings of the study suggest a need for significant improvement in solvency and liquidity positions (Source – ISSN 2582 – 7421, Volume – 3, Issue No – 12, Pg.no – 273-280).

Maheswari (2015): “Financial Performance of Hero Honda Motors Limited, New Delhi”. The Hero Honda Motors Limited was a prominent Indian two-wheeler manufacturing company that operated from 1984 to 2010. A Joint venture between the Hero group and Honda Motor Company of Japan, the collaboration resulted in the formation of Hero Honda. "The objective of the study is to analyze the liquidity position of Hero Honda Motor Limited. The methodology is purely based on secondary data, collected from published annual reports of Hero Honda Motor Limited. Relevant literature for analyzing financial performance is gathered from various textbooks, articles, newspapers, and related websites. Statistical tools such as mean, standard deviation, coefficient of variation, and compound annual growth rate are used for the statistical study. The findings in the areas of liquidity, profitability, and solvency show a highly satisfactory financial performance. (Source: ISSN-2249-555X, Volume: 5, Issue: 5; Pg. no. 19-21)

Madhvi Kush (2014): “Financial Performance Analysis of Automobile Industry with Special Reference to Ratios”. The Before 1990’s in various factors such as unemployment, poor standard of living, undergrowth in GDP, trade deficit, low infrastructural developments etc. The Financial Performance is uses of tools, techniques, formulas to Analyses companies’ profitability."The main objective of this study is to analyze the financial performance of the strengths and weakness because finance is important in all aspects of business activity. The objective of the study is to examine the long-term financial position of the firm, analyze the profitability and liquidity of the company. The research design employed was analytical research. Data were collected from secondary sources, specifically the financial statements of the company from March 2018 to 2022. The techniques used for analysis included Ratio analysis and Cash flow analysis. The research design guides the method and procedure for conducting the study, which is descriptive and analytical, relying on secondary data. The study utilized secondary sources over a three-month period. (Source: IJNRD.ORG, Volume: 8, Issue: 4; Pg.no: e458-e465)

Alagumurgan.V(2023): “Financial Performance Analysis of Bajaj Auto LTD”. The Contribution of automobile industry to Indian economic development is very high. So, that the year-by-year number of manufacturing and other industries increased. "The objective of the study is to evaluate the liquidity and profitability position of Bajaj Auto Ltd. The researcher should use secondary data for the study. The research methods include data collection, liquidity ratio, current ratio, quick ratio, and profitability ratio. These tools should be employed to assess the financial performance of Bajaj Auto Ltd. The researcher should conclude that the overall assets turnover ratio is appreciable. Additionally, the firm strives to increase the utilization of its resources, creating a positive impression among investors (source: IJNRD.ORG, Volume 7, Issue 7, Pg. 667-677)."

Srinath (2022): “A Study on Financial Performance of TVS Motors Limited”. The finance is the life blood of all economic and commercial activity. Finance is the study of fund management. It is a critical aspect of the business process. Finance performance is the process of defining a firm’s strengths and weakness because finance is important in all aspects of business activity. The objective of the study is to examine the long-term financial position of the firm, analyze the profitability and liquidity of the company. The research design employed was analytical research. Data were collected from secondary sources, specifically the financial statements of the company from March 2018 to 2022. The techniques used for analysis included Ratio analysis and Cash flow analysis. The research design guides the method and procedure for conducting the study, which is descriptive and analytical, relying on secondary data. The study is based on information gathered from TVS Motors Company's annual reports, published materials such as reports and articles from journals, and the company's website. The study utilized secondary sources over a three-month period. The tools used for analysis included ratio analysis, a technique for evaluating a company's financial performance, and cash flow analysis, a useful tool for managing finances by tracking an organization's cash flow. The findings indicate that Gross profit was highest in 2022 at 8.7% and lowest in 2019 at 7.4%. Net profit reached its peak in 2018 at 4.36% and hit the lowest in 2020 at 3.60%. The current ratio performed best in 2020 at 0.96:1 and least in 2022 at 0.69:1. After analyzing data related to TVS Motors over five financial years, the study's main goal is to analyze TVS's overall position. The analysis suggests that the company's business performance is good, but there is a need to increase sales volume and generate more revenue from capital

and available resources, which would enhance profitability. (Source: IJNRD.ORG, Volume: 8, Issue: 4; Pg.no: e458-e465)

Hemashri's (2021): "A Study on Financial Analysis of Automobile Industries". The Financial analysis is the process of examining a company's performance in the context of its industry and economic environment in order to arrive at a decision or recommendation. Overall, a central focus of financial analysis is evaluating the company's ability to earn a return on its capital that is at least equal to the cost of that capital, to profitably grow its operations, and to generate enough cash to meet obligations and pursue opportunities. The objective of the study is to analyze the profitability of Maruti Suzuki Ltd and Tata Motors Ltd and to identify the liquidity position of Maruti Suzuki & Tata Motors Ltd. The research methodology design study is based on secondary data. The data pertaining to the behavior of liquidity, solvency, and profitability position were collected from the balance sheet and profit & loss account of Maruti Suzuki Ltd & Tata Motors Ltd. The evaluation of the study is based on the secondary data collected from the annual reports. The analysis and recommendations made on the facts, diagrams, and graphs represent the statistical data for the study of ratios of current assets, current liabilities, net sales, operating profit, capital expenditure, and current assets to current liabilities. These tools used for analysis and interpretation of various data collected; the following tools are used to study Ratio analysis and Correlation. The findings from ratios are as follows:- Current Ratio: Maruti Suzuki Ltd year 2014 shows a low current ratio, and liability is higher than the current assets, also below the standard norm 2:1. Tata Motors Ltd year 2017 shows a low current ratio, and liability is higher than the current ratio, also below the standard norm 2:1. - Solvency Ratio: Maruti Suzuki Ltd year 2013-2014 shows a high ratio of total liabilities to total assets satisfactory in the short-term solvency position of a firm, and year 2019-2020. Tata Motors Ltd year 2013-2014 shows a high ratio of total liabilities to total assets satisfactory in the short-term solvency position of a firm, and year 2018-2019. Maruti Suzuki Ltd shows a negative correlation in the year 2010-2020, and Tata Motors Ltd shows a positive correlation in the year 2010-2020. The Phased Manufacturing Programme (PMP) introduced in the Indian automotive sector for localization laid the foundation for the development of the auto component industry. This program enabled the auto component to modernize technology, improve quality standards, and imbibe good manufacturing and shop-floor practices. The industry manufactures the complete range of products required by the domestic and export market and provides direct and indirect employment; presently, it employs more than 2,50,000 employees. (Source: IJCRT.ORG, Volume: 9, Issue: 4; Pg.no: 3725-3735)

Research methodology:

The researches methodology adopted for this study is designed to provide a robust framework for the analysis of MRF Tyres Ltd's financial performance. Combining quantitative and qualitative approaches, this methodology aims to ensure a comprehensive and insightful examination of the company's fiscal health.

Data Collection:

- Secondary Data: Financial statements, annual reports, and relevant financial data of MRF Tyres Ltd from 2019 to 2023 will be collected from authoritative sources such as Money Control, Screener, Economic Times, and the company's official reports.
- Literature Review: Existing literature related to financial performance analysis in the tire manufacturing and automobile industry will be reviewed to contextualize the findings and draw insights from previous studies.

Data Analysis:

Quantitative Analysis: Financial ratios, including profitability ratios (Net Profit Ratio, Return on Capital Employed, Return on Assets) and liquidity ratios (Current Ratio, Quick Ratio, Inventory Turnover Ratio), will be calculated for each year. Trend percentages, mean, standard deviation, and coefficient of variation will be computed for a holistic understanding.

Limitations:

- The study relies on historical financial data, and projections for future performance may be subject to uncertainties.
- The analysis may be influenced by external factors such as economic fluctuations, industry trends, and global events.

Analysis and Interpretation:

Statistical tools have been applied for the research like Mean, Standard Deviation, Coefficient of variation and Trend Analysis

Mean: I give the average value of the data **Mean = Sum of Values / Total no of Values**

Standard Deviation: I indicate the value are how much dispersed to the mean, Low level of SD means the value is how much number are very close to the mean $\sigma = \sqrt{\frac{\sum (x - \mu)^2}{N}}$

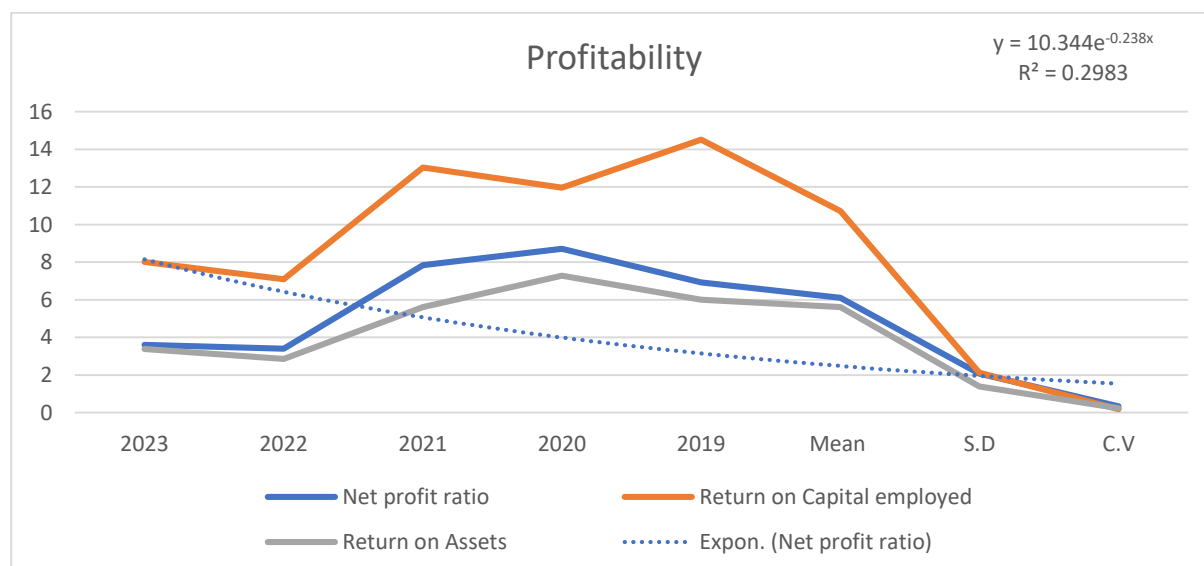
Coefficient of Covariance: It shows the extent of variability in relation to the mean of the population. **CV = $\frac{\sigma}{\mu}$**

Trend Analysis: It is the process of looking at current trends in order to predict future ones and is considered a form of comparative analysis

$$\text{Trend Analysis} = \frac{\text{Current period value} - \text{Base period value}}{\text{base period value}} * 100$$

Profitability ratios:

Year	Net profit ratio	Trend percentage	Return on Capital employed	Trend percentage	Return on Assets	Trend percentage
2023	3.61	58.89%	8.01	12.82%	3.39	18.95%
2022	3.4	60.09%	7.1	12.82%	2.85	18.95%
2021	7.84	10.09%	13.03	83.24%	5.61	65.49%
2020	8.72	0%	11.97	-8.15%	7.28	29.80%
2019	6.92	20.64%	14.51	21.21%	6.01	-17.42%
Mean	6.1	-	10.72	-	5.62	-
S. D	2.08	-	2.12	-	1.4	-
C.V	0.34	-	0.19	-	0.24	-

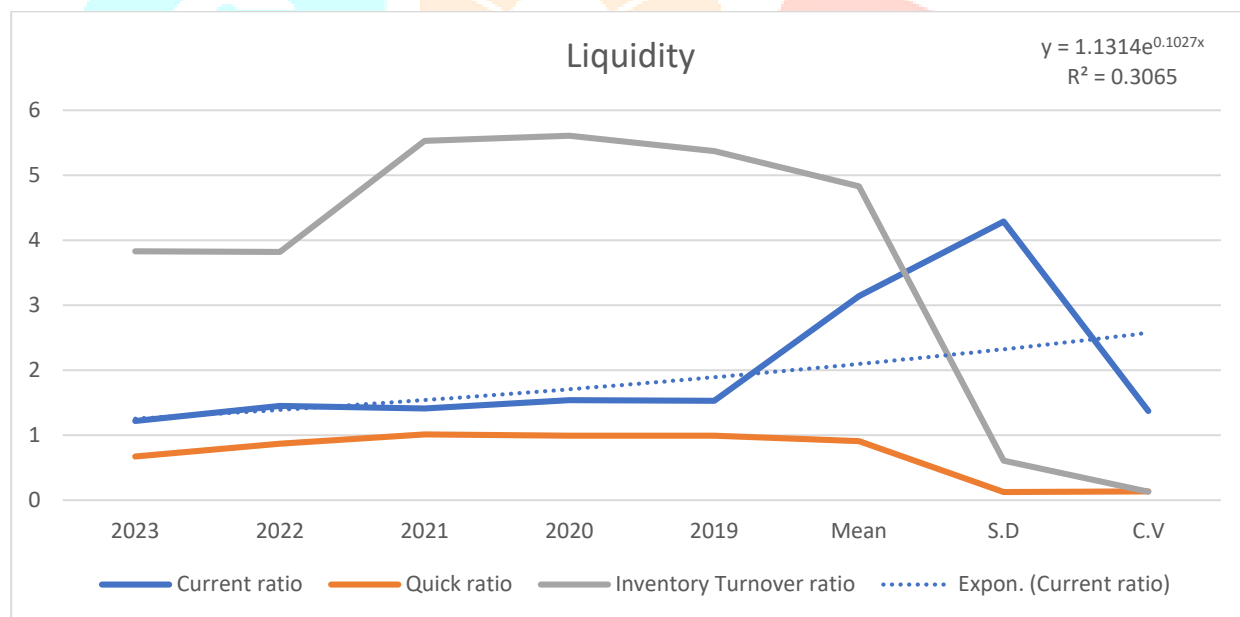


INTERPRETATION:

The financial study of MRF Tyres Ltd shows changes in net profit ratios, with a significant fall in 2022 and 2023 compared to the base year (2020). This points to potential issues in maintaining profitability. The trend percentages emphasise the negative shifts. Concurrently, Return on Capital Employed (ROCE) and Return on Assets (ROA) are dropping, showing a decrease in the efficiency with which capital and assets are used to generate profit. With an average ROCE of 10.72% and an average ROA of 5.62%, there are worries about overall profitability and operational efficiency. Strategic measures are proposed to overcome issues, increase profitability, and maximise capital and asset utilisation.

Liquidity Ratios:

year	Current ratio	Trend percentage	Quick ratio	Trend percentage	Inventory Turnover ratio	Trend percentage
2023	1.22	20.78%	0.67	29.85%	3.83	0.26%
2022	1.45	5.84%	0.87	16.09%	3.82	0.26%
2021	1.41	8.44%	1.01	-1.98%	5.53	44.35%
2020	1.54	0%	0.99	0%	5.61	1.45%
2019	1.53	0.65%	0.99	0%	5.37	-4.28%
Mean	<u>3.14</u>	-	<u>0.906</u>	-	<u>4.832</u>	-
S.D	<u>4.29</u>	-	<u>0.123</u>	-	<u>0.609</u>	-
C.V	<u>1.37</u>	-	<u>0.135</u>	-	<u>0.127</u>	-

**INTERPRETATION:**

MRF Tyres Ltd's liquidity study over the last five years shows shifting current and quick ratios, which indicate the company's capacity to satisfy short-term obligations. The current ratio, which averages 3.14, is the average proportion of current assets relative to current liabilities. The trend percentages show a little variation in present ratios, with a modest increase in 2023. The fast ratio, which averages 0.906, represents a more conservative measure of liquidity, omitting inventory. The trend percentages for the quick ratio follow a very consistent pattern. The inventory turnover ratio, which averages 4.832, indicates that inventory management is efficient and follows a regular pattern. Overall, MRF Tyres Ltd has appropriate liquidity levels, as evidenced by current and quick ratios, indicating a balanced approach to handling short-term liabilities. Inventory turnover percentages are stable, indicating efficient inventory management procedures, which contribute to overall liquidity.

SWOT ANALYSIS:

STRENGTH	OPPORTUNITY
<ul style="list-style-type: none"> • In the tyre sector, MRF is renowned for its dependability and strong brand image. • Tyre technology is always evolving to meet consumer needs and stay up with technological breakthroughs. • Foreign market expansion, building a global presence, and meeting a variety of clientele. 	<ul style="list-style-type: none"> • Opportunities are expanding in emerging nations where the need for tyres is boosted by rising vehicle ownership and infrastructural development. • Staying ahead of the curve in terms of innovation by utilising tyre technological developments, such as eco-friendly or smart tyre solutions.
WEAKNESS	THREAT
<ul style="list-style-type: none"> • Variations in net profit ratios over time may indicate difficulties in sustaining steady profitability. • The susceptibility of consumer expenditure on automobile products to fluctuations in the economy. • Pricing tactics and market share may be impacted by the fierce rivalry in the tyre manufacturing industry. 	<ul style="list-style-type: none"> • Production costs can be impacted by changes in the price of raw materials, such as rubber. • compliance with changing safety and environmental laws in the automotive sector, which could result in higher operating expenses. • Geopolitical unrest or economic uncertainty hurting global commerce and commercial operations.

FINDINGS:**Findings from Profitability Analysis:**

- Net profit ratios show a significant decline in 2022 and 2023, signalling potential challenges in maintaining profitability.
- Trend percentages emphasize negative shifts, raising concerns about the company's overall profitability trajectory.
- Both ROCE and ROA demonstrate a decreasing trend, indicating a decline in efficiency in utilizing capital and assets to generate profit.
- Average ROCE at 10.72% and ROA at 5.62% raise concerns about operational efficiency and overall profitability.

Findings from Liquidity Analysis:

- Current and quick ratios exhibit variations, reflecting the company's ability to meet short-term obligations.
- Modest increases in current ratios and consistent quick ratios suggest a balanced approach to handling short-term liabilities.

Suggestions:

- Optimize capital and asset utilization to address declining profitability.
- Proactively leverage technological advancements for innovation in tire solutions.
- Explore opportunities in emerging markets for global expansion.
- Mitigate threats through strategic pricing tactics and market share protection.

CONCLUSIONS:

The liquidity assessment, however, presents a balanced picture, with current and quick ratios reflecting the company's ability to meet short-term obligations. Modest increases in current ratios and consistent quick ratios suggest a balanced approach to handling short-term liabilities. Furthermore, the stable inventory turnover ratios indicate efficient management practices, contributing to overall liquidity. The SWOT analysis identifies strengths in MRF Tyres Ltd's reliability and brand image, providing opportunities for global expansion and leveraging technological advancements. However, weaknesses, such as fluctuations in net profit ratios, and threats, including industry rivalry and production cost impacts, necessitate strategic planning. Therefore, strategic recommendations are proposed to optimize capital and asset utilization, proactively leverage technological advancements, and explore opportunities in emerging markets. In light of these findings, it is imperative for MRF Tyres Ltd to address declining profitability through strategic measures, embrace technological advancements for innovation, and venture into emerging markets for sustained growth. The SWOT analysis highlights the importance of strategic planning to mitigate threats and capitalize on opportunities, emphasizing the dynamic nature of the tire manufacturing industry. Ultimately, this study equips stakeholders, investors, and industry observers with crucial insights, stressing the significance of proactive strategic planning for success in the competitive tire manufacturing landscape. The ability to adapt to market dynamics, innovate, and implement strategic recommendations will be pivotal for MRF Tyres Ltd's continued growth and resilience in the ever-evolving business environment.

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