Emperor Journal of Commerce

ISSN 2582-9815 **Mayas Publication®** **www.mayas.info**

Volume -V **Issue- II** **February-2025**

A Study On Financial Performance of MRF Tyres Limited

A.Asma Banu
Part-Time Ph.D Research Scholar,
PG & Research Department of Commerce,
Jamal Mohamed College (Autonomous),
Affiliated to Bharathidasan University, Tiruchirappalli, Tamilnadu

Dr. S. Gopi
Research Supervisor andAssistant Professor of Commerce,
PG & Research Department of Commerce,
Jamal Mohamed College (Autonomous),
Affiliated to Bharathidasan University, Tiruchirappalli, Tamilnadu

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.

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

I. 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 tyre-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 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.

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 financialperformance, and compare its performance with that of its competitors to better understand its position in the market.

Scope of the Study

The scope of this study on the financial performance of MRF Tyres Limited is focused on analyzing the company's financial health over a period of 2019 to 2023 years. The study will evaluate key financial metrics such as profitability, liquidity, solvency, and efficiency using various financial ratios like net profit margin, current ratio, and debt-to-equity ratio. The primary data sources will include MRF Tyres' annual reports, industry reports, and financial databases. Additionally, a comparative analysis will be conducted with key competitors in the tyre industry to assess MRF Tyres' relative performance. The study will also explore how external factors like raw material prices, government policies, and economic conditions influence the company's financial outcomes. Lastly, based on historical data, the study will provide future financial projections for MRF Tyres, helping stakeholders assess the company's potential growth. However, the study is limited to publicly available secondary data and focuses solely on MRF Tyres and its direct competitors in the tyre industry.

Research Methodology

Period of Study

The period of study covers 6 months the data collected from 5 years from 2019-2023.

Sources of Data

The assessment is based on the secondary data collected from the annual report published by MRF Ltd.

Limitations of the Study

• Analysis and interpretation are purely based on Secondary data which are taken from published annual report of MRF Ltd.

• The values calculated are from past financial statement and these are not indicators of future.

• The short span of time provided is also one of limitation.

Review of Literatire

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'sfinancial situation and highlights the company'sresponse. The study contributesto the accounting literature by showing the impact of COVID-19 on internet companies' financial performance.

Dr. U. Arumugam and S. Pradeep Kumar (2020) "Study on financial performance of select tyre industry in India" examined the nature of results accomplished alludes to the presentation execution is utilized to demonstrative associations prosperity, conditions and compliance money related execution to the demonstration of performing monetary movement. Maintaining continued edge in technology through innovation and creativity in research and development has been the focused are at tyre industry in India the concept of green tyres becomes a paradigm of the country's competitive edge.

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 and affect each other.

Shivam Kakati & Arup Roy (2017), The study evaluates the performance of Farmer Producer 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 financial statements of four FPCs operating for more than three years with published financial statements. The results showed poor performance in terms of solvency, efficiency, and profitability, with only marginal liquidity.

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 to changing 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.

Tools for 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	• Working capital turnover ratio • Operating Profit ratio • Proprietary ratio • Debt equity ratio. • Current ratio • Liquid ratio • Absolute liquidity ratio

Tables

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

Findings

1. The company should reduce reliance on a few key customers/products to mitigate revenue risk by diversifying its revenue streams.
2. The net profit ratio has fluctuated between 3.46% and 8.76%, indicating volatility in profitability over the years.
3. The return on capital has declined to 0.07 in 2021-2022, suggesting reduced returns on invested capital and potential inefficiencies in capital use.
4. The asset turnover ratio has fluctuated, improving in 2021-2022, signaling a recovery in the company's ability to generate revenue from its assets.
5. The fixed asset turnover ratio decreased initially but showed significant improvement in 2021-2022, reflecting better efficiency in utilizing fixed assets.
6. The receivable turnover ratio has increased, especially in 2021-2022, indicating an improvement in the company's ability to collect payments from customers.
7. The payable turnover ratio showed fluctuation but improved significantly in 2021-2022, suggesting better performance in meeting supplier obligations.
8. The inventory turnover ratio has been decreasing, indicating the company is selling and replacing inventory less frequently.
9. The working capital turnover ratio has increased, showing better efficiency in using working capital to generate sales, but caution is needed to avoid inadequate working capital for current obligations.

Suggestions

1. The company has experienced both positive and negative trends in its financial performance, as shown by the turnover ratios over the years.

2. The asset turnover ratio initially showed an increase, indicating better revenue generation from assets, but the subsequent decline may signal a drop in overall financial performance. However, the recent improvement is a positive sign of recovery.
3. The company has become more efficient in utilizing its fixed assets to generate net credit sales, which is a positive development.
4. The increase in the receivable turnover ratio suggests that the company has been successful in improving its collection process from customers on credit sales.
5. The company was initially taking longer to pay its suppliers, which could harm supplier relationships. However, the recent improvement in the payable turnover ratio indicates better payment performance.
6. The declining inventory turnover ratio suggests that the company is not selling and replacing its inventory frequently enough, potentially leading to excess inventory and cash flow issues.
7. The increase in the working capital turnover ratio is generally positive, but caution is needed, as a very high ratio could indicate insufficient working capital to meet short-term obligations.

II. CONCLUSION

The company should focus on improving its liquidity position by increasing current assets or reducing current liabilities, which would help meet short-term obligations and enhance financial stability. Additionally, diversifying revenue streams and investing in research and development can drive future growth and competitiveness. Maintaining strong communication with investors is essential for sustaining investor confidence and attracting new capital. While recent increases in turnover ratios, including the payable turnover ratio, are positive signs of operational efficiency, the company must analyze fluctuations in profitability to address potential inefficiencies. A comprehensive evaluation of financial performance using multiple ratios will provide a clearer picture of its financial health.

To ensure long-term success, the company should also focus on reducing costs, enhancing operational efficiency, and investing in innovative products and services, all of which will help mitigate risks and support sustained profitability.

III. REFERENCES

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)