

# **FINANCIAL DATA ANALYSIS OF MRF LTD FOR DECISION MAKING**

**A PROJECT REPORT SUBMITTED IN PARTIAL**

**FULFILMENT FOR THE AWARD OF**

**BBA  
IN  
BUSINESS ANALYTICS**

**SUBMITTED BY:  
Mayank Kumar (21BBA4109)**

**SUPERVISED BY:  
Ms. Itti Dogra  
(ASISSTANT PROFESSOR)  
AIT MANAGEMENT  
CHANDIGARH UNIVERSITY**



**UNIVERSITY SCHOOL OF BUSINESS  
CHANDIGARH UNIVERSITY  
APRIL, 2024**



## **BONAFIDE CERTIFICATE**

This is to certify that the project report “**FINANCIAL DATA ANALYSIS OF MRF LTD FOR DECISION MAKING**” is submitted by **Mayank Kumar (21BBA4109)**, pursuing BBA in Business Analytics, AIT Management, Chandigarh University, Mohali, Punjab, India.

**Dated:** April 11, 2024

Mayank Kumar  
(21BBA4109)

# DECLARATION

I hereby declare that the project work entitled “**FINANCIAL DATA ANALYSIS OF MRF LTD FOR DECISION MAKING**” submitted to the Chandigarh University, is a record of an original work done by me under the guidance of **Ms. Itti Dogra**.

The project work is submitted in the partial fulfillment of the requirements for the award of the degree of BBA in Business Analytics. The results embodied in this thesis have not been submitted to any other University or Institute for the award of any degree.

**Supervisor**

Ms. Itti Dogra  
(Assistant Professor)  
AIT Management  
Chandigarh University

Internal  
  
AIT Management  
  
Chandigarh University

External  
  
AIT Management  
  
Chandigarh University

## ACKNOWLEDGEMENT

We would like to express my special thanks of gratitude for being given this great opportunity to perform this major project, which has been undoubtedly a remarkable learning experience.

We would also like to thank my supervisor **Ms. Itti Dogra** ma'am who with her excellent guidance and vision has supported me in the proceeding of this project and journey. Without her support, this project work would have never been possible.

**Dated:** April 11, 2024

Mayank Kumar  
(21BBA4109)

## CONTENT

<b>1. EXECUTIVE SUMMARY</b>	<b>6</b>
<b>2. INTRODUCTION</b>	<b>7</b>
2.1 ABOUT MRF	7
2.2 MRF Year by Year	7
2.3 MRF WORKING AREAS	8
<b>3. OBJECTIVES OF THE STUDY</b>	<b>9</b>
<b>4. RESEARCH METHODOLOGY</b>	<b>9</b>
NATURE OF DATA	9
4.1 TOOLS USED FOR ANALYSIS	9
<b>5. REVIEW OF LITERATURE</b>	<b>9</b>
<b>6. BALANCE SHEET</b>	<b>12</b>
<b>7. INCOME STATEMENT</b>	<b>13</b>
<b>8. RATIO ANALYSIS</b>	<b>15</b>
8.1 LIQUIDITY RATIO	15
8.2 PROFITABILITY RATIO	19
8.3 SOLVENCY RATIO	22
8.4 TURNOVER RATIO	23
<b>9. CONCLUSION</b>	<b>26</b>
<b>10. REFERENCES</b>	<b>27</b>
<b>11. PLAGIARISM REPORT</b>	<b>29</b>

## **EXECUTIVE SUMMARY**

Financial Analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account. The main objective of the study is to analyze the financial position of the Madras Rubber Factory (MRF), a largest manufacturer of tyres in India, from the years 2018-19 to 2022-23. Using financial ratio analysis, including liquidity, profitability, solvency, and activity ratios, the study evaluates the company's financial health and efficiency. This paper makes an attempt to provide an insight into the profitability performance of MRF. Overall, while the company has shown fluctuations in certain ratios, it appears to be in a good financial position with efficient inventory management, favourable solvency, and a moderate level of debt financing.

## INTRODUCTION

### 2.1 About MRF:

**MRF Tyres** is an Indian Multinational tyre manufacturing company and the largest manufacturer of tyres in India. It is headquartered in Chennai, Tamil Nadu. The word **MRF** comes from the company's initial days when it was called as **Madras Rubber Factory**. MRF was started by K. M. Mammen Mappillai as a toy balloon manufacturing unit in 1946.

In the Indian consumer products sector, MRF Ltd. is a titan known for its supremacy in the tyre sector. Its success has been sustained for decades by its steadfast brand devotion and long-standing market leadership.

The company didn't make a significant change in direction until 1952 when it started producing tread rubber. This turned out to be a crucial move that prepared the way for their success in the rubber sector going forward.

For MRF, 1961 was a significant turning point. They changed their status to publicly traded corporation and, more importantly, started making tyres. This action cemented their standing in the rubber sector and paved the way for them to rise to the top of the tyre market. With the debut of their now-iconic "MRF muscleman" emblem in 1964, MRF's dedication to brand promotion was made clear.

MRF is the only tire company in India to have developed formula car tyres, world- class rally tyres for tarmac and dirt, motocross tyres and also FIA-CIK karting tyres. Today, the company caters to almost all segments of the tyre industry and is proud to be the manufacturer of the largest range of tyres. Heavy-duty truck and bus tyres, passenger car tyres, two-wheeler tyres and farm tyres are just some of the tyres that MRF manufactures.

MRF exports to more than 65 countries. MRF has been the undisputed leader in the tire industry for almost a decade now, notwithstanding the competition from various multinational tyre brands.

### 2.2 MRF Year by Year:

- **In 1946**, K.M. Mappillai started MRF's Journey as a Toy Balloon Manufacturing Unit.
- **In 1952**, MRF's Venture into the tread rubber put them on the road and into the Big Leagues.
- **By 1956**, MRF was the market leader of Tread Rubber in India with 50% Market Share.
- **In 1963**, Pandit Nehru laid the Foundation Stone for the Rubber Research Centre at Tiruvottiyur.

- **In 1967**, MRF became the first Indian company to export tyres to the very birthplace of tyre technology, the United States.
- **In 1970**, MRF opened its second plant at Kottayam.
- **In 1985**, MRF Nylon-Grip tyres for Two-wheeler vehicles were launched.
- **In 1989**, MRF Collaborated with Hasbro International USA, and launched Funskool India.
- **In 2007**, MRF made a turnover of 1 billion Dollars.
- **In 2017**, MRF make it to the list of Top 15 Tyre Companies in the world.

**2.3 MRF Ltd. Working Areas:**

Working Area	Description
Tyre Manufacturing	Core business segment with production facilities across India.
Rubber Products	Production of tubes, treads, and conveyor belts in addition to tires.
Paints and Coatings	Separate division dedicated to the production of paints and coatings.
Toys	Smaller segment producing toys, a return to their initial product line.
Supporting Functions	Administration, marketing, and sales offices spread across different locations.



### 3. Objective of the study:-

- To study the financial growth of MRF Ltd over the past 5 years by evaluating liquidity ratio of the company.

### 4. Research Methodology:-

#### 4.1 Nature of Data

Data used in the study is secondary data collected from company's annual reports available on their website. The period of the study is from 2018-19 to 2022-23.

#### 4.2 Tools used for analysis

- Liquidity ratio
- Profitability ratio
- Solvency ratio
- Turnover ratio

### 5. Review of Literature:-

(Ghosh, 2016) analyzed the financial performance of MRF Ltd against risk. The study was based on secondary data gathered from the annual reports of the company, year from 2003 to 2014. Data were analyzed by implementing ratio analysis and risk factors. Results stated that the performance of the company was average. Moreover, the lowest profitability ratio was observed in 2005, whereas, the highest profitability was in 2013. Also, the relationship between the profits and risk was negative.

(Kanagaraj & Nandhini, 2023) studied the financial performance of MRF Tyres Limited. The period of the study was from 2017 to 2022 based on secondary data collected from the company's financial reports. Ratio analysis such as liquidity, solvency and profitability ratios were used to analyze the performance of the company throughout the period. The study concluded that the growth and stability of the company was steady with constant liquidity and profitability ratios throughout the years. However, the company need to increase the level of current assets in comparison of current liabilities to maintain liquidity.

(Gupta, 2015) examined the profitability of Tyre Industry. Companies considered in the study were MRF Tyres, JK Tyres and Apollo Tyres. The period of the study was from financial year 2010-11 to 2017-18 and the data were collected from their respective annual reports available on their website. Ratio analysis such as net profit ratio, gross profit margin were used in evaluation of the profitability ratios. Results concluded that MRF Tyres and Apollo Tyres had high gross profit margin than JK Tyres, whereas, net profit ratio of MRF Tyres was good in comparison of other two company.

**(Movalia, 2015)** formed a study on Capital Structure Analysis & Profitability of Indian Tyres Industry. The study was based on Descriptive & Analytical Research, by using Convenient sampling and secondary sources of Data & Durbin-Watson Statistics for testing Hypotheses. Results from the company indicated that there was a significant relation between Capital Structure and Profitability of Tyre companies. MRF, Apollo tyres, Dunlop India and Modi Rubber showed that ideal debt equity ratio helps to increase profitability of company.

**(Kirti, 2019)** analysed the Liquidity of Indian Tyre Industry, studying on JK Tyre and Industries Limited. The analysis is done after looking at the amount of Current Assets & Current Liabilities in the Balance Sheet. Current Ratio & Quick Ratio was used to analyse the Liquidity position of the firm. Results from the Research showed that in this industry, Overall liquidity performances are not good and necessary steps needs to be taken to improve the overall industry.

**(Rajavenkatesh et al., 2018)** studied on the Financial Statement Analysis of CEAT Limited. The aim of the study was to aware about the managerial function in the Industry. Five years of financial data, from 2014 to 2018, was considered for the research and the analysis was conducted using Ratio Analysis, Trend Analysis, Average Annual Growth Rate (AAGR) and Comparative financial statements. Findings of the study analysis showed that CEAT Ltd. Is comparatively good in financial position. The Operative results indicated a positive and fluctuating growth-oriented trend & the firm earns profits on every year.

**(Ramya et al., 2018)** performed an analysis on financial performance of Apollo Tyres. Its primary objective was to study and analyse the short-term solvency and liquidity position of the company using ratios. Analysis and Interpretations were done using factors like Combined Leverage and Ratio Analysis. Findings from the study indicate that the firm with a relatively high level of combined leverage is seen as riskier than a firm with less combined leverage. The Proprietary ratio indicated a good long-term solvency position in the year 2014, and from 2015 the ratio shows a fluctuating trend.

**(Lakshmi et al., 2021)** made a study on the financial analysis of Reliance Industries Limited. The primary objective of the study was to determine the Liquidity, Profitability and Turnover Rate of the company through Ratio Analysis. Data was derived from various sources like Company's website, Annual Report, Articles and Publications. Research results showed that either of the liquidity ratios didn't satisfy the ideal ratios, concluding that RIL has poor current assets and liquid assets. Though after analysing all the financial years, RIL did a better performance of turnover ratio in the year 2018.

**(Khetal & Sardar, 2022)** did an analysis of Financial Performance with reference to PTL Enterprises Ltd. The main elements of this study were to analyse and examine the Profitability, Leverage, Liquidity and Efficiency position of the company using Ratio Analysis and t-test. The study was conducted on various parameters and helped to have a better insight about the overall financial performance. Also, it was exhibited that the overall financial performance of the company was not that much satisfactory.

**(Bhagav et al., 2022)** examined the financial performance of Tyre Manufacturing Companies in India. Various financial tools and ratios were used to examine the financial performance of the companies including Asset Turnover Ratio, Inventory Turnover Ratio, Net Profit & Debt to Equity Ratio. After the analysis, results depicted that in the year 2020, because of Covid Pandemic, performance of many companies has affected, and the debt of the industry increased.

## 6. Balance Sheet

BALANCE SHEET OF MRF (in Rs. Cr.)	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19
	12 mths	12 mths	12 mths	12 mths	12 mths
<b>EQUITIES AND LIABILITIES</b>					
<b>SHAREHOLDER'S FUNDS</b>					
Equity Share Capital	4.24	4.24	4.24	4.24	4.24
<b>TOTAL SHARE CAPITAL</b>	<b>4.24</b>	<b>4.24</b>	<b>4.24</b>	<b>4.24</b>	<b>4.24</b>
Reserves and Surplus	14,504.63	13,773.03	13,174.62	12,000.11	10,649.06
<b>TOTAL RESERVES AND SURPLUS</b>	<b>14,504.63</b>	<b>13,773.03</b>	<b>13,174.62</b>	<b>12,000.11</b>	<b>10,649.06</b>
<b>TOTAL SHAREHOLDERS FUNDS</b>	<b>14,508.87</b>	<b>13,777.27</b>	<b>13,178.86</b>	<b>12,004.35</b>	<b>10,653.30</b>
<b>NON-CURRENT LIABILITIES</b>					
Long Term Borrowings	823.58	817.21	811.76	779.03	1,054.73
Deferred Tax Liabilities [Net]	381.67	393.3	378.5	427.83	839.2
Other Long Term Liabilities	743.41	640.24	496.85	578.12	76.29
Long Term Provisions	215.02	218.67	211.25	189.16	167.8
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,163.68</b>	<b>2,069.42</b>	<b>1,898.36</b>	<b>1,974.14</b>	<b>2,138.02</b>
<b>CURRENT LIABILITIES</b>					
Short Term Borrowings	1,153.50	1,186.51	40.82	241.99	408.86
Trade Payables	2,757.45	2,774.32	4,244.86	2,340.14	2,327.64
Other Current Liabilities	3,207.31	2,705.84	2,696.95	2,440.41	2,550.63
Short Term Provisions	232.94	180.04	199.73	153.08	149.23
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,351.20</b>	<b>6,846.71</b>	<b>7,182.36</b>	<b>5,175.62</b>	<b>5,436.36</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>24,023.75</b>	<b>22,693.40</b>	<b>22,259.58</b>	<b>19,154.11</b>	<b>18,227.68</b>
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Tangible Assets	10,024.10	9,445.06	9,366.83	8,820.72	6,751.32
Intangible Assets	25.94	21.21	24.31	28.46	16.2
Capital Work-In-Progress	3,045.22	1,225.81	1,001.03	1,734.56	1,403.19
Other Assets	0	0	0	0	0
<b>FIXED ASSETS</b>	<b>13,095.26</b>	<b>10,692.08</b>	<b>10,392.17</b>	<b>10,583.74</b>	<b>8,170.71</b>
Non-Current Investments	1,130.92	1,155.53	1,150.34	26.53	1,078.00
Deferred Tax Assets [Net]	0	0	0	0	0
Long Term Loans And Advances	1.19	0.82	2.67	12.22	0.31
Other Non-Current Assets	835.22	900.76	562.58	573.81	658.16
<b>TOTAL NON-CURRENT ASSETS</b>	<b>15,062.59</b>	<b>12,749.19</b>	<b>12,107.76</b>	<b>11,196.30</b>	<b>9,907.18</b>
<b>CURRENT ASSETS</b>					
Current Investments	1,974.84	2,509.69	4,725.83	1,513.65	2,770.39
Inventories	4,042.68	4,061.72	2,880.33	2,852.69	2,950.93
Trade Receivables	2,442.36	2,283.26	2,220.50	2,257.03	2,361.62
Cash And Cash Equivalents	156.29	114.85	105.34	1,106.85	60.07
Short Term Loans And Advances	2.95	3.18	6.77	2.89	0.61
Other CurrentAssets	342.04	971.51	213.05	224.7	176.88
<b>TOTAL CURRENT ASSETS</b>	<b>8,961.16</b>	<b>9,944.21</b>	<b>10,151.82</b>	<b>7,957.81</b>	<b>8,320.50</b>
<b>TOTAL ASSETS</b>	<b>24,023.75</b>	<b>22,693.40</b>	<b>22,259.58</b>	<b>19,154.11</b>	<b>18,227.68</b>
<b>OTHER ADDITIONAL INFORMATION</b>					
<b>CONTINGENT LIABILITIES, COMMITMENTS</b>					
Contingent Liabilities	3,303.35	3,897.42	0	0	969.94

<b>CIF VALUE OF IMPORTS</b>					
Raw Materials	3,836.70	4,048.35	2,430.74	3,016.15	3,472.74
Stores, Spares And Loose Tools	0	0	0	0	0
Trade/Other Goods	0	0	0	0	0
Capital Goods	1,136.83	413.38	263.16	1,160.67	321.23
<b>EXPENDITURE IN FOREIGN EXCHANGE</b>					
Expenditure In Foreign Currency	122.5	141.81	61.57	119.87	111.96
<b>REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS</b>					
Dividend Remittance In Foreign Currency	--	--	--	--	--
<b>EARNINGS IN FOREIGN EXCHANGE</b>					
FOB Value Of Goods	1,646.96	1,521.29	1,113.26	1,384.45	1,330.30
Other Earnings	116.37	43.75	16.03	15.51	14.37
<b>BONUS DETAILS</b>					
Bonus Equity Share Capital	1.78	1.78	1.78	1.78	1.78
<b>NON-CURRENT INVESTMENTS</b>					
Non-Current Investments Quoted Market Value	1,109.20	1,133.81	1,128.62	4.81	6
Non-Current Investments Unquoted Book Value	21.72	21.72	21.72	21.72	1,072.00
<b>CURRENT INVESTMENTS</b>					
Current Investments Quoted Market Value	--	--	--	--	--
Current Investments Unquoted Book Value	1,974.84	2,509.69	4,725.83	1,513.65	2,770.39

## 7. Income Statement

<b>PROFIT &amp; LOSS ACCOUNT OF MRF (in Rs. Cr.)</b>	<b>Mar-23</b>	<b>Mar-22</b>	<b>Mar-21</b>	<b>Mar-20</b>	<b>Mar-19</b>
	12 mths	12 mths	12 mths	12 mths	12 mths
<b>INCOME</b>					
<b>REVENUE FROM OPERATIONS [GROSS]</b>	<b>22,421.64</b>	<b>18,989.51</b>	<b>15,835.13</b>	<b>15,914.25</b>	<b>15,769.00</b>
Less: Excise/Service Tax/Other Levies	0	0	0	0	0
<b>REVENUE FROM OPERATIONS [NET]</b>	<b>22,421.64</b>	<b>18,989.51</b>	<b>15,835.13</b>	<b>15,914.25</b>	<b>15,769.00</b>
<b>TOTAL OPERATING REVENUES</b>	<b>22,578.23</b>	<b>18,989.51</b>	<b>15,921.35</b>	<b>15,991.14</b>	<b>15,837.00</b>
Other Income	248.21	314.92	207.23	330.5	417.47
<b>TOTAL REVENUE</b>	<b>22,826.44</b>	<b>19,304.43</b>	<b>16,128.58</b>	<b>16,321.64</b>	<b>16,254.47</b>
<b>EXPENSES</b>					
Cost Of Materials Consumed	15,526.90	13,254.45	8,853.63	9,461.73	10,220.40
Purchase Of Stock-In Trade	35.23	17.01	15.78	22.3	29.86
Operating And Direct Expenses	0	0	0	0	0
Changes In Inventories Of FG,WIP And Stock-In Trade	-339.63	-844.92	359.36	24.88	-608.6
Employee Benefit Expenses	1,558.87	1,471.94	1,387.87	1,320.51	1,144.28
Finance Costs	298.06	247.01	264.72	274.26	247.79
Depreciation And Amortisation Expenses	1,248.60	1,201.41	1,136.92	980.62	806.27
Other Expenses	3,459.54	3,078.37	2,410.03	2,838.02	2,805.58
<b>TOTAL EXPENSES</b>	<b>21,787.57</b>	<b>18,425.27</b>	<b>14,428.31</b>	<b>14,922.32</b>	<b>14,645.58</b>
<b>PROFIT/LOSS BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX</b>	<b>1,038.87</b>	<b>879.16</b>	<b>1,700.27</b>	<b>1,399.32</b>	<b>1,608.89</b>

Exceptional Items	80.33	0	0	0	0
<b>PROFIT/LOSS BEFORE TAX</b>	<b>1,119.20</b>	<b>879.16</b>	<b>1,700.27</b>	<b>1,399.32</b>	<b>1,608.89</b>
<b>TAX EXPENSES-CONTINUED OPERATIONS</b>					
Current Tax	309.1	221.95	489.72	401.8	330
Less: MAT Credit Entitlement	0	0	0	0	0
Deferred Tax	-6.13	9.87	-38.51	-397.46	182.02
Tax For Earlier Years	0	0	0	0	0
<b>TOTAL TAX EXPENSES</b>	<b>302.97</b>	<b>231.82</b>	<b>451.21</b>	<b>4.34</b>	<b>512.02</b>
<b>PROFIT/LOSS AFTER TAX AND BEFORE EXTRAORDINARY ITEMS</b>	<b>816.23</b>	<b>647.34</b>	<b>1,249.06</b>	<b>1,394.98</b>	<b>1,096.87</b>
<b>PROFIT/LOSS FROM CONTINUING OPERATIONS</b>	<b>816.23</b>	<b>647.34</b>	<b>1,249.06</b>	<b>1,394.98</b>	<b>1,096.87</b>
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>816.23</b>	<b>647.34</b>	<b>1,249.06</b>	<b>1,394.98</b>	<b>1,096.87</b>
<b>OTHER ADDITIONAL INFORMATION</b>					
<b>EARNINGS PER SHARE</b>					
Basic EPS (Rs.)	1,924.56	1,526.34	2,945.09	3,289.16	2,586.26
Diluted EPS (Rs.)	1,924.56	1,526.34	2,945.09	3,289.16	2,586.26
<b>VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIALS STORES, SPARES AND LOOSE TOOLS</b>					
Imported Raw Materials	4,720.46	3,965.34	2,670.09	3,847.81	3,787.25
Indigenous Raw Materials	10,806.44	9,289.11	6,183.54	5,613.92	6,433.15
<b>STORES, SPARES AND LOOSE TOOLS</b>					
Imported Stores And Spares	29.32	34.21	26.57	33.05	36.34
Indigenous Stores And Spares	385.22	351.99	238.09	339.19	321
<b>DIVIDEND AND DIVIDEND PERCENTAGE</b>					
Equity Share Dividend	63.62	63.6	42.41	25.45	25.45
Tax On Dividend	0	0	0	5.21	5.21
Equity Dividend Rate (%)	1,750.00	1,500.00	1,500.00	1,000.00	600

## 8. RATIO ANALYSIS

Ratio analysis is a financial technique for analysing a company's financial documents, such as the balance sheet and income statement, to gather knowledge about its liquidity, operational effectiveness, and profitability. It is one of the most important tool of financial analysis. By carefully examining both historical and current financial statements, investors and analysts use ratio analysis to assess a company's financial health. Comparative data may show how a business is doing through time and be used to predict how it will likely do in the future. This information can be used to assess how a company compares to others in its industry and to benchmark its financial performance against industry average.

### 8.1 Liquidity Ratio:-

A liquidity ratio is a financial metric used to assess a company's ability to meet its short-term debt obligations. In other words, it measures how easily and quickly a company can turn its assets into cash to cover its upcoming bills

#### 8.1.1 Current Ratio:-

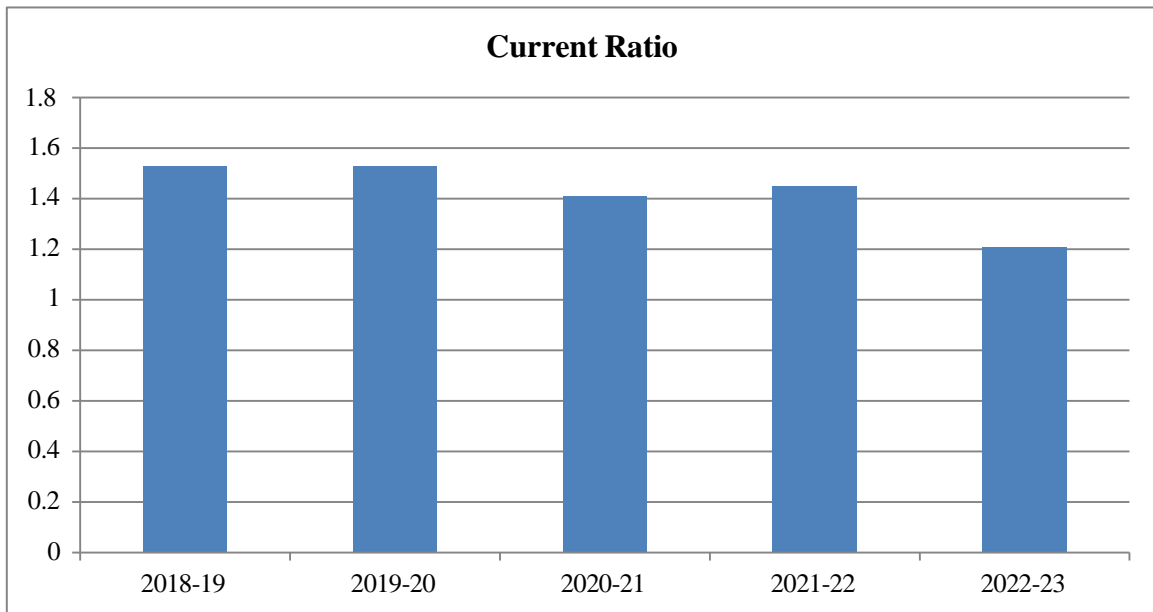
This is the most common liquidity ratio. It compares a company's total current assets (including cash, inventory, and accounts receivable) to its total current liabilities (short-term debts due within a year).

A ratio greater than 1 indicates that the company has enough current assets to cover its current liabilities and vice-versa.

**Table: 1**

Year	Current Assets (Rs. in Crore)	Current Liabilities (Rs. in Crore)	Current Ratio
2018-19	8,320.50	5,436.36	1.53
2019-20	7,957.81	5,175.62	1.53
2020-21	10,151.82	7,182.36	1.41
2021-22	9,944.21	6,846.71	1.45
2022-23	8,961.16	7,351.20	1.21

Source: <https://www.moneycontrol.com/financials/mrf/balance-sheetVI/MRF>



**Chart: 1**

**Interpretation:** Overall, the company appears to have a good level of liquidity based on the current ratio being above 1 for most years. This indicates that the company has sufficient current assets to cover its short-term liabilities. However, the recent decrease in the current ratio in 2022-23 suggests that the company may need to monitor its working capital more closely in the future.

### **8.1.2 Quick Ratio (Acid Test Ratio):-**

The quick ratio, also known as the acid-test ratio, is a type of liquidity ratio that provides a more conservative assessment of a company's ability to meet its short-term obligations compared to the current ratio.

The quick ratio focuses on a company's most liquid assets, which are assets that can be quickly converted to cash at close to their book value (typically within 90 days or less) to pay off current liabilities. Unlike the current ratio, the quick ratio excludes inventory from the calculation because inventory may take longer to sell and convert to cash.

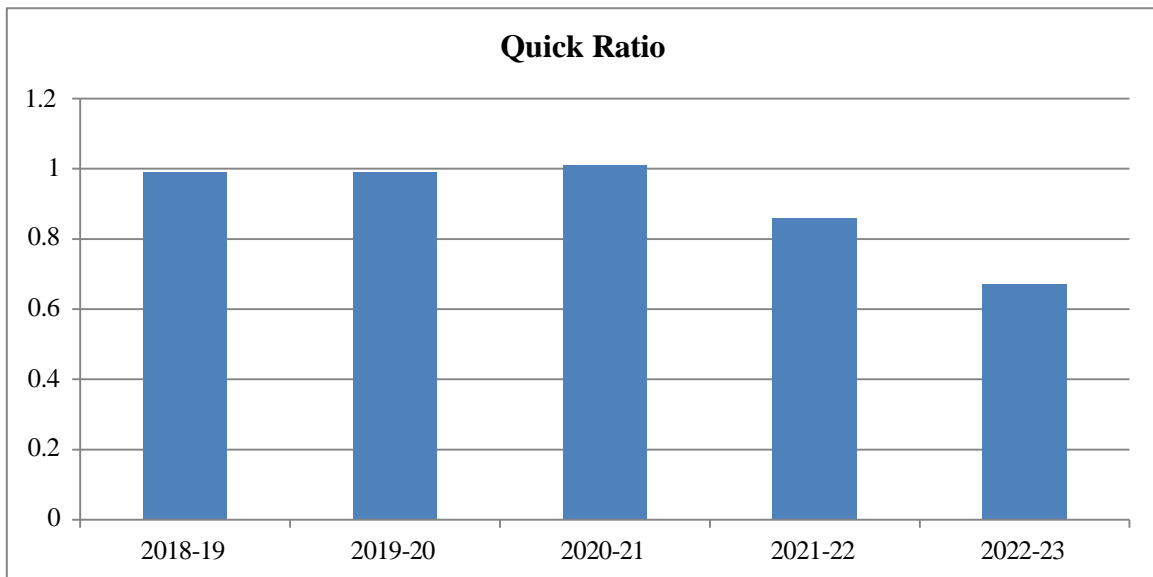
A higher quick ratio generally indicates a stronger short-term financial position. It suggests the company has a better ability to meet its immediate financial obligations without relying on selling inventory.



**Table: 2**

Year	Current Assets (Rs. in Crore)	Inventories (Rs. in Crore)	Current Liabilities (Rs. in Crore)	Quick Ratio
2018-19	8,320.50	2,950.93	5,436.36	0.99
2019-20	7,957.81	2,852.69	5,175.62	0.99
2020-21	10,151.82	2,880.33	7,182.36	1.01
2021-22	9,944.21	4,061.72	6,846.71	0.86
2022-23	8,961.16	4,042.68	7,351.20	0.67

Source: <https://www.moneycontrol.com/financials/mrf/balance-sheetVI/MRF>

**Chart: 2**

**Interpretation:** In most years, the company's quick ratio is close to 1, which suggests that it may have some difficulty meeting its short-term obligations in the near future. However, in 2020-21, the company has a quick ratio greater than 1, which indicates a strong short-term financial position. But, it drastically drop to 0.67 in 2022-23 which could be a matter of concern for the company.

8.2 Profitability Ratio:-

One type of accounting ratio that aids in assessing the financial success of a company at the conclusion of an accounting period is the profitability ratio. The ability of a business to turn a profit from its activities is demonstrated by profitability ratios.

The profitability ratio is also an effective tool for analyzing and comparing similar companies or time periods. As a result, each corporation works for a greater ratio, which indicates that the business is doing well in terms of revenue, earnings, or cash flow.

8.2.1 Net Profit Margin:-

Net Profit Margin is calculated by dividing Net Profit After Tax by Revenue from Operations and multiply with 100 to convert into percentage form. Net Profit Margin is a strong indicator of company’s success and it is stated as a percentage.

A higher net profit margin means that company is able to effectively control its cost i.e. firm provide goods or services at a price higher than its costs and generating enough profits, it is possible only when firm has efficient management, strong pricing strategies. On the other hand, a low net profit margin means that a firm has inefficient management and poor pricing strategies.

Table: 3

Year	Net Profit After Tax (Rs. in Crore)	Net Sales (Rs. in Crore)	Net Profit Margin (%)
2018-19	1,096.87	15,769.00	6.95
2019-20	1,394.98	15,914.25	8.76
2020-21	1,249.06	15,835.13	7.88
2021-22	647.34	18,989.51	3.40
2022-23	816.23	22,421.64	3.64

Source: <https://www.moneycontrol.com/financials/mrf/profit-lossVI/MRF#MRF>

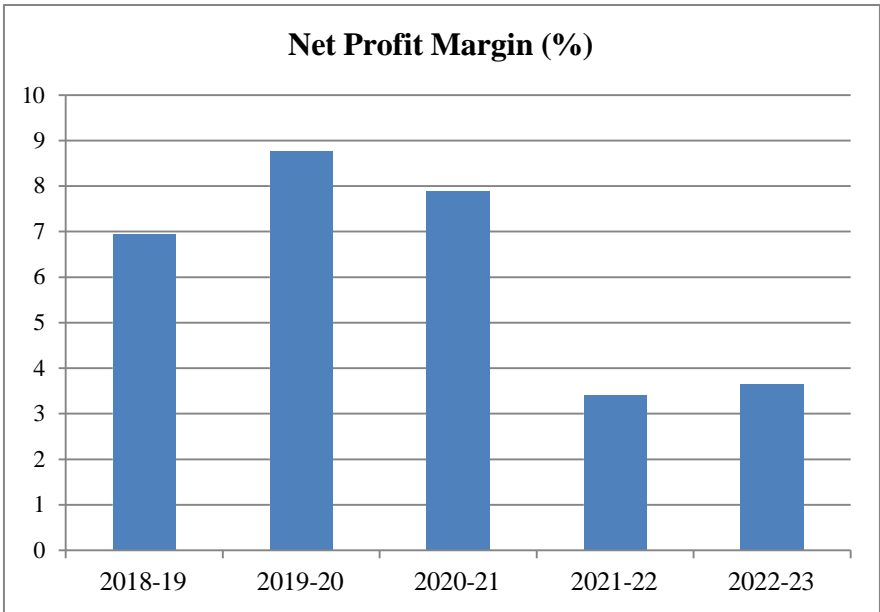


Chart:3

**Interpretation:** The highest Net Profit Margin of the company was 8.76% in the year 2019-20 and the lowest was 3.40% in the year 2022-23. The observations suggest that despite an increase in net sales, the Net Profit Margin has declined over the years. This could be due to a number of factors, such as rising costs of goods sold, increasing operating expenses, or changes in the competitive landscape.

**8.2.2 Gross Profit Margin:-**

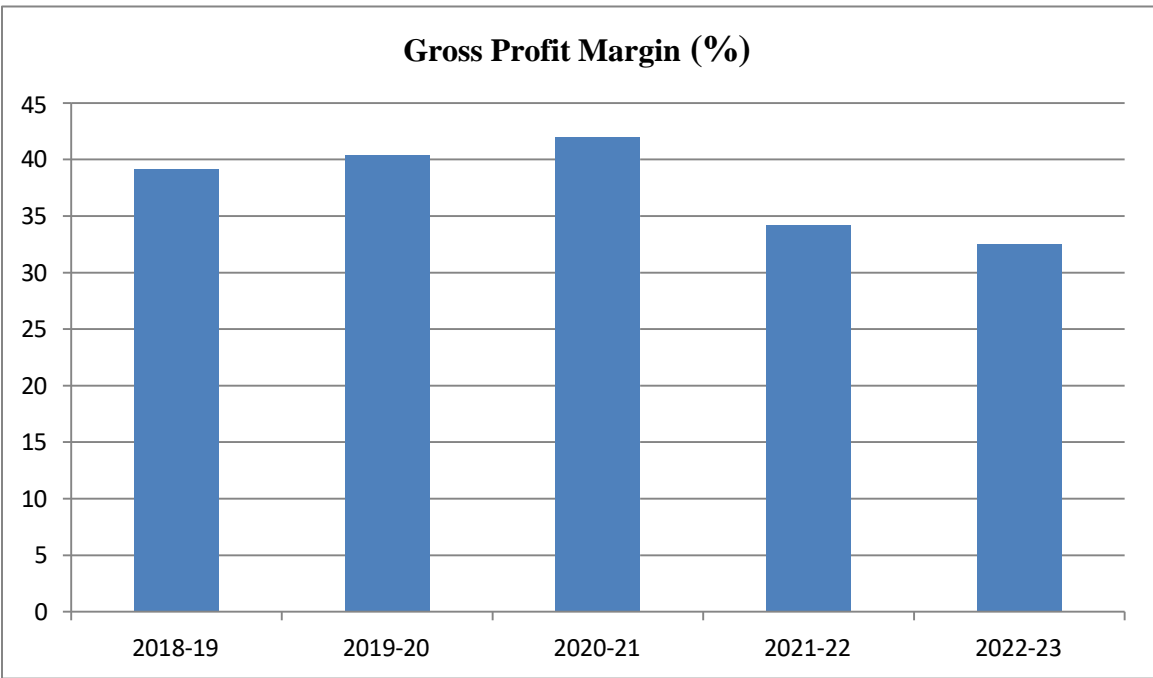
The amount of revenue that remains in a given accounting period after company pays for labor and cost of material used is termed as gross profit margin.

Gross profit margin is calculated by dividing Gross Profit with Net Sales (revenue from operation) and multiply with 100 to convert into percentage form. A higher gross profit margin indicates that a company is generating more profit from each dollar of sales, which is generally seen as favorable. It indicates efficiency in production and pricing strategies.

**Table: 4**

Year	Gross Profit (Rs. in Crore)	Net Sales (Rs. in Crore)	Gross Profit Margin (%)
2018-19	6,201.6	15,769.00	39.2
2019-20	6,431.4	15,914.25	40.4
2020-21	6,646.0	15,835.13	41.96
2021-22	6,494.8	18,989.51	34.20
2022-23	7,297.9	22,421.64	32.54

Source: <https://www.moneycontrol.com/financials/mrf/profit-lossVI/MRF#MRF>



**Chart: 4**

**Interpretation:** The company's gross profit has generally increased over time, which suggests that operations are running more efficiently and that there may be room for price increases or lower manufacturing costs. The gross profit margin has varied, nevertheless. Overall, the company has demonstrated a capacity to increase its gross profit; nevertheless, growing production costs or pressure on prices may be making it difficult for it to sustain its gross profit margin.

### 8.2.3 Earning Per Share: -

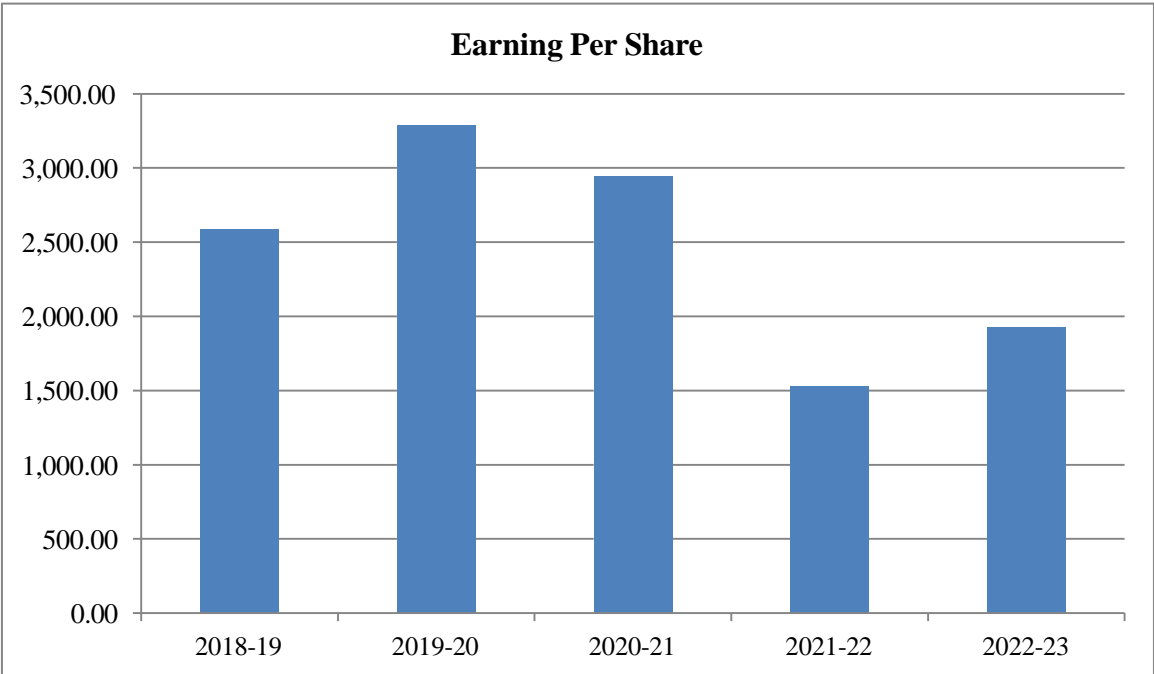
Earnings Per Share (EPS) is a metric commonly used by investors to value a stock or company because it indicates how profitable a company is on a per-share basis.

This ratio is helpful in the determination of the market price of the equity share of the company and also helpful in estimating the capacity of the company to declare dividends on equity shares.

**Table: 5**

Year	Net Profit After Tax (Rs. in Crore)	Number of equity shares	Earning Per Share
2018-19	1,096.87	0.424	2,586.95
2019-20	1,394.98	0.424	3,290.04
2020-21	1,249.06	0.424	2,945.89
2021-22	647.34	0.424	1,526.74
2022-23	816.23	0.424	1,925.07

Source: <https://www.moneycontrol.com/financials/mrf/profit-lossVI/MRF#MRF>



**Chart: 5**

**Interpretation:** Overall, the data suggests that the highest EPS of the company was 3,290.04 in the year 2019-20 whereas, the lowest EPS was 1,526.74 in 2021-22. Over the years, the Earning Per Share of the company has decreases.

### 8.3 Solvency Ratio:-

A solvency ratio is a financial metric used to assess a company's ability to meet its long-term debt obligations. In other words, it measures a company's financial health and its capacity to repay its creditors over a longer period (typically more than one year).

#### 8.3.1 Debt-to-Equity Ratio:-

This ratio compares a company's total liabilities to its total shareholders' equity.

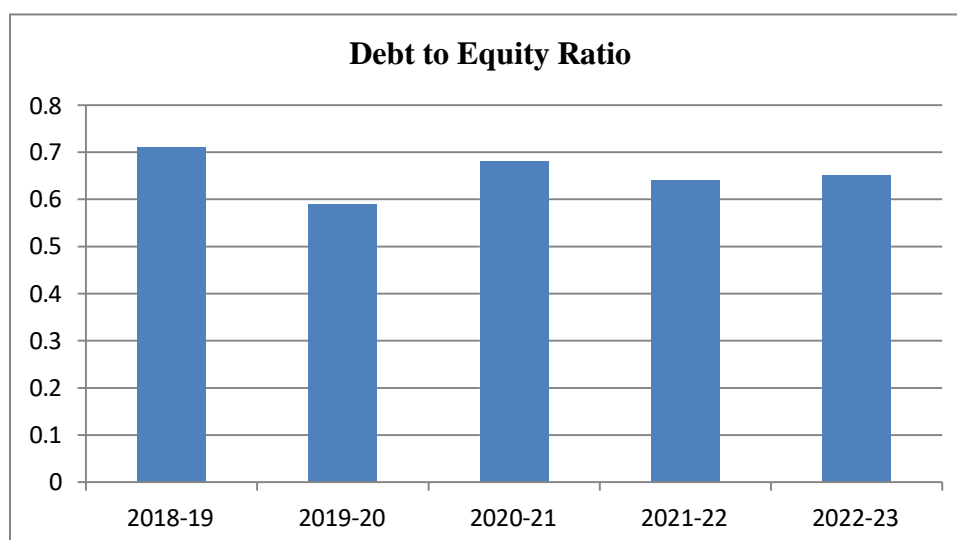
A high debt to equity ratio puts businesses at risk financially. It indicates that the company is financing itself more through debt than through equity.

A lower ratio indicates a more favorable solvency position, as it suggests the company is financed more by equity than debt.

**Table: 6**

Year	Total Liabilities (Rs. in Crore)	Shareholder's Fund (Rs. in Crore)	Debt to Equity Ratio
2018-19	7,574.38	10,653.30	0.71
2019-20	7,149.76	12,004.35	0.59
2020-21	9,080.72	13,178.86	0.68
2021-22	8,916.13	13,777.27	0.64
2022-23	9,514.88	14,508.87	0.65

Source: <https://www.moneycontrol.com/financials/mrf/balance-sheetVI/MRF>



**Chart: 6**

**Interpretation:** From the observations, it is analyzed that the D/E ratios from 2018-19 to 2022-23 are below 1, which is generally considered as a good sign. It indicates that the company has a larger shareholder's equity than total liabilities.

The D/E ratio has fluctuated slightly over the years, but the company appears to be in a good financial position with a moderate level of debt financing.

### 8.3.2 Debt-to-Assets Ratio:-

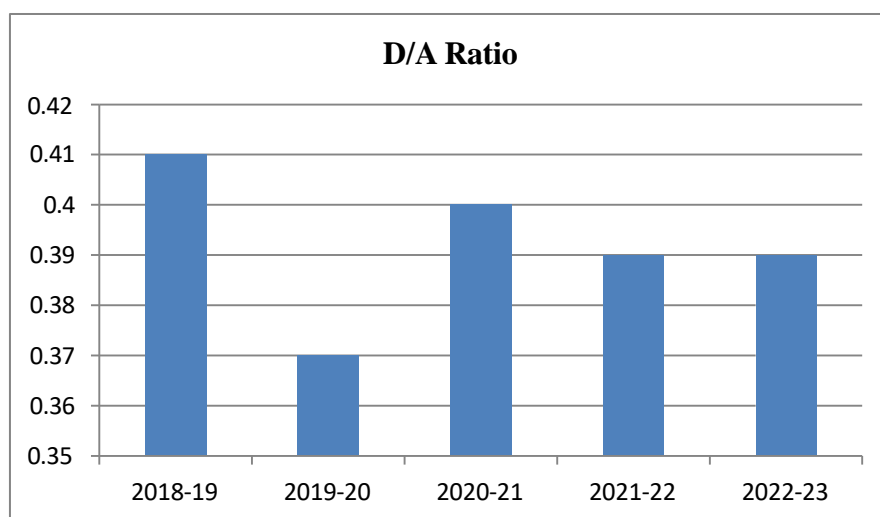
This ratio compares a company's total liabilities to its total assets. It provides a general idea of how much of a company's assets are financed by debt. If the debt-to-assets ratio is greater than one, a business relies more on debt to finance its assets whereas a lower ratio indicates a more favorable solvency position, as it suggests the company relies less on debt to finance its operations.

A company with a high ratio of total debt to total assets has a relatively high financial risk and vice-versa.

**Table: 7**

Year	Total Liabilities (Rs. in Crore)	Total Assets (Rs. in Crore)	D/A Ratio
2018-19	7,574.38	18,227.68	0.41
2019-20	7,149.76	19,154.11	0.37
2020-21	9,080.72	22,259.58	0.40
2021-22	8,916.13	22,693.40	0.39
2022-23	9,514.88	24,023.75	0.39

Source: <https://www.moneycontrol.com/financials/mrf/balance-sheetVI/MRF>



**Chart:7**

**Interpretation:** The D/A ratio of the company has fluctuated slightly over the five years, but it has remained relatively stable. This suggests that the company's debt levels are manageable. However, it's important to note that a stable D/A ratio can also mask underlying trends. If the company's asset base is not growing at the same rate as its liabilities, the D/A ratio could eventually become problematic.

#### **8.4 Turnover Ratio:-**

Activity ratios are financial metrics used to assess a company's efficiency in utilizing its resources to generate revenue. They essentially measure how well a company is converting its assets into sales.

##### **8.4.1 Inventory Turnover Ratio:-**

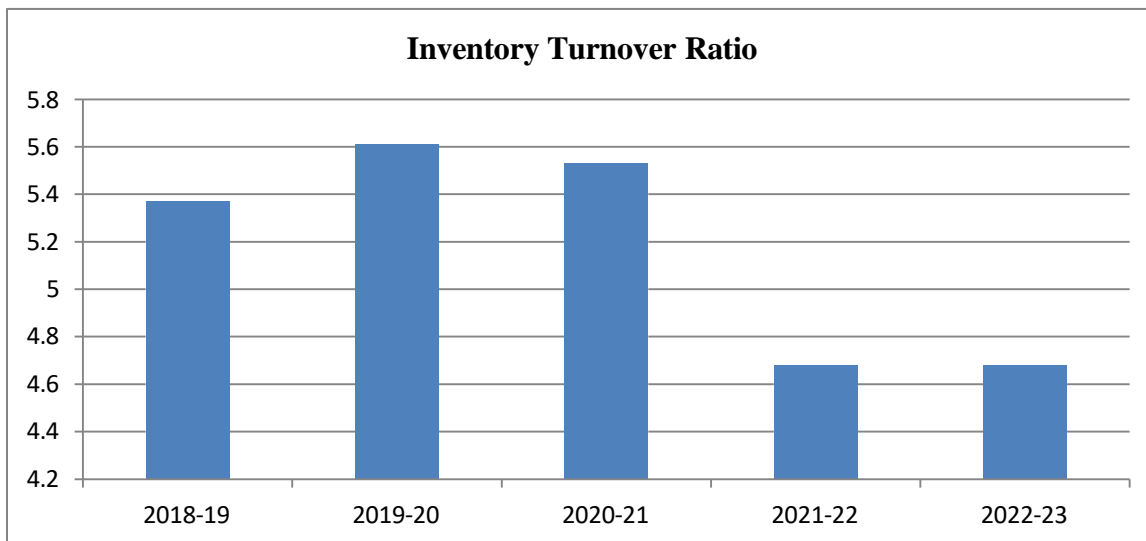
This ratio shows how many times a company sells and replaces its inventory during a period.

A higher ratio suggests efficient inventory management, while a lower ratio might indicate overstocking or slow-moving inventory.

**Table: 8**

<b>Year</b>	<b>Net Revenue (Rs. in Crore)</b>	<b>Inventories (Rs. in Crore)</b>	<b>Inventory Turnover Ratio</b>
2018-19	15,769.00	2,950.93	5.37
2019-20	15,914.25	2,852.69	5.61
2020-21	15,835.13	2,880.33	5.53
2021-22	18,989.51	4,061.72	4.68
2022-23	22,421.64	4,042.68	5.58

Source: <https://www.moneycontrol.com/financials/mrf/balance-sheetVI/MRF>



**Chart: 8**

**Interpretation:** Over the years, the inventory turnover ratio has fluctuated. It increased from 2018-19 to 2019-20, remained relatively stable in 2020-21, decreased significantly in 2021-22, and then increased again in 2022-23. This indicates fluctuations in the company's ability to manage its inventory efficiently. The company's highest ratio was in 2019-20 (5.61), suggesting efficient inventory management during that period. However, the ratio dropped in 2021-22 (4.68), indicating potential issues with managing inventory effectively. It then increased again in 2022-23 (5.58), suggesting an improvement in inventory management efficiency.

#### **8.4.2 Assets Turnover Ratio:-**

The asset turnover ratio, also known as the total asset turnover ratio, assesses how efficiently a company uses its assets to generate revenue. The calculation for the asset turnover ratio is net sales divided by a company's total or average assets.

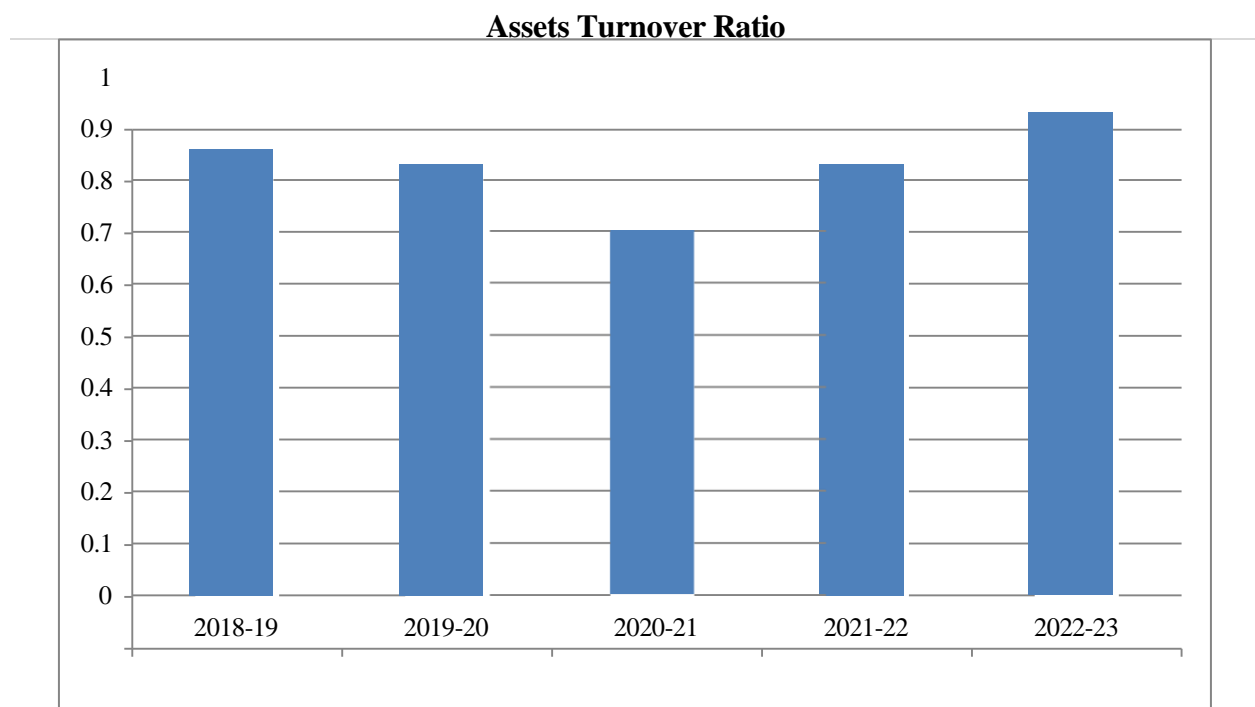
A higher ratio indicates better utilization of assets to generate sales and vice-versa.

**Table: 9**

Year	Net Sales (Rs. in Crore)	Total Assets (Rs. in Crore)	Assets Turnover Ratio
2018-19	15,769.00	18,227.68	0.86
2019-20	15,914.25	19,154.11	0.83
2020-21	15,835.13	22,259.58	0.71
2021-22	18,989.51	22,693.40	0.83
2022-23	22,421.64	24,023.75	0.93

Source: <https://www.moneycontrol.com/financials/mrf/balance-sheetVI/MRF>





**Chart: 9**

**Interpretation:** The ratio fluctuates throughout the years, but it generally follows an upward trend. The increase in the ratio between 2021-22 and 2022-23 (0.83 to 0.93) suggests the company is becoming more efficient at using its assets to generate sales. This could be due to factors like improved inventory management, better capacity utilization, or increased sales efforts.

## **9. CONCLUSION:-**

The financial analysis of MRF Ltd indicates that the company maintains a stable liquidity position with a current ratio consistently above 1, though a slight decline in 2022–23 highlights the need for closer working capital management. The quick ratio remained below the ideal 1:1 mark except in 2020–21, suggesting limited immediate liquidity. Profitability performance has weakened over time, with declines in net profit margin, gross profit margin, and EPS due to factors like rising costs and market competition. On the solvency front, a consistently low debt-to-equity ratio and stable debt-to-asset ratio reflect a favorable financial risk profile, though ongoing monitoring is advised. Activity ratios show improving asset utilization and inventory management, though further efficiency improvements are needed. Overall, while MRF Ltd faces profitability challenges, it maintains good liquidity, moderate debt levels, and improving operational efficiency, positioning it fairly well but requiring strategic measures to strengthen profitability and liquidity further.

## 10. REFERENCES:-

<https://www.mrftyres.com/>

<https://www.moneycontrol.com/financials/mrf/profit-lossVI/MRF#MRF>

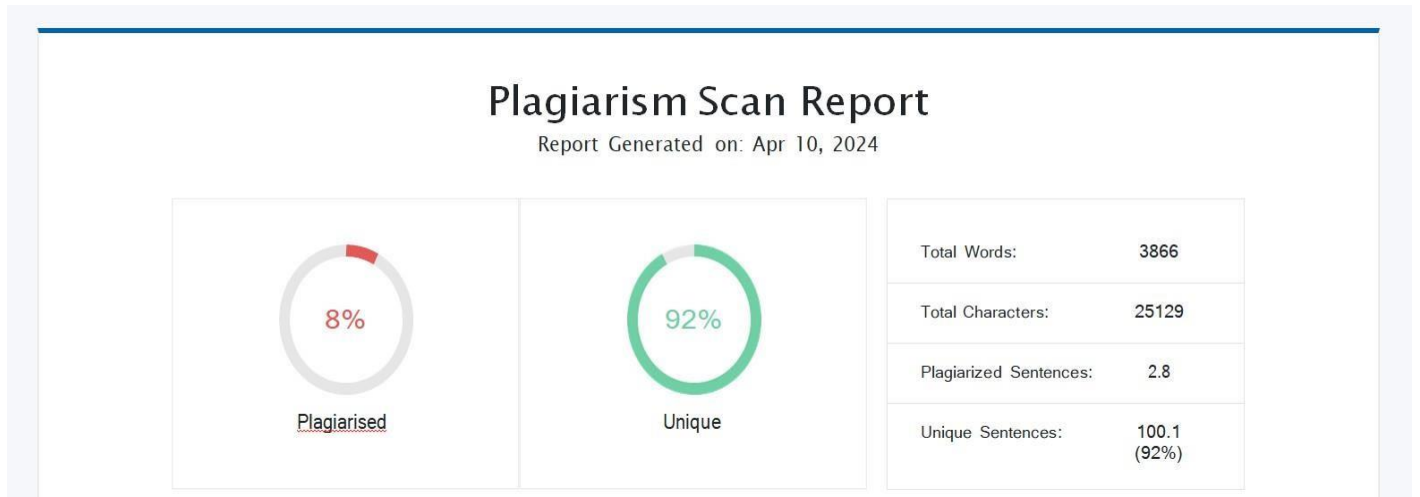
<https://www.moneycontrol.com/financials/mrf/balance-sheetVI/MRF>

- Bhagav, S., Spulbar, C., Birau, R., & Abhaya KUMAR, K. (2022). EXAMINING THE FINANCIAL PERFORMANCE OF TYRE MANUFACTURING COMPANIES IN INDIA: A CASE STUDY. *ANNALS OF THE “CONSTANTIN BRÂNCUȘI” UNIVERSITY OF TÂRGU JIU LETTER AND SOCIAL SCIENCE SERIES*, 151–162. <https://alss.utgjiu.ro>
- Ghosh, P. (2016). ANALYSIS OF PROFITABILITY AND RISK: A CASE STUDY OF MRF LTD. PARTHA. *INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT*, 7(09).  
<http://ijrcm.org.in/Electroniccopyavailableat:https://ssrn.com/abstract=3787863http://ijrcm.org.in/iiCONTENTS>
- Kanagaraj, M. P., & Nandhini, K. (2023). A STUDY ON FINANCIAL PERFORMANCE OF MRF TYRES LIMITED. *Journal International Journal of Research and Development (IJRD)*, 8(6). <https://doi.org/10.36713/epra2016>
- Khetal, P., & Sardar, H. C. (2022). A Study on the Analysis of Financial Performance with reference to PTL Enterprises Ltd. *RESEARCH REVIEW International Journal of Multidisciplinary*, 7(2), 56–66. <https://doi.org/10.31305/rrijm.2022.v07.i02.009>
- Kirti. (2019). Thematics Journal of Geography Liquidity Analysis of Indian Tyre Industry-A Study on Jk Tyre and Industries Limited. *Thematics Journal of Geography*, 8(12), 564–572.
- Kumar Gupta, A. (2015). Profitability Analysis of Tyre Industry. *Www.Ijcms2015.Co*, 4(2), 1.1-1.6. [www.ijcms2015.co](http://www.ijcms2015.co)
- Lakshmi, G., Banu K., A., F., A., & C, D. (2021). A STUDY ON THE FINANCIAL ANALYSIS OF RELIANCE INDUSTRIES LIMITED. *International Journal of Advanced Research*, 9(5), 149–161. <https://doi.org/10.21474/IJAR01/12818>
- Movalia, N. P. (2015). A Study on Capital Structure Analysis and Profitability of Indian Tyres Industry. *Pacific Business Review International*, 8(3), 78–82. [www.pbr.co.in](http://www.pbr.co.in)
- Rajavenkatesh, G. K., Durai Vignesh, N., & Balagurusamy, A. (2018). Statement Analysis of Ceat Limited. In *International Journal of Multidisciplinary Research and Modern Education* (Vol. 4, Issue 2). [www.rdmmodernresearch.org](http://www.rdmmodernresearch.org)
- Ramya, S., Angel, P. R., & Sr, P. (2018). An analysis of financial performance of Apollo Tyres. In *International Journal of Advanced Research and Development* (Vol. 3, Issue 2).

www.economictimes.com

Vasantham, D. S. T., Paul, D. J. P., Kumaran, M. N. S., & Prabhu, M. C. D. E. (2022). REPORT ON RETAILERS AND MECHANICS PREFERENCE FOR TVS EUROGRIP IN MADURAI AND VIRUDHUNAGAR DISTRICT. *EPRA International Journal of Environmental Economics, Commerce and Educational Management*, 9(6).  
<https://doi.org/10.36713/epra0414>

## 11. PLAGIARISM REPORT:-



**Scan Properties**


Number of Words : 3358  
Results Found : 2

To or From

Binary Translator

To or From

PDF Converter



8% Plagiarism

92% Unique

Make it Unique

Start New Search

Check Grammar

Detect AI Content

To check plagiarism in photos click here

Reverse Image Search