

A Study of Financial Statement Analysis of MRF Tyres Ltd

Mallikarjun Mathapati¹, Dr Gouri Kalagound²

¹MBA III Semester at Bdeea's College of Commerce (Autonomous) Vijayapura

²Assistant Professor, Department of Management and Research Centre. Bdeea's A S Patil College of Commerce (Autonomous) Vijayapura

Abstract—This study focuses on the financial statement analysis of MRF Tyres 2020-21 to 2024-25 to understand its financial performance and stability. The analysis is based on key financial statements such as the Balance Sheet, Profit and Loss Account, and Cash Flow Statement. It examines important financial ratios related to liquidity, profitability, solvency, and efficiency. The study helps in identifying the company's strengths, weaknesses, and overall financial health. The findings provide useful insights for management, investors, and other stakeholders to support informed decision-making.

Index Terms—Financial statement Analysis, Balance sheet, Income Statement, Profit & Loss A/C, Financial performance

I. INTRODUCTION

MRF Tyres, also known as Madras Rubber Factory, is one of India's leading tyre manufacturers and a well-known brand in the global tyre industry. The company produces a wide range of tyres for cars, bikes, trucks, buses, and off-road vehicles. Over the years, MRF has built a strong reputation for quality, durability, and performance. With advanced manufacturing technology and a strong distribution network, the company continues to serve both domestic and international markets. Today, MRF Tyres is recognized as a reliable and innovative player in the tyre industry, trusted by millions of customers.

Financial statement analysis is a process of examining a company's financial reports to understand its performance and stability. It helps identify how well the company is managing its resources, generating profit, and meeting its financial obligations. By studying key statements such as the Balance Sheet, Profit and Loss Account, and Cash Flow Statement, analysts can evaluate the company's liquidity, profitability, solvency, and overall financial health.

This analysis supports better decision-making for investors, managers, and other stakeholders.

II. REVIEW OF LITERATURE

Jagan Mohan Rao (1993):

- In his study of the Indian automotive tyre industry (1981–1988), he found that fixed assets were underutilized and that overall profitability was inconsistent.

Pay, Drivel, and Kamal (1995):

- Studied diversified firms and found generally healthy financial performance, though results varied from firm to firm.

Vijay Kumar A. (1996):

- In the sugar industry, he found that variables such as sales growth, leverage, operating expenses, and vertical integration significantly influence profitability. A separate analysis ranked 28 sugar factories based on liquidity.

Sidhu & Gurpreet Bhatia (1998):

- Examined profitability drivers in the Indian textile industry and found no strong relationship between profitability and capital intensity. Older firms showed declining profitability and needed modernization.

III. OBJECTIVES OF THE STUDY

- To examine the financial performance of MRF Tyres using key financial statements such as the Balance Sheet, Income Statement.
- To analyze the liquidity position of MRF Tyres by evaluating ratios like the Current Ratio and Quick Ratio.
- To compare financial performance over different

- years to identify trends and changes.
- To provide insights that can help Managers, Investors, and Stakeholders make better financial decision.
- To analyze the Annual Reports properly it helps for better decision making.

Research Methodology: Research Approach and Design
It is study based Research Approach. This data is secondary data. The data has been collected from Annual Reports and various Websites.

Sources of Online Data
Websites Books

- Annual reports of the company
- Scope & limitation of the study
 - ✓ Covers financial performance from FY 2020–21 to FY 2024–25
 - ✓ Analyzes Liquidity, Profitability, Solvency & Efficiency
 - ✓ Based only on secondary data (Annual Reports)
 - ✓ Covers only five years
 - ✓ Uses tools like Ratio Analysis & Comparative Statements
 - ✓ Based on Balance Sheet & Income Statement
 - ✓ External economic factors not deeply studied
 - ✓ No comparison with competitors

Data Analysis and Interpretation
RATIO ANALYSIS

| Types of Ratios | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Average |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| A) Liquidity Ratio | | | | | | |
| Current Ratio | 1.41 | 1.45 | 1.21 | 1.35 | 0.8 | 1.244 |
| Quick Ratio | 1.01 | 0.86 | 0.67 | 0.77 | 0.85 | 0.832 |
| Absolute Liquidity Ratio | 0.67 | 0.38 | 0.28 | 0.33 | 0.41 | 0.414 |
| B) SOLVENCY RATIO | | | | | | |
| Debt Equity Ratio | 0.14 | 0.15 | 0.14 | 0.14 | 0.11 | 0.136 |
| Proprietary Ratio | 0.59 | 0.6 | 0.6 | 0.62 | 0.62 | 0.606 |
| Fixed Asset to Net worth Ratio | 0.78 | 0.77 | 0.9 | 0.87 | 0.78 | 0.82 |
| C) ACTIVITY RATIO | | | | | | |
| Fixed Asset Turnover Ratio | 1.52 | 1.77 | 1.71 | 1.7 | 1.92 | 1.724 |
| Working Capital Turnover Ratio | 5.33 | 6.13 | 13.92 | 9.21 | 6.53 | 8.224 |
| Capital Turnover Ratio | 1.05 | 1.19 | 1.34 | 1.3 | 1.35 | 1.246 |
| D) PROFITABILITY RATIO | | | | | | |
| Gross Profit Ratio | 41.71 | 34.56 | 43.17 | 51 | 47.87 | 43.662 |
| Net Profit Ratio | 7.88 | 3.4 | 3.64 | 8.32 | 6.63 | 5.974 |

Overall Interpretation (2020-21 to 2024-25)
Overall, the ratio analysis indicates a moderately stable but improving financial position of the company. Liquidity ratios show that short-term solvency is generally adequate, although the current, quick, and absolute liquidity ratios suggest some pressure in meeting immediate obligations. Solvency ratios reflect a strong capital structure, with low dependence on debt and a healthy contribution of shareholders' funds, indicating long-term financial

stability. Activity ratios reveal efficient utilization of assets and capital, showing that the company is able to generate sales effectively from its investments. Profitability ratios demonstrate good earning capacity, with strong gross profit margins and a satisfactory net profit margin, despite some fluctuations. Overall, the company shows sound financial management, efficient operations, and reasonable liquidity, positioning it well for sustainable growth.

COMPARATIVE BALANCE SHEET ANALYSIS TABLE

| Particulars | 2019-20 | 2020-21 | Increase/ Decrease | % Change |
|--|----------|----------|--------------------|----------|
| Total Equity& Liabilities / Total Assets | 18227.68 | 19154.11 | 1286.43 | 7.05% |
| | | | | |
| | 2020-21 | 2021-22 | Increase/ Decrease | % Change |
| Total Equity& Liabilities / Total Assets | 19154.11 | 22259.58 | 2745.47 | 14.06% |
| | | | | |
| | 2021-22 | 2022-23 | Increase/ Decrease | % Change |
| Total Equity& Liabilities / Total Assets | 22259.58 | 22693.4 | 434 | 1.95% |
| | | | | |
| | 2022-23 | 2023-24 | Increase/ Decrease | % Change |
| Total Equity& Liabilities / Total Assets | 22693.4 | 24023.75 | 1330.35 | 5.86% |
| | | | | |
| | 2023-24 | 2024-25 | Increase/ Decrease | % Change |
| Total Equity& Liabilities / Total Assets | 24023.75 | 26414.79 | 2391.04 | 9.95% |

Overall Interpretation (2019-20to 2024-25)

Overall, the comparative balance sheet shows a steady and healthy growth in the company’s total assets and total equity & liabilities over the entire period. The total value increased consistently from 2019–20 to 2024–25, indicating continuous expansion of the business. Although the growth rate slowed slightly in

some years, the overall trend remained positive without any decline. The strongest increase is visible in the later years, reflecting improved financial strength and better utilization of resources. Overall, the company appears to be financially stable, growing gradually, and strengthening its asset base over time.

COMPARATIVE INCOME STATEMENT ANALYSIS

| Particulars | 2019-20 | 2020-21 | Increase/Decrease | % Change |
|----------------|----------|----------|-------------------|----------|
| Total Revenues | 16254.47 | 16321.64 | 67.17 | 0.41% |
| PBT | 1608.89 | 1399.32 | 209.57 | 13.02% |
| PAT | 1096.87 | 1394.98 | 298.11 | 27.17% |
| | | | | |
| | 2020-21 | 2021-22 | Increase/Decrease | % Change |
| Total Revenues | 16321.64 | 16128.58 | -193.06 | -1.18% |
| PBT | 1399.32 | 1700.27 | 300.95 | 21.50% |
| PAT | 1394.98 | 1249.06 | -145.02 | -10.46% |
| | | | | |
| | 2021-22 | 2022-23 | Increase/Decrease | % Change |
| Total Revenues | 16128.58 | 19304.43 | 3175.85 | 19.69% |
| PBT | 1700.27 | 879.16 | -821.11 | -48.29% |
| PAT | 1249.069 | 647.34 | -601.72 | -48.17% |
| | | | | |
| | 2022-23 | 2023-24 | Increase/Decrease | % Change |
| Total Revenues | 19304.43 | 22826.44 | 3522.01 | 18.24% |
| PBT | 879.16 | 1119.2 | 240.4 | 27.30% |
| PAT | 647.34 | 816.23 | 168.89 | 26.08% |
| | | | | |
| | 2023-24 | 2024-25 | Increase/Decrease | % Change |
| Total Revenues | 22826.44 | 24986.14 | 2159.7 | 9.46% |
| PBT | 1119.2 | 2738.96 | 1619.76 | 144.72% |
| PAT | 816.23 | 2040.95 | 1224.72 | 150.04% |

Overall Interpretation (2019-20to2024-25)

Overall, the table shows that the company’s financial performance experienced fluctuations but improved strongly in the later period. Total revenues show an overall upward trend, indicating business expansion despite some temporary declines. Profit before Tax (PBT) and Profit after Tax (PAT) were volatile in the middle years, reflecting cost pressures or

operational challenges. However, profitability recovered significantly in the most recent period, showing strong improvement in both PBT and PAT. This suggests better cost control, improved efficiency, and stronger operational performance. Overall, the company demonstrates resilience and growing profitability, ending the period in a much stronger financial position.

Common Size Balance Sheet

| Particulars | 2020-21 (%Total Assets) | 2021-22 (%Total Assets) | 2022-23 (%Total Assets) | 2023-24 (%Total Assets) | 2024-25 (%Total Assets) |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| I. Equity & liabilities | | | | | |
| I.shareholder fund | | | | | |
| Share capital | 59.20% | 60.71% | 60.40 | 62.24% | 62.46% |
| Noncurrent liabilities | 8.24% | 9.12% | 9.00% | 9.22% | 7.26% |
| Current liabilities | 32.26% | 30.17% | 30.60% | 285.54% | 30.28% |
| Total Equity and liabilities | 100% | 100% | 100% | 100% | 100% |
| II. Assets | | | | | |
| Non-current assets | 54.39% | 56.18% | 62.70% | 61.38% | 55.26% |
| Current assets | 46.00% | 43.82% | 37.30% | 38.62% | 45.00% |
| Total assets | 100% | 100% | 100% | 100% | 100% |

Overall Interpretation (2020-21 to 2024-25)

The common size balance sheet shows a stable and balanced financial structure over the period from 2020–21 to 2024–25. Shareholders’ funds from the major portion of total financing, remaining consistently above 59 percent, which indicates a strong equity base and financial stability. Non-current liabilities are maintained at a low and controlled level, reflecting prudent long-term borrowing and effective debt management.

Current liabilities remain around 30 percent in most years, showing a balanced approach to meeting short-

term obligations. On the asset side, non-current assets constitute a higher proportion compared to current assets, indicating a focus on long- term investments and capacity building. However, current assets also remain at a reasonable level, supporting liquidity and smooth day-to-day operations.

Overall, the balance sheet reflects a healthy financial position with strong equity support, controlled liabilities, and a balanced asset structure. This indicates sound financial management, stability, and the ability to sustain growth in the long run.

COMMON SIZE INCOME STATEMENT ANALYSIS

| Particulars | 2020-21 (%Total Income) | 2021-22 (%Total Income) | 2022-23 (%Total Income) | 2023-24 (%Total Income) | 2024-25 (%Total Income) |
|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Revenue from operation | 100% | 100% | 100% | 100% | 100% |
| Expenses | 91.11% | 97.02% | 97.17% | 90.74% | 93.3% |
| Profit before tax {PBT} | 10.73% | 4.62% | 4.99% | 11.17% | 8.8% |
| Provision for taxation | 2.84% | 1.22% | 1.35% | 2.84% | 2.17% |
| Profit after tax {PAT} | 7.88% | 3.4% | 3.64% | 8.32% | 6.63% |

Overall Interpretation (2020-21 to 2024-25)

The company’s revenue from operations consistently

forms the full base of income, showing stable business activity. Expenses take up a large portion of total income, indicating that cost management plays a crucial role in determining profitability. Profit before tax remains positive overall, which shows that the company is able to generate operating profits despite high expenses. Tax provisions reduce profits further but remain a smaller share compared to total income. Profit after tax stays positive throughout, suggesting that the company maintains overall profitability, though margins fluctuate due to changes in expenses and taxation. Overall, the income statement reflects a business with stable revenue, high operating costs, and moderate but sustainable profitability.

IV. SUGGESTIONS

- The company should try to reduce and control its high operating expenses to improve profit.
- Working capital should be managed more consistently to ensure smooth daily operations.
- Since the company has very low debt, it can safely take some additional loans to expand and grow faster.
- More focus should be placed on increasing revenue through marketing and expanding the product or customer base.
- The company should continue maintaining and upgrading its fixed assets to support long-term growth.

V. CONCLUSION

The study on financial statement Analysis of MRF Tyres Ltd. Overall, the company shows steady growth with increasing assets, strong equity support, and improving profitability in recent years. Although expenses remained high at times, the business has managed to stabilize and boost its profits in the last two years. The company maintains good liquidity, very low debt, and uses its assets effectively. With better cost control and stronger revenue strategies, the company is well positioned for continued growth in the future.

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