International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A Study on Profitability Analysis of MRF Limited Company

Karthick Srivatchan K A [a], Dr. S. Sankar [b]

[a] *Student, Department of Management studies, Sri Sairam Engineering College*

[b] *Associate Professor, Department of Management Studies, Sri Sairam Engineering College*

DOI: https://doi.org/10.55248/gengpi.5.0724.1709

A B S T R A C T

The goal of this study is to present a thorough examination of the profitability dynamics at MRF Limited, one of the top tyre manufacturers in India. The study is to identify the underlying causes impacting MRF Limited's profitability patterns over a given period, with a focus on examining the nuances of financial performance. This study, which takes a mixed-method approach, combines quantitative analysis with qualitative findings from annual reports, financial statements, and pertinent literature. Key profitability metrics, including net profit margin, return on equity (ROE), and return on assets (ROA), will be carefully analysed using financial ratio analysis to identify patterns, trends, and possible areas for improvement. Additionally, the goal of this study is to pinpoint the external and internal factors that have a major influence on MRF Limited's profitability. To comprehend their impact on the company's bottom line, factors including pricing tactics, market competitiveness, technical breakthroughs, operational efficiency, and macroeconomic conditions will be thoroughly evaluated. Furthermore, the goal of this study is to offer tactical suggestions grounded on empirical research to improve MRF Limited's profitability and maintain its competitive edge in the ever-changing tyre manufacturing sector. This study aims to add to the body of knowledge on corporate profitability analysis by combining theoretical frameworks with practical insights. It will also provide insightful information that will be useful to scholars, practitioners, and policymakers alike.

Keywords: net profit margin, return on equity (ROE), return on assets (ROA), financial ratio analysis, profitability dynamics

1. Introduction

An essential part of financial analysis is profitability analysis, which evaluates a company's capacity to turn a profit in relation to its outlays and other expenditures spent. It entails assessing a range of financial statistics and measures to determine how well a business operates in terms of producing profits. Return on investment (ROI), return on assets (ROA), return on equity (ROE), gross profit margin, net profit margin, and operational profit margin are important measures that are frequently examined in profitability research. These indicators show how successfully a business is managing expenses, pricing goods and services, making the most use of its resources, and producing profits for its owners. Investors, managers, and analysts are among the stakeholders who benefit from profitability analysis's capacity to comprehend a company's long-term viability, competitive standing, and financial health. It also forms the foundation for making strategic decisions on areas for development, pricing methods, and resource allocation that maximise profitability.

1. **Evaluation of Financial Health:** Profitability research sheds light on a company's performance and financial well-being. Stakeholders can evaluate the effectiveness of the company's profit generation in relation to its costs and resources by looking at profitability measures. For creditors, investors, and other stakeholders to evaluate the company's capacity to pay its debts and maintain long-term development, this evaluation is essential.

2. **Making Strategic Decisions:** Within the organisation, strategic decision-making is based on profitability analysis. Management may increase overall profitability by identifying areas for improvement, refining pricing strategies, streamlining processes, and allocating resources wisely by knowing what drives profitability. It supports the creation of strategies to reach realistic financial goals.

3. **Investor Confidence:** To make well-informed investment selections, investors rely on profitability research. A business that consistently turns a profit is more likely to draw investors and fetch a better price on the market. higher investment inflows and shareholder value result from higher investor confidence and trust fostered by transparency in profitability assessments.

4. **Risk management:** Financial risks may be identified and reduced with the use of profitability analysis. Companies can identify early warning indicators of possible financial difficulty, such as diminishing margins or poor resource utilisation, by tracking profitability measurements over time. With this proactive approach to risk management, businesses can protect their financial stability and put remedial measures into place.

2. Review Of Literature

Bevan and associates (2002) As a result, it is advised that businesses with strong profitability maintain less debt because these businesses generate more internal money.

Salawu, R.O. and Agboola, A.A. (2008) state that a panel of 33 Nigerian firms analysed the factors that influence non-financial firms. Through statistical testing conducted between 1996 and 2004, they found a positive correlation between profitability and both total and long-term debt.

Ash Andrew and others (2016) Over the past ten years, the financial standing of clothing businesses in northern Australia has significantly deteriorated as a result of rising manufacturing and marketing expenses as well as a genuine drop in garment prices. Historically, increases in animal production have countered the impact on agricultural revenues of falling terms of trade. This begs the question of whether productivity gains in the future can continue to be a major driver of company profitability growth high enough to guarantee the industry's long-term viability.

3. Objectives Of The Study

- To examine the Profitability analysis of the MRF Limited.
- To draw a Conclusion from the derived results.

4. Research Methodology

The word "research methodology" is made up of two parts: methodology, which describes how the research study was conducted, and research. The methodical, scientific approach to elucidate the research topic is known as research methodology. The researcher has attempted to assess the profitability condition of a MRF Limited Company with a focus on profitability in this current research study.

Sources of data:

The current research project is a secondary research project only. The official websites of the stock exchanges and companies provide access to the annual reports that are utilised to compute different financial ratios. The data for this research study was gathered from a variety of sources, including books, journals, papers, and websites.

Time period:

This study covers the span of 5 years from 2019 to 2023

1. **DATA ANALYSIS AND INTERPRETATION**

RETURN ON ASSET:

YEAR	**NET INCOME**	**AVERAGE TOTAL ASSET**	**RESULT**
2019	1130.61	25699.11	0.04
2020	**1422.57**	28162.43	0.05
2021	**1277.07**	30733.27	0.04
2022	**669.24**	34111.73	0.01
2023	**768.96**	35244.45	0.02

FORMULA: RETURN ON ASSET= NET INCOME/ AVERAGE TOTAL ASSET

INTERPRETATION:

The return on assets (ROA) for the firm varied throughout the course of the five years. Profit and ROA both significantly decreased in 2022 after initially rising in 2020, suggesting difficulties with asset utilisation. The little rebound in 2023 points to continued attempts to increase asset profitability.

Return on equity:

YEAR	NET INCOME	SHAREHOLDER'S FUND	RESULT
2019	1130.61	10837.47	0.10
2020	1422.57	12214.84	0.12
2021	1277.07	13413.81	0.10
2022	669.24	14031.9	0.05
2023	768.96	14707.82	0.05

FORMULA: **RETURN ON EQUITY= NET INCOME/ SHAREHOLDER'S FUND**

INTERPRETATION:

The return on equity (ROE) of the corporation varied during the time under observation. Although ROE increased initially in 2020, it then decreased in the following years, suggesting difficulties maintaining profitability in relation to shareholders' equity. This variation points to possible changes in the company's capacity to return on investors' capital.

Net profit margin:

YEAR	NET PROFIT	REVENUE	RESULT
2019	1130.61	16062.46	7.04
2020	1422.57	16239.36	8.76
2021	1277.07	16163.19	7.90
2022	669.24	19316.72	3.46
2023	768.96	23008.5	3.34

FORMULA= NET PROFIT MARGIN= NET PROFIT/ REVENUE X 100

Interpretation:

Over a five-year period, the company's financial performance displayed variations. In 2020, the profit margin increased significantly to 8.76%; however, in 2022 and 2023, the profit margin decreased significantly to 3.46% and 3.34%, respectively. These changes show shifting revenue-to-profit conversion efficiency, suggesting possible difficulties in sustaining profitability.

5. Conclusion

Over the course of the five years under review, MRF Limited's profitability has generally fluctuated. Even while there were times of expansion and improvement—2020 being one of the best examples—profit margin, return on equity (ROE), and return on assets (ROA) all decreased in the years that followed. These variations point to difficulties in sustaining steady profitability and efficiency in the use of resources and producing returns for investors. The company's resilience and flexibility are demonstrated by its capacity to bounce back and solve profitability challenges in spite of these fluctuations.

To maintain long-term profitability and competitiveness in the market, continued efforts to maximise asset utilisation, increase shareholder value, and improve revenue-to-profit conversion efficiency will be necessary.

References

1. https://www.mrftyres.com/downloads/Annual-Report-2019.pdf
2. https://www.mrftyres.com/downloads/Annual-Report-2020.pdf
3. https://www.mrftyres.com/downloads/Annual-Report-2021-22.pdf
4. https://www.mrftyres.com/downloads/Annual_Report_2022-23.pdf

- P. Venkatesh, T. Ilakkiya, M. Ramu, M. Manikandan and C. R. Senthilnathan, "An Analysis of the Strategic Approach to Utilizing Deep Learning for the Purpose of Predicting Stock Prices," 2023 Intelligent Computing and Control for Engineering and Business Systems (ICCEBS), Chennai, India, 2023, pp. 1-4, doi: 10.1109/ICCEBS58601.2023.10449085.
- T. Ilakkiya, M. Manikandan, R. K. Ch, K. M, M. Ramu and P. Venkatesh, "Neuro Computing-Based Models of Digital Marketing as a Business Strategy for Bangalore's Startup Founders," 2024 Third International Conference on Intelligent Techniques in Control, Optimization and Signal Processing (INCOS), Krishnankoil, Virudhunagar district, Tamil Nadu, India, 2024, pp. 1-3, doi: 10.1109/INCOS59338.2024.10527779. Wu, L., Wen, X., & Deng, Y. (2020). Cross-Cultural Neuromarketing: A Review and Future Directions. International Journal of Advertising, 39(6), 853-871.
- Yang, Y., Liu, Y., & Ma, L. (2021). Neuromarketing and social media: A Review of Current ResearK. Murugan, V. Selvakumar, P. Venkatesh, M. Manikandan, M. Ramu and K. M, "The Big Data Analytics and its Effectiveness on Bank Financial Risk Management," 2023 6th International Conference on Recent Trends in Advance Computing (ICRTAC), Chennai, India, 2023, pp. 313-316, doi: 10.1109/ICRTAC59277.2023.10480831
- P. Venkatesh, V. Selvakumar, M. Ramu, M. Manikandan and C. R. Senthilnathan, "Measure of Well-Being of Freelancers in it Sector," 2023 Intelligent Computing and Control for Engineering and Business Systems (ICCBS), Chennai, India, 2023, pp. 1-4, doi: 10.1109/ICCEBS58601.2023.10448738.
- K Maran, V ChandraShekar, (2015) A STUDY ON STUDENT'S PERCEPTION OF EMPLOYABILITY SKILLS WITH RESPECT TO ENGINEERING INSTITUTION, International Journal of Research in Engineering, Social Sciences 5 (3), 21-34
- K Maran,L Sujatha, T Praveen, (2017) IMPACT OF FOREIGN DIRECT INVESTMENT ON AUTOMOBILE SECTOR: AN EMPIRICAL STUDY WITH REFERENCE TO INDIA, International Journal of Economic Research 14 (11), 187-196
- V Selvakumar, K Maran, S Sankar (2017) PERCEPTION ON FACULTY ACADEMIC RELATIONSHIP MANAGEMENT IN HIGHER EDUCATION WITH REFERENCE TO SELF FINANCING ENGINEERING COLLEGES,,International Journal of Engineering & Technology 7 (1.1), 56-59
- Maran. K, S. C.R., U. S and V. P, (2024) "Impact of Solar Energy on Mitigating Climate changes for a Sustainable Development in India," 2022 International Conference on Power, Energy, Control and Transmission Systems (ICPECTS), Chennai, India, 2022, pp. 1-5, doi: 10.1109/ICPECTS56089.2022.10046744. ch. Journal of Interactive Advertising, 21(1), 40-53.
- Kumar, S. D., Soundarapandian, K., & Meera, S. (2022). Sentience of Career Opportunities and Career Development using Social Media–A Study with Reference to Tamil Nadu. Journal of Big Data Technology and Business Analytics, 1(1), 7-14.
- Kumar, S. D., & Soundarapandiyan, K. (2022). The Effectiveness of Product Placement in Tamil movies: A Study with Reference to the State of Tamil Nadu, India. South Asian Journal of Social Sciences and Humanities, 3(5), 28-41.
- Maran. K, S. C.R., U. S and V. P, (2024) "Impact of Solar Energy on Mitigating Climate changes for a Sustainable Development in India," 2022 International Conference on Power, Energy, Control and Transmission Systems (ICPECTS), Chennai, India, 2022, pp. 1-5, doi: 10.1109/ICPECTS56089.2022.10046744.
- K. Maran, C. R. Senthilnathan, S. Usha and P. Venkatesh, (2022) "Business Analytics Contribution in the Growth of Indian Digital Business," 2022 1st International Conference on Computational Science and Technology (ICCST), CHENNAI, India, 2022, pp. 497-500, doi: 10.1109/ICCST55948.2022.10040343