

## FINANCIAL EFFICIENCY ANALYSIS OF JK TYRE & INDUSTRIES LIMITED

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### Abstract

The main motive of this study is to analyze and interpretate the company's Financial Statements with an intend to determine the firm's work performance and effectiveness of managerial decisions. Financial efficiency ratio compares the company's resources to its sales and performance with a view to provide detailed knowledge about the firm's financial potential and capabilities. The study is based on the ground of establishing a strategic relationship between the firm's resources and how effectively the firm uses the resources at its disposal. In this study, the financial efficiency is computed for the JK Tyre & industries Limited, one of the players of Tyre Industry. For determining the efficiency three important ratios- Capital Employed Turnover Ratio, Total Assets Turnover Ratio and Fixed Assets Turnover Ratio are taken into concern for discussion. This study covers the time period from 2015-16 to 2019-20. The purpose of the study is to measure the financial efficiency level of the Firm.

**Keywords-** Financial efficiency, Ratio Analysis, JK Tyre & Industries Limited.

### Introduction-

Tyre Industry is one of the crucial sector and Integral part of Indian economy. The Tyre industry in Indian is a evolving sector of the economy. The front runner company of JK Organization, JK Tyre & Industries Limited is one of the India's leading Tyre manufactures and is also amongst the Top tyre manufacturers in the world. In 2019 the company achieved an outstanding achievement by entering the Limca Book of Records with the country's largest off the road tyre- VEM 045. For the year ended March 2019, JK Tyre & Industries sales grow by 24% at Rs. 10,370crores, while operating profit for the year at Rs. 1196 crores were 35% higher. JK Tyre & Industries has closed financial year 2019-20 with consolidated Net profit of Rs. 141 crores reporting a decline of 17.15%. the total revenue of the company declined by 16.25% to Rs. 8735 Crore in FY20. Finance is the important aspect of any organization. The effective utilization of available finance is vital to achieve the optimum productivity and growth. The financial analysis refers to the process of analyzing the financial statements with various tools and methodologies of analysis before commenting about the financial health and weaknesses of the enterprise. There is a significant importance of Ratio analysis in analyses and interpretation of financial statements. The data presented in financial statement have no specific significance until not expressed with their interrelationship. By Ratio this relationship is expressed.

Efficiently manage the financial resources of any firm is crucial to its survival in the present economic scenario. With a view to utilize firm's financial resources in an effective manner it requires proper planning and execution of financial operations of the firm in order to effectively utilize the precured inputs to the optimum level.

Financial Efficiency Ratio Analysis facilitates to provide a blueprint needed to understand a comparison between what the firm owns to its sales and performance. The performance



analysis ratio describes the financial performance through the aspect of financial efficiency based on various Turnover Ratios of the JK Tyre & Industries Limited.

#### Review of Literature

**Hadhek Zouhaier (2015)** have made a study on "Financial Efficiency, Competitiveness and Profitability of Islamic Banks", Presented an overview on the relationship between the level of financial efficiency, profitability and competitiveness of Islamic Banks. He assesses the role of financial efficiency on the profitability. He uses the sample of 29 selected Islamic Banks for his study. His study covers the time period of 8 years from 2005-2012.

**Md. Qamruzzaman and WEI Jianguo (2016)** stated in their research work titled "An Assessment of Financial Efficiency using Data Evolution Analysis (DEA)-Multistage Approach: A Case study of Banks in Bangladesh", that about 62% banks perform under constant return to scale and 75% bank under variable return to scale. Their major finding was that banking industry were not performing efficiently by showing decreasing return to scale over the time period of the study. His study covers the time period from 2011-15.

**Pinku Poul and Paroma Mitra Mukherji (2017)** in their research paper titled "A Critical Analysis of the Financial Efficiency of the Steel Industry in India", give a review on the management efficiency for five major players of Steel Industry. They evaluate Inventory Turnover Ratio, Debtors Turnover Ratio, Investment Turnover Ratio, Fixed Assets Turnover Ratio and Total Assets Turnover Ratio to analyze the financial performance of the Steel Industry. Their study covers the time period of 10 Years from 2006-15. They used statistical measures Mean and ANOVA to test their Hypothesis.

#### Objective of the Study-

The following are the key objectives put to the study of Financial Appraisal of the selected Tyre Manufacturing company (JK Tyre & Industries

Limited):

1. To study the financial structure and financial performance Efficiency of JK Tyre & Industries Limited.

2. To provide information to fill the information gap which justify the requirement of this study.

3. To provide findings and necessary recommendations on the basis of conclusion drawn after the study.

#### Research Methodology-

This study is a simple type of research as it focuses on a particular aspect of the research issue. Secondary sources of Data have to be used to elicit necessary information for carrying out the object of the study. These data will be collected from several sources includes published papers, journals, magazines, various published annual and financial reports of JK Tyres & industries Ltd. for various years and from some other websites. The study covers the time period of 5 years from 2015-2020. Analytical Tools like Ratio Analysis, Tables and Graphs are used in the study.

#### Analysis of Data

Ratio Analysis is a useful tool of evaluating the Profitability, Efficiency, Capacity and Financial position of any business enterprise. Actually, the data presented by financial statement have no important in themselves. In fact, these are merely silent numbers. By Ratio analysis complicated data are presented in simple and brief form by which it become easy to understand them. Many important decisions are drawn regarding the position of the business enterprise on the basis of these Ratios. The financial ratios are classified in different ways. This classification is based on the users, objectives and financial statements. The broad classification of Ratios Covers the following:

a) Profitability Ratios b) Liquidity Ratios c) Leverage Ratios d) Turnover Ratios

**Turnover Ratios-** The Turnover Ratios are categories as Efficiency Ratios as the main objec-



These Ratios are to Judge the work performance of the enterprise and effectiveness of managerial decisions. These Ratios help to state that how well an undertaking is utilizing its assets to achieve its revenue. The Turnover Ratios are used to measure the efficiency of a firm that how it uses its resources to earn revenue. The Sales figures are compared with assets (Fixed Assets and Total Assets) and capital employed to measure the effectiveness which the firm uses its resources at its disposal. Turnover ratios establish a relationship between the Firm's Assets and Capital and the revenue generated from them. The higher the ratio is considered to be the better as it represents that the firm is optimally utilizing its resources to generate the revenue.

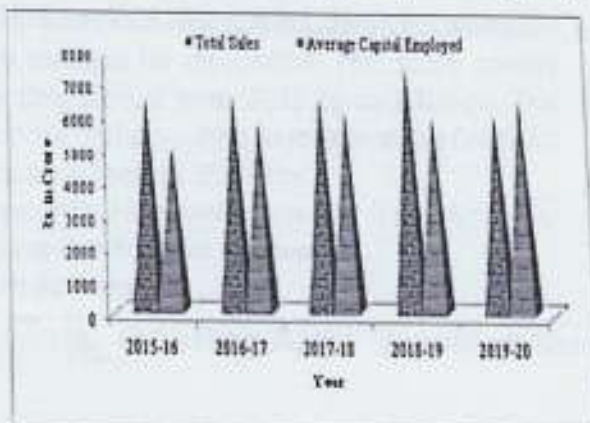
**Capital Employed Turnover Ratio-** This Ratio establishes a relationship between Capital employed in the company and Revenue earned of it.

$$\text{Capital employed Turnover Ratio} = \frac{\text{Total Sale}}{\text{Average Capital Employed}}$$

**Table 1: Capital employed Turnover Ratio**  
(Rs. in Crores)

Year	Total Sales	Average Capital Employed	Ratio
2015-16	6442.50	5005.21	1.29
2016-17	6538.91	5780.10	1.13
2017-18	6515.45	6326.11	1.06
2018-19	7512.12	5958.02	1.26
2019-20	6038.07	6501.37	0.93
Mean	6609.41	5874.16	1.13

**Fig. 1: Total Sales to Average Capital Employed**



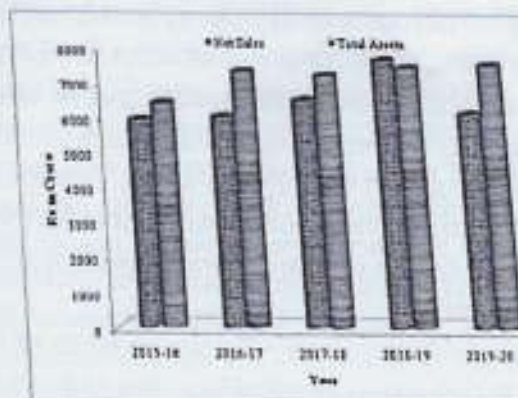
ated a relationship between the Net Sales and the Total Assets of the company.

$$\text{Total Assets Turnover Ratio} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

**Table 2: Total Assets Turnover Ratio**  
(Rs. in Crores)

Year	Net Sales	Total Assets	Ratio
2015-16	5880.43	6353.44	0.92
2016-17	5979.12	7281.56	0.82
2017-18	6453.35	7178.41	0.90
2018-19	7610.40	7405.38	1.03
2019-20	6092.65	7488.49	0.81
Mean	6401.19	7141.46	0.90

**Fig. 2: Net Sales to Total Assets**



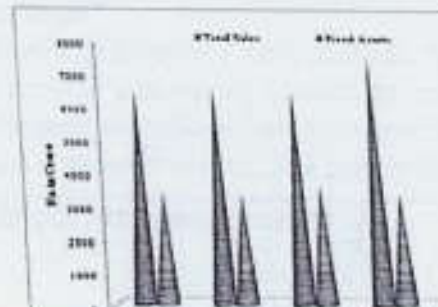
**3. Fixed Assets Turnover Ratio-** This Ratio determines a connection between the Net Sales and Fixed Assets of the company.

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Net Sales}}{\text{Fixed Assets}}$$

**Table 3: Fixed Assets Turnover Ratio**  
(Rs. in Crores)

Year	Total Sales	Fixed Assets	Ratio
2015-16	6442.50	3189.18	1.93
2016-17	6538.91	4312.00	1.97
2017-18	6515.45	3585.25	1.82
2018-19	7512.12	3939.91	2.25
2019-20	6038.07	3510.52	1.72
Mean	6609.41	3437.37	1.94

**Fig. 3: Total Sales to Fixed Assets**





### Conclusion

The purpose of this study was to determine a strategic connection between the Firm's resources and revenue generated out of them to measure the effectiveness with which the firm used its resources to yield its sales. The investigation made through Efficiency Ratio Analysis as the part of this research work shows the following results:

- The Capital Employment Turnover Ratio of the JK Tyre & Industries Limited was the highest for the year 2015-16 as (1.29) in comparison to other financial years which shows the company's efficiency in using its Employed Capital most Effectively to earn its revenue in this particular year. On the other hand, this ratio of the firm was lowest for the year 2019-20 as (0.93) which shows the company's Inefficiency in using its Employed Capital least Effectively to earn its revenue in this particular year.
- The Total Assets Turnover Ratio of the firm was the highest for the year 2018-19 as (1.03) in comparison to other financial years which shows

Zouhaier (2015)-file:///C:/Users/hp/Downloads/ZouhaierHadhek\_JAES\_X\_43411.pdf

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