

# A Study on Financial Performance and Analysis at Rane Madras Limited

**DR. Meera A<sup>1</sup>, Ms. Thirisha p<sup>2</sup>, Mr. Dinesh Kumaran V<sup>3</sup>**

<sup>1</sup>Assistant professor, School of management studies Sathyabama Institute of Science and Technology

<sup>2,3</sup>MBA, School of Management Studies, Sathyabama Institute of Science and Technology

## ABSTRACT:

This study analyzes the financial performance of Rane (Madras) Limited with the objective of evaluating its profitability, liquidity, solvency, and operational efficiency over a period of five years. Financial performance analysis plays a vital role in understanding the financial health of an organization and supports effective decision-making by management and stakeholders. The study is mainly based on secondary data collected from the published annual reports, profit and loss accounts, and balance sheets of the company.

Various financial tools such as ratio analysis, comparative financial statements, and trend analysis were used to interpret the financial position of the company. Key ratios including current ratio, quick ratio, debt-equity ratio, inventory turnover ratio, and return on investment were calculated to measure financial stability and performance efficiency. The findings indicate that the company maintains a satisfactory financial position with moderate growth in profitability and efficient utilization of assets during the study period.

The study also identifies certain areas where financial improvements can be made, particularly in cost control and working capital management. Suggestions are provided to strengthen financial planning and improve overall performance. The study concludes that effective financial management practices are essential for ensuring long-term sustainability and growth of the company.

## KEY WORDS:

Financial Performance, Ratio Analysis, Profitability, Liquidity, Solvency, Financial Statements, Rane Madras Limited, Trend Analysis.

## INTRODUCTION:

Financial performance analysis is an important tool used to evaluate the profitability, liquidity, and overall financial stability of a company. It helps in understanding how efficiently an organization utilizes its financial resources and maintains its operational growth. Rane (Madras) Limited is a well-known company in the Indian automobile components industry, and analyzing its financial performance is essential to understand its financial strength and efficiency in a competitive market. This study focuses on examining the company's financial position using various financial ratios such as liquidity, profitability, and solvency ratios based on data collected from the company's annual reports.

## OBJECTIVES:

- A Study is to ascertain Financial Performance Analysis of Rane Madras Limited.
- To study the financial position of the company for past five years.
- To examine the efficiency of the company using financial ratios like profitability ratios, turnover ratio & solvency ratio of the company.
- To analyse the profitability position of the company.

## RESEARCH METHODOLOGY:

The study is based on secondary data collected from the published annual reports and financial statements of Rane Madras Limited. The data required for the study was collected for a period of five years. Various financial tools such as ratio analysis, comparative statements, and trend analysis were used to evaluate the financial performance of the company. The methodology mainly focuses on analyzing profitability, liquidity, and solvency positions to interpret the financial strength and operational efficiency of the company. Percentage analysis was also used wherever necessary to support the interpretation of financial data. The results are presented in a simple and systematic manner using Charts for better understanding.

## REVIEW OF LITERATURE:

1) The impact of top management team characteristics and historical financial performance on strategic management accounting, **Odysseas Pavlatos, Xara Kostakis.**

Journal of Accounting and Organizational Change, Volume 14, Issue 4, Published Date 5 November 2018, ISSN: 1832-5912, pp. 455-472.

The purpose of this paper is to explore the impact of the top management team (TMT) characteristics and historical financial performance on strategic management accounting (SMA) usage.

2) Financial Performance Analysis of Selected Banks using CAMEL approach, Vijay Hemant Sonaje, Dr. Shriram S. Nerlekar.

Indira Management Service, Volume 11, Issue 2, Publication Date December 2017, ISSN: 0974-3928, pp. 17-24.

The paper has made a modest attempt to analyse the performance of eleven commercial banks in India during the period 2013 to 2017, using CAMEL approach. This study also reveals the financial position and soundness among top eleven commercial banks.

3) The impact of top management team characteristics and historical financial performance on strategic management accounting, Odysseas Pavlatos, Xara Kostakis.

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## RATIO ANALYSIS:

Ratio analysis can be defined as the process of ascertaining the financial ratios that are used for indicating the ongoing financial performance of a company using few types of ratios such as liquidity, profitability, activity, debt, market, solvency, efficiency, and coverage ratios and few examples of such ratios are return on equity, current ratio, quick ratio, dividend payout ratio, debt-equity ratio, and so on. Ratio analysis is a process used for the calculation of financial ratios or in other words, for the purpose of evaluating the financial wellbeing of a company. The values used for the calculation of financial ratios of a company are extracted from the financial statements of that same company.

**1) Current Ratio= Current Assets / Current Liabilities.**

Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Current Ratio
2020-2021	482.05	620.58	0.78
2021-2022	566.46	639.21	0.89
2022-2023	683.72	737.19	0.93
2023-2024	692.04	811.59	0.85
2024-2025	1283.96	1305.37	0.98

**2) Quick Ratio = (Cash and Cash Equivalents + Marketable Securities + Accounts Receivables) / Current Liabilities.**

Year	Quick Assets (₹ Cr)	Current Liabilities (₹ Cr)	Quick Ratio
2020-2021	322.89	620.58	0.52
2021-2022	375.65	639.21	0.59
2022-2023	451.70	737.19	0.56
2023-2024	451.70	811.59	0.56
2024-2025	850.55	1305.37	0.65

**3) Cash Ratio = Cash & Cash Equivalents / Current Liability**

Year	Cash & Cash Equivalent(₹ Cr)	Current Liabilities (₹ Cr)	Cash Ratio
2020-2021	7.13	620.58	0.01
2021-2022	8.00	639.21	0.01
2022-2023	13.98	737.19	0.02
2023-2024	19.39	811.59	0.02
2024-2025	28.50	1305.37	0.02

**4)Fixed Asset Turnover Ratio = Sales / Fixed Asset**

Year	Sales (₹ Cr)	Fixed Asset (₹ Cr)	Fixed Asset Turnover Ratio
2020-2021	1,146.15	550.09	2.09
2021-2022	1,555	353.22	4.40
2022-2023	2,354.44	494.27	4.76
2023-2024	19.39	811.59	0.02
2024-2025	28.50	1305.37	0.02

**5) Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory**

Year	Cost of Goods Sold (₹ Cr)	Average Inventory (₹ Cr)	Inventory Turnover Ratio
2020-2021	728.48	158.00	4.61
2021-2022	1006.39	161.65	6.23
2022-2023	1486.79	211.41	7.03
2023-2024	1366.74	236.18	5.79
2024-2025	1962.49	427.28	4.59

**6) Capital Turnover Ratio = Revenue from Operations / Capital Employed**

Year	Revenue from operations (₹ Cr)	Capital Employed (₹ Cr)	Capital Turnover Ratio
2020-2021	1147.15	1032.14	1.11
2021-2022	1555.00	554.68	2.80
2022-2023	2354.44	440.80	5.34
2023-2024	2142.25	540.56	3.96
2024-2025	3405.75	958.80	3.55

## INTREPRETATION:

### Current Ratio:

The current ratio of the company shows a gradual improvement from 0.78 in 2020-2021 to 0.98 in 2024-2025. However, the ratio remains below the ideal standard of 2:1, indicating that the company may face some difficulty in meeting its short-term obligations. The improvement over the years shows better management of current assets and liabilities.

### Quick Ratio:

The quick ratio increased from 0.52 in 2020-2021 to 0.65 in 2024-2025. Although there is a slight improvement, the ratio is still below the ideal ratio of 1:1, which indicates that the company's immediate liquidity position is moderate and it depends partly on inventory to meet current liabilities.

### Cash Ratio:

The cash ratio remained very low between 0.01 and 0.02 during the study period. This indicates that the company maintains only a small proportion of cash to meet its current liabilities. While this may indicate efficient cash utilization, it also shows limited cash reserves for immediate payments.

### Fixed Asset Turnover Ratio:

The fixed asset turnover ratio shows fluctuations during the study period. It increased from 2.09 in 2020-2021 to 4.76 in 2022-2023, indicating efficient utilization of fixed assets to generate sales. However, the sharp decline in later years suggests either under-utilization of assets or possible data variation, which needs attention.

### Inventory Turnover Ratio:

The inventory turnover ratio increased from 4.61 in 2020-2021 to 7.03 in 2022-2023, showing efficient inventory management. However, it later declined to 4.59 in 2024-2025, which indicates slower movement of inventory and possible over-stocking. Proper inventory control measures may improve efficiency.

### Capital Turnover Ratio:

The capital turnover ratio improved significantly from 1.11 in 2020-2021 to 5.34 in 2022-2023, indicating better utilization of capital employed. Although it slightly declined afterwards, the ratio still shows that the company is effectively using its capital to generate revenue.

## LIMITATIONS:

This study is based only on secondary data collected from the published annual reports of Rane Madras Limited, and therefore the accuracy of the study depends on the reliability of the available data. The study covers only a limited period of five years, which may not fully reflect the long-term financial performance of the company. The analysis is mainly based on financial ratios, which have their own limitations and may not consider external factors such as market conditions, economic changes, and industry competition. Time constraints and limited access to detailed financial information also act as limitations of the study.

## FINDINGS AND SUGGESTIONS:

The study reveals that the company shows gradual improvement in its liquidity position, although the current ratio and quick ratio remain below the ideal standard, indicating the need for better working capital management. The cash ratio shows that the company maintains minimal cash reserves, suggesting a need to improve cash management for meeting immediate obligations. The fixed asset turnover ratio indicates that the company was efficient in utilizing its assets during the middle years, but fluctuations in later years suggest the need for better asset utilization strategies. The inventory turnover ratio shows efficient inventory management

initially, but the declining trend in recent years indicates the need for improved inventory control techniques. The capital turnover ratio reflects effective utilization of capital employed, which is a positive sign of operational efficiency. It is suggested that the company should focus on improving liquidity, controlling operating costs, strengthening inventory management, and maintaining an optimal balance between assets and liabilities to improve overall financial performance and stability.

## CONCLUSION:

The study concludes that the financial performance of the company during the study period shows moderate growth with some fluctuations in liquidity and efficiency ratios. The analysis indicates that the company has been able to utilize its capital and assets effectively to generate revenue, but it needs to improve its liquidity position to meet short-term obligations more efficiently. The inventory management and asset utilization require more attention to maintain consistency in performance. Overall, the company has a satisfactory financial position, and with better financial planning, cost control, and working capital management, it can further strengthen its financial stability and achieve sustainable growth in the future.

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