

FINANCIAL PERFORMANCE ANALYSIS AT RANE MADRAS LIMITED

DR. JOYCE R₁, Mr. Hemkumar P₂

¹Associate Professor, School of Management Studies, Sathyabama Institute of Science and Technology

² 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
- 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

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.

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.

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.

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.

$$2024-2025 = 1283.96 / 1305.37 = 0.98 \text{ (Rupees in Crores)}$$

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

$$2024-2025 = 850.55 / 1305.37 = 0.65 \text{ (Rupees in Crores)}$$

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

$$2024-2025 = 28.05 / 1305.37 = 0.02$$

4) Fixed Asset Turnover Ratio = Sales / Fixed Asset

$$2024-2025 = 3405 / 980.21 = 3.47$$

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

$$2024-2025 = 1962.49 / 427.28 = 4.59$$

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

$$2024-2025 = 3405.75 / 958.80 = 3.55$$

INTERPRETATION AND FINDINGS

1. Current Ratio (0.98)

A ratio below 1.00 suggests that the company has slightly fewer current assets than current liabilities. While 0.98 is very close to a balanced position, it indicates that the company might face a slight "liquidity crunch" if all short-term debts were called in at once.

2. Quick Ratio (0.65)

Also known as the "Acid-Test," this excludes inventory from assets. A ratio of 0.65 is relatively low (the ideal is often 1.00). This suggests the company relies heavily on selling its inventory to pay off its short-term debts.

3. Cash Ratio (0.02)

This is a very conservative measure. A ratio of 0.02 means the company holds only 2% of its current liabilities in pure cash or cash equivalents. This is common in many industries but indicates the company keeps its cash working elsewhere rather than sitting in a bank account.

4. Fixed Asset Turnover Ratio (3.47)

The company generated ₹3.47 in sales for every ₹1 invested in fixed assets (like machinery or property). This is generally a healthy sign, suggesting the company is utilizing its long-term investments efficiently to drive top-line growth.

5. Inventory Turnover Ratio (4.59)

The company "cleared" or sold its inventory roughly 4.6 times during the year. This helps determine how quickly products move from the warehouse to the customer. A higher number usually reflects strong sales or effective inventory management.

6. Capital Turnover Ratio (3.55)

This shows how efficiently the company uses its total capital (equity + debt) to generate revenue. A ratio of 3.55 indicates that for every rupee of capital employed, the company produces ₹3.55 in revenue, which suggests a productive use of its financial resources.

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 Rane Madras Limited maintains a satisfactory financial position during the study period, although there are moderate fluctuations in liquidity and profitability. The analysis shows that the company is generally capable of meeting its short-term obligations and maintaining a balanced capital structure. However, variations in profitability indicate the need for better cost control and efficient utilization of resources. Based on the findings, it is suggested that the company should focus on improving profitability through effective cost management and increased operational efficiency. The company should also maintain adequate working capital and reduce excessive dependence on external borrowings. Continuous financial monitoring and better financial planning will further help in strengthening the overall financial performance of the company.

CONCLUSIONS:

The financial performance analysis of Rane Madras Limited indicates that the company has maintained a reasonably stable financial position during the study period. The analysis of various financial ratios shows that the company has satisfactory liquidity, moderate profitability, and a balanced solvency position. The study concludes that the company is managing its financial resources efficiently, but there is scope for improvement in profitability and cost management. Overall, effective financial planning and continuous performance evaluation will help the company achieve better financial stability and long-term growth.

REFERENCES:

- Pandey, I. M. (2021). *Financial Management*. Vikas Publishing House Pvt. Ltd.
- Khan, M. Y., & Jain, P. K. (2020). *Financial Management: Text and Problems*. McGraw Hill Education.
- Prasanna Chandra (2019). *Financial Management: Theory and Practice*. Tata McGraw Hill.
- Annual Reports of Rane (Madras) Limited (2020–2025).
- Jayaprakash, M., & Ramya, G. (2025). A Study on Financial Leverage and its Effect on Profitability of Rane (Madras) Limited. *International Journal of Financial Management Research*.
- www.ranegroup.com (Official website of Rane Madras Limited).
- www.moneycontrol.com (Financial data reference).