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## A STUDY ON THE FINANCIAL PERFORMANCE OF UNITED TYRES WITH REFERENCE TO COIMBATORE CITY

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***Abstract:** This study examines the financial performance of United Tyres with the objective of gaining practical insights into financial management practices within the tyre industry. The research seeks to connect theoretical concepts with real-world application by evaluating routine financial activities and the operational effectiveness of the finance department. A detailed financial performance assessment is carried out using ratio analysis and comparative financial statements to measure the firm's liquidity, profitability, operational efficiency, and solvency. The results of the analysis highlight the influence of financial decision-making on the organization's growth, stability, and long-term viability. Based on the findings, the study suggests measures to improve financial strength through better resource utilization, enhanced financial control, and effective strategic planning. Ratio analysis serves as a key analytical tool in this research, enabling stakeholders such as management, investors, and creditors to evaluate the overall financial condition and performance of the enterprise.*

***Keywords:** Financial performance, liquidity, profitability, efficiency, solvency.*

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## Introduction

The Indian Tyre industry has undergone remarkable transformation over the past few decades, driven largely by technological advancement, globalization, and increasing competition. The industry has demonstrated considerable expertise and flexibility in adopting, assimilating, and modifying advanced international technologies to suit Indian road conditions, consumer needs, and cost structures. This evolution is clearly reflected in the progressive shift from conventional cotton-reinforced bias tyres to high-performance radial tyres within a relatively short period of four decades. Continuous innovation in manufacturing processes, materials, and product design has enabled Indian tyre manufacturers to enhance product quality, durability, and safety standards. Globalization has played a vital role in integrating the Indian tyre industry with global markets. Liberalized trade policies, foreign collaborations, and increased cross-border competition have compelled major Indian tyre companies to adopt global strategies such as technology partnerships, capacity expansion, cost optimization, and market diversification. These strategies are aimed at improving productivity, strengthening export potential, and achieving long-term competitiveness in the international arena. As a result, financial efficiency and effective managerial decision-making have become critical factors for sustaining growth in this highly competitive environment.

The present study is undertaken at United Tyres with the objective of gaining a comprehensive understanding of managerial functions and financial management practices within the organization. The study emphasizes the importance of linking theoretical knowledge gained through academic learning with practical exposure in an industrial setting. By examining routine financial transactions, accounting procedures, and the overall functioning of the finance department, the research provides valuable insights into how financial resources are planned, utilized, and controlled. Furthermore, the study focuses on analyzing the financial performance of United Tyres to assess its liquidity, profitability, efficiency, and solvency. Such an analysis helps in evaluating the firm's financial strength, operational effectiveness, and ability to meet short-term and long-term obligations. The findings of this study are expected to assist management in identifying areas of improvement, enhancing financial decision-making, and formulating effective strategies for sustainable growth and stability in a competitive business environment.

## Objectives of the Study

- To examine the earning capacity and overall profitability of the company.

- To evaluate the liquidity position and long-term solvency of the organization.
- To analyze and compare the balance sheets of the company across different financial years to identify financial trends and variations.

### **Review of Literature**

Gupta and Gupta (2023) examined the relevance of profitability ratios in evaluating the financial performance of manufacturing firms. Their study focused on key indicators such as gross profit margin, net profit margin, return on assets, and return on equity to assess operational efficiency and financial sustainability. The findings emphasized that profitability ratios serve as essential tools for stakeholders in understanding a firm's earning capacity and long-term viability, while also highlighting variations across different manufacturing segments.

Bhattacharya (2022) analyzed the role of working capital management in determining the financial health of manufacturing enterprises. The study highlighted that effective management of working capital components—namely inventory, receivables, and payables—enhances liquidity, minimizes financial risk, and improves profitability. Using empirical evidence, the research established a strong relationship between efficient working capital practices and overall firm performance.

Reddy (2022) focused on the importance of liquidity ratios in assessing the short-term financial stability of companies operating in the tyre industry. The study evaluated ratios such as the current ratio, quick ratio, and cash ratio to measure a firm's ability to meet immediate obligations. Additionally, the research compared liquidity trends among major Indian tyre manufacturers, revealing notable differences in financial management practices within the industry.

Jain (2022) conducted a comprehensive analysis of the financial performance of Indian manufacturing firms with particular emphasis on cost control and revenue management. Adopting a case study approach, the research demonstrated how internal financial strategies and external factors such as government policies, inflation, and fluctuations in raw material prices influence overall financial outcomes.

Krishnan (2021) investigated recent trends in financial performance indicators within India's tyre manufacturing sector. The study identified key determinants including cost structure, market competition, and demand conditions that significantly affect financial

decision-making. It also highlighted emerging challenges and opportunities faced by tyre manufacturers in maintaining financial stability and competitiveness.

## Research Design

Research design acts as a structured framework that guides the entire research process by specifying the methods and procedures for data collection, analysis, and interpretation. The present study adopts an analytical research design, which emphasizes the examination and evaluation of existing financial information to derive meaningful conclusions. Analytical research primarily relies on secondary data to assess relationships, trends, and patterns related to the research problem. Through the application of logical reasoning and critical analysis, this approach enables informed decision-making, facilitates problem identification, and contributes to a systematic understanding of financial performance.

**Table 1: Showing the Gross Profit Margin**

Year	Gross Profit	Net Sales	Ratio
2022	12543.85	30087.56	41.39
2021	9275.87	21885.20	42.38
2020	7904.58	21612.94	36.57
2019	7925.86	19808.5	40.01
2018	7052.87	18262.60	38.62

Source: Computed

## Interpretation

The gross profit ratio reflects the capacity of the business to earn profit in relation to its sales. In 2018, the ratio indicated a satisfactory profit position, showing that the company was able to generate reasonable gross profit from its sales activities. However, in 2020, the gross profit ratio declined to 37 percent, which may be due to a significant increase in the cost of production or the need to sell products at lower prices because of market competition. In the subsequent years, the ratio improved to 39 percent and further increased to 40 percent, indicating a recovery in profit-earning capacity through better cost management and improved pricing strategies. Although the ratio showed some fluctuations during the period, the overall gross profit ratio for the five years reveals a satisfactory financial condition, suggesting that the business has maintained a stable and healthy gross profit margin over time.

**Table 2: Showing the Net Profit Margin**

Year	Net Profit	Net sales	Ratio
2022	5937.78	30087.56	19.74
2021	3752.3	21885.20	17.15
2020	2371.54	21612.94	13.29
2019	2800.13	19808.5	14.14
2018	2848.84	18262.60	15.60

Source: Computed

**Interpretation**

In 2018, the net profit ratio stood at 15.60 percent, indicating a satisfactory level of profitability. However, during the years 2018–2019 and 2019–2020, the ratio declined to 14.14 percent and 13.29 percent respectively. This decline may be attributed to higher selling and distribution expenses and increased operating costs. In the subsequent years, the net profit ratio showed a steady improvement, reflecting better cost control and improved operational efficiency. The rising trend indicates enhanced managerial effectiveness in managing expenses and generating profits. Therefore, the improvement in the net profit ratio over the later periods highlights improved operational efficiency and reflects positively on the overall performance of the business.

**Table 3: Showing the Return on Investment**

Year	Operating Profit	Capital Employed	Ratio
2022	4733.93	36999.30	12.79
2021	3190.73	35637.92	8.95
2020	2437.54	32556.72	7.49
2019	2434	33355	7.30
2018	2531	35803	7.07

Source: Computed

**Interpretation**

This ratio explains the extent to which the capital invested in the business is converted into net profit. A continuous increase in the ratio year after year indicates that the capital employed is being utilized more efficiently to generate profits. The improving trend also shows that the returns earned from the capital employed in the succeeding years are better than in the earlier periods. This reflects effective managerial decisions, improved utilization of resources, and sound financial management. Therefore, the return on investment ratio over the five-year period demonstrates a high level of efficiency in the use of capital and indicates a very satisfactory overall performance of the business.

**Table 4: Showing the Return on Equity**

<b>Year</b>	<b>Net profit after tax and preference dividend</b>	<b>Equity Capital</b>	<b>Ratio</b>
2022	5937.78	1223.00	4.86
2021	3752.3	1223.00	3.07
2020	2871.54	1123.00	2.56
2019	2800.13	561.50	4.99
2018	2848.84	561.50	5.07

Source: Computed

### Interpretation

In 2018, the return on equity ratio was 5.07 percent, showing that the company was able to provide a reasonable return to its shareholders. In 2019, the ratio slightly declined to 4.99 percent, which may be attributed to an increase in shareholders' funds or lower growth in profits. During the years 2020–2021, the ratio declined further from 3.07 percent to 0.86 percent, indicating reduced profitability and less efficient use of equity capital. Despite these variations, the return on equity ratio over the five-year period reflects an overall satisfactory position, as the company continued to earn returns on shareholders' investment, though the declining trend suggests the need for better profit and capital management in the future.

**Table 5: Showing the Return on Assets**

<b>Year</b>	<b>Net Profit After Tax and Interest</b>	<b>Total Assets</b>	<b>Ratio</b>
2022	5937.78	36999.3	16.05
2021	3752.30	35637.92	10.53
2020	2871.54	32556.54	8.82
2019	2800.13	32593.54	8.59
2018	2848.84	35156.63	8.10

Source: Computed

### Interpretation

Table 5 shows the return on assets of the company for the period from March 2018 to March 2022. In March 2018, the return on assets was 8.10 percent, indicating a moderate level of efficiency in generating profit from total assets. During 2019 and 2020, the ratio remained almost stable at 8.59 percent and 8.82 percent respectively, suggesting that net profit and asset utilization were largely unchanged during these years. In March 2021, the

return on assets improved to 10.53 percent, reflecting a rise in net profit along with better utilization of assets. The most significant improvement was observed in March 2022, when the ratio increased sharply to 16.05 percent due to a substantial increase in net profit compared to total assets. Overall, the return on assets shows an improving trend over the five-year period, indicating enhanced operational efficiency and effective use of assets by the company.

**Table 6: Showing the Inventory Turnover Ratio**

Year	Cost of goods sold	Average Inventory	Ratio
2022	17543.71	3668.52	4.78
2021	12609.33	3385.92	3.72
2020	13708.36	3537.44	3.88
2019	11939.46	3508.00	3.4
2018	11209.73	3732.19	3.0

Source: Computed

### Interpretation

The inventory turnover ratio indicates how efficiently the company converts its inventory into sales. From 2018 to 2022, the ratio has shown a steady increase from 3.00 times to 4.78 times. This upward trend suggests that inventory is being sold more quickly year after year, reducing the risk of overstocking and obsolescence. The improvement in the ratio reflects effective inventory planning, efficient production scheduling, and strong demand for the company's products. Higher turnover also helps in lowering storage and holding costs, thereby improving profitability. Overall, the inventory turnover ratio for the five-year period indicates a sound inventory management policy and efficient business operations.

**Table 7: Showing the Fixed Assets Turnover Ratio**

Year	Sales	New Fixed Asset	Ratio
2022	30087.56	20245.48	1.49
2021	21885.20	21863.99	1.00
2020	21612.94	23293.33	0.93
2019	19808.50	23599.92	0.84
2018	18262.60	25169.20	0.73

Source: Computed

### Interpretation

The fixed assets turnover ratio measures the efficiency with which the company utilizes its fixed assets to generate sales. During the period from 2018 to 2022, the ratio

increased consistently from 0.73 to 1.49, indicating improved utilization of fixed assets such as plant and machinery. The rising trend shows that sales have grown at a faster rate compared to investment in fixed assets, suggesting efficient use of long-term resources. This improvement reflects better operational efficiency and effective asset management. Therefore, the fixed assets turnover ratio over the five-year period reveals a satisfactory position and confirms that there is no underutilization of fixed assets.

**Table 8: Showing the Proprietary Ratio**

Year	Proprietors Funds	Total Tangible Assets	Ratio
2022	33521.63	40904.75	0.82
2021	31683.74	37139.68	0.85
2020	27906.09	33710.84	0.83
2019	27629.57	3323.8	0.83
2018	27653.24	35932.12	0.77

Source: Computed

### Interpretation

The proprietary ratio highlights the proportion of proprietors' funds in total tangible assets and indicates the long-term financial strength of the business. During the five-year period from 2018 to 2022, the ratio remained consistently high, ranging between 0.77 and 0.85. This shows that a significant portion of the company's assets is financed through owners' funds rather than external liabilities. Since the ratio is well above the generally accepted benchmark of 50 percent in all years, it indicates low financial risk and a strong capital structure. Minor fluctuations do not affect the overall stability. Hence, the proprietary ratio reflects a sound financial position, greater security to creditors, and satisfactory performance of the company.

### Findings

- The gross profit of the company has shown an increasing trend over the five-year period, indicating effective control over expenses and improved operational efficiency.
- The net profit has also increased consistently during the five years, reflecting better management of selling and distribution expenses and overall efficiency in business operations.

- The comparative balance sheet analysis reveals that the financial performance of the company improved steadily each year from 2018 to 2022, demonstrating a satisfactory growth trend when compared with previous years.
- The return on investment ratio has increased year after year, indicating that the capital employed is being effectively converted into net profit. The rising returns in the succeeding years reflect efficient utilization of capital.
- The working capital management of the company appears to be satisfactory overall. However, a decline in working capital in certain years was observed, mainly due to an increase in current liabilities.
- The inventory turnover ratio for the five-year period indicates an efficient inventory policy and smooth business operations, with inventory being converted into sales at a satisfactory rate.
- The working capital turnover ratio has shown an increasing trend, suggesting efficient utilization of working capital with lower investment and higher profit generation.
- The proprietary ratio remained above the satisfactory level of 50 percent throughout the five years, indicating a strong financial structure and providing greater security to creditors with minimal financial pressure.

### **Suggestions**

- The liquidity position of the company can be utilized more effectively by investing surplus funds in productive activities that generate higher returns.
- The company may make better use of the credit facilities offered by creditors to improve cash flow management and support short-term operational needs.
- Debt capital has not been fully utilized in an efficient manner; therefore, the company can consider increasing the use of debt financing to optimize its capital structure and reduce the overall cost of capital.
- Continuous efforts should be made to enhance the return on capital employed by using available resources more efficiently and improving operational productivity.
- The company may also increase its sources of funds to strengthen research and development activities, which can lead to innovation, improved product quality, and higher profitability in the future.

## Conclusion

The financial analysis indicates that the company has a strong earning capacity and satisfactory profitability, providing a positive outlook for future growth and returns. The liquidity and solvency positions of the company are stable, enabling it to meet both short-term and long-term financial obligations without difficulty. The current and quick ratios reflect a sound liquidity position, supporting smooth day-to-day operations. The comparative balance sheet analysis shows a consistent increase in total assets over the years, highlighting steady growth and expansion. The company has managed its liabilities effectively through retained earnings, which contributes to value creation for shareholders, while cash and liquidity levels have remained relatively stable despite minor fluctuations. Overall, the company's financial standing is strong, with efficient asset utilization, inventory management, and control over receivables and payables, though continuous monitoring of operating costs, raw material prices, and competition is necessary. To ensure long-term success, the company should further improve operational efficiency, maintain a strong balance sheet, and invest in growth-oriented and development initiatives.

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