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The Government Policy Changes on the Indian Tyre Industry

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ABSTRACT: India's economy began on a strong footing. Agricultural tyre sales performed poorly for the sixth year in a row and dipped by 6% vis-à-vis the previous year. This was largely due to the extreme drought resulting in poor harvest and low financial returns for farmers. Also, expectation of stricter regulations for the farming industry in relation to climate change policies and uncertainties around it further dampened consumer sentiments for investment into new equipment and tyres. The tyre industry is directly dependent on the business from the Original Equipment Manufacturers (OEMs) and the replacement market. Two-wheeler tyre segment- In India, the Company's twowheeler tyre product has been widely accepted by the market and there are prospects of scaling the market share in a fast-growing and profitable segment. The Company plans to introduce the products in Europe and other parts of the world to drive further growth. Greenfield manufacturing base- The Company's highly automated state-of-the-art greenfield plant in Hungary is now operational and it is well-positioned to grow in the European market as it provides a cost-competitive manufacturing base in the region. New geographies: The Company still needs to establish a larger presence in new growing geographies to reach an economically viable operation size. The Company continues to increase its focus on new geographies such as North America and in regions where it has already made some inroads, such as in ASEAN countries and the Middle East. These geographies will be the growth avenues for future. New segments- In India, the Company has a healthy lead over its competition in terms of capacity and market share in the Truck Bus Radial (TBR) segment. This implies robust growth prospects with increasing radialisation. In Europe, the Company has launched TBR tyres in Europe, which will further enhance revenue and market presence. Growth prospects exist in the premium segment of PV (17" and above) in all product segments (Summer/All Season/Winter). Distribution expansion- The Company continues to have a focused approach on increasing its sales channels and distribution expansion. Industry experts estimate a decline in the replacement tyre industry as well with impact of the pandemic playing well into the year. All industries across the globe are looking at their respective governments and their decisions regarding stimulus packages, support to turnaround sentiments, triggering demand and other such factors, which will decide the economic outcome for any country. The Company's risk management processes focus on ensuring that these risks are promptly identified and a mitigation action plan is developed and monitored periodically to ensure that the risks are being addressed accordingly. The Company's risk management framework operates with the following objectives:

• Proactively identify and highlight risks to the right stakeholders
• Facilitate discussions around risk prioritisation and mitigation
• Provide a framework to assess risk capacity and appetite; develop systems to warn when the appetite is getting breached

I. INTRODUCTION

The study aims to analyse the liquidity and profitability performance of selected tyre companies in India. Liquidity and Profitability are the two provisions which are mainly broadly watched in equally the investors and creditors to measure whether the company is performing fine or not. The study is based on secondary information were composed of published audited annual reports and the period of study to covered ten years from 2008 - 2009 to 2017 - 2018. The study used for statistical tools like ratios, mean, standard deviation, coefficient of variation. Therefore, during the study period, the result of liquidity position Good year Ltd. was satisfactory other than the selected tyre companies was not keep in an ideal level of liquidity position. The profitability performance of the Good year Ltd. was good comparatively other selected tyre companies during the study period. The total expenses ratio of all select tyre companies was above 90 per cent. The companies try to reduce our expenses and to keep at a minimum standard level of cash position. The government policy changes one of the factors to affect the company's financial performance like demonetization and goods and service tax.[1,2]

The analysis of profitability ratios is revealed how the profit position stands as a result of total translations made during the year. Such analysis is particularly attractive to the suppliers of funds who can estimate their investment and take decision consequently. On the other hand, profitability ratios are regularly helpful to the organization because these rations return the effectiveness of the business venture as a whole. The term profitability is a combination concept relating to the efficiency of an organization to earn profits. Liquidity and Profitability are the two expressions which are most commonly viewed by both the investors and creditors to measure whether the business is doing good or not. It is associated with the maintenance of the proper point of working capital. This concept does not try to strike a level of liquidity that offers a comfortable balance of Profitability and Liquidity position of the select companies, that is to say, an investment of the company in working capital must be adequate, and neither excess nor less than what it should be. Where speculation of working capital is much more than the requirement, it will no doubt impair the firm's profitability. On the other hand, less than adequate level of working capital to leading the profitability of the firms through impaired liquidity. Therefore, it may generally be assumed that there is always a negative relationship between the two. But it is not true in all the cases. The subsistence of a linear relationship, while not permanent, between profitability and liquidity equivalent to the holding of current assets at a smallest amount up to ascertain level by firms, is not an impracticable proposition. The following concepts to explain what the way of profitability and liquidity are were differing.

1. Profitability alludes to benefits which the organization has made during the year which is determined as the distinction among income and cost done by the organization, while liquidity alludes to the accessibility of money with the organization any time of time. [3,4]
2. A productive organization might not have enough liquidity because the majority of the assets of the organization are put into tasks and an organization which has a parcel of money or liquidity may not be gainful as a result of the absence of chances for putting inert money.
3. Gross profit, net profit, operating profit, return on investment utilized are a portion of the proportions which are utilized to ascertain productivity of the firm while current proportion, fluid proportion and money obligation inclusion proportion are a portion of the proportions which are utilized to figure liquidity of the firm.
4. The profitability of a business can fail for the time being if it doesn't have liquidity though an organization which has liquidity yet isn't productive can't fail for the time being.

Hence as should be obvious from the over that benefit and liquidity are not same and the organization needs to keep up a fine agreement between the two in such a case that organization centres around a lot of productivity then it risks not ready to pay its loan bosses, representatives and different gatherings though then again in the event that organization centres around liquidity and, at that point it risks going into misfortune.[5,6]

II. OBJECTIVES OF THE STUDY

The main objectives of the study are to determine the liquidity and profitability position of select tyre companies in India. The following are the objectives are:

1. To examine the liquidity position of select tyre companies in India.
2. To evaluate the profitability performance of select tyre companies in India.

Liquidity Ratios In this study to taken as the analysis purpose major three liquidity ratios of current ratio, quick ratio, cash position ratio this ratio to analysis the short term commitment of the select tyre companies in India. The following ratios discuss the current ratio of the select tyre companies in India. Current Ratio Current ratio is the relationship between current assets to current liabilities. It is satisfactory level of standard norms 2:1.

Current ratio is calculated as: Current Ratio = Current Assets /Current Liabilities

III. DISCUSSION

Cash Position Ratio -The Absolute liquid ratio or Cash position ratio is the difference from quick assets to quick liabilities. It is satisfactory level of standard norms is 0.50:1 ratio. This ratio calculated as, Cash Ratio = Cash and Bank Balance/ Current Liabilities

Quick Ratio

The quick ratio or liquid ratio or acid test ratio is relationship between quick assets and quick liabilities. It is satisfactory level of standard norms is 1:1 ratio. This ratio calculated as,

Cash Position Ratio

The Absolute liquid ratio or Cash position ratio is the difference from quick assets to quick liabilities. It is satisfactory level of standard norms is 0.50:1 ratio. This ratio calculated as,Cash Ratio = cash and bank balance/current liabilities [7,8]

IV. CONCLUSION

The capital allocation strategy focuses on maintaining optimum and healthy balance between borrowed capital and internal accruals for the purpose of business requirements, including investments required for manufacturing capacities, brands, R&D and working capital. This serves to enhance revenue, increase market share, and improve operating margin and profitability, thereby creating value for shareholders. The Company's capital allocation is aligned with its broader strategy and intent of conducting business in a responsible and sustainable manner. The Company adapts to keep up with the ever-evolving regulatory landscape by enhancing its tyre manufacturing processes. It is also continuously investing in bestin-class technology and robust monitoring mechanisms across its operations. This has not only helped enhance the safety of its operations, but also that of its product range. Moreover, leveraging smart technologies has helped the brand make strides on its sustainability journey, in line with its overarching strategy. The Company strives to stay relevant in the competitive market by leveraging digital technology to improve research and efficiency, as well as to enhance customer experience. It continues to strengthen its Intellectual Capital, with focus on innovation, sustainability, digitisation and smart mobility to deliver safer, smarter and sustainable products and services.

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