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MRF net rises 20.4%; warns of pressure from high input cost

Escalation in crude prices remains a concern, may hurt margins, says tyre maker

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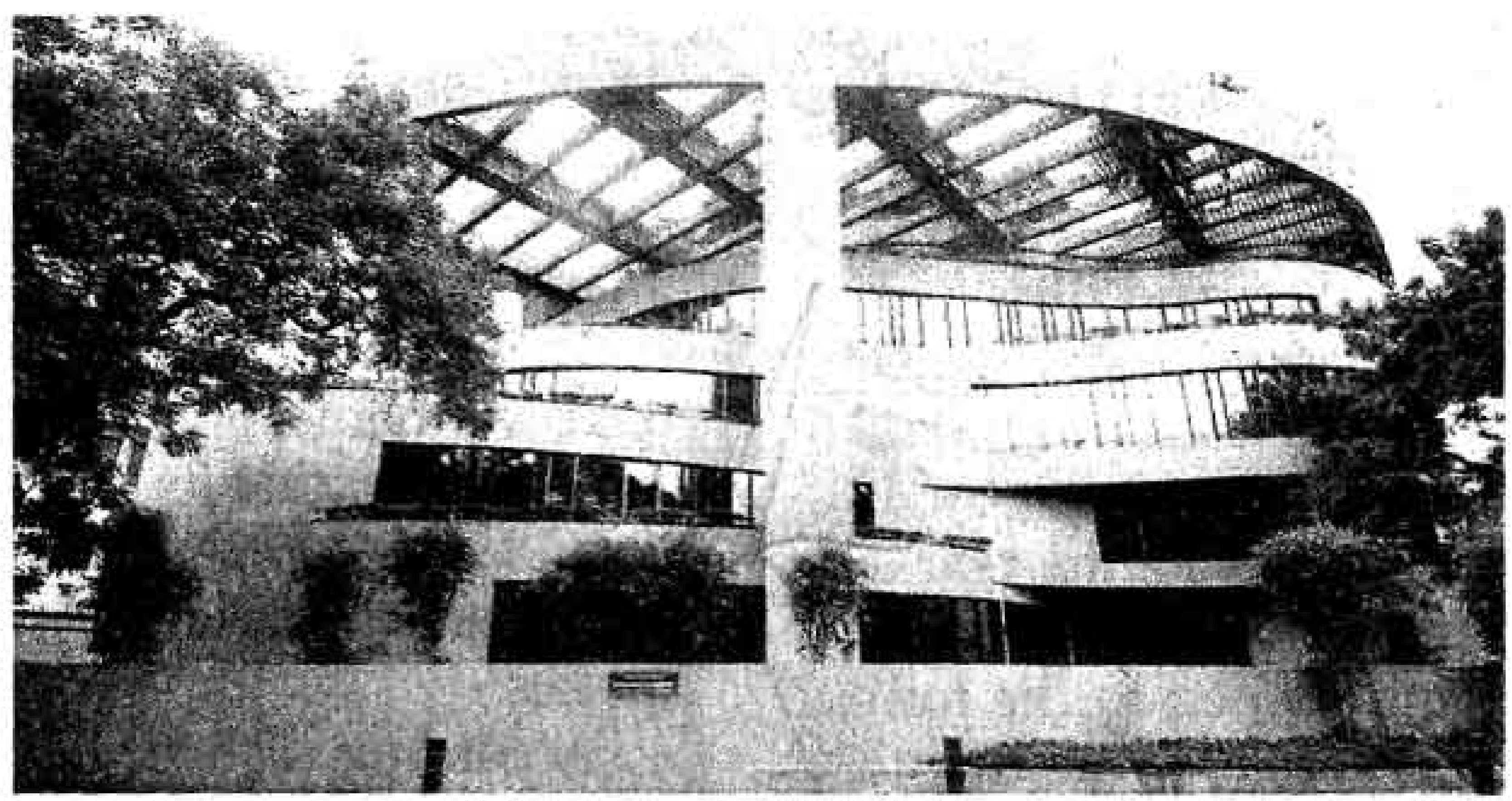
Tyre maker MRF Ltd. posted a 20.4% increase in fourth-quarter net profit. However, the firm warned that escalation in the cost of crude inputs remains a concern and would put pressure on profits going forward.

The Chennai-based firm posted a net profit of ₹345.32 crore compared with ₹286.77 crore in the same period last year. Total income stood at ₹3,944.75 crore, compared with ₹3,778.23 crore in the same period last year.



Pump primed: Heavy spending on infrastructure by the Centre helped support growth, said MRF. • R. RAVINDRAN

Monsoon aided recovery

"In the last fiscal, the introduction of the landmark Goods and Services Tax (GST) brought in some uncertainties as businesses adjusted to the new tax regime. However, a good monsoon resulted in a healthy upswing in the agrarian economy and stoked a recovery in rural demand," the company said in a statement.

Heavy spending on infrastructure by the government helped support long-term growth, MRF added.

The company also noted that the Indian automotive sector clocked significant growth in the 2018 fiscal, buoyed by healthy volume growth across segments. The commercial vehicle category witnessed robust growth, especially in the second half of the financial year, which augured well for the tyre sector." However, it said escalation in the cost of crude based inputs remains a concern and will add pressure to the bottom line.

The firm's warning on input costs dragged down tyre company stocks. Shares of MRF declined 3.4% to close at ₹77,045.75 on the BSE. Ceat shares fell 2.6% to end at ₹1,555, while Apollo Tyres closed down 1.22% at ₹286.55.