JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue

JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)

An International Scholarly Open Access, Peer-reviewed, Refereed Journal

FINANCIAL PERFORMANCE ANALYSIS OF SELECT PAINT COMPANIES

C.POORNI[1], Dr. S. GANDHIMATHI[2]

[1]Student of II M.Com, Department of Commerce

Dr.N.G.P. Arts and Science College (Autonomous) Coimbatore.

[2]Associate Professor, Department of Commerce

Dr.N.G.P. Arts and Science College (Autonomous) Coimbatore.

ABSTRACT

Stock investing is a legitimate technique to grow one's wealth. Before investing, it is necessary to investigate the company's financial performance. Investing in stocks has risk, but if you use financial performance to guide you, you can gain without danger. The paint sector is rising at a faster rate than our country's GDP. The current study examines the financial aspects of the chosen paint industry (ratio analysis, ANOVA).

KEY WORDS: Paint, Performance, Risk.

1.1 INTRODUCTION

Financial analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or design. It is performed by professionals who prepare reports using rates and other ways, that make use of information taken from fiscal statements and other reports.

Paint is used to decorate, protect and prolong the life of natural and synthetic materials, and acts as a barrier against environmental conditions. Paints may be broadly classified into Decorative paints, applied on site to decorate and protect buildings and other objects and Industrial coatings which are applied in factories to finish manufactured goods such as cars.

1.2 STATEMENT OF THE PROBLEM

The growth of Paint Industry reveals that there is a severe competitions among the companies. The biggest company like Asian Paint have their competitors. Similarly, Small companies also have their own competitors. Identifying reasons for success of some companies and at the same time the specific causes for some companies finding it difficult to face the competitors and ensure adequate growth.

1.3 SCOPE OF THE STUDY

In this study 5 major paint companies under organised sector have been covered. This study specifically examines the Strength, Weakness, Opportunities and Threats faced by some companies with respect to Core competencies, Competitive Advantage and Supply Chain Management.

1.4 OBJECTIVES OF THE STUDY

- To analyse the financial performance of selected paint industries.
- To examine the profitability of select paint companies.
- To provide suggestions to improve the company's profitability based on analysing the liquidity position.
- To assist the investors to making investment decision in Paint Industries.

1.5 RESEARCH METHODOLOGY

- **SOURCE OF DATA**

This research aims to study the financial analysis hence it is based on Secondary Data. The required data was taken from the annual report of the company and financial records and from cime prowess. Also various additional information that is required for the study is collected through various magazines, journals, books, reports and various websites.

- **PERIOD OF STUDY**

This study focuses on a period of 10 years from 2011-2012 to 2020-2021.

- **TOOLS FOR RESEARCH**

The tools used for analysis are as follows.

  - Ratio Analysis
  - Standard Deviation
  - Coefficient of Variance
  - Growth Rate
  - ANOVA

1.6 LIMITATIONS OF THE STUDY

- The Paint Industry is very wide and only 5 companies have been selected for a period of 10 years (2011-2012 to 2020-2021) based on the data availability and hence a detailed analysis covering a larger duration has not been carried out.
- The data used is secondary data which is taken from cime prowess and therefore the quality, reliability and accuracy entirely depend on the quality of the secondary data source.

2.1 REVIEW OF LITERATURE

Krunal J. Kakkad and C.M. Thakkar (2020) analysed growth of Paint Industries in India. Asian paint is largest company among décor / domestic paint industry whereas Kansai Nerolac Paints is topmost among industrial paint industries. Growth of paint industry is satisfactory in India.

Ajmera Tushar R. (2020), conducted the study to measure profitability of selected companies of telecommunication sector in India. The study was also focused on identifying liquidity and solvency of the selected telecommunication companies, and how these indicators determine their management efficiency, the results of the study reveal that Reliance Communication suffered huge losses during the study period.

3.1 DATA ANALYSIS AND INTERPRETATION

3.1.1 CURRENT RATIO

It is one of the important accounting ratios to find out the ability of the business to meet out the short financial commitment. This is the ratio establishes the relationship in between the current assets and current liabilities. The ideal norm is 2:1; which means that every one rupee of current liability is appropriately covered by two rupees of current assets.

Current Ratio = Current Assets/Current Liabilities

Table 3.1.1 showing Current Ratio of Select Paint Companies

YEAR	ASIAN	BERGER	KANSAI	AKZO	SHALIMAR
2011 - 12	1.293	1.634	1.991	2.364	1.166
2012 - 13	1.289	1.453	1.688	1.326	1.183
2013 - 14	1.354	1.360	1.783	1.228	1.140
2014 - 15	1.504	1.449	2.136	1.398	1.020
2015 - 16	1.846	1.806	3.230	1.337	1.064
2016 - 17	1.884	1.688	3.346	1.218	0.971
2017 - 18	1.615	1.570	2.935	1.311	0.761
2018 - 19	1.573	1.554	2.759	1.236	1.090
2019 - 20	1.814	1.456	3.297	1.613	0.855
2020 - 21	2.160	1.647	2.932	1.585	0.822
MIN	**1.289**	**1.360**	**1.688**	**1.218**	**0.761**
MAX	**2.160**	**1.806**	**3.346**	**2.364**	**1.183**

AVERAGE	**1.633**	**1.562**	**2.610**	**1.462**	**1.007**
SD	**0.289**	**0.135**	**0.647**	**0.346**	**0.150**
CV	**0.177**	**0.087**	**0.248**	**0.237**	**0.149**
CAGR	**5.267**	**0.082**	**3.946**	**-3.921**	**-3.430**

INTERPRETATION:

The current ratio of Select Paint Companies was explained in table 3.1.1. The maximum average found is 2.610 in Kansai Nerolac Paints and the least value was found is 1.007 in Shalimar Paints. CAGR maximum value found in Asian Paints is 5.267 and least value found is -3.921 in AKZO Nobel Paints.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Rows	1.489133	9	0.165459	1.32958	0.256466	2.152607
Columns	13.77703	4	3.444256	27.67699	1.52E-10	2.633532
Error	4.480012	36	0.124445			
Total	19.74617	49				

Ho: There is no significant mean difference between current ratio of the select Paint companies. Since the calculated P value is 0.256 greater than 0.05 at significant level of 5% so we accept null hypothesis. So there is no mean difference between current ratio of select companies.

Ho: There is no significant mean difference between current ratio and years. Since the calculated P value is 1.52 greater than 0.05 at significant level of 5% so we accept null hypothesis. So there is no mean difference between current ratio and years.

3.1.2 TOTAL DEBT TO TOTAL ASSETS

It is a leverage ratio that defines the total amount of debt relative to assets. This enables comparisons of leverage to be made across different companies. The higher the ratio the higher the degree of leverage and consequently, financial risk. This is a broad ratio that includes long-term and short-term debt (borrowings maturity within one year), as well as all assets- tangible and intangible.

Total Debt to Total Asset = Total Debt/Total Asset

Table 3.1.2 Showing Debt to Asset Ratio of Select Paint Companies.

YEAR	ASIAN	BERGER	KANSAI	AKZO	SHALIMAR
2011 - 12	0.485	0.442	0.504	0.360	0.800
2012 - 13	0.468	0.466	0.526	0.530	0.803
2013 - 14	0.467	0.477	0.501	0.594	0.816
2014 - 15	0.423	0.516	0.452	0.503	0.847
2015 - 16	0.322	0.367	0.505	0.617	0.840
2016 - 17	0.330	0.484	0.474	0.666	0.697
2017 - 18	0.340	0.520	0.479	0.635	0.773
2018 - 19	0.366	0.553	0.459	0.676	0.561
2019 - 20	0.322	0.547	0.435	0.676	0.581
2020 - 21	0.330	0.537	0.378	0.685	0.636
MIN	**0.322**	**0.367**	**0.378**	**0.360**	**0.561**
MAX	**0.485**	**0.553**	**0.526**	**0.685**	**0.847**
AVERAGE	**0.385**	**0.491**	**0.471**	**0.594**	**0.735**
SD	**0.068**	**0.057**	**0.043**	**0.103**	**0.108**
CV	**0.176**	**0.116**	**0.091**	**0.174**	**0.147**
CAGR	**-3.760**	**1.961**	**-2.830**	**6.639**	**-2.262**

INTERPRETATION:

The Debt to assets ratio of Select Paint Companies was explained in table 3.1.2. The maximum average found is 0.735 in Shalimar Paints and the least value was found is 0.385 in Asian Paints. CAGR maximum value found is 6.639 in AKZO Nobel Paints and least value found in Asian Paints is -3.760.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Rows	0.018495	9	0.002055	0.27353	0.977893	2.152607
Columns	0.720875	4	0.180219	23.98834	9.88E-10	2.633532
Error	0.270459	36	0.007513			

Total	1.009829	49				

Ho: There is no significant mean difference between debt to asset ratio of the select Paint companies. Since the calculated P value is 0.977 greater than 0.05 at significant level of 5% so we accept null hypothesis. So there is no mean difference between debt to asset ratio of select companies.

Ho: There is no significant mean difference between debt to asset ratio and years. Since the calculated P value is 9.88 greater than 0.05 at significant level of 5% so we accept null hypothesis. So there is no mean difference between debt to asset ratio and years.

3.1.3 CAPITAL TURNOVER RATIO

This ratio shows relationship between gross capital employed and cost of goods sold or sales. This ratio shows whether the capital employed has been efficiently used or not.

Capital Turnover Ratio = Cost of Goods Sold or Sales/Capital Employed.

Table 3.1.3 Showing Capital Turnover Ratio of Select Paint Companies

YEAR	ASIAN	BERGER	KANSAI	AKZO	SHALIMAR
2011 - 12	1.937	2.177	1.630	0.871	4.734
2012 - 13	1.749	2.060	1.488	1.277	4.160
2013 - 14	1.734	1.977	1.504	1.699	3.968
2014 - 15	1.629	1.508	1.503	1.642	3.769
2015 - 16	1.220	1.583	1.032	1.420	2.692
2016 - 17	1.070	1.080	0.902	1.517	1.246
2017 - 18	1.122	1.078	0.985	1.354	1.370
2018 - 19	1.103	1.046	1.039	1.656	0.770
2019 - 20	1.070	0.926	0.882	0.670	0.897
2020 - 21	0.907	0.800	0.778	0.590	0.963
MIN	**0.907**	**0.800**	**0.778**	**0.590**	**0.770**
MAX	**1.937**	**2.177**	**1.630**	**1.699**	**4.734**
AVERAGE	**1.354**	**1.424**	**1.174**	**1.270**	**2.457**
SD	**0.367**	**0.509**	**0.319**	**0.414**	**1.574**

CV	**0.271**	**0.357**	**0.271**	**0.326**	**0.641**
CAGR	**-7.306**	**-9.529**	**-7.124**	**-3.808**	**-14.723**

INTERPRETATION:

The Capital turnover ratio of Select Paint Companies was explained in table 3.1.3. The maximum average found is 2.457 in Shalimar Paints and the least value was found is 1.174 in Kansai Nerolac Paints. CAGR maximum value found is -3.808 in AKZO Nobel Paints and least value found in Shalimar Paints is -14.723.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Rows	14.6701	9	1.630011	4.304066	0.000745	2.152607
Columns	10.95246	4	2.738116	7.230035	0.000222	2.633532
Error	13.63371	36	0.378714			
Total	39.25627	49				

Ho: There is significant mean difference between capital turnover ratio of the select Paint companies. Since the calculated P value is 0.000 greater than 0.05 at significant level of 5% so we reject null hypothesis. So there is mean difference between capital turnover ratio of select companies.

Ho: There is significant mean difference between capital turnover ratio and years. Since the calculated P value is 0.000 greater than 0.05 at significant level of 5% so we reject null hypothesis. So there is mean difference between capital turnover ratio and years.

3.1.4 **NET PROFIT RATIO**

Net profit ratio is a popular profitability ratio determines overall efficiency of the business. The ratio shows relationship between net profit after tax and net sales. It is computed by dividing the net profit by net sales. Net profit is the remaining profit after all costs of production, administration and financing has been deducted from sales and income tax recognised. It is one of the best measures of the overall results of a firm. The measure is commonly reported on a trend line, to judge performance over time. It is also used to compare the results of a business with its competitors.

Net Profit Ratio = Net Profit/Sales*100 (Net Profit = Profit After Tax

Table 4.4.2 Showing Net Profit Ratio of Select Paint Companies

YEAR	ASIAN	BERGER	KANSAI	AKZO	SHALIMAR
2011 - 12	10.486	6.089	7.151	9.370	2.693

2012 - 13	10.009	6.271	8.661	8.863	1.879
2013 - 14	9.584	6.239	5.532	5.596	-0.485
2014 - 15	9.696	6.286	6.345	6.674	-2.030
2015 - 16	10.904	8.274	19.509	7.299	1.099
2016 - 17	11.186	9.402	10.242	7.539	-2.438
2017 - 18	13.117	8.923	9.923	12.545	-16.353
2018 - 19	13.070	7.939	8.210	6.099	-25.396
2019 - 20	15.486	12.343	9.736	7.270	-9.921
2020 - 21	16.593	11.382	10.037	6.916	-13.724
MIN	**9.584**	**6.089**	**5.532**	**5.596**	**-25.396**
MAX	**16.593**	**12.343**	**19.509**	**12.545**	**2.693**
AVERAGE	**12.013**	**8.315**	**9.535**	**7.817**	**-6.468**
SD	**2.470**	**2.233**	**3.871**	**2.014**	**9.447**
CV	**0.206**	**0.269**	**0.406**	**0.258**	**-1.461**
CAGR	**4.696**	**6.456**	**3.448**	**-2.992**	**0**

INTERPRETATION:

The Net profit ratio of Select Paint Companies was explained in table 4.4.2. The maximum average found is 12.013 in Asian Paints and the least value was found is -6.468 in Shalimar Paints. CAGR maximum value found is 6.456 in Berger Paints and least value found in AKZO Nobel Paints is -2.992.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Rows	166.3892	9	18.48768	0.733074	0.676084718	2.152607
Columns	2124.598	4	531.1494	21.06114	5.08343E-09	2.633532
Error	907.8986	36	25.21941			
Total	3198.885	49				

Ho: There is no significant mean difference between net profit ratio of the select Paint companies. Since the calculated P value is 0.676 greater than 0.05 at significant level of 5% so we accept null hypothesis. So there is no mean difference between net profit ratio of select companies.

Ho: There is no significant mean difference between net profit ratio and years. Since the calculated P value is 5.083 greater than 0.05 at significant level of 5% so we accept null hypothesis. So there is no mean difference between net profit ratio and years.

4.1 FINDINGS

- CURRENT RATIO: The maximum Average found in kansai is 2.610, whereas the least value found in Shalimar is 1.007. The maximum Growth rate found in Asian is 5.267, whereas the least value found in AKZO Nobel is -3.921.
- DEBT TO ASSET RATIO: The maximum Average found in Shalimar is 0.735, Whereas the least value found in Asian is 0.385. The maximum Growth rate found in AKZO Nobel is 6.639, whereas the least value found in Asian is -3.760.
- CAPITAL TURNOVER RATIO: The maximum Average found in Shalimar is 2.457, Whereas the least value found in AKZO Nobel is 1.270. The maximum Growth rate found in AKZO Nobel is -3.808, whereas the least value found in Shalimar is -14.723.
- NET PROFIT RATIO: The maximum Average found in Asian is 12.013, Whereas the least value found in Shalimar is -6.468. The maximum Growth rate found in Berger is 6.456, whereas the least value found in AKZO Nobel is -2.992.

4.2 SUGGESTIONS

- According to the liquid ratio, Shalimar Paints Ltd has a very low liquidity position, whereas Asian Paints Ltd has a high liquidity position overall. As a result, greater liquidity indicates that the company is in good financial health and less likely to face financial difficulties. However, low liquidity indicates that a company's short-term assets are insufficient to cover its current debt obligations.
- When the debt to assets ratio is high, the company has more debt than assets. Asian Paints Ltd has a lower debt to assets ratio than the other companies, so the other companies should lower their debt to assets ratio.
- A high working capital turnover can aid in the smooth functioning of the business and reduce the need for extra investment. When compared to other select paint firms, Akzo Nobel Paints Ltd has a larger working capital turnover and so needs to enhance it in order to reduce further funding’s.
- If the net profit margin is low, it indicates that the company has an inefficient cost structure and bad pricing methods. Other companies, aside from Asian Paints Ltd corporations, must enhance their cost structure and pricing strategies in order to increase net profit.

4.3 CONCLUSION

Paint is an essential and it is required in all the activities of the country. The growth shall be dependent on a number of factors like disposable income in the hands of Public, Urbanization, Economic Development, Crude oil price and recovery in the real estate. Overall liquidity and solvency positions of Shalimar Paints Ltd and Akzo Nobel Paints Ltd are not satisfactory, according to the evaluation of financial performance of sample companies. Asian Paints Ltd continues to operate well in terms of profitability. Shalimar Paints Ltd, Akzo Nobel Ltd, Berger Paints Ltd, and Kansai

Nerolac Paints Ltd are not good alternatives. Since paints can be replaced by any other forms, Paint Industry is a definite Growth Industry for investing.

REFERENCES

- Krunal J. Kakkad and C.M. Thakkar (2020) Indian Paint Industry Estimated To Reach Rs.70,000 Crores by 2021-22 : IAP. January 14, 2019, Business Standard .
- Ajmera Tushar R. (2020), "Financial Indicators of Selected Service-Provider Companies of Telecommunication Sector in India: An Empirical Study". Journal of Advanced Research in Economics and Administrative Sciences, Volume: 1, Issue 1, 2020, pp 23- 31.