



ORIGINAL RESEARCH PAPER

Accountancy

FINANCIAL ANALYSIS OF ASIAN PAINTS LIMITED

KEY WORDS:

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ABSTRACT

The study entitled "FINANCIAL PERFORMANCE OF ASIAN PAINTS LIMITED". Financial Performance analysis means establishing a relationship between the items in the balance sheet and profit and loss account for determining the financial strength and weakness of the firm. The study entitled to know the financial position of the Company helps in making a sound decision by analyzing the recent trend. This study aims at analyzing the financial performance of Asian Paints Ltd. Using the framework of comparative balance sheet and ratio analysis. The basic objective of the study is to evaluate and judge the performance of Asian paints during the study period. To determine the firm's efficiency an attempt is made to measure the solvency position of the firm.

INTRODUCTION

Financial Performance refers to the act of performing the financial activity. It is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used to measure a firm's overall financial health over a given period. Analysts and Investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies. The Financial Performance of a company is analyzed by the Financial Statements available. Financial statements are formal records of the financial activities and position of a business, person, or other entity.

The main financial statements used to analyze financial performance are the Balance sheet (or Statement of Financial Position), Profit and Loss Account (or Income Statement), Cash flow statement, and Statement of Changes in Equity. In this study, to study the financial performance we use the Balance sheet and Profit and Loss Account for 3 consecutive years. The company chosen for this study is Asian Paints Limited.

STATEMENT OF THE PROBLEM

The statement of the problem is finance based and it aims to analyze the financial performance of Asian paints for the past 3 years. Financial performance means ensuring the results of a firm's policies and operations in monetary terms. Comparative financial analysis provides information to assess the direction of change in the business at a particular date and particular period of time. The balance sheet indicates the operating and non-operating results for a given period.

OBJECTIVES OF THE STUDY

- To know the financial position of Asian Paints Ltd.
- To assess the liquidity position of the firm

REVIEW OF LITERATURE

1. Debashish Rei and Debashish Sur (2001)

The study attempts to measure the profitability scenario of Cadbury India Ltd. The study on the interrelation between the selected ratios regarding the company's position and performance and profitability of the company revealed both negative and positive associations.

2. Dr. Abhay Kumar (2009)

Switching from conventional paint to eco-friendly paint can do more than just help the planet; it can also prevent people from inhaling cancer-causing chemicals that are formed when the paint is mixed with phenol and formaldehyde.

Ideally, eco-friendly paints are natural and contain low or zero VOC.

3. Dangwal and Kapoor (2010)

Undertook the study on the financial performance of nationalized banks in India and assessed the growth index value of various parameters through overall profitability indices. They found that out of 19 banks, four banks had excellent performance, five banks had a good performance and six banks had poor performance.

RESEARCH DESIGN

The final results and conclusion are to find the 3 years of financial statements data extracted from the annual report of Asian Paints Limited from their official webpage.

DATA COLLECTION

Secondary data have been mainly obtained from the annual reports, Articles, records, and Books. The secondary data were also collected from the company's audited financial statements such as profit and loss accounts and Balance sheets. Data on the performance of working capital and the company's liquidity position-related data are also taken as secondary data.

PERIOD OF STUDY

The evaluation of the financial performance of Asian Paints is for a period of 3 years ranging from 2019-2020 to 2021-2022.

LIMITATIONS

The period considered for the study is the last three years financial statement only. So it is possible to find out the lifetime performance of the company.

NATURE OF DATA

This study is Analytical in nature. Nature of Data The study is based on Secondary data.

TOOLS USED FOR ANALYSIS

Data has been analyzed using below mentioned financial techniques;

- Ratio Analysis
- Common-Size Balance Sheet

RATIO ANALYSIS

LIQUIDITY RATIOS

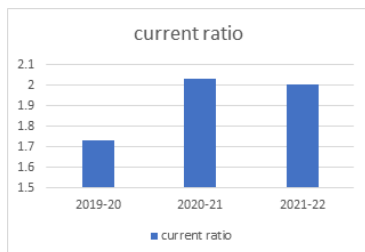
A) CURRENT RATIO

| Year | Current Asset | Current Liability | Ratio |
|---------|---------------|-------------------|---------|
| 2019-20 | 7580.11 | 4380.38 | 1.73:1 |
| 2020-21 | 12026.60 | 5925.86 | 2.029:1 |

| | | | |
|---------|----------|---------|---------|
| 2021-22 | 15152.33 | 7570.99 | 2.001:1 |
|---------|----------|---------|---------|

INTERPRETATION

Generally, the current ratio of 2:1 is considered as a standard ratio. This ratio shows the relationship between current assets and current liabilities. The ideal ratio is 2:1. From the above table it is clear that the company attained the standard ratio in FY22.

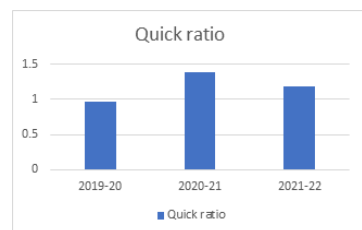


B) QUICK RATIO

| Year | QuickAsset | QuickLiability | Ratio |
|---------|------------|----------------|--------|
| 2019-20 | 4190.3 | 4380.38 | 0.96:1 |
| 2020-21 | 8228 | 5925.86 | 1.39:1 |
| 2021-22 | 8999.35 | 7570.99 | 1.19:1 |

INTERPRETATION

Generally Quick ratio of 1:1 is considered satisfactory. The quick ratio closely reached a satisfactory rate only in the financial year 2019-20. The quick ratio fluctuates year on year. The company needs to increase quick assets to attain a standard ratio. It shows the relationship between quick assets and current liabilities. Quick ratio equals the Quick assets/ Current liabilities. Quick assets include all current assets except inventories (stock) and prepaid expenses. The quick ratio is also called the Acid test ratio.



COMMON-SIZE STATEMENTS

Table showing Common-size Balance sheet for the year 2019-20, 2020-21

| Particulars | Absolute Amounts | | Percentages | |
|-------------------------------|------------------|-----------|--------------|--------------|
| | 2019-2020 | 2020-2021 | 2019-2020(%) | 2020-2021(%) |
| Assets | | | | |
| Non-Current Assets | 8574.66 | 8343.02 | 53.07% | 40.95% |
| Current Assets | 7580.11 | 12026.60 | 46.93% | 59.05% |
| Total Assets | 16154.77 | 20369.62 | 100 | 100 |
| Equity and Liabilities | | | | |
| Total Equity | 10533.69 | 13229.15 | 65.2% | 64.94% |
| Non-Current Liabilities | 1240.70 | 1214.61 | 7.68% | 5.96% |
| Current Liabilities | 4380.38 | 5925.86 | 27.12% | 29.1% |
| Total Equity and Liabilities | 16154.77 | 20369.62 | 100 | 100 |

| Particulars | Absolute Amounts | | Percentages | |
|-------------|------------------|-----------|--------------|--------------|
| | 2019-2020 | 2020-2021 | 2019-2020(%) | 2020-2021(%) |

| | | | | |
|-------------------------------|----------|----------|-------|-------|
| Assets | | | | |
| Non-Current Assets | 8328.74 | 7806.10 | 40.92 | 34.1 |
| Current Assets | 12026.60 | 15152.33 | 59.08 | 65.9 |
| Total Assets | 20355.34 | 22958.43 | 100 | 100 |
| Equity and Liabilities | | | | |
| Total Equity | 13229.15 | 14199.09 | 64.99 | 61.84 |
| Non-Current Liabilities | 1200.33 | 1188.35 | 5.89 | 5.17 |
| Current Liabilities | 5925.86 | 7570.99 | 29.12 | 32.99 |
| Total Equity and Liabilities | 20355.34 | 22958.43 | 100 | 100 |

INTERPRETATION

The table shows that the company experienced significant growth in its total assets and equity between 2019-2020 and 2020-2021, primarily due to an increase in current assets. However, the company also took on more short-term debt, as evidenced by the increase in current liabilities. The decrease in non-current assets and liabilities may indicate that the company is shifting towards a more short-term investment and financing strategy. In 2019-2020, the company's total assets amounted to 16,154.77, which consisted of 8,574.66 non-current assets and 7,580.11 current assets. Non-current assets represented 53.07% of total assets, while current assets represented 46.93%. The company's total equity in 2019-2020 was 10,533.69, which represented 65.2% of total equity and liabilities. The remaining 34.8% was represented by the company's liabilities, which amounted to 5,620.08. These liabilities consisted of 1,240.70 non-current liabilities and 4,380.38 current liabilities. In 2020-2021, the company's total assets increased to 20,369.62, primarily due to a significant increase in current assets to 12,026.60. Non-current assets decreased slightly to 8,343.02, which represented 40.95% of total assets, while current assets represented 59.05%.

Table showing Common-size Balance sheet for the year 2020-21, 2021-22

INTERPRETATION

The table provides the financial statement of a company for the years 2020-2021 and 2021-2022, showing the amounts and percentages of their assets, equity, and liabilities. In terms of assets, the company had a total of 20,355.34 in 2020-2021, which increased to 22,958.43 in 2021-2022. The non-current assets decreased from 40.92% to 34.1% of total assets, whereas the current assets increased from 59.08% to 65.9% of total assets. Regarding equity and liabilities, the total equity increased from 64.99% to 61.84% of total equity and liabilities. The non-current liabilities and current liabilities increased their shares of total liabilities from 5.89% to 5.17% and from 29.12% to 32.99%, respectively. Overall, the company's current assets increased while non-current assets decreased, and the company's equity increased in both absolute amounts and percentage terms. The company's current and non-current liabilities also increased in absolute amounts, and their shares in the total liabilities shifted slightly.

FINDINGS

The information provided shows the current assets and current liabilities of a company for three consecutive years i.e., 2019-20, 2020-21, and 2021-22. The current ratio, which is the ratio of current assets to current liabilities, is also given for each year.

In 2019-20, the company had current assets of 7580.11 and current liabilities of 4380.38, which gave a current ratio of 1.73:1. This means that the company had 1.73 rupees of current assets for every rupee of current liabilities, indicating

that it was able to meet its short-term obligations. The common size balance sheet shows the percentage breakdown of each category of assets, equity, and liabilities for two consecutive years: 2020-2021 and 2021-2022. It can be seen that non-current assets have decreased from 40.92% in 2020-2021 to 34.1% in 2021-2022. This indicates that the company has either sold off some of its long-term assets or invested more in its current assets.

Overall, the common-size balance sheet shows how each category has changed as a percentage of the total assets, equity, and liabilities over the course of a year. It can be helpful in identifying trends and analyzing the financial health of a company.

SUGGESTIONS

CAPEX: For these initiatives, Asian Paints has planned a total CAPEX of Rs.87.50 bn over the next 3 years – Capacity enhancement green field (Rs 20bn) and brownfield (Rs 34 Bn); Backward integration (Rs 25.5 Bn); Acquisitions (Rs 8 Bn) which includes outflow already made towards acquisition of 51% stake specialty chemical.

Margins are likely to improve: Management highlighted it witnessed 8% material deflation in Q3FY23 which was not reflected fully in the margins, management expects some portion of raw material deflation, coupled with the further downfall in raw material prices will lead to margin improvement from Q4FY23 onwards.

Domestic: Rural/T3/T4 along with Metro/urban centers demand remains tepid, however, it witnessed a sharp double-digit volume recovery in December. Management expects the trend to continue in the coming months as well. Strong growth was witnessed in project and institutional as it gained market share.

International Business: The company's International Business grew by ~2% YoY to Rs 779 Cr, led by the price increase. PBT improved across geographies led by price growth and cost efficiency. PPG-AP (Auto) was up 24% YoY and was led by price realization, and sequential demand improvement in the Auto, GI, and Refinish segments. AP-PPG (General Industrial) continued its strong momentum, up 24% YoY.

CONCLUSION

The Project is entitled "FINANCIAL ANALYSIS OF ASIAN PAINTS PRIVATE LIMITED". The financial statement of the company was analyzed and interpreted with the help of the balance sheet and profit and loss account for the last 3 years 2019 -2022. The Indian Paint Industry is the only segment of the Indian chemical industry that has been a consistent double-digit growth rate in the last five years. The research is to study the concept of financial performance with respect to Asian Paints. The findings of the study will provide new insights to top management professionals in the paint product industry by identifying the growth. This study is based on both primary and secondary data. It is an analytical descriptive study carried out with a view to bringing out the merits and demerits of the financial position of Asian paints and measures for strengthening the industry.

From this study, it is concluded that the usage of Asian paint is at a very rapid rate. This is mainly due to advertisement and quality, consumer marketing, etc., The company has scope for improvement in the future. Overall Asian paints occupy a very sound position in the world and have advanced much towards globalization efforts.

REFERENCES

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