

FINANCIAL PERFORMANCE OF INDIAN PAINT INDUSTRY

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Abstract:

In this paper the study of overall Indian Paint industry is made. The focus is given on the financial performance and the liquidity position of the Indian Paints Industry, and the analysis of the liquidity position of the selected company's year wise and company wise is made for the selected period and the conclusions are derived from the above analysis.

Keywords: Paint, Financial, Liquidity Ratio, Current Ratio, Quick Ratio, Financial Performance.

Introduction

The Indian Paint Industry is more than 100 years old. The first paint manufacturing company in India was Shalimar Paints Company which was established in the year 1902, in Calcutta. In Asia, the Indian Paints market is the second largest. Its annual production is around three million tons. This industry is growing on from the traditional whitewash to the excellent paints like emulsion paints and finish paints which has helped in developing the Indian Paints Industry. This industry is divided into two segments, decorative and industrial. The decorative segment manufactures paints for the decoration of buildings and the industrial sector manufactures paints for the industry like automobile.

Objectives of the Study

The objective of the present study includes:

To know the overview of the Indian Paints Industry

To study the liquidity ratios of the Indian Paints Industry.

Sampling Design

For carrying on this research, the population is, all the paints manufacturing companies listed on the Bombay Stock Exchange. Out of these four companies have been selected using convenient sampling method. The four selected companies are as follows:

1. Asian Paints Ltd.
2. Berger Paints India Ltd.
3. Kansai Nerolac Paints Ltd.

4. AkzoNobel India Ltd.

Period of the study

The study is carried on for a period of three years i.e. March 2017, 2018 and 2019.

Financial Performance

The financial performance is a concept which shows the financial position of accompany. To know the financial position of a company or an industry the financial statements analysis is to be made. the various analysis can be the liquidity analysis ,the profitability analysis, the analysis of efficiency of the management in handling its assets etc. the financial statements of a company include the trading and profit and loss account ,the Cashflow statements and the Funds flow statement .

Liquidity Ratios

The liquidity ratios of a company shows the liquidity position of the company .the standard liquidity ratio is 2:1.which means the current assets must be twice than the current liabilities. The standard ratio may be different for different industry. This ratio helps us to know how well a company is maintaining its financial liquidity. Liquidity ratios consists of current ratio and quick ratio, which are discussed below.

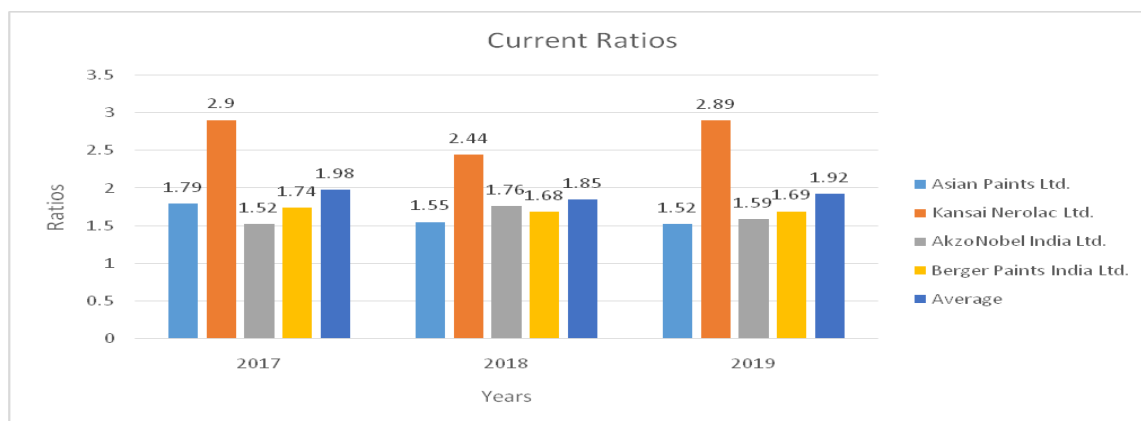
Current ratios

The current ratios show how well the company is managing its current assets and current liabilities.it also shows the relationship between the current asset and the current liabilities.

Table showing CurrentRatios for the period March 2017 to March 2019

Company	2017	2018	2019
Asian Paints Ltd.	1.79	1.55	1.52
Kansai Nerolac Ltd.	2.9	2.44	2.89
AkzoNobel India Ltd.	1.52	1.76	1.59
Berger Paints India Ltd.	1.74	1.68	1.69
Average	1.98	1.85	1.92

Chart showing CurrentRatios for the period March 2017 to March 2019



Analysis and Interpretation

The average Current Ratio of the industry for the year 2019 is 1.92. The average of Kansai Nerolac Paints Ltd is higher than the industry's average and all the other companies average is below the industry average.

The average of the industry for the year 2018 is 1.85. The average of Kansai Nerolac Paints Ltd is higher than the industry's average and all the other companies average is below the industry average.

The average of the industry for the year 2017 is 1.98. The average of Kansai Nerolac Paints Ltd is higher than the industry's average and all the other companies average is below the industry average.

All the companies' average for all the years are differing from the industry average. Every company under study should take the measures to maintain their averages at industry average.

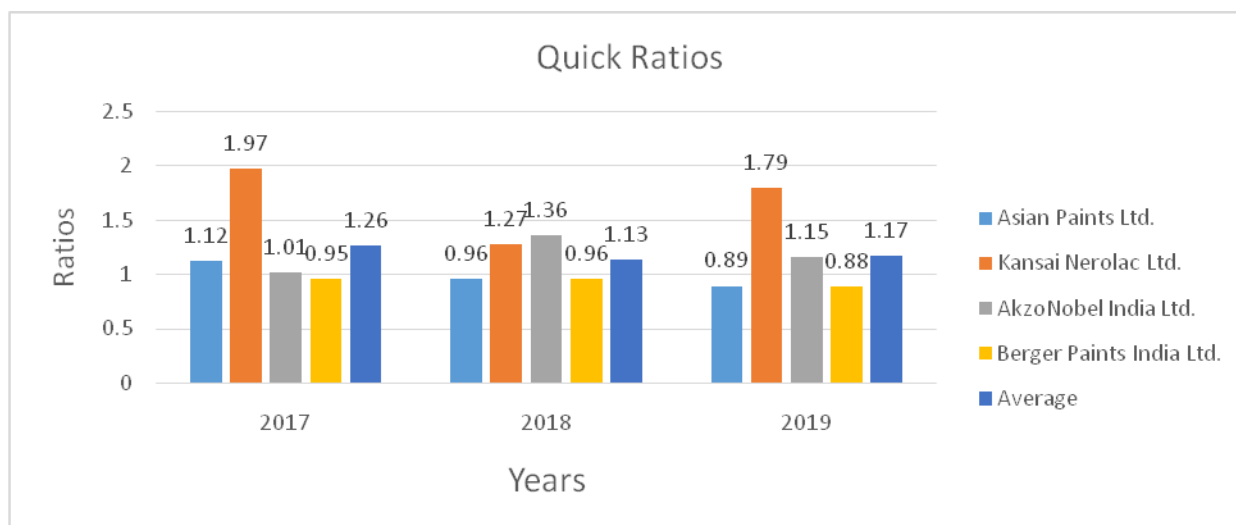
Quick Ratio

The Quick Ratio is also known as the Acid Test Ratio. It studies the relationship between the cash and cash equivalents, marketable securities, accounts receivable to the amount of Current Liabilities.

Table showing Quick Ratios for the period March 2017 to March 2019

Company	2017	2018	2019
Asian Paints Ltd.	1.12	0.96	0.89
Kansai Nerolac Ltd.	1.97	1.27	1.79
AkzoNobel India Ltd.	1.01	1.36	1.15
Berger Paints India Ltd.	0.95	0.96	0.88
Average	1.26	1.13	1.17

Chart showing Quick Ratios for the period March 2017 to March 2019



Analysis and Interpretation

The average Quick ratio of industry for the year 2019 is 1.17. The average of Kansai Nerolac Paints Ltd is higher than the industry's average and all the other companies average is below the industry average.

The average Quick ratio of industry for the year 2018 is 1.13. The average of Kansai Nerolac Paints Ltd & AkzoNobel India Ltd is higher than the industry's average and all the other companies average is below the industry average.

The average Quick ratio of industry for the year 2017 is 1.26. The average of Kansai Nerolac Paints Ltd is higher than the industry's average and all the other companies average is below the industry average.

All the companies' average for all the years are fluctuating from the industry average. Each company under study should take the measures to maintain their averages at industry average.

Conclusion

The current ratios and the quick ratios of the selected paint manufacturing companies does not differ significantly, except Kansai Nerolac Paints Ltd, and are found satisfactory.

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