A STUDY ON FINANCIAL PERFORMANCE ASIAN PAINT LTD

Mr. P. Kanagaraj*1, Mr. S. Lokith*2

*1Assistant Professor In Department Of Commerce With Professional Accounting, Dr.N.G.P Arts & Science College, Coimbatore, Tamil Nadu, India.

*2Department Of Commerce With Professional Accounting, Dr.N.G.P Arts & Science College, Coimbatore, Tamil Nadu, India.

ABSTRACT

The study aims to analyse the financial performance of Asian Paints Limited, one of the leading paint companies in India, for the period 2018-2022. The study uses financial ratios such as liquidity ratios, profitability ratios, and efficiency ratios to evaluate the company's financial health and performance. The findings reveal that Asian Paints Limited has maintained a strong financial position with increasing revenues, net profits, and return on equity during the study period. The liquidity ratios suggest that the company has sufficient current assets to meet its short-term obligations. The profitability ratios indicate that the company has generated healthy profits from its operations, with a consistent gross profit margin and net profit margin. The efficiency ratios show that the company has effectively managed its assets to generate sales and profits. However, there is scope for improvement in inventory turnover and receivables turnover ratios. Overall, the study concludes that Asian Paints Limited has demonstrated a stable financial performance and has the potential for growth in the future. The company's strong brand, diversified product portfolio, and focus on innovation have helped it maintain its position as a market leader in the Indian paint industry.

Keywords: Monitoring Of Financial Performance, Working Capital Turnover Ratio, Liquidity Ratio, Asian Paints.

I. INTRODUCTION

Financial performance refers to the act of performing financial activity. It is a subjective measure of how well a firm can use assets from its primary mode of business to generate revenues. The term is also used as a general measure of 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 analysed using the available financial statements. Financial statements are formal records of the financial activities and position of a business, person, or other entity. The main financial statements used to analyse 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 used the balance sheet and profit and loss account of five consecutive years. The company chosen for this study is Asian Paints Limited. Financial performance is an important factor that influences an organization's profitability and liquidity. There are many ways to measure financial performance, but all measures should be taken in aggregate. The study is based on financial statements such as ratio analysis and a common-size balance sheet. By combining these tools, it enables one to determine in an effective manner. Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to determine whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment. Financial analysis refers to an assessment of the viability, stability, and profitability of a business, sub-business, or project.

II. REVIEW OF LITERATURE

Dr. Pradip Kumar Das (2022) The paper is an attempt to analyse the financial statements of Indian selected Information Technology company mainly based on specific ratios. Financial analysis is a process concinnity and outline of financial and effective pursuits of a business enterprise. Financial analysis is a receptive facet in the domain of financial management. company in India by way of financial analysis. Statistical tools and techniques help analyse the essence of empirical study which provides rationality to management.
When companies become bankrupt, it creates huge loss for shareholders, banking companies as well as the entire economy. Secondary data has been collected for their study. The study was made on top five Indian companies listed in BSE from paint industry has been selected. The author concluded study is to his study observed the applicability of DuPont analysis and Altman Z Score to analyse the financial stability and insolvency or bankruptcy of five paint manufacturing companies.

### III. STATEMENT OF THE PROBLEM

The study is done to analyze the financial performance of Asian Pints Limited. This helps to understand their strength and weaknesses etc. The Financial statements like balance sheet and profit and loss account helps in the same.

### IV. SCOPE OF THE STUDY

This study provides information about the cash position company is holding and how much debt the company has in relation to equity. This helps in understanding the financial strengths and weaknesses and creditworthiness of the company. The study also helps in assessing the operational efficiency and managerial effectiveness of the company.

### V. OBJECTIVES OF STUDY

- To examine and understand the liquidity and solvency position of the company
- To know the profitability position of the company
- To analyse the current position and operational efficiency of the company

### VI. RESEARCH METHODOLOGY

#### NATURE OF THE STUDY

This study is analytical in nature.

#### NATURE OF DATA

The study is based on secondary data.

#### SOURCES OF DATA

The financial statements and other data related to the study are taken from the official website of Asian Paints Limited and other relevant sites.

#### PERIOD OF STUDY

To study the financial performance of Asian Paints Limited, we have taken financial statements for five consecutive years (FY2018-2019 to FY2021-2022) of Asian Paints Limited.

### VII. ANALYSIS AND INTERPRETATION

#### Table 1: Showing Analysis And Interpretation

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CURRENT RATIO</th>
<th>DEBT EQUITY RATIO</th>
<th>OPERATING PROFIT RATIO</th>
<th>WORKING CAPITAL TURNOVER RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 - 2018</td>
<td>1.18</td>
<td>0.06</td>
<td>19.0</td>
<td>6.83</td>
</tr>
<tr>
<td>2018 - 2019</td>
<td>1.0</td>
<td>0.07</td>
<td>19.57</td>
<td>7.86</td>
</tr>
<tr>
<td>2019 - 2020</td>
<td>1.03</td>
<td>0.03</td>
<td>20.59</td>
<td>6.31</td>
</tr>
<tr>
<td>2020 - 2021</td>
<td>1.29</td>
<td>0.03</td>
<td>22.36</td>
<td>3.55</td>
</tr>
<tr>
<td>2021 - 2022</td>
<td>1.46</td>
<td>0.06</td>
<td>16.5</td>
<td>3.83</td>
</tr>
</tbody>
</table>

### VIII. FINDINGS

- The company failed to attain the ideal current ratio in the financial years 2018–2022. This shows that the company is not able to pay off its short term obligations. Therefore, the liquidity position of the company is not good.
• The debt equity ratio of the company has not reached the ideal ratio. This shows that the company is less dependent on debt or outside funds. The company is maintaining a low debt level in their capital structure by paying off their debt through reserves. Hence, the company does not maintain an optimal capital structure.

• The operating ratio of the company is higher than the ideal ratio. This shows that there is better operational efficiency at the company.

• The company has only attained an ideal working capital turnover ratio in the financial year 2018-19. This shows that the company's activity position is not good.

IX. SUGGESTIONS

• The company has to decrease its current liabilities to improve its liquidity ratio and liquidity position.

• The company should increase its current assets to meet its short-term obligations.

• The total liabilities have to be raised more, so as to bring the debt-equity ratio to the standard level.

• The company should try to use working capital effectively for generating sales and increasing turnover ratios.

• The debt has an impact on the profitability of the organisation. The company should enlarge its capital base by adopting long-term sources of finance.

• The company should borrow long term funds, and its profits should strengthen its financial position.

X. CONCLUSION

Ratio analysis is a traditional and powerful tool for evaluating the performance of the company. Financial statements can be understood through comparative statements. But it will show either increase or decrease of particulars in financial statements. But ratio analysis gives more meaningful information about the company. For example, working capital is more important for manufacturing companies and it can understand easily through working capital. Asian Paints performance should concentrate to improve the working capital. Asian Paints is having the highest market share in its industry. Asian Paints is having a brand reputation in the market and its market share is large. This company is facing competition from global companies with innovative paints. The sustainability of Asian Paints depends on innovative paints at competitive prices. Every day consumers are in touch with the product, therefore companies need to consider it while doing research on innovative paints. There are many types of ratios and they can be categorized as liquidity ratios, profitability ratios, solvency ratios and turnover ratios. Stakeholders of the business need to consider their specific category for conducting ratio analysis. whereas financial managers and accounting departments need to consider liquidity and working capital ratios. The warehouse department and production department considers turnover ratios for designing the production strategy. Overall ratio analysis at Asian Paints had displayed the healthy financial performance of the company.

XI. REFERENCE


BOOK REFERENCE


WEBSITE REFERENCE
[10] www.asianpaints.com

"Financial Management" by I.M. Pandey
"Business Research Methods" by Dr. K Venugopalan.