



Financial Performance Analysis of Asian Paints Ltd

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ABSTRACT:

In this modern competitive business era, a company must analyse their own financial performance for making key business decisions. The ways of financial performance analysis are in wide range, where each and every methods of analysis should be put in aggregation to draw up a conclusive decision in the benefit of company's future growth prospects. Financial reporting is an vital commerce movement since it gives data approximately a company's past execution as well as its show money related circumstance. Asian Paints may be a key member within the paint trade, with the most noteworthy showcase share in India, the third biggest in Asia, and the ninth biggest within the world. The association has displayed extraordinary operational proficiency, effective administration, around the world development, and a solid innovation vision amid the past 10 a long time. Through this study, an attempt has been made to establish the strength and weakness of the firm by relating the items in financial statements of Asian Paints Limited for the past five years. Also the study aims in analysing the liquidity, profitability, solvency position of company.

KEYWORDS: Financial performance analysis, Financial Ratios, Liquidity, Profitability and Solvency Analysis.

STATEMENT OF PROBLEM:

The financial accounts accurately depict a company's money related status. Analyzing the joins between the financial statement components can give understanding into the company's execution and position. Financial ratios are utilized to assess a company's liquidity, benefit, productivity, and dissolvability, all of which are critical contemplations when making vital commerce choices. Book keeping proportions are utilized by a assortment of clients to survey a company's money related status, including laborers, financiers, speculators, and banks.

I. LITERATURE REVIEW

1. Author tries to say is Financial analysis is a powerful tool for simplifying complex financial information and making financial statements easier for users. Information is easier to understand when presented in charts and graphs. With the help of trend, vertical and ratio analysis, we have decided that Asian Paints has managed its business well. Between 2010 and 2015, we compared various financial parameters of Asian Paints and its competitors, including working capital, liquidity ratios, profitability, equity and efficiency ratios. Despite difficult macroeconomic conditions such as the subprime crisis, recession, high inflation, the real estate bubble and the construction sector, Asian Paints performed brilliantly. This is evidenced by the tripling of the company's share price in less than five years. We must act. To recognize and appreciate Asian colors for its impressive performance despite difficult circumstances.(pdf 123 deepali)

2. Creator likes to say here is ,Financial analysis is a useful tool for simplifying and making sense of complex financial data. To determine the appropriate discount rate, securities analysts typically forecast variables related to earnings and assess the level of risk associated with the stock when analyzing the intrinsic value of the stock. Fundamental analysis, which assesses a company's earnings potential and level of risk, as well as the general outlook of the industry to which it belongs, is the most commonly used method for valuing stocks. This method requires the analysis of economic and financial data to predict changes in stock prices. Analysts perform fundamental analysis using a variety of financial data, including company financial statements, as well as non-financial data such as product demand growth forecasts, expected discount rates and comparisons with other companies in the industry. industry, government policy changes and general economic trends. available to users of financial statements.(pdf12345 jeelam basha)

3. The analyst investigates the relationship between Corporate Social Execution (CSP), Corporate Financial Performance (CFP), and financial risk among the best ten Indian organizations recorded on



the Bombay Stock Trade in this ponder. The investigate looks at CSP, CFP, and financial risk components in associations such Bajaj Fund Ltd, Dependence Businesses Ltd, Bajaj Auto Ltd, State Bank of India, Hindustan Unilever Ltd, Asian Paints Ltd, and Bharathi Airtel Ltd. The accentuation on CSP, CFP, and monetary risks within the Indian trade environment is one of the study's recognizing elements. (ssrn pdf dhanasekar selvam, amutraha)

4. The author is tired that the financial management assignment gave us practical experience in analyzing financial statements. We have done an in-depth analysis of Asian Paints' performance, comparing it with the performance of its closest competitor, Berger Paints. We also noted the consistency of Asian Paints' financial performance over time. In addition, we gained an understanding of the various components of a company's financial statements, including the roles of different accounts. (research gate pdf)

5. The researcher's objective is to ponder and look at Asian Paints Limited's financial performance over a five-year period. (2015-2016 to 2019-2020). The study's objective is to survey the company's solvency, profitability, and activity ratios within the brief and long term. The investigate too looks for to appraise the company's money related development in terms of profit, deals, and costs. The analyst will produce comparative and industry-standard considers for the company's measure to help in this study. (pdf PAULJOY 190031000679)

6. The writer tries to express: Profit maximisation is the major objective of any firm in today's competitive trade climate since it is basic for

survival. Benefit is the income created by a firm after deducting its costs. Financial accounting gives various apparatuses and approaches for examining a company's productivity over time in arrange to evaluate its financial victory. The financial execution of chosen paint firms in India was surveyed utilizing factual strategies and report investigation from 2014-2015 to 2018-2019. The examination found that the chosen paint businesses' benefit was incredible and satisfactory. (ssrn Dr. P. Rajender)

OBJECTIVES

1. To analyse and interpret the financial performance of Asian paints Limited for five years (2015- 16 to-2019-20).
2. Different measures will be utilized to analyse the company's capacity to pay its financial responsibilities within the brief and long run, as well as its benefit and effectiveness in asset administration.
3. Analyze the company's financial direction in terms of benefits, sales, and costs.
4. To determine the performance of the company with the help of comparative data

II. RESEARCH METHODOLOGY

The research methodology used in this project is analytical in nature. The study is fully depending on the firm's internal activity and items in annual financial statement of the company. The analyst extraordinary to embrace a basic assessment of the performance by analyzing already collected realities or information.

| | |
|----------------------|---|
| Source of data | https://www.asianpaints.com/more/investors/investors-landing-page.html |
| Period of study | 2016-17 TO 2020-21 |
| Aid to study | Financial statements |
| Tools and Techniques | Ratio Analysis |

Ratio analysis:

Ratio analysis could be a method for examining and translating financial information to examine a company's financial health and performance. This method involves creating and comparing different monetary proportions produced from information provided in a company's budgetary articulations. These proportions give valuable data almost a company's liquidity, profitability, solvency, and efficiency in overseeing resources and commitments. Proportion investigation is broadly used by investors, creditors, and financial investigators to form taught choices around a

company's financial status and future development prospects.

Financial Ratios Used

- 1) Current Ratio
- 2) Liquid Ratio
- 3) Absolute Liquid Ratio
- 4) Debt Equity Ratio
- 5) Proprietary Ratio
- 6) Fixed Asset to Net Worth Ratio
- 7) Fixed Asset Turnover Ratio
- 8) Net Working Capital Turnover Ratio
- 9) Gross Profit Ratio
- 10) Net Profit Ratio



III. RESULTS AND DISCUSSION

1. CURRENT RATIO

The current ratio may be a budgetary marker that's utilized to survey a company's capacity to meet its short-term financial obligations. A 2:1 current proportion shows that the enterprise has sufficient cash to meet its current debts. A greater current ratio proposes a financially strong organization, while a lower current ratio implies deficiently working capital.

| YEAR | CURRENT RATIO |
|---------|---------------|
| 2016-17 | 1.89 |
| 2017-18 | 1.61 |
| 2018-19 | 1.57 |
| 2019-20 | 1.82 |
| 2020-21 | 2.20 |
| AVERAGE | 1.81 |

INTREPRETATION

The above table reveals that the current ratio in the year 2016-17 stood at 1.89, then decrease to 1.61 in the following year, and then seen a slight incline and decline in the following years and finally it moves forward to 2.20 in the last year. The ideal current ratio is 2:1. The above table shows that the current ratio of the firm is lower than 2 % in all five years. But 2020-21 year it was 2.20. Current ratio of the is **not satisfactory**.

2.LIQUID RATIO

The Acid Test Ratio is an elective title for the Current Ratio, which is broadly respected as the foremost compelling pointer of a company's liquidity. It reflects the company's capacity to meet its short-term money related commitments in a convenient manner. The Quick Proportion could be a more cautious variation of the Current Proportion, emphasizing as it were the foremost fluid resources accessible to the company to settle its quick liabilities. (Nalysis, n.d.)
Liqud Ratio = Liquid Asset / Current Liabilities

| YEAR | LIQUID RATIO |
|---------|--------------|
| 2016-17 | 1.12 |
| 2017-18 | 0.977 |
| 2018-19 | 0.902 |
| 2019-20 | 0.938 |
| 2020-21 | 1.52 |
| AVERAGE | 1.09 |

INTREPRETATION

Quick ratio tests the short term business solvency. The standard quick ratio is 1:1. A higher ratio indicates sound financial position, here the ratios are

1.12,0.97,0.90,0.93,1.52 and the average ratio is 1.09. Hence, in 2020-21 and 2016-17 **company has sufficient liquid assets to cover current liabilities**.

1) ABSOLUTE LIQUIDITY RATIO

The Super Quick Ratio or Cash Ratio is another term utilized for a specific liquidity proportion. It varies from the Current Ratio by barring inventories and receivables from the calculation of current assets, and instep as it were considers profoundly fluid resources such as cash, bank balances, and effortlessly tradable securities. This ratio gives a more exacting degree of a company's liquidity and its capacity to meet prompt money related commitments with the foremost fluid resources accessible.

Absolute Liquidity Ratio = Cash + Marketable securities/ Current liabilities (Nalysis, n.d.)

| YEAR | ABSOLUTE LIQUIDITY RATIO |
|---------|--------------------------|
| 2016-17 | 0.528 |
| 2017-18 | 0.338 |
| 2018-19 | 0.342 |
| 2019-20 | 0.253 |
| 2020-21 | 0.724 |
| AVERAGE | 0.437 |

INTREPRETATION

The acceptable norm for this ratio is 0.5:1. The company managed to maintain good absolute liquidity ratio in 2016-17. But, liquidity ratio is low from 2017-2021. When ratios are less than the acceptable norm it implies the company fails to manage day to day cash management progression.

2) DEBT EQUITY RATIO

The ratio in address illustrates the extent of obligation to equity used by a company to finance its resources. A proportion of 2:1 is generally considered a sensible standard. A high proportion recommends that creditors' claims surpass those of the proprietors, showing that the company is intensely dependent on borrowed reserves.

Debt equity Ratio =Total Debt / Shareholders Fund (Nalysis, n.d.)

| YEAR | DEBT EQUITY RATIO |
|---------|-------------------|
| 2016-17 | 0.247 |
| 2017-18 | 0.245 |
| 2018-19 | 0.096 |
| 2019-20 | 0.102 |
| 2020-21 | 0.104 |



| | |
|---------|-------|
| AVERAGE | 0.158 |
|---------|-------|

INTREPRETATION

An acceptable norm for this ratio is allowed to be 2:1. A high ratio shows that the claims of creditors are greater those of owners. A very high ratio is unfavourable from the point of view of the firm. With that note Asian Paints Limited maintains **strong** debt equity ratio.

3) PROPRIETARY RATIO

The Proprietary Ratio could be a degree of a company's long-term dissolvability, and it demonstrates the extent of shareholders' funds to total assets, counting goodwill but not imaginary resources. A proportion of 1:3 is by and large considered an satisfactory benchmark. This proportion gives understanding into the degree to which a company is dependent on its own funds to fund its resources, with the next proportion showing a more noteworthy degree of money related independence.

Proprietary Ratio = Shareholders Fund / Total Assets
(Nalysis, n.d.)

| YEAR | PROPRIETARY RATIO |
|---------|-------------------|
| 2016-17 | 0.684 |
| 2017-18 | 0.672 |
| 2018-19 | 0.646 |
| 2019-20 | 0.695 |
| 2020-21 | 0.687 |
| AVERAGE | 0.676 |

INTREPRETATION

The standard satisfactory proportion is three to one. For the previous five a long time, the firm has kept up a ratio over this benchmark, demonstrating a solid financial position and offering more certainty to its creditors.

6) FIXED ASSET TO NET WORTH RATIO:

The Fixed Assets to Shareholders Fund Ratio measures the extent of a company's shareholder reserves that are contributed in fixed assets, such as hardware, property, and other physical resources. The reason of this ratio is to decide the rate of owner's stores that are distributed to settled resources and the degree to which stores are accessible for continuous business operations. This proportion is valuable in surveying a company's money related wellbeing, as a high proportion may show a need of liquidity and decreased capacity for extension, whereas a low proportion may recommend underutilization of reserves or constrained speculation in settled resources.

| YEAR | FIXED ASSET TO NET WORTH RATIO |
|---------|--------------------------------|
| 2016-17 | 0.398 |
| 2017-18 | 0.507 |
| 2018-19 | 0.610 |
| 2019-20 | 0.536 |
| 2020-21 | 0.389 |
| AVERAGE | 0.488 |

INTREPRETATION

The average ratio of 0.488 for the organization proposes that it has borrowed cash to purchase fixed assets, resulting in a proportion greater than one. This ratio, in any case, is considered deficiently.

7) FIXED ASSET TURNOVER RATIO:

This ratio shows the effectiveness of a company in utilizing its settled resources to create income, and it is valuable for assessing the viability of a company's speculation choices in these resources.

| YEAR | FIXED ASSET TURNOVER RATIO |
|---------|----------------------------|
| 2016-17 | 4.421 |
| 2017-18 | 3.519 |
| 2018-19 | 3.001 |
| 2019-20 | 3.358 |
| 2020-21 | 3.329 |
| AVERAGE | 3.525 |

INTREPRETATION

The ratio for the most part assesses the proficiency with which settled resources are utilized to produce income from sales. The company's normal proportion of 3.525 proposes that the firm is creating income by using its resources productively and successfully.

8) WORKING CAPITAL TURNOVER RATIO

This ratio gives profitable insights into a company's exchanging practices, including any over-trading or under-trading which will be happening.

| YEAR | WORKING CAPITAL TURNOVER RATIO |
|---------|--------------------------------|
| 2016-17 | 4.889 |
| 2017-18 | 6.630 |
| 2018-19 | 7.328 |
| 2019-20 | 6.472 |
| 2020-21 | 3.358 |
| AVERAGE | 5.734 |

INTREPRETATION

Working capital varieties can be caused by changes in net working capital, underlining the importance of a steady working capital management policy. The



greatest working capital was 7.702 in financial year 2018-19, whereas the least was 3.358 within the most later monetary year. The working capital turnover proportion is 6.354 on normal.

9) GROSS PROFIT RATIO

The Gross Profit Proportion (GP Ratio) could be a budgetary instrument utilized to assess a company's viability and effectiveness. It is calculated by isolating gross profit by total net sales. By duplicating the result by 100, the gross profit proportion can moreover be communicated as a rate.

| YEAR | GROSS PROFIT RATIO |
|---------|--------------------|
| 2016-17 | 113.39 |
| 2017-18 | 102.81 |
| 2018-19 | 100 |
| 2019-20 | 100 |
| 2020-21 | 100 |
| AVERAGE | 103.24 |

INTREPRETATION

A larger gross profit ratio is as a rule respected positively. The table over delineates the % affiliation between gross profit and net sales. With a proportion of 113.39, the year with the greatest gross profit proportion is 2016-17.

10) NET PROFIT RATIO

The net benefit margin, too known as the net benefit ratio, may be a metric that calculates the rate of net income or benefit created in comparison to total income produced. This proportion decides the extent of net benefits earned by a company or industry sector from its income.

| YEAR | NET PROFIT RATIO |
|---------|------------------|
| 2016-17 | 0.212 |
| 2017-18 | 0.205 |
| 2018-19 | 0.195 |
| 2019-20 | 0.200 |
| 2020-21 | 0.220 |
| AVERAGE | 0.206 |

INTREPRETATION

The ratio is valuable to commerce proprietors since it is utilized to analyse a company's overall profitability. The firm obtained a high net profit margin of 0.220 in financial year 2020-21.

IV. RESEARCH FINDINGS:

1. The current ratio of Asian Paints India Ltd is below the appropriate threshold with an average ratio of 1.81 during 2016-21
2. The company, on the other hand, achieved a satisfactory average speed ratio. 1.09. However, the

average absolute liquidity of the company is 0.437, which suggests that the company is not successfully managing its daily cash management.

3. The average debt proportion for the firm is 158, appearing that creditors' requests are not greater than those of the proprietors. Usually supportive for the association since a low debt proportion is invaluable.

4. The average private division proportion for the firm is 0.676, which is moderately low. This suggests that lenders have no collateral for their cash.

5. The ratio of fixed assets to net assets of a company is less than one, which is considered satisfactory. This means that the business does not need external financing to acquire fixed assets.

6. The company maintained a high fixed asset turnover ratio averaging 3.525 compared to the ideal ratio of 0.75:1. This is a good sign for the company.

7. The working capital ratio of the company is 5.734 which is considered satisfactory. The difference between current assets and current liabilities is called working capital. However, due to the pandemic, the effective use of the equity fund has become more difficult, and the 2020-21 ratio has decreased compared to previous years.

8. The percentage of net profit, which is an important indicator of profitability, shows an increasing trend over time and shows the efficiency of the company's operations. This is in the interest of business owners.

V. CONCLUSIONS:

Financial performance investigation includes evaluating a company's budgetary qualities and shortcomings by looking at the connections between its adjust sheet and benefit and misfortune account. Monetary articulations give organized information concurring to built up bookkeeping strategies. An examination of the money related execution of Asian Paints India Ltd was conducted, with particular destinations and auxiliary information from a five-year period (2016-2021) analyzed. The comes about of the investigation uncovered that the company's liquidity position is frail, whereas its dissolvability position is solid, and positive development patterns are anticipated within the future. These discoveries are vital variables to consider when assessing the company. Eventually, the think about concludes that the in general monetary performance of the company is nice.



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