

A PERFORMANCE ANALYSIS OF SELECTED PAINT COMPANIES OF INDIA

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Abstract

Financial analysis is a valuable tool for investors, bankers, stakeholders and industry for itself. This research article analyzes the financial performance of paint industry of India. The researcher has selected top five companies based on net profit. The researcher has used secondary data method to collect the data from the year 2019-20 to 2023-24 and the ratio analysis method was used. And, as a statistical tool, the one-way ANOVA test was applied. The Study concluded that there are significant differences in case of net profit ratio, gross profit ratio, return on capital employed, earning per share and return on assets ratio of selected companies during the study period.

Keywords : Financial performance, Ratio Analysis, Paint companies

INTRODUCTION

The paint industry of India is today worth over 62,000 crores Rs. and it plays an important role in transforming surfaces and providing protection for various applications. There are four large capital companies with a combined market share of 70% of total paint industry which are Asian Paints, Berger Paints, Kansai Nerolac and Akzo Nobel. The article explains the financial performance analysis of selected paint companies through ratio analysis.

LITERATURE REVIEW

(Mahin Husain, 2023) The research paper examines the performance analysis of selected paint companies of India by the researcher. The researcher has selected Asian Paints Limited, Berger Paints and Nerolac Paints as sample of the study. The secondary data method was used by the researcher to analyze the data. The researcher has analyzed liquidity ratios, solvency ratios, efficiency ratios, profitability ratios and market ratio. DuPont analysis was also done by the researcher. The findings revealed that Asian Paints and Berger Paints are leaders in market of Paint industry. While Nerolac Paints has room for the improvement in case of profitability and efficiency aspects.

(Maru, 2023) The researcher has analyzed the financial performance of selected Iron and Steel companies of India. The researcher has taken secondary data from the year 2018-19 to 2022-23. The researcher has examined whether there is significant difference in profitability, liquidity, activity and solvency ratios of selected companies during the study period. The one-way ANOVA test was used by the researcher for the purpose of the study. The article concluded that except EPS, Stock turnover ratio and Asset turnover ratio, there is significant difference in selected iron and steel companies with regard to profitability, liquidity, activity and solvency ratios.

(Ravindra L. Mojidra, 2022) The study analyses profitability performance of Indian cement industry. The objective of the study was to examine profitability performance based on turnover of selected cement companies during the study period. The researcher has used secondary data method and collected data from 2010-11 to 2019-20. A Kruskal Wallis Test through SPSS programme was used by the researcher to analyse the data.

OBJECTIVES OF THE STUDY

- To analyze the financial health of paint companies of India during the study period.
- To analyze the profitability of paint companies of India.

HYPOTHESES OF THE STUDY

H₀ : There is no significant difference in gross profit ratio of selected paint companies of India during the study period.

H0 : There is no significant difference in net profit ratio of selected paint companies of India during the study period.

H0 : There is no significant difference in Earning Per Share ratio of selected companies of India during the study period.

H0 : There is no significant difference in return on capital employed of selected paint companies of India during the study period.

H0 : There is no significant difference in return on Assets ratio of selected paint companies of India during the study period.

Sample of the Study :

For the research purpose, the researcher has selected the following companies

1. Asian Paints Limited
2. Kansai Nerolac Paints
3. Berger Paints
4. Akzo Nobel India
5. Indigo Paints

Period for the study :

The researcher has analyzed the performance of selected paint companies from the year 2019-20 to 2023-24. Thus, the researcher has collected the data of last five financial years for the research purpose.

Data Collection :

The researcher has collected the data based on secondary data collection method. The various resources like websites, books, annual reports and publications were used by the researcher for the collection of data.

Data Analysis :

The following table shows the Gross profit ratio of selected paint companies of India.

Company Name	Asian Paints Ltd.	Kansai Nerolac Paints	Berger Paints	Akzo Nobel India	Indigo Paints
2019-20	20.49	13.93	16.48	12.68	11.68
2020-21	22.47	15.62	16.05	11.91	14.06
2021-22	17.14	8.84	13.53	12.04	12.76
2022-23	18.56	9.32	12.55	12.36	14.65
2023-24	23.08	12.66	14.31	14.78	15.93
Average	20.348	12.074	14.584	12.754	13.816

The table shows the data of gross profit ratio of the companies selected by the researcher from the year 2019-20 to 2023-24. From the above ratio analysis, it is clearly visible that, the Asian paints ranked for the first position for gross profit ratio among the selected paint companies while Kansai has lowest average gross profit ratio.

Net Profit Ratio :

Company Name	Asian Paints Ltd.	Kansai Nerolac Paints	Berger Paints	Akzo Nobel India	Indigo Paints
2019-20	15.43	10.83	12.28	8.91	7.65
2020-21	16.48	11.32	11.3	8.57	9.79
2021-22	12.44	6.29	9.68	9.21	9.27
2022-23	13.63	6.86	8.74	8.81	12.29
2023-24	17.24	15.99	10.14	10.77	11.84
Average	15.044	10.258	10.428	9.254	10.168

The data of net profit ratio of selected paint companies are given in the table. From the above table, it can be concluded that the average net profit ratio of Asian Paints Ltd. was highest during from the year 2019-20 to 2023-24 among all selected companies by the researcher while the lowest net profit ratio was as 9.254 percent.

Earning Per Share :

Company Name	Asian Paints Ltd.	Kansai Nerolac Paints	Berger Paints	Akzo Nobel India	Indigo Paints
2019-20	27.67	9.94	7.2	52.13	16.5
2020-21	31.82	9.85	7.01	45.6	15.55
2021-22	32.68	6.95	7.72	63.68	17.67
2022-23	42.76	9.03	8.53	73.58	27.73

2023-24	55.5	14.63	8.71	93.7	31.23
Average	38.086	10.08	7.834	65.738	21.736

The table shows the data of earning per share from the year 2019-20 to 2023-24 of selected paint companies of India. The table clearly shows that the Akzo Nobel India earns highest average earning per share of Rs. 65.738 among all selected companies. The lowest average earning per share of Rs. 7.834 was of Berger Paints from the year 2019-20 to 2023-24.

Return on Capital Employed:

Company Name	Asian Paints Ltd.	Kansai Nerolac Paints	Berger Paints	Akzo Nobel India	Indigo Paints
2019-20	33.91	17.56	32.75	24.51	30.84
2020-21	31.99	17.27	27.24	20.06	17.45
2021-22	30.27	12.03	25.49	26.95	17.11
2022-23	33.43	13.68	25.27	31.85	19.71
2023-24	36.03	15.83	25.82	39.58	21.08
Average	33.126	15.274	27.314	28.59	21.238

The table shows the return on capital employed ratio of selected paint companies of India from the year 2019-20 to 2023-24. The highest average return on capital employed ratio is of Asian Paints Ltd. As 33.126 percent while the lowest average ratio is of Kansai Nerolac Paints as 15.274 percent during the study period.

Return on Assets :

Company Name	Asian Paints Ltd.	Kansai Nerolac Paints	Berger Paints	Akzo Nobel India	Indigo Paints
2019-20	19.53	11.65	16.09	10.2	11.33
2020-21	17.35	10.19	12.68	8.2	8.73
2021-22	15.74	6.93	11.31	11.19	9.13
2022-23	18.19	8	11.19	12.23	12.42
2023-24	20.48	16.37	13.38	14.69	12.16
Average	18.258	10.628	12.93	11.302	10.754

The table showing the data of return on assets ratio of the companies selected by the researcher. The data was given from the year 2019-20 to 2023-24. The lowest average return on assets ratio as 10.628 percent was of Kansai Nerolac Paints and the highest average is as 18.258 percent of Asian Paints Limited.

ANOVA Test :

ANOVA	Source of Variation	SS	df	MS	F	F Critical	Result of ANOVA
Gross Profit Ratio	Between Groups	216.8823	4	54.22057	12.41641	2.866081	H0 is rejected
	Within Groups	87.33696	20	4.366848			
	Total	304.2192	24				
Net Profit Ratio	Between Groups	104.839	4	26.20975	5.100678	2.866081	H0 is rejected
	Within Groups	102.7697	20	5.138484			
	Total	207.6087	24				
Earning Per Share	Between Groups	11452.51	4	2863.127	26.23478	2.866081	H0 is rejected
	Within Groups	2182.696	20	109.1348			
	Total	13635.21	24				
Return on Capital Employed	Between Groups	964.8177	4	241.2044	11.22102	2.866081	H0 is rejected
	Within Groups	429.9154	20	21.49577			
	Total	1394.733	24				
Return on Assets	Between Groups	204.7555	4	51.18886	8.572701	2.866081	H0 is rejected
	Within Groups	119.423	20	5.971148			
	Total	324.1784	24				

ANALYSIS

From the above ANOVA Test, it is clearly visible that the calculated F value is not greater than the critical F value. So, all the null hypotheses are rejected by the researcher. It means that there are significant differences in paint companies of India in case of gross profit ratios, net profit ratios, earnings per share, return on capital employed ratios and return on assets ratios during the study period.

FINDINGS

In terms of gross profit, net profit ratio, return on capital employed and return on assets ratio, Asian Paints Limited has performed well and managed to have quite good gross profit compared to other selected companies. So, it can be concluded that the Asian Paints Limited is much good company to invest comparing other selected paint companies. While, the Kansai Nerolac Paints needs to improve its performance in case of gross profit ratio, return on capital employed ratio and return on assets ratio. The performance of other selected companies is overall good in case of analyzed ratios as they are able maintain a good profit during the study period.

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