



A STUDY ON FINANCIAL PERFORMANCE OF ASIAN PAINTS

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ABSTRACT :

This study analyzes the financial performance of Asian Paints, one of the leading paint manufacturers in India and a major player in the global coatings industry. The research examines key financial indicators such as profitability, liquidity, efficiency, and solvency ratios to assess the company's overall financial health and growth trends. Secondary data from annual reports, financial statements, and industry benchmarks have been utilized for this evaluation.

INTRODUCTION:

One of India's top producers of decorative and industrial paints is Asian Paints Pvt. Ltd. The business has been in business for more than 70 years and has made a name for itself as a global leader in the paint sector. Any company's performance may be assessed through financial statement analysis, and Asian Paints is no exception. In order to evaluate the financial

performance, profitability, liquidity, and general financial health of the company for the last Five years (2020–2024), this study will investigate Asian Paints Pvt. Ltd's financial statements. The income statement, balance sheet, and cash flow statement of the business will be the main subjects of the analysis.

OBJECTIVES OF THE STUDY :

The following are the broad objectives of the study.

- To study the profitability of Asian Paints Pvt. Ltd.
- To assess the company's growth and financial stability in terms of its performance, solvency, profitability, turnover over the years
- To study the liquidity position of the company.

RESEARCH TOOLS:

- Current ratio
 - Absolute liquid Ratio
 - Gross profit ratio
 - Net profit Ratio
 - Debt - equity ratio
 - Stock turnover ratio
 - Debtors Turnover Ratio
 - Creditors Turnover Ratio
 - Working Capital Turnover Ratio
 - Fixed assets turnover ratio
 - Current Assets Turnover Ratio
 - Net Assets Turnover Ratio
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INDUSTRY OVERVIEW:

The India Paints and Coatings Market size is estimated at USD 10.46 billion in 2025, and is expected to reach USD 16.37 billion by 2030, at a CAGR of 9.38% during the forecast period (2025-2030). The Indian paints and coatings industry is experiencing robust growth driven by extensive infrastructure development and urbanization initiatives. The construction sector has witnessed significant foreign direct investment inflows, reaching USD 26.24 billion in the construction development sector between April 2000 and September 2022. The government's ambitious Smart City Mission targeting 100 cities and various infrastructure development programs have created substantial demand for architectural coatings. These initiatives,

coupled with the rising urban population and increasing disposable income, have fundamentally transformed the market landscape. The manufacturing sector's evolution has created new opportunities for industrial coatings applications.

CURRENT RATIO

Years	Current Assets (Rs. In Lakhs)	Current Liabilities (Rs. In Lakhs)	Ratios (%)
2020	37376.57	30416.58	1.22
2021	38804.52	33405.62	1.16
2022	64477.00	100771.80	0.64
2023	93887.61	136628.12	0.69
2024	82740.68	141382.71	0.59

(Source: Annual Reports)

INTERPRETATION

Current ratio is a widely used indicator of company's ability to pay its debts in the short-term. It is the relationships between current assets and current liabilities. Current assets are those assets which can be easily converted into cash within a short period of time or within an operating cycle generally one year. Current liabilities are those which are payable within a short period of time generally one year.

ABSOLUTE LIQUID RATIO

Years	Cash (Rs. In Lakhs)	Current Liabilities (Rs. In Lakhs)	Ratios (%)
2020	1767.15	30416.58	0.06
2021	1936.31	33405.62	0.06
2022	1222.00	100771.80	0.01
2023	1973.52	136628.12	0.01
2024	2450.54	141382.71	0.02

(Source: Annual Reports)

INTERPRETATION

Absolute liquidity is represented by cash and near cash items. It is a ratio of absolute liquid assets to current liabilities. In the computation of this ratio only the absolute liquid assets are compared with the liquid liabilities. The absolute liquid assets are cash, bank and marketable securities. It is to be observed that receivables (debtors/accounts receivables and bills receivables) are eliminated from the list of liquid assets in order to obtain absolute for liquid assets since there may be some doubt in their liquidity.

FIXED ASSETS TURNOVER RATIO

Years	Fixed Assets (Rs in Lakhs)	Net Sales (Rs in Lakhs)	Ratios (%)
2020	148395.33	106646.31	0.72
2021	209658.63	102567.74	0.49

2022	229342.45	120849.64	0.53
2023	248678.09	152291.83	0.61
2024	254101.34	186125.75	0.73

(Source: Annual Reports)

INTERPRETATION

Fixed assets turnover ratio indicates the extent to which the investments in fixed assets contribute towards cost of goods sold. If compared with a previous period it indicates whether the investment in fixed assets has been judicious or not.

FINDINGS :

- The current ratio of the company is higher in the year 2020 with 1.24 and it was decreased to 0.59 in the year 2022.
- The company's liquidity position is slowing down to 0.26 in the year 2024 from 0.66 in the year 2021.
- The company's absolute liquid ratio has been increased to 0.02 in the year 2024 from 0.01 in the year 2023.
- The gross profit of the company is increased to 6.78 in the year 2024.
- The net profit of the company is decreased to 4.91 in the year 2024 from 7.15 in the year 2023. This indicates a low margin of safety. The company has to take care of the sales of the company.
- The debt equity ratio of the company is decreased to 0.59 in the year 2021 from 0.82 in the year 2020. But the debt capacity of the company is gradually increased year by year
- The inventory turnover ratio of the company is decreased to 4.86 in the year 2021 from 5.48 in the year 2020. But the cost of goods sold and average inventory has started to increase year by year
- The debtor turnover ratio of the company is decreased to 5.14 in the year 2021 from 6.28 in the year 2020. But it started to increase from next year.
- Debtor Collection Period indicates the average time taken to collect trade debts. In other words, a reducing period of time is an indicator of increasing efficiency.
- The creditor turnover ratio of the company is increased to 1.74 in the year 2021 from 1.66 in the year 2020 and it again started to increase for next two years.
- The Working Capital of the company increased to 19.00 times in the year 2021 from 14.30 times in the year 2020 and thereafter the Working Capital of the company has started to decrease.
- The fixed asset turnover ratio is decreased to 0.49 in the year 2021 from 0.72 in the year 2022. But it started to increase the asset turnover ratio from immediate next year.

SUGGESTIONS :

- Asian Paints Ltd. will retain their profitability position by creating economical employment of their offered resources. The company should maintain sufficient cash, bank, and marketable securities to satisfy its expenses. The profit of the company is often raised by increasing productivity and decreasing expenses.
- The success of the management can be raised or improved solely by maintaining a high level of return on investment. The capital employed by the company can be raised by several inventive offers to the public to invest more.
- The company can try to minimize the cost of production and redeem the debt finance in order to improve the profitability finance of the company.
- The cash ratio is indicating very low. So the company can increase the cash ratio.
- The company can issue more equity shares in 2020. So that the company can increase its reserves & surplus.

CONCLUSION :

A Study on the financial statement analysis of Asian Paints Pvt. Ltd revealed that the company has been performing well in recent years. The company has been able to maintain a steady growth rate in revenue and net profit, and its liquidity position is strong. Additionally, the company's efficiency and profitability ratios are impressive, indicating that it is utilizing its resources effectively and generating strong returns for its shareholders. The analysis also revealed that Asian Paints Pvt. Ltd is performing well relative averages, indicating that the company is competitive and well- positioned to succeed in its market. Based on the analysis, some recommendations for the company could include further investments in research and development to drive innovation, and continued focus on cost management to maintain profitability in a competitive market.