Turkish Online Journal of Qualitative Inquiry (TOJQI)
Volume 12, Issue 9 August 2021: 3494 – 3502

A Proportional Data Analysis on Fiscal Performance of Asian Paints Ltd and Berger Paints Ltd

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Abstract

Asian Paints is the prominent company in the Indian Paint Industry having an equal joint venture with PPG Industries, US. Berger paints Ltd was recognized in 1923. It is the amongst the major paint manufacturers in India. The company produces and markets attractive & industrial paint products under several product brands. Fiscal Performance Analysis is necessary to ascertain whether or not the entity is financially stable enough to support the monetary investments. The present study compares the Fiscal Performance of the two companies with the help of various Operating Ratios. It is based on secondary data including the periods 2017-2018, 2018-2019, and 2019-2020.

Key Words: Fiscal Performance, Operating Ratios

Introduction

The method of measuring the performance and suitability of companies, projects, budgets, and other finance-related transactions is known as fiscal performance. It is necessary to ascertain whether or not the entity is financially stable enough to support monetary investments.

Relative study is a form of numerical mode whereby two or other datasets are likened to define their uniformity with one another.

The most prevalent technique for evaluating economic reports is to get ready proportional fiscal reports. This method matches monetary declarations for two or more time phases to compute a business's effectiveness and monetary situation. As an outcome, this method is also recognized as Horizontal Exploration.

Literature Review

Baresa, Suzana, Sinisa Bogdan, and Zoran Ivanovic (UTMS Journal of Economics 2013) had determined that the Fundamental study and past records is base to forecast the upcoming charges of a specific assignment. It defines the forthcoming values by examining the economy, learning the pecuniary reports of the firm and also building area study.

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Deepesh Sharma, Dhyanendra Mohan, Harshad Mahajan, Himanshu Singh, Manish Kumar and G. N. Harikrishnaprudhvi in their report "Study and Analysis of the Financial Statements of Asian Paints" have studied and compared the financial position of Asian Paints Ltd. and Berger Paints Ltd and concluded that even in situations like subprime crisis, economic downturn, high inflation and slow construction sector Asian Paints performed better than Berger Paints.

Dr. Chandubhai K. Patel in his research paper "Profitability Trend of Selected Dyes and Pigment Industrial Units" 2016 has considered that the involvement of higher management should be there time to time while the final accounts are being prepared.

Jasmer Singh in his research paper "Analysis of Financial Performance of Asian Paints Ltd." has examined that managing finances efficiently and utilizing the resources to their maximum potential is essential to acquire success in business. In this analysis, the studied areas were working capital, fixed assets and profitability.

Merajud Din Drangay and Dr. N. Periyasami in their research paper "Profitability Analysis of Berger Paint Limited: Empirical Study" have studied that more or less profitability in a paint company depends upon better utilization of resources, fair share, goodwill and customer services.

Mounika Reddy, Dr.K. Sowmya, have carried out an essential examination of the cement industry and originate that the inflation rate has reduced, resulting in a minor increase in raw material and other costs.

Ms. C. Shiva Priya and Dr. U. Padmavathi in their research paper "A Study on Ratio Analysis in Asian Paints Ltd. 2018" have studied that ratio analysis can be used to predict the future potential of the company.

P. L. Joshi and S. Ramani according to their research paper "By Discriminant Examination to define a Set of Fiscal Ratios to Regulator the Firm Level Enactment: An Experiential Study of the Paint Industry in India.

S. Kamaladevi and Dr. A Vijayakumar in their research paper "An Observed Study of Viability Study of Designated Firms in Indian Paint Industry" 2017 examined and related productivity places of six different paint companies of India.

Sunil J. Kulkarni in his research paper "Liquidness and Effectiveness Study of Several Productions with Prominence on Biochemical and Similar Trades" has analysed that the chemical industries must run in profitable manners so that a better economic position is definite for the country.

Research Methodology

Objectives of the Study:

1) To examine and compare lucrative position of the selected companies.
2) To study which company is more effectual and which company is good for the investor.

Time Period:

The years taken into consideration for the study are 2017-2018, 2018-2019 and 2019-2020.

Sources of Data:
The data used in the study is secondary data and is obtained from the official website of the company, Annual Reports, Magazines, Journals, and Books etc.

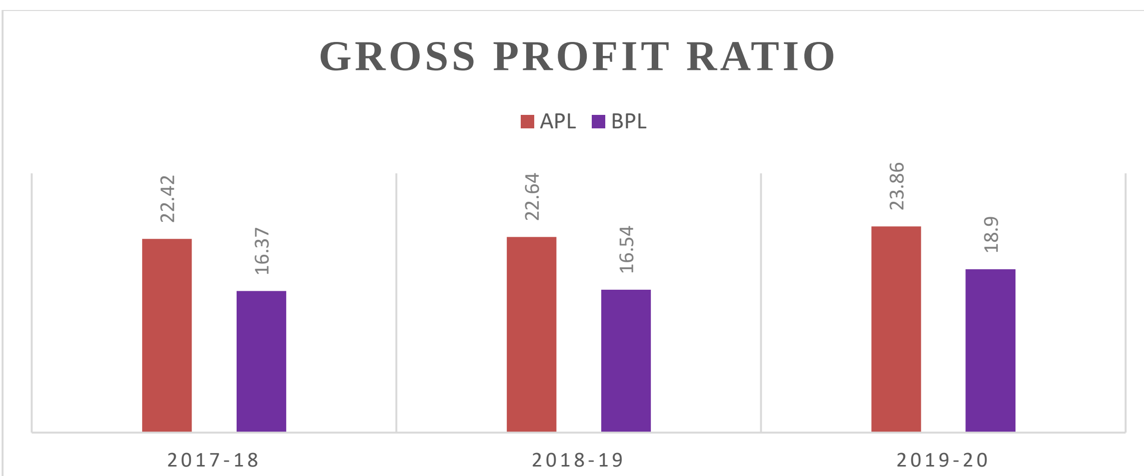
Data Analysis and Interpretation

1) **Gross Profit Ratio (GPR):**

$$GPR = \frac{Gross\ Profit}{Net\ Sales} \times 100$$

(*Rs in crore)

	Asian Paints Ltd			Berger Paints Ltd		
Year	**Gross Profit**	**Net Sales**	**GPR**	**Gross Profit**	**Net Sales**	**GPR**
2017-18	3176.94	14167.86	22.42%	773.73	4,723.79	16.37%
2018-19	3711.02	16391.78	22.64%	852.8	5,515.55	16.54%
2019-20	4103	17194.09	23.86%	1075.94	5691.69	18.9%



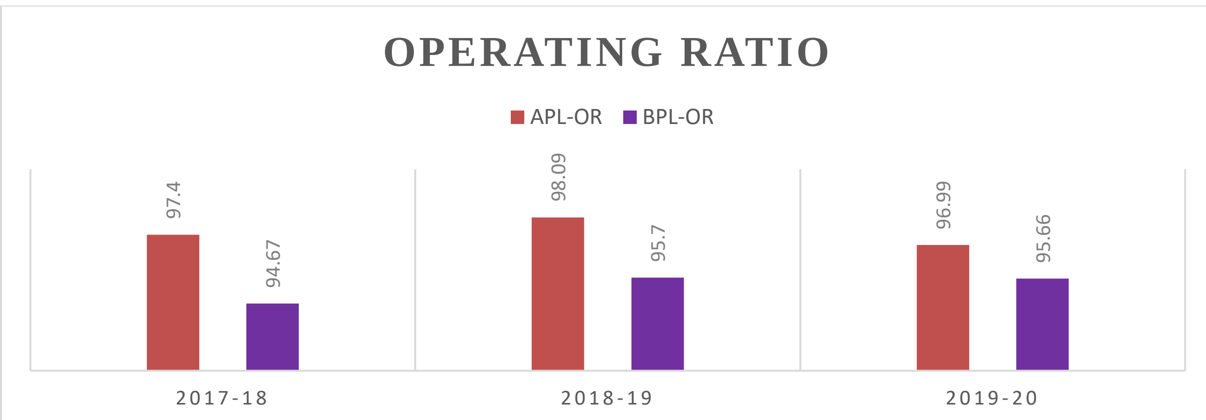
From the above table & graph, it can be inferred that the gross profit for APL has improved for all three years and that GPR has also increased. The net profits of both businesses are also increasing. It's the same case for BPL. The GPR used to examine the operating efficiency of the business is higher for APL than for BPL.

2) Operating Ratio (OR):

$$OR = \frac{Operating\ Expense}{Net\ Sales} \times 100$$

(*Rs in crore)

	Asian Paints Ltd			Berger Paints Ltd		
Year	**Operating Outflow**	**Net Sales**	**OR**	**Operating Outflow**	**Net Sales**	**OR**
2017-18	13799.93	14167.86	97.4%	4471.89	4,723.79	94.67%
2018-19	16079.51	16391.78	98.09%	5278.26	5,515.55	95.7%
2019-20	16676.15	17194.09	96.99%	5444.7	5691.69	95.66%



From the above table and graph, it can be concluded that APL and BPL both need to work on managing their cost. BPL considerably has a good operating ratio than APL.

In order to gain excellence in this arena both the companies need to work on reducing the OR below 80%., which will be possible with better revenue and reduced operating expenses.

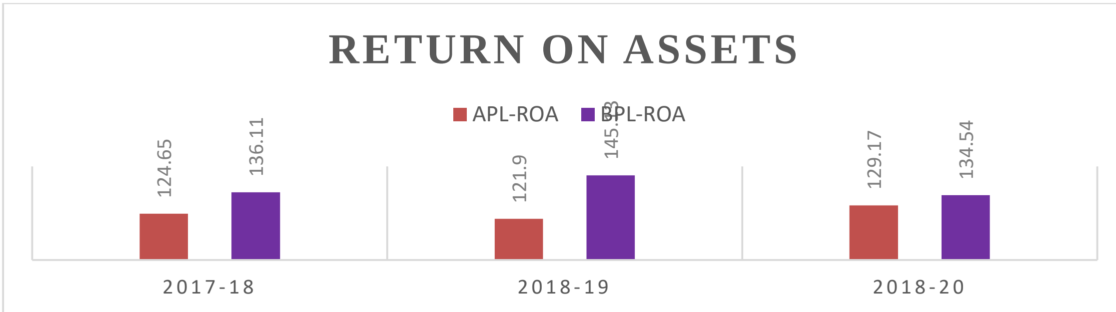
3) Return on Assets (ROA):

$$ROA = \frac{Net\ Income}{Assets} \times 100$$

(*Rs in crore)

	Asian Paints Ltd			Berger Paints Ltd		
Year	**Net Income**	**Assets**	**ROA**	**Net Income**	**Assets**	**ROA**
2017-18	14445.36	11587.93	124.65%	4770.32	3504.7	136.11%

2018-19	16676.59	13682.89	121.9%	5569.18	3837.26	145.13%
2019-20	17551.63	13587.62	129.17%	5842.51	4342.7	134.54%



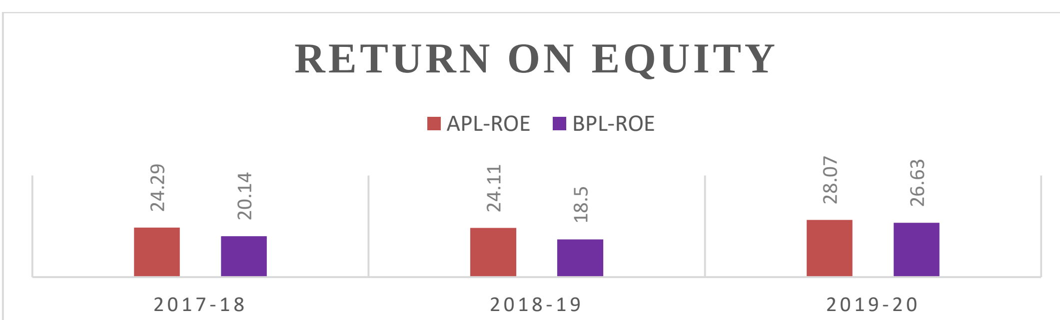
From the above table and chart, it can be determined that the variance gap of sums between Net Income and Assets is broader gap in case of APL, whereas for BPL the gap is too constricted if compared with APL, henceforth ROA for BPL is greater. BPL is able to squeeze out the most from its assets hence its assets of BPL are more efficient than that of APL.

4) Return on Equity (ROE):

$$ROE = \frac{Net\ Income}{Shareholder\ Investment} \times 100$$

(*Rs in crore)

	Asian Paints Ltd			Berger Paints Ltd		
Year	**Net Income**	**Shareholder Investment**	**ROE**	**Net Income**	**Shareholder Investment**	**ROE**
2017-18	14445.36	59470	24.29%	4770.32	23685.79	20.14%
2018-19	16676.59	69168.76	24.11%	5569.18	30103.67	18.5%
2019-20	17551.63	62528.07	28.07%	5842.51	21939.57	26.63%



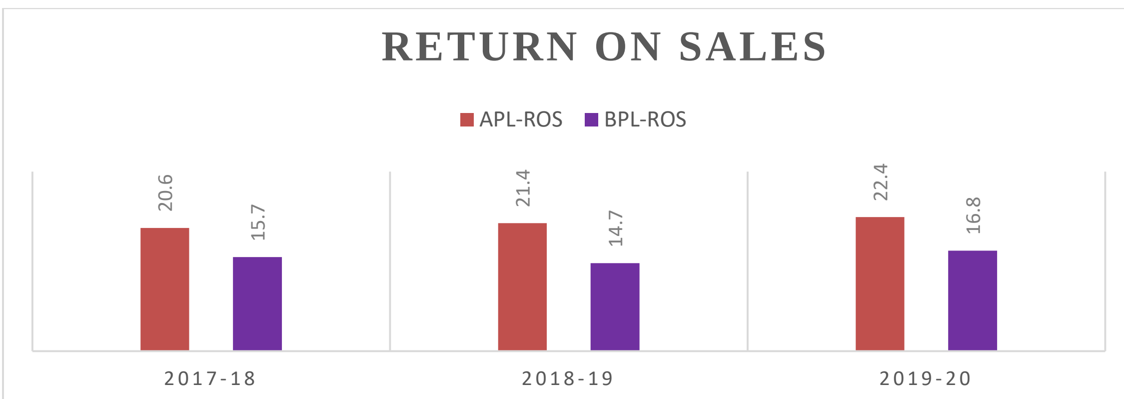
From the above table and graph, it can be concluded that APL has its ROE fluctuating because of the income. In BPL the company is able to generate profits with not much capital increment in three years. Therefore, the ROE position of BPL is superior to APL.

5) Return on Sales (ROS):

$$ROS = \frac{Operating\ Profit}{Net\ Sales} \times 100$$

(*Rs in crore)

	Asian Paints Ltd			Berger Paints Ltd		
Year	**Operating Profit**	**Net Sales**	**ROS**	**Operating Profit**	**Net Sales**	**ROS**
2017-18	2920.5	14167.9	20.6%	743.4	4,723.79	15.7%
2018-19	3504.81	16391.8	21.4%	810.19	5,515.55	14.7%
2019-20	3857.04	17194.1	22.4%	957.8	5691.69	16.8%



From the above table and graph, it can be concluded that APL is better in ROS than BPL for all the three years taken has its ROS fluctuating while surpassing FY 2019's ROS. BPL can improve their ROS by increasing the pricing of their product, etc.

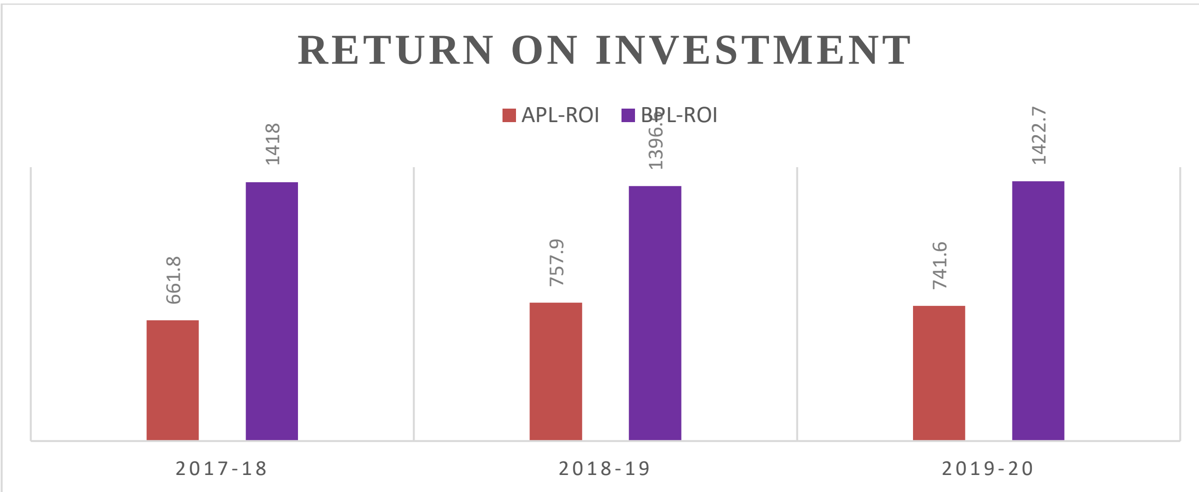
6) Return on Investment (ROI):

$$ROI = \frac{Net\ Sales}{Investments} \times 100$$

(*Rs in crore)

	Asian Paints Ltd			Berger Paints Ltd		
Year	**Net Sales**	**Investment**	**ROI**	**Net Sales**	**Investment**	**ROI**
2017-18	14167.86	2140.7	661.8%	4,723.79	333.13	1418%
2018-19	16391.78	2162.75	757.9%	5,515.55	394.92	1396.6%

2019-20	17194.09	2318.48	741.6%	5691.69	400.06	1422.7%



From the above table and graph, it can be concluded that the ROI position of BPL is better than APL. As at a very low venture the company is able to get higher sales. An investor would like to invest in a company that can guarantee greater returns which can be examined ROI of a company. BPL is a better performer in terms of ROI than APL.

Recommendations

<u>Asian Paints Ltd</u>.

Asian Paints Ltd. has to boost its Return on Assets status, the company needs to use its resources to its optimum potential and produce higher profits. From the data analysis, it can be seen that ROA has steadily decreased for Asian Paints Ltd., so that the organization needs to assess its choices for the use of its properties in order to achieve their optimum performance.

Return on Equity for Asian Paints Ltd. has seen a steady decline as it can be obviously seen from the data review that the firm has raised its capital by almost Rs. 1,500 crores per year. Even though revenues have improved, the rise in capital has adversely affected the business. Thus, the establishment would look into the matter of making the most of the money spent without increasing its capital necessities.

<u>Berger Paints Ltd</u>

Berger Paints India Ltd have to increase its GPR position, by rise the worth of its goods, which is underrated by the data study, which in turn will rise their gross income and will aid them upturn their GPR in both spaces.

For Operating Ratio, Berger Paints Ltd wants to widen the difference between its operational and manufacturing costs. Higher profits and lower running costs would allow the business to gain a stronger OR position and improve its production.

Limitation

The limitation to this study is that it only contains data from the last three years hence if someone wants to look at the past 10 or 15 years statements they might not be available.

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