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ANALYSIS OF FINANCIAL PERFORMANCE OF ASIAN PAINTS LTD. (FROM 2008-09 TO 2012-13)

Analysis of Financial Performance of Asian Paints Ltd. (From 2008-09 to 2012-13)

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Abstract – Efficient management of finance is very important for the success of an enterprise. Term financial performance is very dynamic term. The subject matter of financial performance has been changing very rapidly. In present time greater importance is given to financial performance. So, here an attempt is made by me to analysis the financial performance of the selected unit i.e. Asian Paint Ltd.

While analyzing the financial performance of the selected units, we include the analysis of working capital and analysis of profitability.

Key Words: Financial Performance, Profitability Management, Working Capital Management

INTRODUCTION

Efficient management of finance is very important for the success of an enterprise. Term financial performance is very dynamic term. The subject matter of financial performance has been changing very rapidly. In present time greater importance is given to financial performance. So, here an attempt is made by me to analysis the financial performance of the selected unit i.e. Asian Paint Ltd.

While analyzing the financial performance of the selected units, we include the analysis of working capital and analysis of profitability.

CONCEPT OF WORKING CAPITAL ANALYSIS

From the financial management point of view, capital in broader sense can be divided into two main categories- fixed capital and working capital. Here I am going to study the concept of working capital. The term working capital generally is used in two senses – '**Gross working capital**' which denotes total current asset and '**Net working Capital**' which denotes the excess of current assets over current liabilities. Both the concepts have their own significance and relevance. In common parlance, working capital is that part of capital, which is in working or which is used to meet day-to-day expenses.

To understand the exact meaning of the term 'Working Capital', it will be appropriate to understand its two components – current assets and current liabilities. The current assets are those assets, which can be converted into cash within a short period of time, say not more than one year during the operating cycle of business or without affecting normal business operations. Current liabilities are such liabilities as are

to be paid within the normal business cycle a within the course of an accounting year out of current assets.

CONCEPT OF PROFITABILITY ANALYSIS

The third part of financial performance analysis is profitability analysis. The analysis of profitability is mainly a test of earning capacity of business. Profit is the lifeblood of every business unit. It is also very essential for the survival of any business. The efficiency of management functioning is also determined on the basis of the profitability of business. Profit is also required for the long-term growth of the business.

The profitability analysis of selected units have been made while using various ratios such as net profit ratio, return on capital employed ratio and return on total asset ratio. This analysis is restricted to the above mentioned ratio because the given data provides the information relating to these ratios only. At last it can be said that the profitability analysis depicts a clear and comparative position regarding the financial performance of the selected units.

COMPANY PROFILE

The company has come a long way since its small beginnings in 1942. It was set up as a partnership firm by four friends who were willing to take on the world's biggest, most famous paint companies operating in India at that time. Over the course of 25 years, Asian Paints became a corporate force and India's leading paints company. Driven by its strong consumer-focus and innovative spirit, the company has been the market leader in paints since 1967. Today, it is double the size of any other paint

company in India. Asian Paints manufactures a wide range of paints for decorative and industrial use.

VISION

Asian Paints aims to become one of the top five decorative coatings companies world-wide by leveraging its expertise in the higher growth emerging markets. Simultaneously, the company intends to build long term value in the industrial coatings business through alliances with established global partners.

ENVIRONMENT AND SAFETY

Asian Paints approaches the environment issue from the perspective of waste minimization and conservation of resources. Determined to reuse, recycle and eliminate waste, Asian Paints' material losses in manufacturing have reduced substantially over the last few years.

All the paint plants and chemical manufacturing plants of Asian Paints have ISO 14001 environmental certification.

All our paint plants have achieved 'zero industrial discharge' capability. This has been achieved by the installation of upgraded effluent treatment facilities and installation of reverse osmosis plants in conjunction with appropriate recycling and reuse schemes. Our emulsion manufacturing facility has also achieved 'zero waste' status. We have adopted the principles of 'green productivity'.

Some of our innovative schemes which enhance green productivity are dealer tinting systems which has resulted in large batch sizes ; bulk storage facility for monomers which reduces wastage; Use of natural gas which is a cleaner fuel ; solvent recovery plants have been set up which has resulted in zero reduction of solvent disposal ; improved incinerating systems and reverse osmosis.

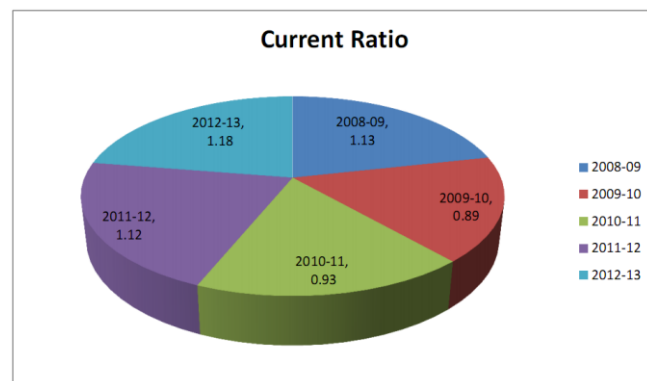
DATA ANALYSIS

1. Current Ratio: One of important function of the financial manager is to maintain sufficient liquidity. Current ratio is an important criterion to test the liquidity and also the short term solvency. The ratio of 2:1 is considered as standard of current ratio. Neither too high nor too low current ratio is considered in interest of a business. Too low current ratio hampers the liquidity position, and too high ratio adversely affects the profitability

Table No.1: Current Ratio (In Times)

Years	2008-09	2009-10	2010-11	2011-12	2012-13
Current Ratio	1.13	0.89	0.93	1.12	1.18

Graph-1



Compiled personally from annual Reports

INTERPRETATION

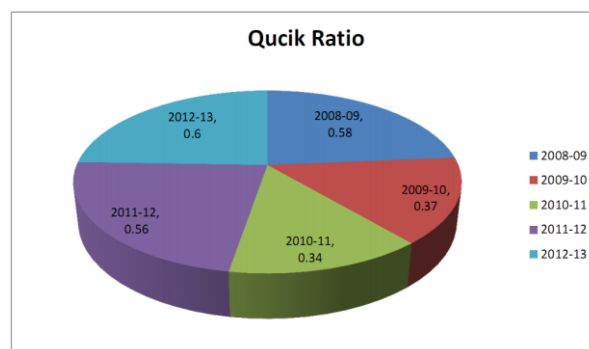
From the above table and graph it is clear that the Current Ratio of Asian Paints LTD. is 1.13 times in 2008-09 and 1.18 times in 2012-13. From the above it can be concluded that the current ratio of Asian Paints LTD. is fluctuating during the period of the study.

2. Quick Ratio: This ratio also tests liquidity. But it is a more refined test of liquidity and solvency. This ratio takes into consideration the liquid assets only which are directly convertible into cash. The current assets like inventories which are two steps away from the cash are excluded. The quick ratio is computed by dividing liquid assets by current liabilities. A quick ratio of 1:1 is considered adequate.

Table No. 2: Quick Ratio (In Times)

Years	2008-09	2009-10	2010-11	2011-12	2012-13
Ratio	0.58	0.37	0.34	0.56	0.60

Graph-2



Compiled personally from annual Reports

INTERPRETATION

It is clear from the above table and graph that the quick ratio of Asian Paints LTD. is 0.58 times in 2008-09 and 0.60 times in 2012-13. From the above it can be concluded that the current ratio of Asian

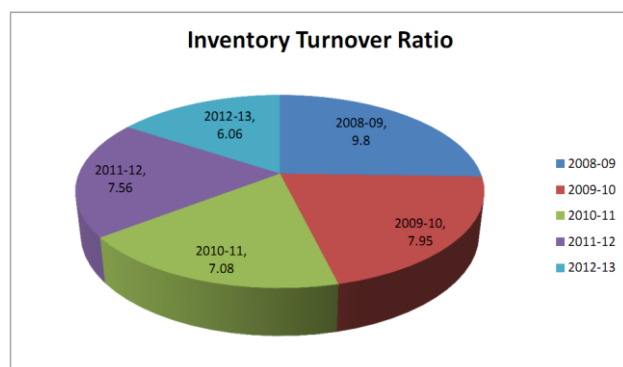
Paints LTD. is fluctuating during the period of the study.

3. Inventory Turnover Ratio: This ratio indicates whether stock has been efficiently used or not. A high ratio is considered better.

Table No. 3: Inventory Turnover Ratio (In Times)

Years	2008-09	2009-10	2010-11	2011-12	2012-13
Ratio	9.80	7.95	7.08	7.56	6.06

Graph-3



Compiled personally from annual Reports

INTERPRETATION

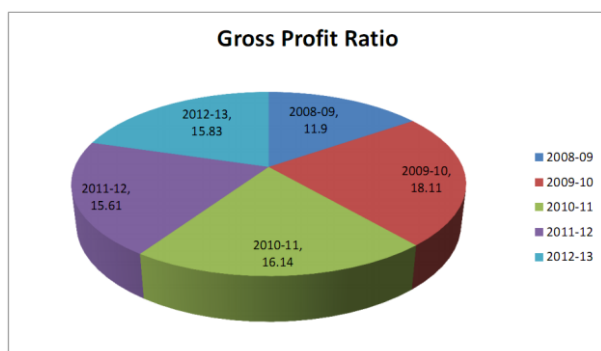
This ratio indicates whether stock has been efficiently used or not. It shows the speed with the stock is rotated into sales or the number of times the stock is turned into sales during the year. The Inventory Turnover ratio of Asian Paints LTD. is 9.80 times in the year 2008-09 and it decrease to 6.06 times in 2012-13.

4. Gross Profit Ratio: This ratio measures the gross margin of profit from sales. The higher the gross profit ratio the better it is.

Table No. 4: Gross profit Ratio (In Time)

Years	2008-09	2009-10	2010-11	2011-12	2012-13
Ratio	11.90	18.11	16.14	15.61	15.83

Graph-4



Compiled personally from annual Reports

INTERPRETATION

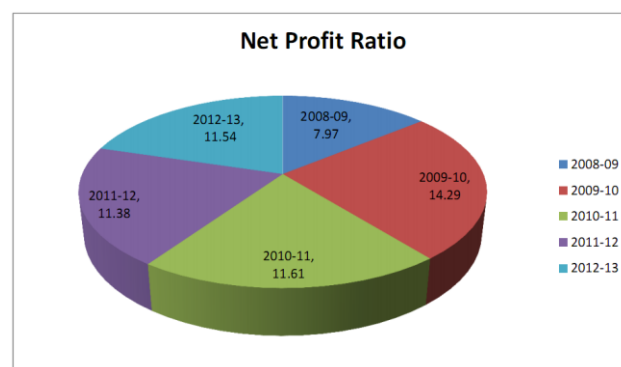
From the above table & graph it is clear that gross profit of Asian Paints LTD. is 11.90% in 2008-09 and 15.83% in the year 2012-13. From the above it can be calculated that the Gross Profit Ratio of Asian Paints LTD. Increased slightly during the period of the study.

5. Net Profit Ratio: This is the ratio of net profit to sales. The greater the ratio, the more profitable the business will be.

Table No. 5: Net Profit Ratio (In Time)

Years	2008-09	2009-10	2010-11	2011-12	2012-13
Ratio	7.97	14.29	11.61	11.38	11.54

Graph



Compiled personally from annual Reports

INTERPRETATION

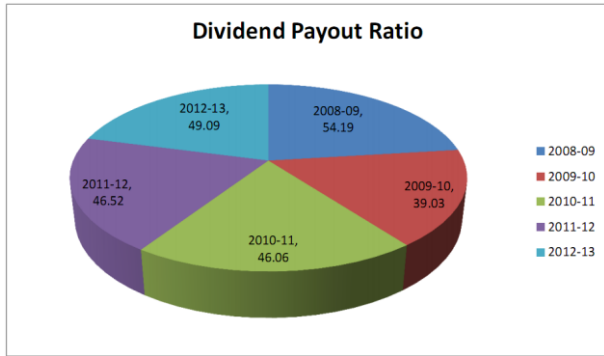
Above chart shows that net profit ratio of Asian Paints LTD. is 7.97% in the year 2008-09 it become 11.61% in the year 2010-11 but in the last year of the study i.e. in 2012-13 the net profit of Asian Paints LTD. 11.54%.

6. Dividend Payout Ratio: This ratio shows the relationship between the profits and dividend paid by the company. Higher ratio shows the financial soundness of the business.

Table No. 6: Dividend Payout Ratio (In Time)

Years	2008-09	2009-10	2010-11	2011-12	2012-13
Ratio	54.19	39.03	46.06	46.52	49.09

Graph-6



Compiled personally from annual Reports

INTERPRETATION

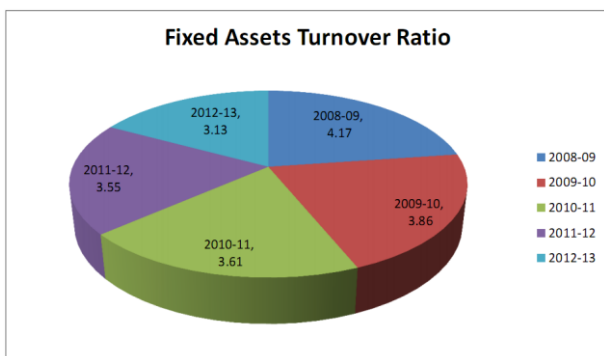
Above chart indicates that the dividend payout ratio of Asian Paints LTD. was 54.19% in the year 2008-09 & in 2012-13 it was 49.09%. From this it can be concluded that the dividend payout ratio shows decreasing trend during the period of the study.

7. Fixed Assets Turnover Ratio: This ratio shows how efficiently fixed assets are used for sales, higher this ratio better it is.

Table No. 7: Fixed Assets Turnover Ratio (In Times)

Years	2008-09	2009-10	2010-11	2011-12	2012-13
Ratio	4.17	3.86	3.61	3.55	3.13

Graph-7



Compiled personally from annual Reports

INTERPRETATION

From the above table and graph it is clear that the fixed assets Turnover ratio of the Asian Paints Ltd. Is 4.17 times in 2008-09 and it is 3.13 time in 2012-13.

CONCLUSION

Efficient management of finance is very important for the success of an enterprise. Term financial performance is very dynamic term. The subject matter of financial performance has been changing very rapidly. In present time greater importance is given to financial performance. So, here an attempt is made by

me to study the financial performance of the selected unit i.e. Asian Paints LTD.

While analyzing the financial performance of the selected units, we include the analysis of working capital, analysis of fixed assets and analysis of profitability.

After the study of above ratios we can conclude that the financial position of the Asian Paints Ltd. Is show better position during the period of the study.

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