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Analyzing Berger Paints from Financial Perspective

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ABSTRACT

The main objective of this paper is to analyze the overall financial position and liquidity of the company using ratio analysis. It shows the firm's development (if any) of the previous 5 years. The secondary data is used for the entire study i.e. the last five years annual reports of Berger paints. Ratio analysis helps us to draw a comparison within the firm and outside the firm. The tabular representations of data are used for better understanding of the position of the firm and to compare one year with another within one go. Ratios are useful tools for the key members of the firm and they include the management, financiers, shareholders and creditors etc. Various types of ratios like liquidity ratios, profitability ratios, and solvency ratios are analyzed in this study. This paper tells not only about the financial position of the firm but also helps to identify the problems and offer suggestions to improve its performance.

Keywords-- Financial Position, Ratio Analysis, Ratios, Liquidity, Development

I. INTRODUCTION

The last two years have not been the best of the times for the Indian (as well as global) paints & coating industry due to the COVID-19 pandemic. However, this has not put brakes on the new investments and capacity expansions in the Indian paints & coating industry. Almost all the major producers have announced and gone ahead with a slew of investments.

Coatings World examines the state of the Indian paint and coating industry and new investments and expansions carried out by Indian paint majors in 2021. An overview of Indian paints & coating industry barring the years 2020 and 2021, the Indian paint industry has historically grown in double digits. The country's paints and coating industry is poised to grow at a healthy rate in the medium and long run. The decorative paint category constitutes almost 75% of the overall market and includes multiple categories like exterior wall paints, interior wall paints, wood finishes and enamels, as well as ancillary products like primers, putties, etc. The industrial paint category constitutes the balance of 25% of the paint market and includes a broad array of segments like automotive, marine, packaging, powder, protective and other general industrial coating. The Big Four of the paints industry – Asian Paints, Berger Paints, Kansai Nerolac, and Akzo Nobel India – account for more than 65% of the overall paints and coating market and 75% of the decorative paints market. The industrial segment is more fragmented, with these four companies accounting for 51% of the overall market. All four major players have been able to surpass the sales revenue of the pre-COVID era (April-September 2019) during the April-September 2021 period. Table 1 is a comparison of sales revenue of these four players for a six month period (April-September) during the last three years. Though, it would be very early to say that Indian industry has come out of the grip of COVID-19 induced slowdown, a major part of the total demand in last six months (April-September 2021) was due to pent up demand of 2020 and first three months of the current year.

In addition to capacity expansions and Greenfield plants by existing paints and coating producers, Indian industry will see major investments by two new entrants. The entry of Grasim Industries and JSW Group and expression of interest of expansions by existing two mid-sized producers (Indigo Paints and Shalimar Paints) is expected to change dynamics of Indian paint and coating manufacturing industry by the end of 2023. Grasim Industries Ltd, one of the largest business conglomerates in the country, announced its entry in the paints sector in January 2021. Grasim would be investing USD 666 million (INR 50 billion) over the next three years with the aim to become the second largest player in the paints industry. (Singh, n.d.)

II. STATEMENT OF PROBLEM

Every financial year will be difficult for every sector, as everyone will be facing a difficult set of challenges and hurdles, and the kind of it that they face will vary from sector to sector as it's not going to be same for everyone. However, the past few years a new addition has been added to their problems and that is COVID, the pandemic has led to a drastic change in today's world, some were able to tackle it off some were not and had to close down their businesses thanks to it, in this study we will how the company from its financial point of view

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during its pre-pandemic, while the pandemic and post-pandemic too.

III. OBJECTIVES OF STUDY

- Scrutinizing the company from its financial perspective over the period of last 5 years.
- To collect all the data of the company and to calculate it's data based on ratio analysis and write a review about each off it
- What was the effect the pandemic had on the company i.e did it have a negative or positive review.
- Using the data and seeing what's the firms perspective when it comes to liquidity and solvency.

IV. REVIEW OF LITERATURE

Ratios are calculated for a lot of reasons. Some of it being how well can it pay off its debts, analyzing the business from a particular point of view. The two main methods that are used to calculate the ratios are traditional and standard. There has also been a positive in using the ratio, one of it being is able to calculate the predicted future sales with the current present values. (Paul Barnes, 1987)

The success off a business directly depends on how well the management is. Therefore, the management can make alterations as to what's required in order to become successful. Generally when managers make changes they try to do in such a way where it'' be helpful for them in the long-run. (Marton & Paulová, 2010)

This study is about the FPC (Farmer Producer Company). From the study it was found that the liquidity position off the company was above satisfactory levels, solvency was taking a transition period from debt to equity financing. However, the efficiency and profitability position was below average and needed improvement.(Shivam Kakati & Arup Roy, 2017)

This is financial study off a bank. The main objective of this study is to study the overall financial position of the firm whether it is progressing or not and in order to study about this the annual reports of the firm for the past five years is used. This data can be used to compare within a firm and also to compare it with an another firm and also the data can be used for the important members of the firm. (Karthi & Eswaril, 2020)

This is the financial study of HUDCO. Today's world is very competitive and in order to keep up with the competitiveness one's got to be really innovative and creative with what they do. Ratio analysis is one of the main purposes used in order to see how well a firm is doing in order to keep up with the current trends and environment. Ratio analysis is used to represent a performance measure; descriptive statistics is used for interpreting a data. (Joshi et al., 2020)

Many research studies use financial ratios derived from historical data to analyze and forecast the uncertain future of business and related industries in general. These ratios indicate an entity's overall health and are crucial in determining a company's strengths and weaknesses. Furthermore, these ratios are important in determining business vulnerabilities and challenges. The information derived from such data is useful not only to top management, but also to a wide range of users in making investment decisions. Financial ratios are used to assess a company's health and performance in this context. Using data from the previous four years, this study aims to conduct an in-depth ratio analysis of KFC Limited.(Saree Abdullah Brake, 2020)

The main goal of a business is it make profits and profitability ratio will help us in figuring out how much money it made and not only that it also helps in finding out the efficiency and effectiveness of the firm. Figuring out the ratios can also help in drawing an overall conclusion of the company and also helps in drawing the final comparison off the company which can be used to compare with an another firm and also within the firm itself. (Rashid, 2021)

A financial ratio analysis of the market leader Boeing was performed. The data was compiled using Boeing's financial statements, which included most of the company's recent financial disclosures. Financial data was obtained for five years, namely 2016, 2017, 2018, 2019, and 2020, to compare the company's success with previous years. The information was gathered from Boeing's financial statements over a five-year period and organized in the report's data and methodology section. After organizing the data, the company underwent a financial analysis, which included the use of financial ratios to best depict the company's picture. Liquidity ratios, asset management ratios, profitability ratios, and market value measures ratios were among the financial ratios examined. (Financial Analysis of Boeing et al., 2022)

V. RESEARCH OF METHODOLOGY

Research Design

The framework of market research methods and techniques chosen by a researcher is referred to as research design. The researchers' design allows them to use the most appropriate methods for the study and to set up their studies successfully in the future as well. Qualitative, quantitative, or mixed research designs are available. Researchers can use a variety of research methods in these studies, including experimental studies, surveys,

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correlational studies, and quasi-experimental review studies. Experimental design, defining research problems, and descriptive studies are all examples of research methods**.** (*Research Design*, n.d.)

This research is done by collecting financial data of Berger paints. Ratio analysis is the key behind all of this calculation, for finding out the required summary and analysis of the company over the period of last five years. Final calculations are put into tabular form so that it'll be easier for us to interpret things by comparing one year after the other all within one go. By putting one year after the other we can see if there's an increase or decrease in each ratio and we can come to a required conclusion on what's actually required.

Data Collection

Financial statement of the firm of the last five years (2017-2021) was downloaded from bseindia website.

Tools Used

Ratio analysis is used to ascertain the company from its financial perspective. Microsoft excel was used to calculate the ratios.

VI. ANALYSIS & INTERPRETATION

Particulars	2021	2020	2019	2018	2017
Current ratio	1.7	1.5	4.1	4.6	3.6
Net working capital turnover	4.1	6.4	2.8	2.5	2.7
Net profit ratio	0.11	0.12	0.08	0.09	0.11
Equity ratio	0.87	0.83	0.81	0.81	0.84
Debt ratio	0.06	0.09	0.11	0.04	0.03
Expenses ratio	0.15	0.09	0.12	0.10	0.15
Operating expenses ratio	3.6	3.4	3.05	3.4	3.2
Operating ratio	7.04	5.33	5.51	5.15	5.60
Return on investments	3.24	3.89	1.73	1.89	1.33
Return on assets	2.29	2.85	1.90	2.10	2.65
Earnings per share	7.41	5.76	5.04	4.74	4.88
Financial expenses ratio	0.55	0.57	0.37	0.34	0.18
Average inventory ratio	1333.12	1158.18	1044.25	916.83	791.26
Proprietary ratio	0.57	0.54	0.53	0.52	0.56
Fixed assets ratio	6.04	6.64	4.43	4.60	2.53

VII. FINDINGS

1. Current ratio is highly stable during 2017, 2018&2019 there is an increase from 2017 to 2018 and a decrease from 2018 to 2019 however if u compare it to the ideal ratio (2:1) it's really excellent and as it exceeds it in many ways however 2020 there has been a decline and the reason is obvious i.e. pandemic and 2021 shows that it's higher than 2020 which shows that it's on the way for recovery and it'll keep itself up with the trend.
2. Net working capital turnover is something where a high turnover ratio shows that management is being very efficient in using a company's short-term assets and liabilities for supporting sales. In other words, it is generating a higher dollar amount of sales for every dollar of working capital used. It had pretty low one's from 2017-2019 and it had a very high one during 2020 however there seems to be a major drop in 2021 as compared to 2020 but it's a very good number if compared from 2017-2019.
3. Net profit is the ratio of net profits to revenues for a company or business segment. An average ratio is 10% and an excellent ratio is 20% and a poor ratio is 5%. Our firm hasn't gone below average, has stayed in the average lane but there's a major drop from 2017-2019, however it did well in 2020 but that has also had a percentage of drop in 2021.
4. Equity ratio is the ratio that is used to find out how much leverage a company has used. The ideal ratio is 0.5 and as we can see the company has been able to maintain a good equity ratio from all the five years.
5. Debt ratio means the amount of assets that the company that are run on debts. Ideal ratio is 0.3 and 0.6 more than 0.6 means it'll become difficult for a company to raise loans. As we can see only during 2019 it is 0.11 and after that it drastically reduced to 0.09 in 2020 which is very good and

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well within par and became even more less the next year to 0.06 which is a better indication.

6. Expenses ratio means the total amount of total assets that are used for expenses of administration and selling. Ideal ratio according to investors is 0.5% to 0.75% and anywhere 1.5% is very bad. We can notice that from 2017-2020 it has always been low, however there has only been a slight increase in 2021 which however shows that there isn't much to worry about anyways.
7. Operating expenses ratio indicates the efficiency of the company by comparing total expenses to net sales. Anywhere below 70 means the company is well and good and we can say that during all its years there isn't a lot of the expenses which shows it's doing well.
8. Operating ratio below 80 is said to be good and within all the years it's within par only during 2021 there's quite a increase to go around 70's but still within the ideal ratio
9. When you put money into an investment or a business endeavor, ROI helps you understand how much profit or loss your investment has earned. Return on investment is a simple ratio that divides the net profit (or loss) from an investment by its cost. It didn't have that much of a return during 2017-2019 but during 2020 it can be seen that there's a drastic rise and it has maintained the same standard somewhat with a small decrease during 2021.
10. Return on assets shows how well it's utilizing its assets by making maximum profit out of it. There's a good ROA during 2017 but a massive decline during the next two years, however 2020 was a good year when there's a drastic change and 2021 has almost been in the same lane but with a small amount of decline.
11. Earnings per share (EPS) are a company's net profit divided by the number of common shares it has outstanding. The higher a company's EPS, the more profitable it is considered to be. There's a small decline from 2017 to 2018 but as year's go by there's no small decline and its value shoots up which shows that it is a very strong sign that you could get good returns if invested in this company.
12. Financial expenses ratio keeps increasing over the years, however during the last year it has decreased by a small ratio which is a good indication
13. Average inventory turnover ratio indicates the rate at which a company sells and replaces its stock over a particular period of time. It's been at a constant high throughout the year's and there doesn't seem to be a decline in it even in one of the years which is a good sign as higher the ratio more better as it indicates that there is more amount of sales done throughout the year.
14. Proprietary ratio refers to the relationship proprietor's fund and total assets of the company. It helps to test the capacity of firm regarding its long term financial solvency of the company. Ideal ratio is 0.5:1 and all the year's the company has had that exact ratio which shows a good sign of it.
15. Fixed assets ratio shows the total amount of fixed assets being financed with each unit of long-term funds every year it's only increasing and it's also rising at a very good rate which is a very healthy indication for the company.

VIII. CONCLUSION

The research work was done based on the objectives off the study as mentioned earlier in the report and the whole research was successfully done on that basis. The sole purpose of this research was to examine the company 'Berger Paints' from a financial standpoint. With the help of various ratios, we were able to ascertain how firm the company stood financially in five different years from various points of views. From my personal point of view, I can say that the company has done really well, especially from the records given we can say that it has handled well even during the pandemic, it has pulled off well and not managed to go off in a loss, and pre pandemic time it has done really well as we can see the numbers were exceptionally well as the numbers itself speak for itself and back it up and well. Pandemic affected the firm very worse however, comparatively it has not been that worse compared to other firms, and post-pandemic it's going pretty well for recovery and it's on a smooth track and it can get back on it's on pre pandemic phase taking into assumption and consideration that an another pandemic doesn't come and attack the globe like it did recently.

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