

COMPARATIVE STATEMENT ANALYSIS OF SELECT PAINT COMPANIES IN INDIA

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ABSTRACT

Paint industry is a fast moving industry in India. Every day new paint units are entering into that industry, but the stability of these companies is purely based on the financial and operational performance. The 2nd largest paint market in Asia is India with annual demand of over four million tones. The country continues to have a healthy growth rate when compared to other economies, by the increasing level of disposable income, and demand from infrastructure, industrial and automotive sectors. Through this support that the sector post a CAGR of around 15per cent during 2012 to 2015, according to Indian paint industry expert forecast.

The manufacture of paint by Indian paint industry is at Rs.40,300 crore (in 2015-16). The share of decorative paint is Rs.30,385 Crores (75per cent) and share of industrial paint is Rs.9,915Crores (25 %). In volume terms, the size of the industry is 4.19 million tones with decorative paints being 3.70 million tons (88%) and industrial paints being 0.49 million tons (12%). India's per capita consumption of paints is still dreadfully low at 3.23 kg/annum compared to world average of 15Kg and 25Kg for US. The major boost to the growth which is anticipated to grow at a Compounded Annual Growth Rate (CAGR) of more than 16% during the period from 2013-14 to 2015-16 in Indian Paint market has been provided by the decorative paint segment, This study makes an attempt for the comparative analysis of financial statements of select paint companies in India.

KEYWORDS: *Financial Performance, Asian Paint, Nerolac Paint, Comparative Analysis.*

Introduction

The financial statement analysis commonly includes common size analysis, ratio analysis, trend analysis and industry comparative analysis. This helps the analyst to make a company to compare with other business in the same or similar industry, and the trends affecting the company or the industry over a period of time. By find out making comparison of company's financial statements in different time periods, the valuation expert can see growth or decline in income or expenses, changes in capital structure, or other financial trends. Analyzing and interpretation the financial statements refers to the process of identifying financial strength and weakness of the firm by establishing strategic relationship between the items of the Balance Sheet, Profit and Loss account and other operative data. The purpose of financial analysis is to make out the information enclosed in financial statements so as to moderator the profitability and financial soundness of the firm. These statements are used by investors and financial analysts to observe the firm's performance in order to make investment decisions; so these statements should be prepared very carefully and contain as much investment decisions.

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The main purpose of the Comparative study of financial statement is the comparison of the financial statement of the business with the previous year's financial statements so that weaknesses may be identified and remedial measures applied. Comparative statements can be prepared for both types of financial statements i.e., Balance sheet as well as profit and loss account. The comparative balance sheet shows the effect of operations on the assets and liabilities that change in the financial position during the period under consideration.

Objective of the Paper

The aim of this paper is to make comparative analysis of balance sheet of different years to find out financial soundness of two major paint companies in India that is Asian Paint Limited and Nerolac Paint Limited.

Research Methodology

In this study, an effort has been taken to measure, evaluate and compare the financial performance of two major paint companies which are one among the leading companies in India. The study is based on secondary data and such data have been collected from annual reports of the respective companies, magazines, journals, documents, financial data websites and other published information. The study covers the period of 5 years i.e. from the year 2012-13 to 2016-17.

Profile of the Companies

• **Asian Paints Ltd.**

Asian Paints Limited was established way back on February 1, 1942 and today stands as India's largest and Asia's third largest paint company. Asian Paints operates in 17 countries and has 25 paint manufacturing facilities in the world servicing consumers in over 65 countries. Asian Paints is India's largest paint company in India and Asia's third largest paint company with net sales of 12,647.11 crores in the year 2017. The company operates in 20 countries and has 28 paint manufacturing facilities in the world servicing consumers in over 65 countries. Besides Asian Paints, the group operates around the world through its subsidiaries Berger International Limited, Apco Coatings, SCIB Paints and Taubmans. Forbes Global magazine USA ranked Asian Paints among the 200 Best Small Companies in the World for 2002 and 2003 and presented the 'Best under a Billion' award, to the company. The present MD & CEO of the company is P.M. Murty.

The company has come a long way since its small beginnings in 1942. Four friends who were willing to take on the world's biggest, most famous paint companies operating in India at that time set it up as a partnership firm. Chimanlal Choksi, Champaklal Choksey, Suryakant Dani and Arvind Vakil were the four friends who started the company. Suryakant Dani owned a garage where he did the painting work for Machines & vehicles. The same garage is where Asian Paints started off its operations. 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 1968. 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.

• **Nerolac Paint Ltd.**

Kansai Nerolac (KNPL) is a subsidiary of Kansai Paints, Japan. With more than 92 years of strong foundation the company is geared to set up its operations firmly in India. With continuous R&D activities, strong marketing and brand creation initiatives along with being one of the pioneers in the eco friendly no lead added paint space the future seems promising. KNPL has remained sure footed on its expansionary plans and has been strengthening the supply chain infrastructure to take on its rivals.

KNPL is a leader in the industrial paints segment with a market share of 44% and contributing about 45% to its overall revenues. Within this segment its primary activities extend into automotive, industrial, powder, marine and protective coatings. KNPL also dominates the automotives coatings market with a 60 % share. KNPL is currently the third largest player in the decorative paints segment with a 16% market share and contributing almost 55% to the total revenues. KNPL is the leader in industrial paints and is hoping to recreate the same foothold in the decorative paints segment by steadily increasing its market share.

Analysis and Discussion

The comparative balance sheet analysis is the analysis of the trend of the same items, group items and computed items in two or more balance sheets of different companies on different dates. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help to derive an opinion about the progress of the company. The comparative balance sheet has two columns for the date of original balance sheets. A third column is provided to show increase or decrease in figures. The fourth column shows percentage of increase or decrease. Table 1 shows the comparative balance sheet of companies for the years 2012–13.

Table 1: Comparative Balance Sheet of Select Paint Companies for the Years 2012-13

Particulars	Asian Paint		Nerolac Paint	
	Absolute Increase/Decrease (Rs.)	Percentage Increase/Decrease (%)	Absolute Increase/Decrease (Rs.)	Percentage Increase/Decrease (%)
I. Equity and Liabilities				
Shareholder's Funds	534.48	22.34	222.83	22.07
Long Term Liabilities	65.19	32.24	29.88	26.63
Current Liabilities	68.58	2.99	111.39	21.30
Total Liabilities	852.27	17.77	364.10	21.44
II. Assets				
Fixed Assets	542.55	33.65	340.14	60.97
Investments	80.48	28.82	4.19	9.54
Long Term Loans & Adv.	-218.46	-70.16	0.52	1.18
Other Non Current Assets	0.00	0.00	-10.22	-100
Total Current Assets	263.67	9.49	29.48	2.82
Total Assets	852.27	17.77	364.10	21.44

Source: computed from annual reports

Interpretation

In the table, the fixed assets of Asian paint and Nerolac paint companies are increased by Rs 542.55 crores i.e., 33.65% and Rs 340.14 crores i.e., 60.97% while long term liability to outsiders of both the companies have relatively increased by Rs 65.19 crores and 29.88 crores. Shareholders' funds are increased by Rs 534.48 crores and 222.83 crores. Further the current liabilities are increased by Rs.68.58 and Rs 11.39 Crores respectively. The fact depicts that the policy of the Asian paint company is to purchase fixed assets from the long term sources of finance thereby not affecting the working capital and Nerolac paint company has also the same policy but part of fixed assets is financed by working capital. The current assets of both the companies are increased by Rs 263.67 crores and Rs 29.48 crores that indicates that they have flexible credit policy Increasing the current liabilities indicates that these companies are not paid the short term liabilities with in the period. The overall position of both the companies during the year 2013 is good.

Table 2: Comparative Balance Sheet of Select Paint Companies for the Years 2013-14

Particulars	Asian Paint		Nerolac Paint	
	Absolute Increase/Decrease (Rs.)	Percentage Increase/Decrease (%)	Absolute Increase/Decrease (Rs.)	Percentage Increase/Decrease (%)
I. Equity and Liabilities				
Shareholder's Funds	578.67	19.77	137.21	11.13
Long Term Liabilities	29.58	11.06	4.27	3.00
Current Liabilities	425.18	18.02	51.42	8.10
Total Liabilities	1071.59	18.97	192.89	9.35
II. Assets				
Fixed Assets	-104.29	-5.02	59.77	6.65
Investments	188.49	52.40	-15.00	-31.14
Long Term Loans & Adv.	1.76	1.89	-4.09	-9.24
Deferred Tax Assets	6.32	100	0.00	0.00
Total Current Assets	941.15	30.94	152.23	14.20
Total Assets	1071.59	18.97	192.89	9.35

Source: computed from annual reports

Interpretation

In table 2 it is observed that during the year 2014, the working capital of both the companies has considerably improved. The current assets of Asian paint and Nerolac paint companies is increased by Rs 941.15 crore and Rs 152.23 crores, the current liabilities of both the companies are increased only by Rs 425.18 crores and Rs 51.42 crores. The fixed assets of Asian paint company is decreased by Rs 104.29 crores i.e., 5.02% which indicates the sale of fixed assets. And the fixed assets of Nerolac paint company are increased by Rs 59.77 crores i.e., 6.65%. The long term liability is increased by 11.06% and 3.00% in both the companies. The overall financial position of the both companies is shown a satisfactory.

Table 3: Comparative Balance Sheet of Select Paint Companies for the Years 2014-15

Particulars	Asian Paint		Nerolac Paint	
	Absolute Increase/Decrease (Rs.)	Percentage Increase/Decrease (%)	Absolute Increase/Decrease (Rs.)	Percentage Increase/Decrease (%)
I. Equity and Liabilities				
Shareholder's Funds	629.33	17.95	173.63	12.68
Long Term Liabilities	-11.82	-3.98	16.22	11.08
Current Liabilities	-26.02	-0.93	-81.19	-11.84
Total Liabilities	553.33	8.23	88.25	3.91
II. Assets				
Fixed Assets	54.88	2.67	-8.79	-0.91
Investments	227.53	41.50	0.00	0.00
Long Term Loans & Adv.	114.90	121.40	26.59	66.22
Other Non Current Assets	7.32	115.82	0.00	0.00
Total Current Assets	186.86	4.69	70.42	5.75
Total Assets	553.33	8.23	88.25	3.91

Source: Computed from annual reports

Interpretation

In table 3 it is found that that the fixed assets of Asian paint company is increased by Rs 54.88 crores and the long term liabilities are decreased by Rs 11.82 crores. The decrease of long term liability means that the company has a sound financial position in the year 2015 so that they repaid its outsiders liability. On the other side of balance sheet, the fixed assets of Nerolac paint company are decreased by Rs 8.79 crores which indicates the sale of fixed assets and long term liabilities are increased by Rs 16.22 crores. The current assets of both the companies are increased by Rs 186.86 crores and Rs 70.42 crores respectively. And it is also found that the current liabilities of Asian paint and Nerolac paint companies are decreased by Rs 26.02 crores and Rs 81.19 crores. By decreasing the current liabilities both the companies have a good liquidity position therefore they are able to pay liabilities within the stipulated period. That is a good sign for the improvement of these companies. The overall financial position of both the companies during the year 2015 is good.

Table 4: Comparative Balance Sheet of Select Paint Companies for the Years 2015-16

Particulars	Asian Paint		Nerolac Paint	
	Absolute Increase/Decrease (Rs.)	Percentage Increase/Decrease (%)	Absolute Increase/Decrease (Rs.)	Percentage Increase/Decrease (%)
I. Equity and Liabilities				
Shareholder's Funds	732.90	17.72	693.03	44.91
Long Term Liabilities	50.03	17.54	-12.32	-8.66
Current Liabilities	308.02	11.20	245.99	40.69
Total Liabilities	1451.75	19.96	867.66	37.02
II. Assets				
Fixed Assets	612.90	29.11	19.57	2.06
Investments	231.17	29.80	10.79	32.59
Long Term Loans & Adv.	-98.31	-46.91	6.17	9.24
Other Non Current Assets	16.90	123.90	0.00	0.00
Current Assets	328.29	7.87	889.48	68.70
Total Assets	1451.75	19.96	867.66	37.02

Source: Computed from annual reports

Interpretation

In the above comparative balance sheet it is observed that the current financial position of both the companies are considerably improved. The total current assets of Asian paint and Nerolac paint are increased by a sum of Rs 328.29 crores i.e., 7.87% and Rs 889.48 crores i.e., 68.70% while the increase in current liabilities of both the companies are Rs 308.02 crores i.e., 11.20% and Rs 245.99 crores i.e., 40.69% respectively which is less than the increase in current assets. In the year 2016 both the companies have no problem in meeting its day to day expenses. The fixed assets of Asian paint and Nerolac paint are increased by 29.11% and 2.06% in 2016 as compared to 2015. The increases of fixed assets of both the companies are financed by issue of share capital and long term loans. In the year 2016 the shareholders fund and long term liabilities of Asian paint are increased by 17.72% and 17.54%, while for Nerolac paint the shareholders fund are increased by 44.91% and long term liabilities are decreased by 8.66%. The considerable increase in fixed assets, shareholders fund and long term loans indicates that both the companies have taken up expansion plan in a big way. The short term as well as long term financial position of both the companies is sound.

Table 5: Comparative Balance Sheet of Select Paint Companies for the Years 2016-17

Particulars	Asian Paint		Nerolac Paint	
	Absolute Increase/ Decrease (Rs.)	Percentage Increase/ Decrease (%)	Absolute Increase/ Decrease (Rs.)	Percentage Increase/ Decrease (%)
I. Equity and Liabilities				
Shareholder's Funds	1987.82	40.84	516.15	23.09
Long Term Liabilities	52.20	15.57	25.17	19.38
Current Liabilities	-190.11	-11.90	-163	-19.16
Total Liabilities	1489.11	17.06	386.34	12.03
II. Assets				
Fixed Assets:	106.51	3.91	120.21	12.41
Investments	447.66	44.45	-21.86	-49.80
Long Term Loans & Adv.	-40.96	-36.82	-72.91	-100
Other Non Current Assets	404.38	1324.09	131.95	100
Current Assets	932.39	20.73	170.60	7.81
Total Assets	1489.11	17.06	386.34	12.03

Source: Computed from annual reports

Interpretation

The comparative balance sheet of the select paint companies reveals during the year 2017, that there is an increase in fixed assets of both the companies by Rs 106.51 crores and Rs 120.21 crores while the share holders fund and long term liabilities are increased by Rs 1987.82 and Rs 52.20 crores for Asian paint, and for Nerolac paint it is increased by Rs 516.15 crores and Rs 25.17 crores. The considerable increase in the gross block, shareholders fund and long term loans indicates that both the companies have taken up expansion plan in a big way during the year 2017. The current assets of Asian paint and Nerolac paint companies are increased by Rs 932.39 crores and Rs 170.60 crores respectively in the year 2017 as compared with 2016. The current liabilities are decreased by Rs 190.11 crores and Rs 163 crores of both the companies. The increase of current assets and the decrease of current liabilities shows that both the companies have good liquidity policy so that they are able to meet its all short term loans in stipulated time. The overall financial performance of both the companies has been improved a lot in the year 2017 as compared to the year 2016.

Conclusion

The study of the comparative financial statement concerned with the companies like Asian Paint and Nerolac Paint was listed with objective of assessing the financial performance in terms of the existing system of fixed assets, long term loans, current assets and current liabilities of the companies by analyzing the financial data with the help of comparative statement analysis. It is observed from the analysis that the financial position of both the companies is efficiently managed throughout the study period. It is also understood that the working capital management of the companies is found to be satisfactory.

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