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A Study On Financial Performance Of Selected Paint Companies

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ABSTRACT

The major paint companies viz. Berger and Asian paints has switched over to lead free paints to meet the demand from industrial sector. Many certification bodies came forward to certify these lead free paint products so that these products can be marketed internationally. Also paint manufacturers view is that the organic pigments based colours should match the quality of shades as that of inorganic lead chromate based pigments but for colour yellow/orange and red there is no good hiding effect but not for other colours. Yellow/orange and red lead chrome based compounds are in greater demand because of good hiding effect and bright shade. Some of the paint manufacturers are using iron oxide and/or alloxides but it gives a buffy colour. Also one can use cobalt and manganese in place of lead for good hiding effect. For quick drying purposes lead can be replaced by zirconium and calcium based compounds. Most of our decorative paints do not have lead contents except few enamel paints with selective shades yellow and orange and lead content is minimal.

INTRODUCTION

Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on the finance. Hence, it is called as lifeblood of business organization. Whether the business concerns are big or small, they need finance to fulfill their business activities.In the modern world, all the activities are concerned with the economic activities and very particular to earning profit through any venture or activities. The entire business activities are directly related with making profit. According to the economics concept of factors of production, rent given to landlord, wage given to labour, interest given to capital and profit given to shareholders or proprietors, A business concern needs finance to meet all the requirements. Hence, finance may be called as capital, investment, fund etc., but each term is having different meanings and unique characters. Increasing the profit is the main aim of any kind of economic activity. Financial performance is the act of performing financial activity. In broader sense, financial performance is the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

COMPANY PROFILE

ASIAN PAINTS

Since its foundation in 1942, Asian Paints has come a long way to become India's largest and Asia's third largest paint company, with a turnover of Rs. 127.15 billion. Asian Paints operates in 17 countries and has 23 paint manufacturing facilities in the world servicing consumers in over 65 countries. Asian Paints has always been a leader in the paint industry, pushing new concepts in India like Colour Worlds, Home Solutions, Colour Next, and Kids' World. The company has come a long way since its small beginnings in 1942. It was set up as a partnership

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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.

BERGER PAINT COMPANY PROFILE

The driving forces of Berger Paints - reflect the very spirit of its founder Lewis Berger - who laid the foundations of brand Berger way back in 1760 in the UK. With modest beginnings in India in 1923, today, Berger Paints India Limited is the second largest paint company in the country with a consistent track record of being one of the fastest growing paint company, quarter on quarter, for the past few years. Undergoing a number of changes in ownership and nomenclature in its 88 year old history in India, the company has come a long way. Starting out as Hadfield's (India) limited, it had just one factory in Howrah, West Bengal. By the close of 1947, Hadfield's was acquired by British Paints (Holdings) Limited, UK and came to be known as British Paints (India) Limited. In 1983, the name of the Company was changed to Berger Paints India Limited. Currently, the majority stake is with the Delhi based Dhingra brothers. Berger Paints has established itself through a long course of time.

The name Berger or Lewis Berger is today synonymous with colour worldwide. But actually the origin of the name dates back to over two & a half centuries in England in 1760, when a young colour chemist named Lewis Berger, started manufacturing in Europe, 'Prussian blue' using a secret process that every designer and householder coveted. Mr. Berger perfected this process & art of the blue colour, which was the colour of most military uniforms of that time. Enriched by the imagination of Lewis Berger, the unending quest for creation and innovation in the world of colour& paints still continues.

The history of Berger Paints India Limited as a company started in 1923 as Hadfield's (India) Limited which was a small colonial venture producing ready-mixed stiff paints, varnishes and distempers setup on 2 acres of land in one of India's first industrial towns close to Kolkata in Howrah, Bengal. Subsequently in 1947, British Paints (Holdings) Limited, an international consortium of paint manufacturing companies bought over Hadfield's (India) Limited and thus the name changed to British Paints (India) Ltd.

STATEMENT OF THE PROBLEM

The Indian paint industry has seen a gradual shift in the preferences of people from the traditional white wash to higher quality paints like emulsions and enamel paints. Growing popularity of new variants providing improved finishing & textures, increasing per capita income of people and efforts on the part of manufacturers to introduce improved versions like eco friendly, odor free and dust & water resistant paints, have propelled the growth of the paint market in India. The study is to analyze the reasons for further development of the company, its financial position and capital structure. It is an analysis of short-term and long-term financial strength and weakness.

REVIEW OF LITERATURE

OMKARNATH (2014) documented the trends and patterns of industrial sickness during pre and post reform period and critically evaluated the performance of BIFR, in line with changed

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policy framework. The study revealed that the massive sickness in SSI sector during pre reform period but it has shown significant reduction during the post reform period except a spurt during 1997 due to recession. The study also found out that there has been a significant rise in the sickness of non SSI units after recession in 1997.

BRIJENGJAIPUR, INDIA (2016) Asian paint has proven its quality and brand by delivering best services to customers. You can visit the site and book your appointment with colour consultant. Then the consultant visits the site and gives recommendations. This Asian home solution is basically for complete home need. The color has teflon layer so if we have any satin we can simply remove it by applying water and we can clean it every month basis, so the dust particles get removed and it shines back. The paint is durable enough. You will find many colors according to your need. It has good drying capacity, which mean your color will be fixed soon. I would like to recommend the asian paint

OBJECTIVES OF THE STUDY

- To know the profile of the Asian and Berger paint companies.
- To evaluate the solvency position of the sample companies.
- To measure the profitability and efficiency position of the sample companies.
- To provide suggestions for improving financial efficiency of Asian and Berger paint companies.

RESEARCH METHODOLOGY

The Present research is an analytical study of financial performance in Asian and Berger paint companies .The various aspects of financial performance of the company are analyzed with the help of the information contained the financial statement. Secondary data are used in the study. Magazines are referred for collection of secondary data. Data provided in the internet have also been used.

SAMPLE

There are 24 major companies operating in paint industries in India. In which 10 companies are highly focusing and contributing their activities in India. Out of 10 companies, two companies namely Asian and Berger paint companies are selected for this study.The two paint companies are doing business at national level. Asian and Berger are the first and second largest paint manufacturers in India.

TYPES OF PAINTS

Decorative paint caters to the housing sector. Premium decorative paints are acrylic emulsions used mostly in the metros. The medium range consists of enamels, popular in smaller cities and towns. Distempers are economy products demanded in the suburban and rural markets. Nearly 20 per cent of all decorative paints sold in India are distempers. Industrial Paints include powder coatings, high performance coatings and automotive and marine paints. Two-thirds of the industrial paints produced in the country are automotive paints.
Greater growth in the premium and mid-range paint categories: Led by a young, affluent, urban consumer; differentiated products such as textured shades etc. are being demanded. Preference for eco-friendly products like lead free paints, low VOC paints, odourless paints etc has increased. Preference for water based paints versus solvent based paints is also growing. Greater involvement in purchase, touch & feel activity has become important –exclusive retail

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stores provide customers a personal shopping experience and value added services like colour consultancy etc. Use of tinting systems to provide a wide variety of shades & excellent colour repeatability is increasing. India has the largest number of tinting systems (30,000+) in the world.

BRIGHT FUTURE

All the major players are looking ahead with confidence, with more than a few aces up their sleeve. There's good news all around. The industry has a potential to grow 200 per cent as per capita paint consumption in India is very low. The data collected was subjected to statistical analysis and the findings were interpreted in the light of objective and the hypothesis setup for the study. To accept or not to accept the hypothesis, results of the questionnaire have been analysed.

CHALLENGES FACED BY THEINDIANPAINTSINDUSTRY:

Today Indian Paints Industry is facing various challenges.
They are as follow:

- Exterior paint is the fastest growing segment in the Indian paint market. Advertising, sales promotions, brand equity, a wide range of shades, distribution strength and efficient working capital management are key success factors in the exterior paints segment It is a raw material- intensive business with cost of material accounting for 69 per cent of total expenses and 54 per cent of net sales. Demand for exterior paints is not price-sensitive and unlike other segments it is not cyclical. Growth is more than proportionate to the economical growth of India. The estimate is that an eight to nine per cent growth in India on a long-term basis will result in a 15- 20 per cent growth in the exterior paints segment.
- In the past, a critical challenge in the paints industry was the competition from the unorganised players; who were not liable for excise as well as other taxes. Reduction of excise duties over the last few years, from 40 per cent to the present level of 12 per cent, has helped create a level playing field between the unorganised and organised segments. As the unorganised sector loses its competitive edge, it is also losing market share to the organised sector players. The customers too are demanding quality products from well established brands.
- The increased purchasing power in India is leading to an increase in repainting activity. The Indian consumer has shifted from lower quality to premium quality paints. This segment is not too seasonal and 60 per cent of the demand for exterior paints stems from repainting. Rising aspirations, redevelopment and refurbishment of homes leads this market to grow consistently. It is a shift in the perception of paints, having protective qualities that in addition to decorative one have diminished the impact of seasonality. Paint units have always been a household name for premium quality paints so low-cost or project quality paints are no longer a challenge.
- Due to globalization, large numbers of projects are managed by international consultants who recommend "paint specifications" of different types meeting requirements of specific projects. Paint industry has products within several segments such as zero-VOC waterproof cement paints, premium low-VOC exterior emulsions: with solar-reflective properties, with quartz aggregates or with silicone which address the need of different surfaces and project specifications.

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RECOMMENDATIONS FROM GLOBAL STUDIES IN INDIA

The size of the paints market in India is estimated at Rs 110 billion, with the contribution of the organized and unorganized sectors in the ratio of 65:35. India produces both decorative and industrial paints. Decorative paints can further be classified into premium, medium and distemper segments. Premium decorative paints are acrylic emulsions used mostly in the metros. The medium range consists of enamels, popular in smaller cities and towns. Distempers are economy products demanded in the suburban and rural markets. Nearly 20 percent of all decorative paints sold in India are distempers and it is here that the unorganized sector has dominance. Industrial paints include powder coatings, high performance coating and automotive and marine paints. But two- thirds of the industrial paints produced in the country are automotive paints. Decorative and industrial paints are the segments within the sector, in a 70:30 proportion. Other sub- segments are marine paints, powder coatings for white goods like refrigerators and washing machines, and industrial coatings. Market shares of various products in decorative sector15 Enamels 50% Distemper 19% Emulsions 17% Exterior Coatings 12% Wood Finishes 2% Doc Final Phase Executive

FINDINGS

- Companies should give proper attention for Painter's skill enhancement, Painters' safety training, offering Painter safety gloves and Painter token/incentive schemes in order to get maximum advantage of WOM (Word of Mouth) publicity through them.
- After application/Decantation no one can judge about the Brand of paint used. Due to this reason consumers don't insist too much for specific Brand. This situation gives opportunity to dealers/ Painters to recommend a particular brand where they get maximum profit. Hence companies should give more attention to dealer margins through various schemes.
- Celebrities influence the consumers for a particular brand. Companies use this celebrity endorsement strategy for their Premium Brands and target on high income group consumers to gain more margin through sale of specialized/ high margin products. However, companies who are not able to afford Celebrity endorsement for their brand, should go for heavy Painter schemes.
- If two companies offer equal profit, dealers tend to promote a particular company where senior management gives him more importance by paying more visits/personal calls etc. Hence senior management should spare time to meet dealers, involve in major decision making process etc to gain their confidence which will ultimately result in increase in sale.

CONCLUSION

Asian paints continue to have some enamel samples having lead concentrations more than 90 ppm. 36 % of enamel samples and 31 % of total samples were found to have lead concentrations more than 90/600 ppm. None of the varnish sample was found to have lead contents exceeding 90 ppm. In the previous study done by Toxics Link (Kumar and Gottesfeld, 2008) all enamel paint samples of Kansai Nerolac were found to have high lead concentrations exceeding 600 ppm. In the present 76 study all enamel samples of Kansai Nerolac have low lead concentrations, not exceeding 90 ppm..Enamel samples of Shalimar Paints and Berger Paints continue to have high lead concentrations in their enamel paint.