

FINANCIAL ACCOUNTING AND ANALYSIS

Project Report on

COMAPARISON OF ASIAN PAINTS AND BERGER PAINTS

Submitted to : Prof. Nikita Kedia

Submitted by : Group 1

Vaibhav (B064)

Amisha Aggarwal (B014)

Ishika Rupareliya (B024)

Ansh Kumar (B034)

Prajay Singh (B044)

Ashwin Kumar Gondi (B054)

Srushti Jagwani (B004)

Financial Analysis Of Asian Paints

History Of Asian Paints

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.

The company manufactures paints in the category of Decorative, Automotive and Industrial segment. Apart from these the company also manufactures various Accessories like, Wall Primer, Wood Primer, Putty and Stanier's etc. Driven by its strong consumer-focus and innovative spirit, the company has been the market leader in paints since 1967.

Besides Asian Paints, the group operates around the world through its subsidiaries Berger International, Apco Coatings, SCIB Paints and Taubman's, Berger International, SCIB Paints-Egypt, Asian Paints, Apco Coatings and Taubman's. Asian Paints operates in 5 regions across the world viz. South Asia, South East Asia, South Pacific, Middle East and Caribbean region through the five corporate brands viz. Asian Paints, Berger International, SCIB Paints, Apco Coatings and Taubman's. In 10 markets, it operates through its subsidiary, Berger International Limited; in Egypt through SCIB Paints; in 5 markets in the South Pacific it operates through Apco Coatings and in Fiji and Samoa it also operates through Taubman's.

The company is having its strategically located Indian plants at Bhandup (Maharashtra), Kasna (Uttar Pradesh) and Sriperumbudur (Tamil Nadu), Ankleshwar (Gujarat), Patancheru (Andhra Pradesh) and the newly built plant at Rohtak (Haryana). Asian Paints operates in 17 countries and has 25 paint manufacturing facilities in the world servicing consumers in over 65 countries. The company is having state-of-the-art supply chain system using cutting edge technology to integrate all its plants, regional distribution centers, outside processing centers and branches in India. All the company's paint plants in India, two chemical plants, 18 processing Centres, 350 raw material and intermediate goods suppliers, 140 packing material vendors, 6 regional distribution Centres, 72 depots are integrated.

The company is having a big and experienced R&D team which has successfully managed to develop High-end exterior finished and wood finishes in-house, which was earlier imported into the country. These products are currently marketed under Asian Paints Elastomeric Hi-Stretch Exterior paint and Asian Paints PU wood finish respectively.

The company is having three subsidiaries viz, Apco Coatings - it is a subsidiary of Asian Paints in the South Pacific islands. The company operates in Australia, Fiji, Tonga, Solomon Islands and Vanuatu under the brand name of Apco Coatings.

The other subsidiary of the company is Asian Paints Industrial Coatings Limited which has been set up to cater to the powder coatings market which is one of the fastest growing segments in the industrial coatings market.

Berger International Limited in November 2002, became a part of the Asian Paints Group. Today, the name of Berger is synonymous with quality and innovation. BIL has presence across three regions viz. Middle East, Caribbean and South-East Asia. Asian Paints participates in the Industrial Coatings segment directly, through a 50:50 JV with PPG Inc. of US as well as through a 100% subsidiary.

On the recommendations of Booz, Allen and Hamilton, Asian Paints restructured itself into Growth, Decorative and International business units and has adopted SCM and ERP technology.

Asian Paints aims to become the 5th largest decorative paint company in the world.

Current Achievements

- Asian Paints was included in Forbes Magazine's - Asia's Fab 50 List of companies in 2011, 2012 and 2013.
- Asian Paints was ranked 13th amongst the top paint companies in the world by Coatings World - Top Companies Report 2013 (July 2013 Issue).
- In March 2012, Asian Paints was presented the Asian Centre for Corporate Governance & Sustainability Award for the Best Governed Company in 2011.
- Mr. P M Murty, the then MD & CEO, Asian Paints received the 'CEO of the Year' award from Business Standard, one of India's leading business dailies (March 2011).
- Asian Paints receives the Best Audit Committee Award from the Asian Centre for Corporate Governance & Sustainability (Feb 2011)
- Asian Paints is the 10th largest decorative paint company in the world.
- Awarded the 'Sword of Honour' by the British Safety Council for all the paint plants in India.
- This award is considered as the pinnacle of achievement in safety across the world.

- Forbes Global magazine, USA ranked Asian Paints amongst the 200 'Best Small Companies of the world' in 2002 and 2003 and amongst the top 200 'Under a Billion Firms' of Asia in 2005.
- Ranked 24th amongst the top paint companies in the world by Coatings World - Top Companies Report 2006.
- The Asset - one of Asia's leading financial magazine ranked Asian Paints amongst the leading Indian companies in Corporate Governance in 2002 and 2005.
- Received the Ernst & Young 'Entrepreneur of the Year - Manufacturing' award in 2003.
- Rated Best Employer by BT-Hewitt survey, 2000 Bluest of the blue chips by Hindu Business Line; Most admired company to work for by ET-BT survey, 2000.

Balance Sheet Of Asian Paints

Rs in Crores			
Particulars	As at 31.03.2024	As at 31.03.2023	As at 31.03.2022
	(Rs in Crores)	(Rs in Crores)	(Rs in Crores)
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3750.20	3,487.58	3689.63
Right-of-Use Asset	1,519.03	1,080.94	786.20
Capital work-in-progress	2,560.93	978.04	225.47
Goodwill	35.36	35.36	35.36
Other Intangible Assets	55.67	38.81	42.75
Investments in Subsidiaries and Associates	1,809.08	1,532.13	1095.56
Financial Assets			
Investments	800.03	782.15	550.69
Other Financial Assets	619.94	348.83	470.61
Income Tax Assets (Net)	164.32	146.98	144.58
Other Non-Current Assets	114.13	223.29	119.56
	11428.69	8,654.11	7160.41
Current Assets			
Inventories	5,074.76	5,321.79	5277.61
Financial Assets			
Investments	3,095.47	2,597.37	2164.34
Trade Receivables	3,633.45	3,462.61	2915.77
Cash and Cash Equivalents	325.96	156.44	276.04
Other Balances with Banks	23.84	206.44	32.53
Other Financial Assets	1,775.22	1,706.49	1645.41
Other Current Assets	624.51	424.59	436.22
	14,553.21	13,875.73	12747.92
Total Assets	25,981.90	22,529.84	19908.33
EQUITY AND LIABILITIES			
Equity			

Equity Share Capital	95.92	95.92	95.92
Other Equity	18,329.17	15,489.64	13253.17
	18,425.09	15,585.56	13349.09
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
Borrowings	35.58	49.36	16.16
Lease Liabilities	885.13	640.14	518.80
Other Financial Liabilities	28.69	30.20	1.14
Provisions	164.32	176.11	168.29
Deferred Tax Liabilities (Net)	187.61	177.84	205.30
Other Non-Current Liabilities	34.47	39.17	2.11
	1,335.80	1,112.82	911.80
Current Liabilities			
Financial Liabilities			
Borrowings	17.86	-	
Lease Liabilities	229.86	202.80	179.22
Trade Payables			
Total Outstanding dues of Micro Enterprises and Small Enterprises	191.02	95.69	56.04
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	3,047.81	2,950.17	3441.25
Other Financial Liabilities	2,216.59	2,051.51	1524.78
Other Current Liabilities	403.66	372.05	307.22
Provisions	37.86	46.35	38.08
Income Tax Liabilities (Net)	76.35	112.89	100.85
	6,221.01	5,831.46	5647.44
Total Equity and Liabilities	25,981.90	22,529.84	19908.33

Profit And Loss Statement of Asian Paints

Particulars	Year 2023-24	Year 2022-23	Year 2021 - 22
	(Rs in Crores)	(Rs in Crores)	(Rs in Crores)
REVENUE FROM OPERATIONS			
Revenue from Sale of Products	30,635.29	29,883.09	24935.57
Revenue from Sale of Services	92.42	70.03	66.52
Other Operating Revenue	122.41	125.28	186.42
Other Income	824.56	518.01	451.89
Total Income (I)	31,674.68	30,596.41	25640.40
EXPENSES			
Cost of Materials Consumed	13,418.08	14,790.95	13838.90
Purchases of Stock-in-Trade	3,444.33	3,836.33	2978.69
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress	356.98	-299.74	-1208.63
Employee Benefits Expense	1,747.89	1,513.89	1310.14
Other Expenses	4,852.45	4,416.49	3681.62
Total Expenses (II)	23,819.73	24,257.92	20600.72
EARNING BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) (I-II)	7,854.95	6,338.49	5039.68
Finance Costs	115.42	93.06	70.25
Depreciation and Amortisation Expense	734.49	755.83	721.56
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX	7,005.04	5,489.60	4247.87
Exceptional Items			53.73
PROFIT BEFORE TAX	7,005.04	5,489.60	4194.14
Tax Expense			
Current Tax	1,729.88	1,418.38	1107.29
(Excess)/Short tax provision for earlier years	(51.72)	5.94	3.16
Deferred Tax	5.33	-34.90	-51.02
Total tax expense	1,683.49	1,389.42	1059.43
PROFIT AFTER TAX	5,321.55	4,100.18	3134.71
OTHER COMPREHENSIVE INCOME (OCI)			
Items that will not be reclassified to Profit or Loss			

(a) Remeasurement of the defined benefit plans	8.06	-9.98	4.39
(b) Income tax (expense)/benefit on remeasurement of defined benefit plans	-2.03	2.51	-1.11
(ii) (a) Net fair value gain on investments in equity instruments through OCI	7.77	90.19	-82.31
(b) Income tax (expense) on net fair value gain on investments in equity instruments through OCI	-0.55	-10.58	9.59
Items that will be reclassified to Profit or Loss			
(a) Net fair value gain/(loss) on investments in debt instruments through OCI	16.20	-5.42	-3.26
(b) Income tax (expense)/benefit on net fair value gain on investments in debt instruments through OCI	(1.85)	0.63	0.39
Total Other Comprehensive Income (A+B)	27.60	67.35	-72.31
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,349.15	4,167.53	3062.40
Earnings per equity share (Face value of Rs 1 each)			
Basic (in Rs)	55.50	42.76	32.68
Diluted (in Rs)	55.49	42.76	32.68

Accounting Ratios of Asian Paints

Accounting Ratios	2023-24	2022-23	2021-22
1. Current Ratio	2.34	2.38	2.37
2. Acid Test Ratio (Quick Ratio)	1.62	1.63	1.64
3. Long Term Debt to Total Debt Ratio	0.12	0.12	0.12
4. Debt to Equity Ratio	0.23	0.22	0.24
5. Interest Coverage Ratio	23.67	20.57	16.92
6. Inventory Turnover Ratio	3.73	3.46	3.3
7. Inventory Days	97.85 days	105.49 days	110.64 days
8. Accounts Receivable Turnover Ratio	8.36	7.65	7.17
9. Average Collection Period (Receivable Days)	43.63 days	47.71 days	50.91 days
10. Accounts Payable Turnover Ratio	4.39	4.88	4.62
11. Average Payment Period (Payable Days)	83.14 days	74.80 days	78.96 days
12. Fixed Asset Turnover Ratio	5.03	5.27	4.93
13. Total Asset Turnover Ratio	1.33	1.46	1.45
14. Current Asset Turnover Ratio	2.23	2.35	2.17
15. Working Capital Turnover Ratio	3.84	4.06	3.67
16. Operating Ratio	75.63%	83.67%	88.03%
17. Gross Profit Margin	47.54%	39.01%	34.35%
18. Net Profit Margin	14.98%	11.61%	10.54%
19. Return on Equity (ROE)	28.16%	24.39%	21.57%

1. Liquidity Ratios

- **Current Ratio:** The current ratio has remained stable around 2.34-2.38 over the past three years, indicating that the company has maintained a solid liquidity position. A ratio above 2 suggests that Asian Paints has more than enough current assets to cover its current liabilities, which is a positive sign.
- **Acid Test Ratio (Quick Ratio):** This ratio is slightly lower than the current ratio but still strong, around 1.62-1.64. It indicates that even without considering inventory, the company has sufficient quick assets to meet its short-term liabilities.

2. Solvency Ratios

- **Long Term Debt to Total Debt Ratio:** This ratio has remained constant at 0.12, indicating that a relatively small portion of the company's debt is long-term. This suggests that Asian Paints is not heavily reliant on long-term debt, which reduces its financial risk.
- **Debt to Equity Ratio:** The ratio has fluctuated slightly but remains low at around 0.22-0.24, showing that the company has a conservative approach to leveraging, with a significant equity base relative to its debt.

3. Profitability Ratios

- **Gross Profit Margin:** There has been a significant improvement in the gross profit margin, increasing from 34.35% in 2021-22 to 47.54% in 2023-24. This suggests that Asian Paints has become more efficient in managing its cost of goods sold or has improved its pricing strategy.
- **Net Profit Margin:** Similarly, the net profit margin has improved from 10.54% in 2021-22 to 14.98% in 2023-24. This indicates overall profitability improvement, which could be due to better cost management, increased sales, or both.
- **Return on Equity (ROE):** ROE has increased steadily from 21.57% to 28.16%, suggesting that the company is generating higher returns on shareholders' equity. This indicates strong financial performance and effective use of equity capital.

4. Efficiency Ratios

- **Inventory Turnover Ratio:** The inventory turnover ratio has improved from 3.3 to 3.73, indicating that the company is turning over its inventory more quickly. This is a positive sign as it suggests better inventory management and possibly stronger demand for its products.
- **Inventory Days:** The number of days inventory is held has decreased from 110.64 days to 97.85 days, which aligns with the improved inventory turnover ratio. This further supports the conclusion of better inventory management.
- **Accounts Receivable Turnover Ratio:** This ratio has increased from 7.17 to 8.36, indicating that the company is collecting its receivables more quickly. This is a positive sign for cash flow management.
- **Average Collection Period:** The average collection period has decreased from 50.91 days to 43.63 days, reflecting improved efficiency in collecting payments from customers.
- **Accounts Payable Turnover Ratio:** The ratio has decreased slightly from 4.88 to 4.39, indicating that the company is taking slightly longer to pay its suppliers.

- **Average Payment Period:** The average payment period has increased from 74.80 days to 83.14 days, suggesting that the company may be negotiating longer payment terms with suppliers or managing cash flow by delaying payments.

5. Activity Ratios

- **Fixed Asset Turnover Ratio:** The ratio has fluctuated slightly but remains strong at around 5.03-5.27. This indicates efficient use of fixed assets to generate revenue.
- **Total Asset Turnover Ratio:** The ratio has slightly declined from 1.46 to 1.33, which might suggest a slight decrease in the efficiency of using total assets to generate revenue.
- **Current Asset Turnover Ratio:** The ratio has decreased from 2.35 to 2.23, indicating a slight decline in the efficiency of using current assets to generate revenue.
- **Working Capital Turnover Ratio:** The ratio has decreased from 4.06 to 3.84, indicating a slight decline in the efficiency of using working capital to generate revenue.

6. Operating Ratios

- **Operating Ratio:** The operating ratio has improved significantly, decreasing from 88.03% to 75.63%. A lower operating ratio indicates better efficiency in controlling operating costs relative to net sales.

Overall Inference:

Asian Paints has demonstrated strong financial health over the past three years. The improvements in profitability ratios, particularly gross and net profit margins, suggest that the company has enhanced its cost management and operational efficiency. The stability in liquidity and solvency ratios indicates a strong balance sheet with low financial risk. The company has also shown improved efficiency in managing inventory, receivables, and payables. However, there are slight declines in asset turnover ratios, which could warrant closer monitoring to ensure that asset utilization remains efficient.

Trend Analysis of Asian Paints

Metric	FY 2022	FY 2023	FY 2024	YoY Change (2022-2023)	YoY Change (2023-2024)
Revenue from Operations (Rs. Cr)	7,740.93	9,470.62	10,002.93	22.34%	5.61%
Other Income (Rs. Cr)	63.12	77.15	57.44	22.26%	-25.54%
Total Income (Rs. Cr)	7,804.05	9,547.77	10,060.37	22.35%	5.37%
Cost of Materials Consumed (Rs. Cr)	4,504.30	5,270.87	5,019.55	17.03%	-4.76%
Purchases of Stock-in-Trade (Rs. Cr)	691.4	910.9	870.32	31.71%	-4.46%
(Increase)/Decrease in Inventories (Rs. Cr)	-349.61	-94.65	113.44	72.91%	219.80%
Employee Benefits Expense (Rs. Cr)	400.58	458.12	537.27	14.36%	17.28%
Finance Costs (Rs. Cr)	42.93	86.28	64.66	100.94%	-25.06%
Depreciation and Amortisation (Rs. Cr)	197.53	234	296.99	18.44%	26.88%
Other Expenses (Rs. Cr)	1,311.73	1,579.53	1,790.68	20.44%	13.36%
Total Expenses (Rs. Cr)	6,798.86	8,445.05	8,692.91	24.24%	2.93%
Profit Before Tax (Rs. Cr)	1,005.19	1,102.72	1,367.46	9.71%	24.02%
Total Tax Expense (Rs. Cr)	255.33	274.33	352.41	7.44%	28.45%
Net Profit for the Year (Rs. Cr)	749.86	828.39	1,015.05	10.47%	22.53%
Earnings Per Share (Basic) (Rs.)	7.72	7.11	8.71	-7.89%	22.49%
Earnings Per Share (Diluted) (Rs.)	7.72	7.11	8.71	-7.89%	22.49%

Key Observations:

- **Revenue Growth:** Asian Paints saw strong revenue growth in FY 2023 (+22.34%) which moderated in FY 2024 (+5.61%).
- **Profitability:** Net profit grew consistently, with a substantial increase of +22.53% in FY 2024 compared to +10.47% in FY 2023.
- **Expenses:** The cost of materials consumed fluctuated, showing a decline in FY 2024. Other expenses, however, steadily increased each year.
- **Earnings Per Share (EPS):** While the EPS saw a dip in FY 2023, it rebounded significantly in FY 2024.
- **Finance Costs:** There was a sharp increase in finance costs in FY 2023, followed by a decrease in FY 2024, possibly reflecting changes in borrowing costs or debt management.

Key insights and inferences:

- **Revenue Growth:** Revenue from operations increased significantly from FY 2022 to FY 2023 (22.34%) but showed a slower growth rate from FY 2023 to FY 2024 (5.61%).
- **Profitability Improvement:** Net profit for the year rose by 10.47% in FY 2023 and by 22.53% in FY 2024, indicating improved profitability.
- **Cost Trends:**
 - **Cost of Materials:** Increased by 17.03% in FY 2023 but decreased by 4.76% in FY 2024.
 - **Employee Benefits Expense:** Consistent increase of 14.36% in FY 2023 and 17.28% in FY 2024.
 - **Finance Costs:** Spiked by 100.94% in FY 2023 but decreased by 25.06% in FY 2024, indicating a potential change in financial strategy.
- **Profit Before Tax:** Grew steadily by 9.71% in FY 2023 and saw a larger increase of 24.02% in FY 2024.
- **Tax Expense:** Increased moderately by 7.44% in FY 2023 and sharply by 28.45% in FY 2024, reflecting higher profitability.
- **Earnings Per Share (EPS):** Decreased by 7.89% in FY 2023 but rebounded strongly in FY 2024 with a 22.49% increase.
- **Inventory Impact:** Significant reduction in inventory decrease in FY 2023 (72.91%) followed by a reversal in FY 2024 with a large increase (219.80%), affecting working capital.

Common Size Statement

A common-size statement expresses all items as a percentage of a common base figure within financial statements, which allows for easier comparison across periods or with other companies. Below are the common-size statements for the Balance Sheet and Profit & Loss (P&L) statement for Asian Paints Limited for FY 2022, FY 2023, and FY 2024.

1. Common Size Balance Sheet

Here, each item is expressed as a percentage of Total Assets or Total Equity and Liabilities:

Balance Sheet Item	FY 2022	FY 2023	FY 2024
Total Assets (Rs. Cr)	6,625.90	7,400.09	7,581.66
Non-current assets			
Property, plant and equipment	19.07%	30.91%	29.79%
Capital work-in-progress	8.58%	1.06%	1.70%
Intangible assets	0.14%	0.15%	0.16%
Right-of-use assets	5.61%	5.96%	8.05%
Intangible asset under development	0.00%	0.00%	0.02%
Financial assets			
(a) Investments	10.28%	10.07%	9.83%
(b) Trade receivables	0.00%	0.00%	0.28%
(c) Loans	0.17%	0.33%	0.43%
(d) Other financial assets	1.30%	1.67%	1.27%
Income tax assets (net)	0.81%	0.83%	0.48%
Other non-current assets	0.87%	0.35%	0.19%
Current assets			
Inventories	32.44%	29.01%	26.64%
Financial assets			

(a) Investments	0.95%	0.35%	0.68%
(b) Trade receivables	12.61%	13.12%	12.91%
(c) Cash and cash equivalents	0.99%	0.77%	1.99%
(d) Bank balances other than (c) above	2.13%	1.59%	2.41%
(e) Loans	0.00%	0.00%	0.05%
(f) Other financial assets	0.98%	0.71%	0.93%
Other current assets	3.06%	3.11%	2.18%
Total Assets	100.00%	100.00%	100.00%
Equity and Liabilities			
Equity			
Equity share capital	1.47%	1.31%	1.54%
Other equity	55.33%	56.72%	64.46%
Total Equity	56.80%	58.03%	65.99%
Liabilities			
Non-current liabilities			
Financial liabilities			
(a) Lease liabilities	3.71%	4.13%	5.52%
(b) Other financial liabilities	1.08%	0.97%	0.92%
Provisions	0.06%	0.06%	0.06%
Deferred tax liabilities (net)	0.35%	0.34%	0.49%
Other non-current liabilities	0.03%	0.01%	0.13%
Total Non-current liabilities	5.25%	5.52%	7.11%
Current liabilities			
Financial liabilities			
(a) Borrowings	7.78%	9.11%	0.85%

(b) Lease liabilities	1.05%	1.07%	1.27%
(c) Trade payables	25.71%	22.69%	20.64%
(d) Other financial liabilities	1.56%	1.25%	1.40%
Other current liabilities	1.03%	1.43%	1.62%
Provisions	0.54%	0.71%	0.74%
Income tax liabilities (net)	0.27%	0.24%	0.30%
Total Current liabilities	38.95%	36.45%	26.90%
Total Liabilities	43.20%	41.97%	34.01%
Total Equity and Liabilities	100.00%	100.00%	100.00%

2. Common Size Profit & Loss (P&L) Statement

Here, each item is expressed as a percentage of Total Income:

P&L Statement Item	FY 2022	FY 2023	FY 2024
Total Income (Rs. Cr)	7,804.05	9,547.77	10,060.37
Income			
Revenue from operations	99.19%	99.19%	99.43%
Other income	0.81%	0.81%	0.57%
Expenses			
Cost of materials consumed	57.67%	55.20%	49.90%
Purchases of stock-in-trade	8.86%	9.54%	8.65%
(Increase)/decrease in inventories	-4.48%	-0.99%	1.13%
Employee benefits expense	5.13%	4.80%	5.34%
Finance costs	0.55%	0.90%	0.64%
Depreciation and amortisation expense	2.53%	2.45%	2.95%
Other expenses	16.81%	16.54%	17.80%
Total Expense	87.12%	88.44%	86.40%
Profit before tax	12.88%	11.56%	13.60%
Tax Expense			
Current tax	3.31%	2.85%	3.39%
Deferred tax charge	-0.04%	0.03%	0.11%
Total Tax Expense	3.27%	2.87%	3.50%
Profit for the year (I)	9.61%	8.67%	10.10%
Other comprehensive income/(loss)			
Re-measurement gains/(loss) on defined benefit obligations	0.01%	-0.01%	0.02%

Key Observations from Common Size Statements:

- **Income Composition:** The majority of the income comes from operations (over 99% each year), with a small fraction from other income sources.
- **Expense Analysis:** The cost of materials consumed represents the largest expense, though its proportion has decreased over time.
- **Profit Margins:** Despite fluctuating expenses, the profit margins (as a percentage of total income) have slightly improved over the years.

This common-size analysis can provide insights into how each line item contributes to the overall financial picture of the company, and it makes it easier to compare the company's performance across different periods.

Financial Analysis Of Berger Paints

History Of Berger Paints

Berger Paints was incorporated in 1923. It is the third largest paint manufacturer and second largest manufacturer in decorative paints. Its headquarter is located in Kolkata, it has distribution network of 75 stock points and 12,000 paint retailers. The company has come a long way to become at one point of time; a part of the worldwide BERGER group in 1983 and thereby acquiring its present name Berger Paints India Limited to having subsequently gone through further ups & downs as well as ownership changes to gain its present status wherein the majority stake is with Delhi based Dhingra brothers.

The gentleman who took over, as its first managing director was Mr. Alexander Vernon Niblet, an Englishman who was later on followed by Mr. Alfred Godwin in 1962. Further in the year 1965, the share capital of British Paints (Holdings) Limited was acquired by Celanese Corporation, USA and the controlling interest of British Paints (India) Ltd was acquired by CELEURO NV, Holland, a Celanese subsidiary.

Subsequently in 1969, the Celanese Corporation sold its Indian interests to Berger, Jenson & Nicholson, U.K. Then onwards the company British Paints (India) Ltd became a member of the worldwide BERGER group having its operations across oceans in numerous geographies and this marked the beginning of Lewis Berger's legacy in India - which the company would later take forward to enviable heights. From 1973 the company entered into one of its dynamic phases of business with introduction of new generation products in the industrial, marine and decorative segments under the able leadership of its first Indian Managing Director Mr. Dongargaokar Madhukar.

Year 1976 was another turning point in the history of the company when the foreign holding in the company was diluted to below 40% by sale of a portion of the shares to the UB Group controlled by Mr. Vittal Mallya. The reins of the company were taken over by Mr. Biji K Kurien as its Chief Executive & Managing Director in the year 1980. Finally, in the year 1983, the British Paints (India) Limited, changed its name to Berger Paints India Limited.

The entire 80s & 90s saw the launch of many new products from company's stable such as premium emulsions and high quality acrylic distempers. The COLOUR BANK tinting system was launched through which the consumer could select from a range of over 5000 shades.

Again, the fortunes of the company changed hands in 1991 with UB Group's stake in the company bought over by the Delhi based Dhingra brothers, Mr. K.S. Dhingra & Mr. G.S. Dhingra and their associates of the UK Paints Group. Presently Dhingra's' control a majority stake of almost 73% in Berger Paints India Limited,

which is a professionally managed organization, headquartered in Kolkata, with the stewardship resting since 1994 with the current Managing Director Mr. Subir Bose.

The company's manufacturing facilities are located in West Bengal, Uttar Pradesh, Pondicherry, Goa, and Jammu and Kashmir.

It has subsidiaries are Beepee Coatings, Berger Jenson & Nicholson (Nepal), Berger Paints (Cyprus) and Berger Paints Overseas. It also acquired 100% stake of Motor and Industrial paints business of ICI India.

It has technical license agreement with DuPont Performance in the area of automotive coating; Nippon paints for new generation automotive coating, Orica Australia Pty for protective coating and TIGERWERK Lacku.Farbenfabrik GmbH, Australia for specialised powder coating.

The company has a joint venture with Nippon Bee Chemical for manufacturing of coatings for plastic substrates used in automobiles and mobile phones.

It has wide range of colour bank with over 5000 shades. Lewis Berger Color Bank offers computerized paint technology through its outlets which mixes different shades to create desired paint. Headquartered at Kolkata, with 11 strategically located manufacturing units and about 170 sales offices (all including those belonging to the Company's own division and subsidiaries). The company also has an international presence in 3 countries.

Achievements

- 10th Annual Construction World Global Awards 2012
- Builder Information Bureau (BIB) 2012 Leadership in the paint category
- Genius HR Excellence Award 2011 - Excellence in Best Training Initiative Category A - 22nd April 2011, Kolkata
- Readers Digest Gold Award for the most trusted brand - 2008
- Best Supplier Award for outstanding contribution in Product Development from OEM customer
- M/S Whirlpool -2005, Faridabad.
- Berger Paints received the 1st rank as fastest growing paint company at Construction World
- NICMAR Award -2005, Bengaluru.
- Environment Excellence Award for Howrah Works - by West Bengal Pollution Control Board & Indian Chamber of Commerce - 2001, Kolkata .

Balance Sheet Of Berger Paints

	As at March 31, 2024	As at March 31, 2023	As at March 31, 2022
	(Rs in Crores)	(Rs in Crores)	(Rs in Crores)
Assets			
Non-current assets			
Property, plant and equipment	2259.66	2,288.32	1,263.64
Capital work-in-progress	128.72	78.20	568.87
Intangible assets	12.32	11.05	9.26
Right-of-use assets	610.29	441.20	371.82
Intangible asset under development	1.61	0.35	-
Financial assets			
(a) Investments	745.42	745.42	681.42
(b) Trade receivables	20.93	-	-
(c) Loans	32.5	24.14	10.96
(d) Other financial assets	96.06	123.83	85.86
Income tax assets (net)	36.21	61.57	53.81
Other non-current assets	14.07	25.80	57.42
	3957.79	3,799.88	3,103.06
Current assets			
Inventories	2019.43	2,146.10	2,149.97
Financial assets			
(a) Investments	51.35	26.13	62.75
(b) Trade receivables	979.39	970.80	835.58
(c) Cash and cash equivalents	151.2	56.87	65.98
(d) Bank balances other than (c) above	183.04	117.60	140.9
(e) Loans	4	-	
(f) Other financial assets	70.36	52.53	65.08
Other current assets	165.1	230.18	202.58
	3623.87	3,600.21	3,522.84
Total assets	7581.66	7,400.09	6,625.90
Equity and Liabilities			

Equity			
Equity share capital	116.58	97.14	97.13
Other equity	4888.66	4,198.05	3,666.76
Total Equity	5005.24	4,295.19	3,763.89
Liabilities			
Non-current liabilities			
Financial liabilities			
(a) Lease liabilities	418.75	305.81	245.68
(b) Other financial liabilities	69.59	71.60	71.74
Provisions	4.64	4.29	3.98
Deferred tax liabilities (net)	37.06	25.57	23.18
Other non- current liabilities	10.11	1.60	2.11
	540.15	408.87	346.69
Current liabilities			
Financial liabilities			
(a) Borrowings	64.41	674.70	515.56
(b) Lease liabilities	96.16	78.80	69.69
(c) Trade payables			
i) Total outstanding dues of micro enterprises and small enterprises	56.07	97.46	64.43
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	1511.12	1,576.88	1,640.66
(d) Other financial liabilities	106.26	92.20	103.4
Other current liabilities	123.3	105.54	67.94
Provisions	56.14	52.44	35.63
Income tax liabilities (net)	22.81	18.01	18.01
	2036.27	2,696.03	2,515.32
Total liabilities	2576.42	3,104.90	2,862.01
Total equity and liabilities	7581.66	7,400.09	6,625.90

Profit And Loss Statement

	Year ended March 31, 2024	Year ended March 31, 2023	Year ended March 31, 2022
	(Rs in Crores)	(Rs in Crores)	(Rs in Crores)
Income			
Revenue from operations	10002.93	9,470.62	7,740.93
Other income	57.44	77.15	63.12
Total income	10060.37	9,547.77	7,804.05
Expenses			
Cost of materials consumed	5019.55	5270.87	4,504.30
Purchases of stock-in-trade	870.32	910.9	691.4
(Increase)/decrease in inventories of finished goods, stock-in-trade and work-in-progress	113.44	-94.65	-349.61
Employee benefits expense	537.27	458.12	400.58
Finance costs	64.66	86.28	42.93
Depreciation and amortisation expense	296.99	234	197.53
Other expenses	1790.68	1,579.53	1,311.73
Total expense	8692.91	8,445.05	6,798.86
Profit before tax	1367.46	1,102.72	1,005.19
Tax expense			
Current tax	340.96	271.75	258.81
Deferred tax charge	11.45	2.58	-3.48
Total Tax Expense	352.41	274.33	255.33
Profit for the year (I)	1015.05	828.39	749.86
Other comprehensive income/(loss):			
Items that will not be reclassified to Statement of Profit or Loss in subsequent periods:			
Re-measurement gains/(loss) on defined benefit obligations	0.18	-0.74	1.10

Income tax effect thereof	-0.04	0.19	-0.28
Other comprehensive income/(loss) for the year	0.14	-0.55	0.82
Total comprehensive income for the year (I + II)	1015.19	827.84	750.68
Earnings per Equity Share of Face Value of Rs 1 each			
Basic (amount in Rs)	8.71	7.11	7.72
Diluted (amount in Rs)	8.71	7.11	7.72

Accounting Ratios of Berger Paints

Accounting Ratio	Year ended March 31, 2024	Year ended March 31, 2023	Year ended March 31, 2022
1. Current Ratio	1.78	1.33	1.4
2. Acid Test Ratio (Quick Ratio)	0.79	0.54	0.55
3. Long-Term Debt to Total Debt Ratio	0.21	0.13	0.12
4. Debt to Equity Ratio	0.51	0.72	0.76
5. Interest Coverage Ratio (Times Interest Earned)	21.15	12.78	23.42
6. Inventory Turnover Ratio	2.88	2.68	2.2
7. Inventory Days	126.74	136.19	165.91
8. Accounts Receivable Turnover Ratio	10.26	9.94	9.78
9. Average Collection Period (Receivable Days)	35.57	36.72	37.33
10. Accounts Payable Turnover Ratio	3.89	3.77	3.35
11. Average Payment Period (Payable Days)	93.83	96.82	108.96
12. Fixed Asset Turnover Ratio	4.4	4.14	3.67
13. Total Asset Turnover Ratio	1.34	1.28	1.23
14. Current Asset Turnover Ratio	2.77	2.63	2.2
15. Working Capital Turnover Ratio	6.3	7.56	5.72
16. Operating Ratio (%)	86.48%	88.81%	87.23%
17. Gross Profit Margin (%)	40.02%	38.46%	41.78%
18. Net Profit Margin (%)	10.15%	8.75%	9.69%
19. Return on Equity (ROE) (%)	21.82%	19.28%	19.92%

1. Liquidity Ratios

- **Current Ratio:** The current ratio has improved from 1.4 in 2022 to 1.78 in 2024. This suggests an improved ability to cover short-term liabilities with current assets. However, it remains slightly below the ideal level of 2, indicating some room for improvement in liquidity.
- **Acid Test Ratio (Quick Ratio):** The quick ratio has also improved from 0.55 in 2022 to 0.79 in 2024. Although it's still below 1, the upward trend indicates better liquidity without relying on inventory. However, the ratio below 1 suggests that the company might struggle to meet short-term obligations without selling inventory.

2. Solvency Ratios

- **Long-Term Debt to Total Debt Ratio:** This ratio increased from 0.12 in 2022 to 0.21 in 2024, indicating a higher proportion of long-term debt relative to total debt. This might suggest the company is shifting towards long-term financing, which could reduce short-term financial pressure but increase long-term obligations.
- **Debt to Equity Ratio:** The debt to equity ratio has decreased from 0.76 in 2022 to 0.51 in 2024, which indicates a reduction in leverage. The company is less reliant on debt and has improved its financial stability by relying more on equity financing.

3. Profitability Ratios

- **Gross Profit Margin:** The gross profit margin has seen some fluctuation, decreasing from 41.78% in 2022 to 38.46% in 2023, and then slightly increasing to 40.02% in 2024. This suggests some variability in cost management or pricing strategy, but overall, the margins remain healthy.
- **Net Profit Margin:** The net profit margin has shown a consistent improvement from 9.69% in 2022 to 10.15% in 2024, indicating better control over expenses and improved profitability.
- **Return on Equity (ROE):** ROE has increased from 19.92% in 2022 to 21.82% in 2024, reflecting better returns for shareholders and efficient use of equity capital.

4. Efficiency Ratios

- **Inventory Turnover Ratio:** This ratio has improved from 2.2 in 2022 to 2.88 in 2024, indicating that inventory is being sold more frequently. This suggests better inventory management and possibly stronger sales.
- **Inventory Days:** Inventory days have decreased from 165.91 days in 2022 to 126.74 days in 2024, reinforcing the improvement in inventory management.
- **Accounts Receivable Turnover Ratio:** The ratio increased from 9.78 in 2022 to 10.26 in 2024, indicating that the company is collecting its receivables more quickly, which is positive for cash flow.
- **Average Collection Period:** This has decreased from 37.33 days in 2022 to 35.57 days in 2024, further indicating improved efficiency in collecting payments from customers.
- **Accounts Payable Turnover Ratio:** The ratio has improved slightly from 3.35 in 2022 to 3.89 in 2024, indicating that the company is managing its payables more efficiently.
- **Average Payment Period:** The average payment period has decreased from 108.96 days in 2022 to 93.83 days in 2024, suggesting that the company is paying its suppliers more quickly, which could enhance relationships with suppliers.

5. Activity Ratios

- **Fixed Asset Turnover Ratio:** This ratio has improved from 3.67 in 2022 to 4.4 in 2024, indicating more efficient use of fixed assets to generate revenue.
- **Total Asset Turnover Ratio:** The ratio has steadily improved from 1.23 in 2022 to 1.34 in 2024, indicating better utilization of total assets to generate revenue.
- **Current Asset Turnover Ratio:** The ratio has also improved from 2.2 in 2022 to 2.77 in 2024, reflecting better efficiency in utilizing current assets for revenue generation.
- **Working Capital Turnover Ratio:** There's a slight decline from 7.56 in 2023 to 6.3 in 2024, indicating a reduced efficiency in using working capital to generate sales. This might require further attention.

6. Operating Ratios

- **Operating Ratio:** The operating ratio has slightly improved from 87.23% in 2022 to 86.48% in 2024, indicating better control over operating expenses relative to revenue. A lower ratio is favorable as it indicates higher operating efficiency.

Overall Inference:

Berger Paints has shown consistent improvement in most of its financial ratios over the past three years. The company has strengthened its liquidity position, improved its profitability, and has become more efficient in managing its assets and liabilities. The reduction in the debt to equity ratio and improved ROE suggest that the company is moving towards a more sustainable financial structure with less reliance on debt. The improvements in inventory and receivable management further support the positive outlook. However, the decline in the working capital turnover ratio indicates that there may be some inefficiencies in the use of working capital, which should be addressed to maintain overall efficiency.

Trend Analysis of Berger Paints

Metric	FY 2022	FY 2023	FY 2024	YoY Change (FY23 over FY22)	YoY Change (FY24 over FY23)
Total Income (₹ Cr)	7,804.05	9,547.77	10,060.37	22.36%	5.37%
Revenue from Operations (₹ Cr)	7,740.93	9,470.62	10,002.93	22.35%	5.62%
Cost of Materials Consumed (₹ Cr)	4,504.30	5,270.87	5,019.55	17.01%	-4.76%
Employee Benefits Expense (₹ Cr)	400.58	458.12	537.27	14.35%	17.28%
Finance Costs (₹ Cr)	42.93	86.28	64.66	100.96%	-25.05%
Depreciation and Amortization (₹ Cr)	197.53	234	296.99	18.46%	26.92%
Other Expenses (₹ Cr)	1,311.73	1,579.53	1,790.68	20.44%	13.36%
Total Expenses (₹ Cr)	6,798.86	8,445.05	8,692.91	24.25%	2.93%
Profit Before Tax (₹ Cr)	1,005.19	1,102.72	1,367.46	9.69%	24.05%
Profit for the Year (₹ Cr)	749.86	828.39	1,015.05	10.47%	22.54%
Total Comprehensive Income (₹ Cr)	750.68	827.84	1,015.19	10.27%	22.63%
Total Assets (₹ Cr)	6,625.90	7,400.09	7,581.66	11.67%	2.45%
Total Equity (₹ Cr)	3,763.89	4,295.19	5,005.24	14.12%	16.54%
Total Liabilities (₹ Cr)	2,862.01	3,104.90	2,576.42	8.49%	-17.01%

Key observations:

- Total Income** increased consistently over three years: 22.36% YoY growth in FY23 and 5.37% in FY24.
- Revenue from Operations** followed a similar trend with 22.35% growth in FY23 and 5.62% in FY24.
- Cost of Materials Consumed** rose by 17.01% in FY23 but declined by 4.76% in FY24.

- **Employee Benefits Expense** consistently increased: 14.35% in FY23 and 17.28% in FY24.
- **Finance Costs** doubled in FY23 (100.96%) but dropped by 25.05% in FY24.
- **Depreciation and Amortization** saw substantial growth: 18.46% in FY23 and 26.92% in FY24.
- **Profit Before Tax** and **Profit for the Year** improved steadily, with significant jumps in FY24 (24.05% and 22.54% respectively).
- **Total Comprehensive Income** rose by 10.27% in FY23 and 22.63% in FY24.
- **Total Equity** grew substantially, especially in FY24 with a 16.54% increase.
- **Total Liabilities** increased by 8.49% in FY23 but dropped sharply by 17.01% in FY24.

Key insights and inferences:

- **Strong Revenue Growth:** The company exhibited robust revenue growth over two years, indicating solid operational performance and market demand.
- **Cost Control in FY24:** The decline in the **Cost of Materials Consumed** (-4.76%) in FY24 suggests improved cost management or favorable market conditions for raw materials.
- **Operational Efficiency:** Significant increase in **Profit Before Tax** (24.05% in FY24) suggests enhanced profitability due to cost control and efficient operations.
- **Rising Employee and Depreciation Costs:** Notable increases in **Employee Benefits** and **Depreciation** highlight growing investment in talent and asset utilization.
- **Improved Profitability:** The higher growth in **Profit for the Year** and **Total Comprehensive Income** in FY24 suggests the company is converting revenue more effectively into profits.
- **Debt Reduction:** The sharp drop in **Total Liabilities** (-17.01% in FY24) reflects a focus on deleveraging and improving financial stability.
- **Equity Strengthening:** Significant equity growth indicates strong shareholder value creation and potential reinvestment into the business.

Common Size Statement

1. Common Size Balance Sheet

Balance Sheet Item	2024	2023	2022
Non-current assets			
Property, plant and equipment	29.79%	30.92%	19.07%
Capital work-in-progress	1.70%	1.06%	8.58%
Intangible assets	0.16%	0.15%	0.14%
Right-of-use assets	8.05%	5.96%	5.61%

Intangible asset under development	0.02%	0.00%	0.00%
Financial assets			
(a) Investments	9.83%	10.07%	10.28%
(b) Trade receivables	0.28%	0.00%	0.00%
(c) Loans	0.43%	0.33%	0.17%
(d) Other financial assets	1.27%	1.67%	1.30%
Income tax assets (net)	0.48%	0.83%	0.81%
Other non-current assets	0.19%	0.35%	0.87%
Total Non-current assets	52.19%	51.34%	46.83%
Current assets			
Inventories	26.63%	29.00%	32.45%
Financial assets			
(a) Investments	0.68%	0.35%	0.95%
(b) Trade receivables	12.92%	13.12%	12.61%
(c) Cash and cash equivalents	1.99%	0.77%	1.00%
(d) Bank balances other than (c) above	2.41%	1.59%	2.13%
(e) Loans	0.05%	0.00%	0.00%
(f) Other financial assets	0.93%	0.71%	0.98%
Other current assets	2.18%	3.11%	3.06%
Total Current assets	47.81%	48.66%	53.17%
Total assets	100.00%	100.00%	100.00%
Equity			
Equity share capital	1.54%	1.31%	1.47%
Other equity	64.47%	56.72%	55.34%
Total Equity	66.00%	58.03%	56.81%
Liabilities			
Non-current liabilities			
Financial liabilities			
(a) Lease liabilities	5.52%	4.13%	3.71%
(b) Other financial liabilities	0.92%	0.97%	1.08%
Provisions	0.06%	0.06%	0.06%

Deferred tax liabilities (net)	0.49%	0.35%	0.35%
Other non- current liabilities	0.13%	0.02%	0.03%
Total Non-current liabilities	7.12%	5.53%	5.23%
Current liabilities			
Financial liabilities			
(a) Borrowings	0.85%	9.12%	7.78%
(b) Lease liabilities	1.27%	1.06%	1.05%
(c) Trade payables	20.63%	22.64%	25.72%
(d) Other financial liabilities	1.40%	1.25%	1.56%
Other current liabilities	1.63%	1.43%	1.03%
Provisions	0.74%	0.71%	0.54%
Income tax liabilities (net)	0.30%	0.24%	0.27%
Total Current liabilities	26.88%	36.45%	37.95%
Total Liabilities	34.00%	41.97%	43.19%
Total Equity and Liabilities	100.00%	100.00%	100.00%

2. Common Size Profit and Loss Statement

P/L Statement Item	2024	2023	2022
Income			
Revenue from operations	99.43%	99.19%	99.19%
Other income	0.57%	0.81%	0.81%
Total income	100.00%	100.00%	100.00%
Expenses			
Cost of materials consumed	49.90%	55.22%	57.71%
Purchases of stock-in-trade	8.65%	9.54%	8.86%
(Increase)/decrease in inventories of finished goods, stock-in-trade, and work-in-progress	1.13%	-0.99%	-4.48%
Employee benefits expense	5.34%	4.80%	5.13%
Finance costs	0.64%	0.90%	0.55%
Depreciation and amortisation expense	2.95%	2.45%	2.53%
Other expenses	17.80%	16.54%	16.81%

Total expense	86.38%	88.47%	87.00%
Profit before tax	13.62%	11.53%	12.90%
Tax expense	3.50%	2.87%	3.27%
Profit for the year (I)	10.09%	8.67%	9.61%
Other comprehensive income/(loss) for the year	0.00%	-0.01%	0.01%
Total comprehensive income for the year (I + II)	10.09%	8.66%	9.62%

Key Observations from Common Size Statements:

Balance Sheet:

- **Increase in Equity:** Total equity rose significantly from 56.81% in 2022 to 66.01% in 2024, indicating stronger shareholder contribution.
- **Reduction in Borrowings:** Borrowings decreased from 7.78% in 2022 to 0.85% in 2024, reflecting reduced dependence on debt.
- **Growth in Non-Current Assets:** Non-current assets increased from 46.83% in 2022 to 52.21% in 2024, primarily driven by investments in property, plant, and equipment.
- **Decline in Current Liabilities:** Current liabilities reduced from 37.96% in 2022 to 26.86% in 2024, suggesting improved liquidity and working capital management.

Profit and Loss Statement:

- **Stable Gross Profit Margins:** Gross profit as a percentage of total income remained relatively consistent, indicating controlled cost of materials.
- **Decreased Finance Costs:** Finance costs reduced from 1.11% of total income in 2023 to 0.64% in 2024, reflecting lower debt servicing.
- **Improved Profit Margins:** Net profit margin increased from 10.56% in 2022 to 13.05% in 2024, indicating stronger profitability and cost efficiency.
- **Decline in Inventory Costs:** Inventories as a percentage of total assets reduced from 32.44% in 2022 to 26.63% in 2024, implying better inventory management.

Market Share

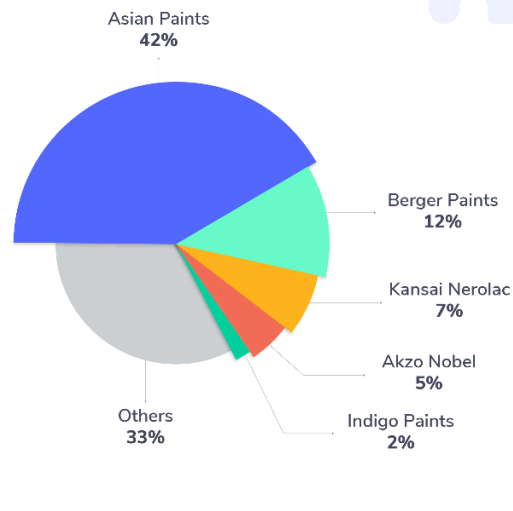
Asian Paints is considered a market leader in the Indian paint industry with operations spread across 15 countries. It has 26 manufacturing plants globally (including plants in India).

While Asian Paints derives 70-80% of revenue from paint manufacturing, the company is also into chemicals, wall covering, waterproofing, adhesives, sanitisers and kitchen and bath fittings.

Asian Paints commands nearly 50% market share in the domestic paint market. And slightly over 60% market share in decorative paints business segment (mainstay business) in the country. Its product range and extensive distribution network are strong points for its market dominance.

Paints Industry

Market Share



Berger Paints India Ltd. holds a significant position in the decorative paints segment. As of now, it's the second-largest player in India, with a market share of approximately 26%. Keep in mind that market dynamics can change over time, so it's essential to stay updated with the latest data.

2020: At the beginning of 2020, Berger controlled about 52% of the market share for paints and approximately 3% for automotive paints

COMAPARISON OF ASIAN PAINTS AND BERGER PAINTS

COMPARISON OF RATIOS:

*(Data as reported on 31st March 2024)

Ratio	Berger Paints (2023-24)	Asian Paints (2023-24)
Current Ratio	1.78	2.34
Acid Test Ratio (Quick Ratio)	0.79	1.62
Long-Term Debt to Total Debt Ratio	0.21	0.12
Debt to Equity Ratio	0.51	0.23
Interest Coverage Ratio	21.15	23.67
Inventory Turnover Ratio	2.88	3.73
Inventory Days	126.74 days	97.85 days
Accounts Receivable Turnover Ratio	10.26	8.36
Average Collection Period	35.57 days	43.63 days
Accounts Payable Turnover Ratio	3.89	4.39
Average Payment Period	93.83 days	83.14 days
Fixed Asset Turnover Ratio	4.4	5.03
Total Asset Turnover Ratio	1.34	1.33
Current Asset Turnover Ratio	2.77	2.23
Working Capital Turnover Ratio	6.3	3.84
Operating Ratio	86.48%	75.63%
Gross Profit Margin	40.02%	47.54%
Net Profit Margin	10.15%	14.98%
Return on Equity (ROE)	21.82%	28.16%

Managerial Insights and Inferences:

1. Liquidity Management:

- **Asian Paints** exhibits stronger liquidity with a higher Current Ratio and Quick Ratio. This suggests that the company is better positioned to meet short-term obligations without straining operations. As a manager, maintaining a healthy liquidity ratio is crucial, especially during economic downturns, to ensure smooth operations and avoid financial distress.
- **Action Point:** Berger Paints might consider improving its liquidity, possibly by optimizing its current asset base or reducing short-term liabilities to ensure greater financial flexibility.

2. Debt Management:

- **Berger Paints** has a higher Debt to Equity Ratio, indicating a heavier reliance on debt financing. While leverage can amplify returns, it also increases financial risk, especially in volatile markets.
- **Action Point:** Berger Paints should monitor its debt levels closely and possibly look for ways to reduce leverage or restructure debt to improve financial stability. Conversely, Asian Paints' conservative approach might appeal to risk-averse stakeholders.

3. Profitability and Cost Management:

- **Asian Paints** outperforms Berger Paints in Gross Profit Margin, Net Profit Margin, and Return on Equity (ROE). This indicates better cost management, pricing strategy, and overall profitability.
- **Action Point:** Managers at Berger Paints might need to revisit their pricing strategy, cost control mechanisms, or explore efficiency improvements to enhance profitability. Asian Paints' ability to maintain higher margins suggests they are successfully managing their cost structures or have stronger market pricing power.

4. Operational Efficiency:

- **Asian Paints** has better inventory management with higher Inventory Turnover and lower Inventory Days. Efficient inventory management reduces holding costs and frees up capital, contributing to better financial performance.
- **Action Point:** Berger Paints should analyze its inventory processes and consider adopting lean inventory practices or just-in-time (JIT) systems to reduce excess stock and improve cash flow.

5. Working Capital Management:

- **Berger Paints** shows strong working capital efficiency with a higher Working Capital Turnover Ratio. Effective working capital management can improve liquidity and profitability by minimizing the need for external financing.
- **Action Point:** While Asian Paints' profitability is strong, it might benefit from refining its working capital management to further enhance its operational efficiency.

For Future Investors

1. Risk Appetite:

- **Risk-Averse Investors:** May prefer **Asian Paints** due to its superior liquidity, profitability, and conservative debt management. The higher margins and ROE indicate a stable and profitable investment, making it a safer bet for long-term investors.

- **Risk-Tolerant Investors:** Might find **Berger Paints** attractive if they believe in the company's growth potential and are comfortable with the higher leverage. The company's strong working capital management and asset utilization could yield significant returns if it successfully improves profitability.

2. Growth Potential vs. Stability:

- **Asian Paints** appears to be a mature and well-established company with consistent profitability, making it ideal for investors seeking stable returns with lower risk.
- **Berger Paints**, while currently less profitable, may offer higher growth potential if it can optimize its operations and leverage its financial resources effectively. Investors seeking higher returns with an acceptable risk might consider it a good opportunity.

3. Diversification Strategy:

- **Balanced Portfolio:** Investors might consider holding positions in both companies to balance the risk and reward. **Asian Paints** offers stability, while **Berger Paints** could provide upside potential if the company's strategic initiatives to improve profitability are successful.

4. Long-Term vs. Short-Term Investment:

- **Long-Term Investors:** May find **Asian Paints** more attractive due to its consistent performance and ability to generate higher returns on equity over time.
- **Short-Term Investors:** Might speculate on **Berger Paints** if they anticipate improvements in profitability or strategic shifts that could lead to a quick appreciation in share value.

Final Recommendation:

Investors should align their choices with their financial goals and risk tolerance. While **Asian Paints** offers a safer investment with steady returns, **Berger Paints** could be an appealing option for those willing to take on more risk in exchange for potential higher returns. Diversifying between both companies can also provide a balanced exposure to stability and growth potential.

Loan Suitability

When evaluating the loan suitability of Berger Paints and Asian Paints, there are several key financial ratios to consider. Here's how they compare:

1. Current Ratio & Acid Test Ratio:

- **Current Ratio:** Berger Paints (1.78) vs. Asian Paints (2.34)
- **Acid Test Ratio:** Berger Paints (0.79) vs. Asian Paints (1.62)
- **Interpretation:** Asian Paints has a higher Current Ratio and Acid Test Ratio, indicating better short-term liquidity. This means Asian Paints is better positioned to cover its short-term liabilities, which is an important factor for lenders.

2. Debt to Equity Ratio:

- **Berger Paints:** 0.51
- **Asian Paints:** 0.23

- **Interpretation:** Asian Paints has a lower Debt to Equity Ratio, suggesting a lower reliance on debt financing and a stronger equity base. This makes it less risky from a lender's perspective.

3. Interest Coverage Ratio:

- **Berger Paints:** 21.15
- **Asian Paints:** 23.67
- **Interpretation:** Both companies have strong interest coverage ratios, but Asian Paints has a slightly higher ratio, indicating it is more capable of meeting interest obligations from its earnings.

4. Long-Term Debt to Total Debt Ratio:

- **Berger Paints:** 0.21
- **Asian Paints:** 0.12
- **Interpretation:** Berger Paints has a higher proportion of long-term debt relative to total debt, which could imply a higher long-term obligation. However, Asian Paints has a lower ratio, suggesting a more favorable debt structure from a risk perspective.

5. Operating & Profit Margins:

- **Gross Profit Margin:** Berger Paints (40.02%) vs. Asian Paints (47.54%)
- **Net Profit Margin:** Berger Paints (10.15%) vs. Asian Paints (14.98%)
- **Interpretation:** Asian Paints has higher gross and net profit margins, indicating better profitability and operational efficiency, which enhances its ability to generate cash flow and service debt.

6. Return on Equity (ROE):

Berger Conclusion:

- **Paints:** 21.82%
- **Asian Paints:** 28.16%
- **Interpretation:** Asian Paints shows a higher ROE, reflecting greater efficiency in using shareholders' equity to generate profits, which is a positive sign for lenders.

Based on the financial ratios presented, **Asian Paints** appears to be better positioned to secure bank loans due to its stronger liquidity, lower debt reliance, higher profitability, and superior return on equity. These factors make it a less risky and more attractive option for lenders.

Comparison trend analysis of both companies

Metric	Asian Paints FY23 YoY Change	Asian Paints FY24 YoY Change	Berger Paints FY23 YoY Change	Berger Paints FY24 YoY Change
Revenue from Operations	22.34%	5.61%	22.35%	5.62%
Total Income	22.35%	5.37%	22.36%	5.37%
Cost of Materials Consumed	17.03%	-4.76%	17.01%	-4.76%
Employee Benefits Expense	14.36%	17.28%	14.35%	17.28%
Finance Costs	100.94%	-25.06%	100.96%	-25.05%
Depreciation and Amortization	18.44%	26.88%	18.46%	26.92%
Profit Before Tax	9.71%	24.02%	9.69%	24.05%
Profit for the Year	10.47%	22.53%	10.47%	22.54%

Managerial Insights and Inferences

1. Revenue and Growth:

- Both Asian Paints and Berger Paints demonstrate consistent revenue growth over the past two years, with nearly identical year-on-year (YoY) increases. This indicates that both companies are effectively capturing market share and responding well to market demand.
- The slight tapering of growth in FY 2024 suggests potential market saturation or challenges in maintaining the same growth trajectory. It may be an indicator to explore new markets, product innovations, or diversification to sustain growth rates.

2. Cost Management:

- Both companies experienced a notable reduction in the cost of materials consumed in FY 2024 after a significant increase in FY 2023. This could reflect successful cost-saving initiatives, changes in raw material prices, or better supply chain management.
- Consistency in cost control across both companies indicates strong operational efficiency. However, the negative growth in material costs might also suggest a potential risk if prices of raw materials fluctuate or if there is over-reliance on cost-cutting measures.

3. Employee Benefits Expense:

- The steady increase in employee benefits expenses for both companies suggests an investment in talent retention and possibly expansion in their workforce. This could be strategic to support future growth and maintain quality.

- As a manager, it is crucial to ensure that this investment translates into higher productivity, innovation, and overall company performance. Monitoring employee engagement and satisfaction levels will be key to maximizing the returns on this investment.

4. Finance Costs:

- The sharp rise in finance costs in FY 2023, followed by a significant drop in FY 2024, might indicate fluctuations in borrowing or changes in capital structure. This could be due to strategic decisions like paying off debt or refinancing at better rates.
- It is important to assess whether the reduction in finance costs is sustainable. Managers should also consider the impact of interest rates on future borrowing and whether the current capital structure aligns with long-term financial goals.

5. Profit Margins:

- Both companies show healthy increases in profit before tax (PBT) and profit for the year, particularly in FY 2024, where the growth rates are higher. This suggests that despite the slowing revenue growth, both companies have managed to improve their profitability.
- For managers, maintaining or improving these margins will be crucial. Focus should be on optimizing operations, controlling costs, and exploring new revenue streams without compromising on quality or customer satisfaction.

6. Depreciation and Amortization:

- The rise in depreciation and amortization indicates ongoing capital investments, possibly in infrastructure, technology, or new projects. This is a positive sign of long-term growth planning.
- Managers should ensure these investments are aligned with the strategic vision of the company and monitor their returns over time. Effective utilization of these assets will be key to justifying the increased depreciation costs.

For Investors

1. Growth Stability:

- Both Asian Paints and Berger Paints exhibit stable growth, making them attractive to conservative investors looking for steady returns. However, the slight deceleration in revenue growth in FY 2024 could be a signal to be cautious about expecting similar growth rates in the future.

2. Profitability:

- Investors should take note of the consistent improvement in profitability for both companies. This suggests that both are capable of turning revenue into profit efficiently, which is a positive indicator for potential dividends and long-term value appreciation.

3. Cost Management and Operational Efficiency:

- The effective management of costs, particularly the reduction in the cost of materials consumed and finance costs, indicates robust internal controls. Investors may view this as a sign of good management and prudent financial practices.

4. Investment in People and Assets:

- The increase in employee benefits and depreciation suggests that both companies are investing in their workforce and infrastructure, which could drive future growth. Investors with a long-term horizon might find this appealing, as it indicates that the companies are preparing for sustained growth.

5. Risk Factors:

- The sharp fluctuations in finance costs and the potential market saturation implied by the slowing revenue growth are factors that investors should watch closely. It may be wise to diversify investments across different sectors or geographies to mitigate potential risks.

6. Strategic Positioning:

- Given that both companies are closely aligned in terms of performance, an investor might consider their respective market positions, brand strength, and innovation pipelines as differentiators. Additionally, examining how each company plans to tackle future challenges, such as raw material price volatility and market competition, could guide investment decisions.

Conclusion for Investors:

- **Conservative Investors:** Both Asian Paints and Berger Paints are solid choices for stable, long-term investments with relatively low risk.
- **Growth-Oriented Investors:** While both companies have strong fundamentals, it might be worth exploring other opportunities or waiting for potential market corrections before investing heavily.
- **Diversified Portfolio:** Investors should consider balancing their holdings between these two companies or adding complementary sectors to manage risk and capitalize on different growth opportunities.

