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Fiscal Recital Scrutiny Of Outstanding Paint Companies In India

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ABSTRACT

The Indian paint industry has recently completed l00 years of manufacturing. Manufacturing of Indian paints started around 1902. 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 and textures, increasing per capita income of people and efforts on the part of manufacturers to introduce improved versions like eco-friendly, odour free and dust and water resistant paints, have propelled the growth of the paint market in India. The study has great significance and provides benefits to various parties whom directly or indirectly interact with the company. The investors who are interested in investing in the company's shares will also get benefited by going through the study and can easily take a decision whether to invest or not to invest in the company's shares.

Keywords: Colour, Paints, Growth, Operation, Cost, Technologies.

INTRODUCTION

Paints and colours have remained an integral part throughout the human existence, and the domain has evolved rapidly over a period. The Indian paint industry has come a long way from the days when paints were considered a luxury item. Today the awareness level on preventing corrosion through paints is relatively high, a development that should be a huge boost to the paint industry. The domestic paint industry is expected to touch `50,000 crore mark in the next three years on the back of

ISSN:0971-1260
Vol-22-Issue-10-November-2019

rising urbanization and economic revival, according to the Indian Paint Association (IPA). Though the paint industry witnessed some slowdown in the last few years due to global economic uncertainties and growing urbanization, industrial experts feel that a good growth is expected in over the next three year. It is beneficial to management of the company by providing crystal clear picture regarding important aspects like Liquidity, Leverage, Activity &Profitability.The study is also beneficial to employees and offers motivation by showing how actively they are contributing for company's growth.

OBJECTIVES OF STUDY

- To evaluate the performance of the company by using ratios as a yardstick to measure the efficiency of the company.
- To make comparisons among select companies during study period.

RESEARCH METHODOLOGY

The required data for the study are basically secondary in nature and the data are collected from the audited reports of the company.The sources of data are from the annual reports of the company from the year 2013-2017

The study employs the following analytical tools:

- Ratio Analysis
- Correlation

SELECT OUTSTANDING PAINT COMPANIES

- ***Asian Paints Limited***
- ***Berger Paints India Ltd***
- ***Dulux***.
- ***Kansai Nerolac Paints Limited***
- ***Shalimar Paints***

ISSN:0971-1260

Vol-22-Issue-10-November-2019

ANALYSIS AND INTERPRETATION

CURRENT RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	1.367301595	1.421128057	1.69557562	1.165123	1.503494
2014	1.484957946	1.239982084	1.791924425	1.140639	1.573327
2015	1.516989871	1.440740087	2.140955731	1.020392	1.583439
2016	1.535631467	1.575905323	2.55167194	1.076789	1.619701
2017	1.793027823	1.744584524	3.406301659	0.9741032	1.490116
MINIMUM	1.367301595	1.239982084	1.69557562	0.9741032	1.490116
MAXIMUM	1.793027823	1.74458	3.40630	1.16512	1.61970
AVERAGE	1.5395817	1.48447	2.31729	1.07541	1.55402
SD	0.1560650	0.18823	0.69543	0.07999	0.05520
CV	0.1013684	0.12680	0.30011	0.07438	0.03552
CAGR	5.5709772	4.18657	14.97229	-3.51792	-0.17860
AAGR	7.1881370	5.88226	19.45927	-4.16320	-0.10576

(SOURCE: ANNUAL REPORT)

INTERPRETATION

An arbitrary standard of current ratio is 2:1 indicates that for every one rupee of current liability two rupee of current assets is available.The above table shows Asian paints & Nerolac paints current ratio is the good for the last 5 years. It is slightly increased from year to year. Berger & dulux paints reduced slightly and maintain stability to reach the target value. But in the case of Shalimar paints it shows a very bad position in the current ratio, it reduces from 1.16 in 2013 to 0.97 in 2017. While comparing all the companies' Nerolac paint company had a best current ratio. It was having above 2:1 Current ratio for every year and simultaneously every year had some improvement.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

INVENTORY TURNOVER RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	594.13262	526.778	22792.8983	380.152	758.2953
2014	607.84981	556.266	13540.0282	398.052	790.958
2015	645.43011	577.1951	620.9352	384.942	793.2885
2016	705.51019	618.8696	671.1341	357.99	806.6484
2017	778.61278	674.4689	797.2375	328.082	838.7069
MINIMUM	594.13262	526.778	620.9352	328.082	758.2953
MAXIMUM	778.61278	674.46890	22792.89830	398.05200	838.70690
AVERAGE	666.30710	590.71552	7684.44666	369.84360	797.57942
SD	76.17694	57.58658	10112.69676	27.45213	29.06550
CV	0.11433	0.09749	1.31600	0.07423	0.03644
CAGR	5.55714	5.06713	-48.86036	-2.90318	2.03622
AAGR	7.04037	6.39110	-27.28387	-3.48522	2.56511

(SOURCE: ANNUAL REPORT)

INTERPRETATION

Inventory turnover ratio measures the velocity of conversion of stock into sales. Asian paints is increased from 594.13 in 2013 to 778.61 in 2017.Nerolac paints declined in their value from 22792.89 in 2013 to 797.23 in 2017. Dulux paints, Berger paints and Shalimar paints slightly make changes in their last 5 years its shows the inefficient management of inventory. Shalimar paints had good level as 398.05 in 2014 have high inventory turnover it indicate the efficient management of inventory because the stocks are sold frequently.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

RECEIVABLES TURNOVER RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	1108.6320	813.3409	519.7758	324.755	654.965
2014	1133.1952	796.7961	480.7782	302.531	691.7186
2015	1173.3511	834.0332	700.1249	294.458	674.3346
2016	1284.3908	894.2518	756.7259	273.841	685.6912
2017	1415.4687	974.5915	898.9116	250.963	712.9425
MINIMUM	1108.6320	796.7961	480.7782	250.963	654.965
MAXIMUM	1415.4687	974.59150	898.91160	324.75500	712.94250
AVERAGE	1223.0075	862.60270	671.26328	289.30960	683.93038
SD	126.9084	72.65777	172.62215	28.13995	21.42739
CV	0.10377	0.08423	0.25716	0.09727	0.03133
CAGR	5.00805	3.68358	11.57841	-5.02468	1.71085
AAGR	6.35704	4.71084	16.24862	-6.21699	2.18919

(SOURCE: ANNUAL REPORT)

INTERPRETATION

A high receivables turnover ratio can imply a variety of things about a company. Asian paints is continuously increased from 1108.63 in 2013 to 1415.46 in 2017. Berger paints is increased from 813.34 in 2013 to 974.59 in 2017. Nerolac paints is increased from 519.77 in 2013 to 898.91 in 2017. Dulux paints also continuously increased from 654.96 in 2013 to 712.94 in 2017.Asian, Berger, Nerolac, Dulux paints had high ratio can also suggest that the company has a conservative policy regarding its extension of credit. This can often be a good things as this filters out customers who may be more likely to take a long time in pay in their debts. Shalimar paints is reduced their receivables turnover ratio from 324.75 in 2013 to 250.96 in 2017 it indicates company’s policy may be too conservative if it is too tight extending credit, which can drive away the potential customers and give business to competitors. Asian paint is continuously increased and reaches the maximum level 1415.46 in 2017.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

PAYABLE TURNOVER RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	754.34075	832.3161	725.9414	305.255	597.6558
2014	720.71352	710.9666	714.9995	298.502	641.3074
2015	899.65184	729.915	839.4967	270.457	665.4752
2016	984.79011	782.616	907.365	251.52	676.6825
2017	1085.2924	852.9264	1077.8552	230.507	703.5758
MINIMUM	720.71352	710.9666	714.9995	230.507	597.6558
MAXIMUM	1085.2924	852.92640	1077.85520	305.25500	703.57580
AVERAGE	888.95773	781.74802	853.13156	271.24820	656.93934
SD	153.51985	61.88885	149.06852	31.42016	39.98909
CV	0.17270	0.07917	0.17473	0.11584	0.06087
CAGR	7.54639	0.49042	8.22604	-5.46247	3.31704
AAGR	10.00976	1.07240	10.69473	-6.74094	4.18268

(SOURCE: ANNUAL REPORT)

INTERPRETATION

Asian paints is increased from 754.34 in 2013 to 1085.29 in 2017. Berger paint also increased from 832.31 in 2013 to 852.92 in 2017. Nerolac paint is increased from 725.94 in 2013 to 1077.85 in 2017. Dulux paints is increased from 597.65 in 2013 to 703.57 in 2017. Asian, Berger, Nerolac, Dulux paints turnover ratio is increasing, which means that the company is paying off suppliers at a faster rate. Shalimar paints is reduced from 305.25 in 2013 to 230.50 in 2017. The turnover ratio is falling from one period to another this is a sign that the company is taking longer to pay off its suppliers than it was in previous time periods. Asian paints had a good performance level as 1085.29 in 2017

ASSET TURNOVER RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	160.22676	153.0781	136.5889	136.802	143.7427
2014	156.49915	149.1302	138.8496	126.711	155.6848
2015	157.10377	159.1427	150.4732	113.421	145.6148
2016	151.14090	158.7517	116.9931	102.974	143.5237
2017	136.03556	146.8013	126.0785	95.046	141.3887
MINIMUM	136.03556	146.8013	116.9931	95.046	141.3887
MAXIMUM	160.22676	159.14270	150.47320	136.80200	155.68480

ISSN:0971-1260

Vol-22-Issue-10-November-2019

AVERAGE	152.20123	153.38080	133.79666	114.99080	145.99094
SD	9.60949	5.55642	12.78051	17.01289	5.62216
CV	0.06314	0.03623	0.09552	0.14795	0.03851
CAGR	-3.22048	-0.83387	-1.58866	-7.02455	-0.32970
AAGR	-3.93246	-0.90963	-1.11441	-8.69366	-0.27096

(SOURCE: ANNUAL REPORT)

INTERPRETATION

This ratios measures how efficiently a firm uses its assets to generate sales,so a higher ratio always more favourable. Asian paints have a high asset turnover ratio of 160.22 in 2013. It shows the company is using its assets more efficiently. Shalimar paints have a low asset ratio of 95.046 when comparing other paint company. It indicates that the company isn't using its assets efficiently and most likely have management or production problems. Asian paint have good performance in asset turnover ratio.

INTEREST COVERAGE RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	4128.5675	835.0239	40193.2353	329.636	507.4164
2014	3834.8176	773.4506	15891.6573	169.459	745.1723
2015	5155.3797	834.1045	39848.913	142.706	908.1016
2016	5720.1431	1914.5122	92331.4815	240.781	1096.9997
2017	8152.7795	3763.9334	215361.2903	163.943	1314.1957
MINIMUM	3834.8176	773.4506	15891.6573	142.706	507.4164
MAXIMUM	8152.7795	3763.93340	215361.29030	329.63600	1314.19570
AVERAGE	5398.3375	1624.20492	80725.31548	209.30500	914.37714
SD	1718.0256	1287.78536	80278.70490	76.73189	311.24451
CV	0.31825	0.79287	0.99447	0.36660	0.34039
CAGR	14.57801	35.14146	39.89524	-13.03757	20.96483
AAGR	20.20086	56.64933	88.81091	-6.89154	27.33034

(SOURCE: ANNUAL REPORT)

INTERPRETATION

The interest coverage ratio measures how many times over a company could pay its current interest payments with its available earnings. Asian paints have a great performance to increased value from 4128.56 in 2013 to 8152.77 in 2017. But a too high interest coverage

ISSN:0971-1260

Vol-22-Issue-10-November-2019

ratio may not be good for the firm because it may imply that firm is not using debt as a source of finance so as to increase the earnings per share. Nerolac paints have a more value to repayable interest from 40193.23 in 2013 to 215361.29 in 2017. Berger paints, Shalimar paints and Dulux paints slightly changes on the last 5 years. Nerolac paints had good performance level as 215361.29 in 2017 it indicate the company has to repayable capacity.

NET PROFIT RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	10.66289	6.5264	10.3023	2.196	6.1772
2014	10.11569	6.4447	6.5925	4.525	10.8675
2015	10.19133	6.1244	7.7069	-2.443	7.8538
2016	11.60591	7.9793	23.1711	1.304	8.6793
2017	11.64011	9.3786	11.1261	-1.827	8.7956
MINIMUM	10.11569	6.1244	6.5925	-2.443	6.1772
MAXIMUM	11.64011	9.37860	23.17110	4.52500	10.86750
AVERAGE	10.843186	7.29068	11.77978	0.751	8.47468
SD	0.7422110	1.368724091	6.630773736	2.893295267	1.69811313
CV	0.06845	0.18774	0.56289	3.85259	0.20037
CAGR	1.76922	7.52089	1.55043	-196.38762	7.32348
AAGR	2.44771	10.40047	32.39143	-110.35421	15.01218

(SOURCE: ANNUAL REPORT)

INTERPRETATION

The net profit ratio is a useful tool to measure the overall profitability of the business. Asian paints & Berger paints increased from the net profit value from 10.66 in 2013 to 11.64 in 2017 & 6.52 in 2013 to 9.37 in 2017 respectively. Shalimar had a negative value it tries to improve their net profit value. Nerolac paint had a high net profit level 23.17 in the year 2016.When comparing the last 5 year’s net profit ratio there has been a fall in the profit percentage. Nerolac paints had a good performance level so it indicates a more efficient management of the affairs of the business is needed.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

OPERATING PROFIT RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	13.91458	9.39720	9.58990	10.89200	9.59510
2014	12.86843	9.32010	8.96730	7.35800	12.10690
2015	12.79520	9.67640	10.2672	6.80200	11.43580
2016	15.11495	11.98500	12.91890	13.23700	12.71840
2017	14.75630	12.08820	14.56250	10.02100	12.73640
MINIMUM	12.79520	9.32010	8.96730	6.80200	9.59510
MAXIMUM	15.11495	12.08820	14.56250	13.23700	12.73640
AVERAGE	13.88989	10.49338	11.26116	9.66200	11.71852
SD	1.05993	1.41545	2.38169	2.64152	1.30149
CV	0.07631	0.13489	0.21150	0.27339	0.11106
CAGR	1.18158	5.16534	8.71372	-1.65310	5.82772
AAGR	1.91740	6.93040	11.63828	7.57669	7.99800

(SOURCE: ANNUAL REPORT)

INTERPRETATION

Operating ratio indicates the percentage of net sales that is consumed by operating cost. Asian paints had a high level of profit and increased from 13.91 in 2013 to 15.11 in 2016 and its reach the maximum level of output in the name of operating profit ratio. Berger&Nerolac paint increased from the point of 9.39 in 2013 to 14.56 in 2017. Shalimar & dulux paints reduced slightly. Finally Nerolac paints had a good performance level of operating profit while comparing the other companies.

RETURN ON EQUITY

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	34.26184	22.9133	22.8147	14.689	40.5375
2014	31.50905	22.2529	14.6359	29.817	60.4452
2015	30.09746	20.9979	17.1836	-17.179	37.8489
2016	31.74292	24.9983	38.9503	7.953	40.778
2017	25.86888	24.909	18.1233	-11.373	38.2208
MINIMUM	25.86888	20.9979	14.6359	-17.179	37.8489
MAXIMUM	34.26184	24.99830	38.95030	29.81700	60.44520
AVERAGE	30.69603	23.21428	22.34156	4.78140	43.56608
SD	3.08754	1.73075	9.74486	19.22384	9.52770
CV	0.10058	0.07456	0.43618	4.02055	0.21870

ISSN:0971-1260

Vol-22-Issue-10-November-2019

CAGR	-5.46483	1.68426	-4.49975	-195.01158	-1.17005
AAGR	-6.38811	2.54308	13.68976	-110.98092	3.29853

(SOURCE: ANNUAL REPORT)

INTERPRETATION

The ROE is useful for comparing the profitability of a company to that of other firms in the same industry. Asian paints reduced from 34.26 in 2013 to 25.86 in 2017. Berger paints increased the value from 22.91 in 2013 to 24.90 in 2017.Dulux paints had a slight difference on value so it illustrates who effective the company is at turning the cash put into the business into greater gains and growth for the company and investors. The higher the return on equity, the more efficient the company's operations are making use of those funds. Dulux paints had a good performance level in the maximum value of 60.44 in 2014.

DEBT EQUITY RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	53.19343	87.169	31.3839	169.797	244.6401
2014	49.7242	82.9706	28.5734	199.305	169.8668
2015	49.76257	71.0424	27.4804	264.072	158.4901
2016	47.34436	50.4665	25.813	254.9	158.7214
2017	33.13708	40.8912	8.7348	284.849	147.6816
MINIMUM	33.13708	40.8912	8.7348	169.797	147.6816
MAXIMUM	53.19343	87.16900	31.38390	284.84900	244.64010
AVERAGE	46.63233	66.50794	24.39710	234.58460	175.88000
SD	7.82679	20.19904	8.98716	48.09058	39.23036
CV	0.16784	0.30371	0.36837	0.20500	0.22305
CAGR	-9.03146	-14.04848	-22.57001	10.90138	-9.60181
AAGR	-10.32816	-16.78231	-21.25232	14.53771	-11.01789

(SOURCE: ANNUAL REPORT)

INTERPRETATION

As debt equity ratio represents the relationship of owner's funds to total assets, higher the ratio or the share of the shareholders in the total company, better is the long term solvency position of the company.In 2013,dulux paint had an maximum level of owners fund. In the end of last 3 years Shalimar paints had a maximum level of 284.84 in 2017. It indicates the extent to which the assets of the company can be lost without affecting the interest of

ISSN:0971-1260

Vol-22-Issue-10-November-2019

creditors of the company.Finally Shalimar, Dulux paints had a maximum level of owners fund to show a positive result while comparing the other paint companies.

DUPONT RATIO

YEAR	ASIAN PAINTS	BERGER PAINTS	NEROLAC PAINTS	SHALIMAR PAINTS	DULUX PAINTS
2013	34.26184	22.9133	22.8147	14.6890	40.5375
2014	31.50905	22.2529	14.6359	29.8170	60.4452
2015	30.09746	20.9979	17.1836	-17.1790	37.8489
2016	31.74292	24.9983	38.9503	7.9530	40.7780
2017	25.86888	24.9090	18.1233	-11.3730	38.2208
MINIMUM	25.86888	20.9979	14.6359	-17.179	37.8489
MAXIMUM	34.26184	24.99830	38.95030	29.81700	60.44520
AVERAGE	30.69603	23.21428	22.34156	4.78140	43.56608
SD	3.08754	1.73075	9.74486	19.22384	9.52770
CV	0.10058	0.07456	0.43618	4.02055	0.21870
CAGR	-5.46483	1.68426	-4.49975	-195.01158	-1.17005
AAGR	-6.38811	2.54308	13.68976	-110.98092	3.29853

(SOURCE: ANNUAL REPORT)

INTERPRETATION

This analysis was developed to analyze ROE and the effects different business performance measures have on this ratio. Dulux paint have a maximum value of dupont ratio 60.44 in 2014 it indicates the good performance level to management. Shalimar paints have a negative dupont ratio of -17.179 in 2015. It shows the low ROE, the management can use this formula to pinpoint the problem area whether it is a lower profit margin asset turnover or poor financial leveraging. Investors can then apply perceived risks with each company’s business model. Dulux paint had good performance and took a company in positive relationship.

CORRELATION BETWEEN PROFIT AND SALES

COMPANY	R^2
ASIAN PAINTS	**0.73029471**
BERGER PAINTS	**0.92022265**
DULUX PAINTS	**0.63548238**
SHALIMAR PAINTS	**0.69461139**
NEROLAC PAINTS	**0.53716961**

ISSN:0971-1260
Vol-22-Issue-10-November-2019

INTERPRETATION

In statistics,The value of *r* is always between +1 and –1.while comparing net profit and sales,Berger paints and Asian paints have a good relationship on both net profit and sales. It shows the strong positive linear relationship when comparing the other companies. Nerolac paints have a moderate positive relationship. Finally Berger paints only had a good performance level and its show the strong positive linear relationship on both net profit and sales.

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- ***Current ratio*:**Nerolac paints company had a best current ratio. It was having above2:1 Current ratio for every year and simultaneously every year had some improvement compare than other paint companies.
- ***Debt equity ratio:*** Shalimar & Dulux paint companies are in good position for284.849 & 244.64 in 2017.
- ***Operating profit ratio :*** Nerolac paint company had a good performance level for15.11 in 2016.
- ***Net profit ratio :*** Nerolac paint company has 23.17 in 2016 it indicates a moreefficient management of the affairs of the business is needed.
- ***Return on equity :*** Dulux paint company has a 60.44 in 2014 it shows that company'soperations are more efficient are making use of those funds.
- ***Interest coverage ratio :*** Nerolac paint company has 215351.29 in 2017,it indicatethat company are more efficient on repayable capacity.
- ***Inventory turnover ratio:*** Shalimar paint company is good efficiency on thatproduction and selling of inventory management as 398.05 in 2013
- ***Payable turnover ratio :*** Asian paint company is in good position as 1085.29 in 2017.
- ***Receivables turnover ratio :*** Asian paint company is in good efficiency operations1415.46 in 2017
- ***Asset turnover ratio :*** Asian paint company having good asset turnover ratio of160.22 in 2013.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

- ***Dupont ratio:*** Dulux paint company are having good and took a company in positiverelationship is 60.44 in 2014
- ***Correlation :*** Berger paint company 0.9202 it shows the strong positive linearrelationship on both net profit and sales

SUGGESTIONS

Based on the findings the following suggestions are proposed

- Shalimar paint company can improve their performances of changes in inventories of finished goods, work in progress and stock in trade.
- Asian paint company's sales was continuously rising but the net profit is not so much increased so management should take some steps to decrease its expenses.
- Dulux paint company should improve their overall performance. The past 2 years sales volume they maintain same value efficiently. Its contributed so much expenses of changes in inventories of finished goods, work in progress and stock in trade and employee benefit expenses.
- Berger paint company should improve the debt equity level, because the creditors can be suspicious about the repayment of their debt which indicates greater risk to the creditors.
- Nerolac paint company should reduce their inventory turnover ratio because that they implies over investment in inventories, dull business, poor quality of goods, stock accumulation of obsolete and slow moving goods and low profits as compared to total investments.

CONCLUSION

The Indian paint industry has come a long way from the days when paints were considered a luxury item. Today the awareness level on preventing corrosion through paints is relatively high, a development that should be a huge boost to the paint industry.The study was conducted for a period of five years 2013 to 2017 from the selected Paint companies viz, **ASIAN PAINTS,BERGER PAINTS,NEROLAC PAINTS,SHALIMARPAINTS AND DULUX PAINTS.** The balance sheet and profit & loss account was obtained fromthe annual report published by the companies. The financial performance was analysed by using

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Vol-22-Issue-10-November-2019

financial ratios and trend analysis, Correlation.The analysis of five year reveals that while compared the financial performance of the companies ***NEROLAC PAINT COMPANY*** was good for the Current ratio, Operating ratio, Net profit, Interest coverage ratio.The analysis of five year reveals that while compared the financial performance of the companies ***ASIAN PAINT COMPANY*** was good for the Payable turnover ratio, Asset turnover ratio, Receivable turnover ratio.