

A  
PROJECT REPORT  
ON  
*“A SUPPLY CHAIN STUDY  
WITH RESPECT TO  
FLIPKART PRIVATE LIMITED”*



**SUBMITTED BY**

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**UNDER THE GUIDANCE OF**

**ANJALI PRAVA MISHRA, ASSISTANT PROFESSOR, BIITM**

**IN PARTIAL FULFILLMENT FOR THE AWARD OF THE DEGREE  
OF MASTER OF BUSINESS ADMINISTRATION**

**BATCH 2019-2021**

## **GUIDE CERTIFICATE**

This is to certify that the projects done on “**A COMPARATIVE STUDY ON WORKING CAPITAL MANAGEMENT OF ASIAN PAINTS LTD AND BERGER PAINTS LTD IN INDIA**” submitted to **BIJU PATNAIK** **INSTITUTE OF IT & MANAGEMENT STUDIES**, Bhubaneswar is in partial fulfillment of the requirement for the award of **MASTER IN BUSINESS ADMINISTRATION** in **FINANCE** is a bonafide work carried out by me virtually during the lock down period.

Date:

Signature of the guide

Place:

## **DECLARATION**

I **NIRMAL BARAL** student of **BIJU PATNAIK INSTITUTE OF IT & MANAGEMENT STUDIES, BHUBANESWAR** hereby declare that the project report entitled “**A COMPARATIVE STUDY ON WORKING CAPITAL MANAGEMENT OF ASIAN PAINTS LTD AND BERGER PAINTS LTD IN INDIA**” is a bonafide record submitted in partial fulfillment of Master of Business Administration and a record of original work done by me under the guidance of Asst. Prof. **Ms. ANJALI PRAVA MISHRA** Department of Finance, **BIJU PATNAIK INSTITUTE OF IT & MANAGEMENT STUDIES**.

I also declare that this report has not been submitted previously by me, fully or partially for the award of any degree or recognition.

Place: Bhubaneswar

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Date:

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## **ACKNOWLEDGMENT**

Firstly, I am graceful to God almighty, for the blessing showed upon me for the successful completion of my project.

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## **CHAPTER-1**

## **ABSTRACT**

Working capital is the life blood and nerve centre of business. Working capital is very essential to maintain smooth running of a business. No business can run successfully without an adequate amount of working capital. Working capital helps to operate the business smoothly without any financial problem for making the payment of short-term liabilities. Purchase of raw materials and payment of salary, wages and overhead can be made without any delay. Adequate working capital helps in maintaining solvency of the business by providing uninterrupted flow of production. This finance project report on working capital management is based on the study of working capital management in Asian Paints and Berger Paints . An insight view of the project will encompass on ratios like current ratio, Quick ratio and fixed asset to current asset ratio.

## **INTRODUCTION**

The Indian paint industry is over 100 years old. Its beginning can be traced back to the setting up of a factory by Shalimar Paints in Calcutta (now Kolkata) in 1902. Until World War II, the industry consisted of small producers and two foreign companies. The domestic paint industry is estimated to be a Rs 500 billion industry with the decorative paint category constituting almost 75% of this market. The decorative paint market includes multiple categories depending on the nature of the surface like exterior wall paints, interior wall paints, wood finishes, enamels as well as ancillary products like primers, putties, etc. The industrial paint category constitutes the balance 25% of the paint market and includes a broad array of segments like automotive coatings, marine coatings, packaging coatings, powder coatings, protective coatings and other general industrial coatings. The paints sector is raw material intensive, with over 300 raw materials (50% petro-based derivatives) involved in the manufacturing process. Since most of the raw materials are petroleum based, the industry benefits from softening crude prices. Under the make in India initiative, the government of India aims to increase the share of the manufacturing sector to the gross domestic product (GDP) to 25% by 2022 from existing 16%. Manufacturing sector has the potential to reach US\$ 1 trillion by 2025 and India is expected to rank amongst the three growth economies and manufacturing destinations of the world by 2020. These factors expected to significantly boost industrial paint consumption.

The Paints and Coatings Industry is one of the most heavily regulated industries in the world. The sector consists of manufacturers of paints, varnishes, lacquers, shellacs, stains and a variety of other specialty coatings. The Indian Paint Industry is estimated to be Rs.50,000 Crores

industry. Indian Paint sector is broadly classified into two main segments mainly - Decorative and Industrial. Decorative paints include exterior wall paints, interior wall paints, wood finishes, enamel and ancillary products such as primers, putties, etc. While Industrial paints include automotive coatings, powder coatings and protective coatings. The Decorative segment accounts for the majority of the Paint Industry's value which is around 75% and the Industrial segment accounts for the rest 25%. Of the two segments, the industrial paints segment mainly comprises organised players whereas the decorative paints segment involves unorganised players too as the decorative paints segment is not significantly dependent on technology compared to the industrial paints that involves higher technical know-how. Till FY17, organised players had a market share of about 65%. However, post GST application, the organised players are recapturing market from unorganised players with share of organised players increasing to about 80% now. The top players in the organised sector are Asian Paints Limited (APL) Kansai Nerolac Paints Limited (Kansai), Berger Paints India Limited (Berger) and Akzo Nobel India Limited (Akzo) which together account for about 68% of the market share.

Working capital is defined as being the capital of a business which is used in its day-to-day operations. It is the net of current assets minus current liabilities. Working capital ensures whether or not a business organization has sufficient cash flow in order to meet its short term obligations and operating expenses. The term working capital is used for day-to-day requirement of funds for a business. A business needs certain amount of cash for meeting routine payments, providing unforeseen events or purchasing raw materials for its production. Managing working capital includes managing cash Inventories, accounts receivables and accounts payable in an effective manner. In this way, a working capital is equal to the raw materials, work in progress, finished goods inventories and accounts receivables fewer accounts payable. The concept of working capital should be understandable easily, as it is very much connected with our personal lives as well. In the sense, sufficient money is needed for our cost of living. We would like to collect the money owed to us, at the same time; we would like to pay whom we owe. If the ready money is not maintained properly or we fail to do so, the situation is called as bankruptcy or insolvency. The same applies to a business and the task of financial management in terms of working capital is to maintain sufficient funds for its day-to-day requirements, while safeguarding the business against the possibility of insolvency. Thus, the term working capital refers to the excess of the current assets over the current liabilities.

Current assets of a business are those that will be converted in to cash in twelve months period. They are: Cash, Receivables, inventories, marketable securities and prepayments. Current liabilities are those that are to be settled in twelve months period. Current liabilities are: Accounts payable, unearned revenues and wages payable.

The aim of good working capital management is to maintain balance in having sufficient working capital to ensure that the business is liquid to meet its current requirements. At this stage, it must be noted that being liquid does not mean to be in such a way that it affect or reduce the profitability of the business. Rather, it means to maintain balance by finding ways to smooth out cash payments in order to keep working capital stable. Thus, the importance of managing good working capital emerges due to the fact a business that manages its working capital effectively can survive while meeting its day-to-day operations successfully which in turn leads to the long term success.

### **OBJECTIVES OF THE STUDY**

The objectives of the study are as follows:

- To analyse the efficiency of working capital by using Ratio Analysis.
- To determine the relationship between changes in working capital and profitability of Asian Paints Ltd and Berger Paints Ltd.

### **REVIEW OF LITERATURE REVIEW**

**Welter (1970)** – in his study stated working capital centralized with the global delay with the purchase of raw materials and payment where received for sold of finished goods. Delay centres located at the production and marketing areas. Delay centres are classified into average delay and added delay. He recognized improved ability of management and reducing the length of delay in all the sectors. Thus this study is concerned only with return aspect of working capital management without risk.

**Verma (1989)** – in his study stated working capital management in iron and steel industry by taking a sample of selected units in both private and public sectors over the period 1978-79 to 1985-86. Sample included Tata Iron and Steel Company Ltd. (TISCO) in private sector and Steel Authority of India Ltd. (SAIL) and Indian Iron and Steel Company, a wholly owned



subsidiary of SAIL, in public sector. Taking the analysis like ratio analysis, growth rates and simple linear regression analysis, the study resulted that private sector had certainly an end over public sector in respect of working capital management. Simple regression resulted that working 64 capital and sales were functionally related concepts.

**Kamta Prasad Singh, Anil Kumar Sinha and Subas Chandra Singh (1986)** in their studies stated that the working capital management in fertilizer industry in India during the period 1978-79 to 1982-93. This study revealed that inefficient management of working capital was to a great responsible for the losses incurred by the FCI and its daughter units, as turnover of its current assets had been low. FCI and its daughter units had high overstocking of inventory in respect of each of its components particularly stores and spares. Similarly, quantum of receivables had been excessive and their turnover very low. However, cash and liquid resources held by FCI and his daughter units had been much lower in relation to operation requirements. The profitability internal base for of working capital had been very low in these undertakings.

**Misra (1975)** in her study entitled the problems of working capital with special reference to six selected public sector undertakings in India over the period 1960-61 to 1967-68. This study Analysis the financial ratios and responses to a questionnaire revealed somewhat the same results as those of NCAER study with respect to composition and utilization of working capital. In all the selected enterprises, inventory constituted the more important element of working capital.

**Chakraborty(1973)** in his study entitled the working capital as a segment of capital employed rather than a mere cover for creditors. He emphasized that working capital is the fund to pay all the operating expenses of running a business. He stated that return on capital employed, an aggregate measure of overall efficiency in running a business, would be adversely affected by excessive working capital. Similarly, too little working capital might reduce the earning capacity of the fixed capital employed over the succeeding periods. For knowing the appropriateness of working capital amount, he applied Operating Cycle (OC) Concept. He calculated required cash working capital by applying OC concept and compared it with cash from balance sheet data to find out the adequacy of working capital in Union Carbide Ltd. and Madura Mills Co. Ltd. for the years 1970 and 1971.

**Richard Kofi Akoto, Dadson Awunyo - Vitor et.al(2013)** “Working Capital Management and Profitability: Evidence from Ghanaian listed manufacturing firms”, Journal of Economics from and International Finance found that managers of the firm should follow the working capital management policies in order to overcome liquidity crisis by finding out the relation between dependent and independent variables and also managers should follow to maintain the optimum level of current assets in order to overcome the current liabilities which improves the value of the firm which results in the growth of the company.

**Makori Mogaka Daniel, Jagongo Ambrose(2013)**“Working Capital Management and firm Profitability: Empirical Evidence from Manufacturing and construction Firms listed on Nairobi Securities Exchange, Kenya” examined that the manufacturing Firms in Kenya have large amounts of cash invested in working capital so they have good result of profitability and researcher suggested to reduce number of account receivable days and increase in Account payment period and inventories in order to increase the value of shareholders which will result in good profit which shows the growth of the firm.

**Srinivas K T(2010)**“A Study on Working Capital Management through Ratio Analysis with Reference to Karnataka Power Corporation Limited” found that suggest the company that the KPCL is only focusing on one customer and so it is better to have a advisable look for other customers, the management of the company should take some effective measures to recover the outstanding performance of the company. In the same way the researcher says that proper coordinated outflow and inflow of cash will maintain better working capital management, this is done through the improvement in credit collection and increasing their sales.

**Eljelly (2004)** elucidated that efficient liquidity management involves planning and controlling current assets and current liabilities in such a manner that eliminates the risk of inability to meet due short-term obligations and avoids excessive investment in these assets. The study found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability.

**Ghosh and Maji, (2003)** in this paper made an attempt to examine the efficiency of working capital management of the Indian cement companies during 1992 – 1993 to 2001 – 2002. Findings of the study indicated that the Indian Cement Industry as a whole did not perform remarkably well during this period.

## **RESEARCH METHODOLOGY**

### **• Sources Of Data And Selection Of Sample**

The study is analytical in nature based on secondary data. For present study a sample of two Paints companies listed at Bombay Stock Exchange (BSE) has been selected using convenience sampling for the period of five years i.e. 2015 to 2019 .The Sample companies are Asian Paints ltd. and Berger Paints ltd. The data have been collected from secondary sources viz., annual Reports and accounts of selected companies and financial journals.

### **• Frame Work Of Analysis**

For the analysis the researcher has used statistical tool and financial tool like Mean, ratio analysis, correlation analysis.

#### **Ratio Analysis:**

Ratio analysis is one of the techniques of financial analysis to evaluate the financial condition and performance of a business concern. Simply, ratio means the comparison of one figure to other relevant figure or figures. The following ratios are applied to analyze the company's working capital position.

- Current Ratio(CR)
- Quick Ratio(QR)
- Working Capital Turnover Ratio(WTR)
- Inventory Turnover Ratio(ITR)
- Asset Turnover Ratio(ATR)

#### **Data Analysis By Pearson's Correlation Coefficient:**

Pearson's correlation coefficient is the test statistics that measures the statistical relationship, or association, between two continuous variables. It is known as the best method of measuring the association between variables of interest because it is based on the method of covariance. It gives information about the magnitude of the association, or correlation, as well as the direction of the relationship.

Here, correlation between profitability and various working capital management ratios are derived as follows:

- Correlation between Return On Assets(ROA) & CR
- Correlation between ROA & QR
- Correlation between ROA &WTR

- Correlation between ROA & ITR
- Correlation between ROA & ATR

### **EXPECTED LEARNING OUTCOMES**

- Both Asian Paints and Berger Paints have efficient working capital management.
- Both the companies maintain smooth operations and good profitability.
- Both the companies maintain a good balance between current assets and current liabilities.
- Both the companies manage inventories, cash, accounts payable and account receivables efficiently.
- There is a great balance between working capital management and profitability.

### **LIMITATIONS**

The data's were collected mainly on the basis of secondary data. So the limitations of secondary data are applicable. Due to lockdown situation for COVID-19 pandemic, Primary data collection were not possible. The data collected for the study was historic in nature, so the suggestions will be irrelevant.

## **CHAPTER-2**

### **INDUSTRY ANALYSIS**

#### **INDUSTRY OVERVIEW**

- The Indian paint industry is over 100 years old. Its beginning can be traced back to the setting up of a factory by Shalimar Paints in Calcutta (now Kolkata) in 1902. Until World War II, the industry consisted of small producers and two foreign companies.

- The domestic paint industry is estimated to be a Rs 500 billion industry with the decorative paint category constituting almost 75% of this market. The decorative paint market includes multiple categories depending on the nature of the surface like exterior wall paints, interior wall paints, wood finishes, enamels as well as ancillary products like primers, putties, etc.
- The industrial paint category constitutes the balance 25% of the paint market and includes a broad array of segments like automotive coatings, marine coatings, packaging coatings, powder coatings, protective coatings and other general industrial coatings.
- The paints sector is raw material intensive, with over 300 raw materials (50% petro-based derivatives) involved in the manufacturing process. Since most of the raw materials are petroleum based, the industry benefits from softening crude prices.
- Under the make in India initiative, the government of India aims to increase the share of the manufacturing sector to the gross domestic product (GDP) to 25% by 2022 from existing 16%.
- Manufacturing sector has the potential to reach US\$ 1 trillion by 2025 and India is expected to rank amongst the three growth economies and manufacturing destinations of the world by 2020. These factors expected to significantly boost industrial paint consumption.

#### **PORTER'S FIVE FORCE ANALYSIS**

- **Threat of New Entrants- Medium**

Paint market in India is dominated by few players, making it difficult for anyone newly entering the industry to compete. Working capital needed is high-causes difficulty to local players & big firms enjoy economies of scale. Big players have high brand image & quality products & good promotional activities to attract customers.

- **Bargaining Power of Suppliers- Medium**

The Indian Paint industry is raw material intensive industry with more than 300 products going into the manufacturing of the final products. The raw material can be divided into different categories like pigments, additives, solvents, binders etc. Titanium Dioxide is one of the key pigment used in the production of paint and is facing a global supply shortage. Thus supplier of this material has good bargaining power.

- **Bargaining power of buyers- Medium**

Households and Industrial Users are the main customers of this industry. For housing requirements, the buyers are building contractors who buy in bulk and end people who paint their house. Customers are more price sensitive because for them number of options are available and decisions are made based on quality, price and differentiating factors like weather protection, environment friendly paints. Industrial segment is low margin high revenue business and buyers of these segments are knowledgeable about their needs. Therefore, price comparison is done effectively by the customers. However, the leading Industrial paint suppliers have their expertise in their favour, which limits the bargaining power of buyers.

- **Threat of Substitutes- Low**

The availability of substitute is very minimal. In the rural areas lime wash is conventionally used substitute for paints. One alternative option for decorative walls available today is Wallpaper. Buyer propensity to substitute is low. Relative price performance of Decorative walls is also high.

- **Intensity of Rivalry- Low to Medium**

About 80% of organized market is created to by the major players of Indian Paint Industry. But the current market growth rate can provide ample room of opportunity for all the players of the industry to flourish. However, competition will keep on increasing as market will get saturated, but this will take some time to happen, till then one can keep satisfy customer need with good margin. Also, presence of unorganized sector can cause competition.

## **CHAPTER-3**

### **COMPANY ANALYSIS**

#### **ASIAN PAINTS LTD**

##### **HISTORY**

The company was started in a garage in Gaiwadi, Girgaum - Mumbai by four friends Champaklal Choksi, Chimanlal Choksi, Suryakant Dani and Arvind Vakil all four belongs to Jain Bania Family, founded the company in February 1945. During World War II and the Quit India Movement of 1942, a temporary ban on paint imports left only foreign companies and Shalimar Paints in the market. Asian Paints took up the market and reported annual

turnover of ₹23 crores in 1952 but with only 2% PBT margin. By 1967, it became the leading paints manufacturer in the country.

The four families together held the majority shares of the company. But disputes started over the global rights in 1990s when the company expanded beyond India. The disputes resulted in Choksi selling their 13.7% shares and exiting in 1997. Champaklal died in July 1997 and his son Atul took over. After failed collaboration talks with the British company Imperial Chemical Industries, Choksi's shares were mutually bought by the remainder three family and Unit Trust of India. As of 2008, the Choksi, Dani and Vakil families hold a share of 47.81%.

The company has come a long way since its small beginnings in 1942. It was set up as a partnership 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.

## **CORPORATE PROFILE**

Asian Paints is India's leading paint company with a group turnover of Rs 193.50 billion. The group has an enviable reputation in the corporate world for professionalism, fast track growth, and building shareholder equity. Asian Paints operates in 15 countries and has 26 paint manufacturing facilities in the world servicing consumers in over 60 countries. Besides Asian Paints, the group operates around the world through its subsidiaries Asian Paints Berger, Apco Coatings, SCIB Paints, Taubmans, Causeway Paints and Kadisco Asian Paints. Asian Paints manufactures wide range of paints for Decorative and Industrial use. In Decorative paints, Asian Paints is present in all the four segments v.i.z Interior Wall Finishes, Exterior Wall Finishes, Enamels and Wood Finishes. It also offers Water proofing, wall coverings and adhesives in its product portfolio.

Asian Paints also operates through 'PPG Asian Paints Pvt Ltd' (50:50 JV between Asian Paints and PPG Inc, USA, one of the largest automotive coatings manufacturer in the world) to service the increasing requirements of the Indian automotive coatings market. The second 50:50 JV



with PPG named 'Asian Paints PPG Pvt Ltd' services the protective, industrial powder, industrial containers and light industrial coatings markets in India.

Vertical integration has seen Asian Paints diversify into chemical products such as Phthalic Anhydride and Pentaerythritol, which are used in the paint manufacturing process. The company has discontinued production of Phthalic Anhydride from end of July 2017. In the Home Improvement and Décor category, the company is present in the Kitchen and Bath fittings space and offers various products under Sleek and Ess Ess brand respectively.

## SWOT ANALYSIS

### ➤ **STRENGTHS:**

- **Strong Growth:** Asian Paints has shown a healthy growth of around 8 – 12 % in the past 5 financial years. This has made sure that the company maintains the top spot as far as market share is concerned. It is double the size of any other paint company in India.
- **Strong Global Presence:** Asian Paints has a wide footprint on a globe operating in 19 countries and have 26 manufacturing units around the world. Asian Paints serves in over 65 countries and is the fourth largest paints company in Asia.
- **A wide range of Products:** The Product portfolio of Asian Paints allows them to cater to different segments and industries, they are present in the Industrial coatings, Decorative paints, Ancillaries, Asian Paints Royale etc. This allows them to penetrate different segments of business and sections of society which helps them maintain market share.
- **Brand Value:** Asian Paints was ranked 20<sup>th</sup> in the Top 20 best brands in Inter-brand report by Economic Times. It also featured in the Top 20 World's Most Innovative companies.
- **Strong Supply Chain Management:** Asian Paints has is a superior technology driven company which has focused on integrating Supply Chain Management (SCM) and Enterprise Resource Planning (ERP) solution from SAP.
- **Marketing campaigns:** Asian paints has always had good marketing campaigns. It has continued its association with Saif Ali khan over the years and had also roped in Soha ali khan for a beautiful campaign. From time to time it has roped in other personalities for ads but Saif Ali khan has been a constant. Recently, Deepika padukone has been chosen as their brand ambassador for Asian paints Royale play. Their brand mascot – GATTU is very famous too and is one of the most popular brand mascots of India.

➤ **WEAKNESSES:**

- **Low Market Share in Industrial and Auto Paint:** Asian paints has a low market share in the industrial paint (about 15 percent) and auto sector (about 20 percent) when compared to Kansai Nerolac and AkzoNobel.
- **Slow International Business:** Except for Bangladesh, Nepal and UAE, Asian Paints have been performing below par in other overseas countries.

➤ **OPPORTUNITIES:**

- **Growth in Industrial Sector:** It has a chance to acquire market share in the Industrial as well as automobile sector as well considering the current market situations.
- **Growing Indian Economy:** With growth in Indian Economy and developing infrastructure, Asian Paints has a chance to increase revenue base and venture into smaller cities, to increase sales.
- **Emerging Nations:** Asian Paints' vision is to become one of the top five decorative coatings companies in the world. This can be achieved by focusing on the emerging economies of the world.
- **Adapting to consumer psyche** – Change is always constant. So although Asian paints is leading the market due to Royale play, there are other factors which it can bring in to dazzle its customers and therefore keep the majority market share. Off course, easier said then done.

➤ **THREATS:**

- **The threat of Slowdown:** Any Economic slowdown will have a direct negative impact on the construction industry and consequently paint industry will also get affected.
- **Unorganised sector:** The unorganised sector still has about 35 percent of the market share and this can prove out to be a deterrent to the growth of the industry.
- **The scarcity of Raw materials:** The raw materials required in the Paint industry control the pricing of paint and scarcity can cause a jump in the prices, which can be a threat for the Paint Industry.

## **MARKETING MIX**

➤ **PRODUCT**

Asian Paints manufactures as well as markets decorative and industrial coatings and it provides solutions and services for home paintings. All the products of Asian Paints are of acrylic type

with properties such as washable, long-lasting, leak proof and sunlight protected. Some of the main products of the company are as follows:

- **Industrial coatings** include Road markings, floor coatings and protective coatings.
- **Decorative paints** include metal surface paints, wood surface paints, exterior wall paints and interior wall paints.
- **Ancillaries** include wood primer, exterior wall putty, wall primer and acrylic wall putty.
- **Asian paints Royale** – An interesting offering by Asian paints where they decorate your house with colours and Asian paints direct painters are involved in the process.

Along with the above paints, Asian Paints has been in the market of automotive paints. It is a joint venture with another company called PPG industries under the name PPG Asian Paints. The products include the manufacturing of plastic coatings and body coatings.

#### ➤ **PLACE**

Asian Paints has spread its operations across the globe in at least seventeen countries. In every country, it has set up manufacturing facilities and in eleven out of the seventeen, it has become the number one paint manufacturer. The operations of Asian Paints are held through a network of five regions worldwide via, Caribbean region, Middle East region, South Pacific region, South-East Asia and South Asia. A massive research and development centre has been opened in India. The company has a manpower that is dedicated and well-organized and it enables the company to harness all the available information and technology solutions in order to increase the operations efficiently. Asian Paints has sidestepped the segment of bulk buyer and has gone directly to the individual customer.

At first, it concentrated on the semi-urban and rural areas and later on the urban areas. After entering the retail market, it initiated an open-door policy for the dealers and started a nationwide marketing and distribution. It has 6 manufacturing locations and 70 sales branches, 15,000 dealers and numerous warehouses. This intricate network along with sales managers, the executives and the sales team handle all steps of manufacturing and distribution.

#### ➤ **PRICE**

In order to implement a balanced pricing policy Asian Paints has been keeping a close watch on the markets. The pricing decisions lean heavily on raw materials, petro-products, taxes, excise duty and various other factors. Even the increase or decrease in the competitor's prices

affects a brand heavily. That is why constant watch and periodical evaluation of its pricing strategy has become necessary for a high-profile company like Asian Paints. Asian Paints has kept a very flexible pricing policy. It has created various sub brands for the various sections of the society. The price range is kept according to the properties of every brand. All the products are of very fine quality with some ad-on features with them. The strategy has been kept of **value based pricing policy** with prices going up and down as per market situation.

### ➤ **PROMOTION**

The mascot for Asian Paints is Gattu and the cartoonist R.K Laxman created it in the year 1954. Gattu, who had an endearing appearance with his hair locks dangling over his right eye, became a very popular figure. After reigning for more than four decades, it was phased out in a rebranding initiative in the year 2002.

Even the logo was changed to display an upmarket and contemporary look that denoted technology and sophistication. All the promotional activities of Asian Paints are based on the fact that the company is all about the family and its members along with their homes, which are a reflection of each other.

The slogan “*Har Ghar Kuch Kehta Hai*” is a prime example of the fact that the brand is trying to connect with the emotions of the people. The famous actor pair of brother and sister Saif Ali Khan and Soha Ali Khan have been endorsing its brand Royale. Actor Akshay Khanna has also been a part of the promotional activities. Currently, Deepika Padukone has taken over the brand endorsement. The promotions also include incentives to the painters, distribution of t-shirts and caps and added privileges to its members. Finally, the best brand element for the brand is its wide distribution network, the quality of its products and its repeated marketing communications which keep reminding the end customer that Asian paints is the best paints brand out there.

### **CORPORATE SOCIAL RESPONSIBILITY**

The CSR initiatives undertaken by the Company so far have been in the areas of basic healthcare, education and water conservation. Going forward, the Company shall take up CSR initiatives that make a sustainable difference to the environment in which it operates including activities which shall allow it to leverage its strengths. These activities when measured will stand testimony to the Company being a responsible & caring organization. The CSR

Committee has identified the following thrust areas around which the Company shall be focusing its CSR initiatives and channelizing the resources on a sustained basis:

- **Health & Hygiene:** In healthcare we aspire to deliver facilities to communities and other sections of the society in the form of primary health care support through diagnosis and treatments, promoting preventive healthcare, building awareness about sanitation and providing monetary support, setting up and managing rehabilitation centers, medical camps, creating awareness through various programs, etc.
- **Education:** In education we aspire to contribute to improving and facilitating the literacy levels in various sections of the society, by providing support at every stage of a child's educational cycle including but not limited to developing infrastructure for schools/educational centres, conducting education programs on "how to lead to a healthy life", engaging with students and parents leading to development of a better community, livelihood enhancement projects, etc.
- **Water:** In water management we believe, abundant and stable supply of clean water is the basic need of society. Water being an important resource, its conservation has become imperative. The approach would include providing support and infrastructure at each stage of water conservation, water preservation, water re-charge and waste water treatment.
- **Enhancing Vocational Skills:** In the area vocational training, we aspire to provide specialized and skill based training to painters, carpenters, workers, etc., to enhance their skills, empower them, provide opportunities, enhance their ability take better employment and better livelihood.

The CSR areas highlighted in this policy shall be monitored and reviewed by the Management, CSR Committee and the Board of Directors (Board) from time to time. All CSR Initiatives/projects/programs/activities are and will continue to fall under the purview of schedule VII of the Act. The CSR Committee may include any other areas falling within the Schedule VII of the Act (and amendments thereto) from time to time.

## **FINANCIAL PERFORMANCE**

Asian Paints financial performance is as follow:

- Total Sales: Rs 16,391 Cr
- Profit: 2,134 Cr
- Market Cap: 168,694 Cr
- ROE: 23.98 %

- Sales Growth (3Yrs): 10.66 %
- Promoter holding: 52.79 %
- Debt to equity: 0.03
- Price to book value: 17.07

## **BERGER PAINTS**

### **HISTORY**

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. 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 80's & 90's 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 Dhingras' control a majority stake of almost 73% in Berger Paints India Limited, a professionally managed organization, headquartered in Kolkata, Mr. Subir Bose, a 10-year company veteran, took over as Managing Director on 1 July, 1994. Completing a challenging 18 year stint at the helm with immense success, Mr Bose retired on 30 June, 2012, handing over the reign of the company to Mr. Abhijit Roy. Today the stewardship rests with the current Managing Director Mr. Abhijit Roy.

## **CORPORATE PROFILE**

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.

Berger Paints India is headquartered at Kolkata, with 16 strategically located manufacturing units across India (including the subsidiaries), 2 in Nepal, 1 each in Poland and Russia and about 162 stock points. The company also has an international presence in 4 countries (Nepal, Bangladesh, Poland and Russia). With employee strength of above 3450 as on 31st March, 2019 excluding the subsidiaries and a countrywide distribution network of 25,000+ dealers,

Berger is acclaimed as a game changer in the sector with a vibrant portfolio of paints and tailor-made customer services in every paint segment.

## SWOT ANALYSIS

### ➤ STRENGTHS:

- **Basket of Products:** Berger Paints offers a wide variety of products which includes home to industrial paints. They also offer decorative paints option which is the latest offering and in demand in the market. It acquired the decorative paints unit from the Indian arm of US-based Sherwin Williams Paints.
- **Brand Recognition:** Being the second largest Paint manufacturer gives them a healthy brand equity. Almost everybody recognises the brand and is familiar with its products and offerings. Their rigorous campaigns have made them a household name.
- **International Market:** They have international operations in few countries that include Nepal, Bangladesh, Russia, Poland, Cyprus and collaboration with Becker of Sweden and Nippon paints of Japan.
- **Loyalty:** Customers are loyal to Berger Paints when it comes for re-painting their homes.
- **Efficient Supply Chain:** They have an efficient supply chain network throughout the country. This includes seven manufacturing facilities, 85 depots, many regional outlets. They house around 2500 employees and a massive network of 15000 dealers.
- **Growth:** They have had a steady growth in their retail values (RSP).
- **Diverse Customer Base:** Berger caters to a diverse customer base ranging from households, industries from manufacturing to automobiles and nuclear power plants.
- **Barriers to market entry:** They have grown so big that they have created a barrier for new competition to enter the market. Together with Asian Paints, they control most of the market.
- **Diversification:** They have expanded into the Construction Chemicals segment and thus have expanded their scope for revenues and profits.

### ➤ WEAKNESSES:

- **High dependence on one segment:** Berger Paints depends on one segment heavily for its maximum revenue and that is the decorative segment. This is not a long term strategy and high growth rate cannot be sustained for long.



- **Bad brand image:** Berger faced a lot of negative publicity due to lead found in its paints. This kind of publicity taints the brand image of the company.
- **Limited Pricing Power:** Due to a duopoly in the market they do not have the pricing power in their hands. They need to keep their prices in check with the market going paint prices.
- **Weaker distribution:** Berger paints is known to have a weaker distribution network as compared to Nerolac or Asian paints which is a major problem for the company. It needs to ramp up its distribution network far and wide and if needed, increase its manufacturing potential to match demand.
- **No premium alternative:** Asian paints has conveniently targeted a unique segment which gives high margin through their Asian paints Royale initiative. Berger paints needs such initiative to get in touch with their customers and have better sales and brand equity.

#### ➤ **OPPORTUNITIES:**

- **Marketing:** Berger paints needs to up its game where Marketing communications is concerned. Where Nerolac and Asian paints are advertising left and right, Berger paints is left far behind and the frequency of advertisement is lesser. With marketing, it will bolster its brand values and create a demand from consumer end.
- **Market potential is untapped:** Usage of paints in Indian households is very low. There is a high scope of growth in this segment. Also due to urbanization there is a growth in demand for paint.
- **New Launches:** They can innovate and invest in their R&D to come up with superior technology for the paint industry. They can also launch more eco-friendly paints and make it health friendly.
- **Emerging markets:** Berger paints is currently present in 4 countries only but because of its manufacturing base, it can expand to other emerging markets too.
- **Diversification:** Huge scope for business and product diversification is available for Berger Paints.
- **Government Policies:** Government is focusing on urbanisation, industrialisation, increase in house and developing more tier 2 and tier 3 cities. This means there will be a huge demand for paints in the recent future.

#### ➤ **THREATS:**

- **Raw material Prices:** There are high fluctuations in the prices of the raw materials of paint.
- **Changing government laws:** Changing government laws may lead to new companies in this sector. That means an increase in competition.
- **Competition eroding the margins** – There is stiff competition amongst the top three – Asian paints, Nerolac and Berger paints. Amongst these, Berger paints seems to be left behind resulting in penetrative pricing and lesser margins. This is a threat to Berger paints.

## MARKETING MIX

### ➤ PRODUCT

The product strategy and mix in Berger Paints marketing strategy can be explained as follows: Berger Paints is one of the top paints companies in India. The product portfolio of Berger Paints is majorly segregated into decorative paints and industrial paints. These offers form the product strategy in the marketing mix of Berger Paints.

**Designer Finishes:** Silk Illusions Vintage Finish, Silk Illusions Marble Finish, Silk Illusions Metallica, Silk Illusions Non-Metallic, Silk Illusions Design Metallica

**Interior Emulsions:** Easy Clean, Bison Acrylic Emulsion, Rangoli Total Care, Silky Luxury Emulsions, Silk Glamor.

**Distempers:** Commando Interior Acrylic Paint, Bison Distemper,

In the decorative paints category, Berger Paints provides interior wall coatings, exterior wall coatings, metal & wood paints, undercoats and construction chemicals. The solutions have been segmented into professional and home users to capture both segments and provide its consumer better awareness and convenience. In the Industrial paints category, Berger Paints provides GI & Automotive coating, powder coatings and protective coatings. In the decorative segment some of the well appreciate brands are Berger Silk, Easy Clean, Berger Luxol HiGloss, Bison, Weathercoat All Guard, Weathercoat Floor Protector for floor protection. The water based luxury paint Imperia and wood paintings are also performing well. Apart from this Berger Paints has also introduced Express Painting solutions for homes and businesses at no extra cost for better consumer experience. In the endeavour of providing more easier and innovative solution it is trying to come up with paintable wallpapers.

### ➤ PRICE

Berger Paints has got a varied pricing strategy due to a huge portfolio. The pricing strategy for Berger Paints is to keep competitive prices in the presence of stiff competitors. It is quite low

in comparison to that of Dulux and Asian Paints. The Primer is rated at Rs. 65 while Dulux is priced at Rs 75 and Asian Paints at Rs 80.

The wall coatings of Berger Paints even are quite lowly priced, starting from Acrylic Emulsion priced at Rs 140/ litre to Silk Luxury emulsions at Rs. 430/- litre. Even though price may be low but the quality has been kept at high standards. The Bison Emulsion, Walmasta, Luxol Higloss paints are very highly appreciated in the industry. The Express Painting solution of Berger Paints are also quite cheap and convenient for the users. The current rate for Easy clean emulsion painting with labour cost is around Rs. 12.6/square feet. The Industrial solutions rates are also very competitively priced and varies according to the customization provided. This gives an overview of the marketing mix pricing strategy of Berger Paints.

#### ➤ **PLACE**

Berger Paints has a very wide distribution network of more than 160 stock points who then distribute among dealers whose number goes to more than 25000. This shows the strong distribution strategy in its marketing mix. To help out customers, a dedicated sales team is present in all locations with providing consulting regarding the paints solutions they need. Also Berger Paints' website helps the customers to customize their painting requirement and also provides a paint calculator which calculates the budget for their painting requirements.

The distribution channel of Berger Paints starts from the plant through warehouses to sales offices to dealers to retailers to customers. The sales offices also deal with bulk buyers that are institutional developers and larger corporate projects. The direct marketing channel helps Berger Paints in cutting costs by eliminating certain intermediaries. Outside India Berger Paints has a similar structure of distributions like as that in Bangladesh where it has around 800 dealers and 2 factories and 5 sales offices all over the country.

#### ➤ **PROMOTION**

The promotional and advertising strategy in the Berger Paints marketing strategy is as follows:

Berger Paints has always focused on aggressive marketing in its marketing mix promotional strategy. The advertising is a very important promotional strategy for Berger Paints. The

company comes up with various ad campaigns to promote its newer and innovative products. Berger Paints also does various sales promotions to keep loyalty among the retailers, painters who are very important for converting sales. It had tied up with the company Meltag, which manages loyalty programs for Berger Paints. Berger Paints has also organized 'Peel n Win' contests as well as sponsorships internationally for various sports such as Jamaica Netball. Berger Paints also takes part in various social responsibility causes to keep up in the minds of customers. It has taken Polio Immunization programs, sponsoring education for children of financially weaker section. Berger Paints has also initiated various infrastructure development programs near around its manufacturing plants and also participated in green belt development programs. Hence, this concludes the Berger Paints marketing mix.

## **CORPORATE SOCIAL RESPONSIBILITY**

Berger Paints India Limited ("the Company") recognises that an enterprise and the society in which it operates are mutually dependent on each other and the growth of the industry is proportional to the equitable development of the country, its environment and its people, irrespective of religion, race, caste, creed and gender. The Company also believes that all round development can be brought about by paying attention to regions, groups and people which are backward and have special needs and by helping citizens to acquire useful skills. To this extent, Berger Paints India Limited will devote resources, in the manner recommended by its CSR Committee and approved by its Board of Directors in accordance with the provisions of law for fulfilling the aforesaid objective in the manner laid out in Schedule VII to the Companies Act, 2013, with particular stress on areas around which the Company operates.

To this extent, the Company will support or undertake measures by established and reputed agencies and Non-Government Organisations, Central and State Governments and other agencies or the Company itself, for:

- Eradication of hunger, poverty and malnutrition
- Implementation of measures for reducing inequality faced by socially and economically backward groups
- Promotion of preventive healthcare
- Promoting sanitation

- Making available safe drinking water
- Promoting education including special education
- Promoting employment enhancing vocational skills among citizens including children, women, elderly, differently-abled persons
- Promoting livelihood enhancement projects
- Promoting gender equality and empowerment of women
- Promoting setting up of homes for women and orphans, old age homes, day care centres and such other facilities for senior citizens
- Ensuring environmental sustainability, environmental balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, promotion and development of traditional arts and handicrafts
- Setting up and running of public libraries
- Measures for benefit of armed forces veterans, war widows and their dependents
- Promotion of rural sports and training for nationally recognised sports, paraolympic sports and Olympic sports
- Contribution to the Prime Minister's Relief Fund or any other Fund set up by the Central Government for socio economic development and relief and welfare of the scheduled castes, scheduled tribes, other backward classes, minorities and women
- Providing funds provided to technology incubators located within academic institutions which are approved by the Central Government
- Promotion and setting up of Rural Development Projects
- Promotion of sporting activities
- Promotion of cultural activities
- Support to well known charitable institutions
- Support to infrastructural facilities of establishments for public services such as Fire Stations and hospitals, institutions including schools and colleges, research and scientific institutions, organisations for promoting sports, art and culture, run or supported by the Government or by reputed NGO's.
- To undertake or support any activity for common good and benefit of the society and its people, promotion of inclusive growth and equitable development and enhancement of

human development index including but not limited to development of infrastructure, housing and habitation, energy efficiency, education, roads, healthcare, sewerage, beautification of surroundings, preventive health care, waste management, water conservation, community development, etc.

Activities undertaken in the normal course of business of the Company or only for benefit of the employees and their families shall not qualify as CSR under this Policy. However, if employees and their families get benefits by an activity which is largely meant for the outside community or society, then such activity, if otherwise qualified, will count as a CSR activity. Since it may be logistically difficult for the Committee to meet for approval of every proposal, the Secretary of the Committee will send all proposals which are received in between meetings for approval of the Committee by circulation. The activities can be undertaken by the Company itself or by way of support including monetary assistance, providing coatings and surface finishing products and painting and wall finishing services and providing other goods, facilities and services, as may be deemed fit by the Committee.

Implementation of CSR programme will be spread as evenly as possible throughout a financial year, subject to sudden or overwhelming needs which a region or the country may face. In addition, the Committee may direct teams/persons from the Company to check progress of a CSR Programme in which the Company is or may get involved and submit a report to the Committee.

## **FINANCIAL PERFORMANCE**

Berger Paints financial performance is as follows:

- Total Sales: Rs 5,515 Cr
- Profit: 439 Cr
- Market Cap: 49,376 Cr
- ROE: 21.00 %
- Sales Growth (3Yrs): 12.80 %
- Promoter holding: 75.00 %
- Debt to equity: 0.40
- Price to book value: 19.94

## **CHAPTER-4**

### **CUSTOMER ANALYSIS**

#### **CUSTOMER PROFILE**

In Paint Industry, there are two major segments one is decorative paints and another is industrial paints. The decorative segment acquires 70% business of paint industries. So the major customers of paint industry are end users or consumers. Due to the growth of firms and market, marketing decisions makers have been removed from direct contact with customers. Managers have had to turn to consumer research. They spend more money in trying to learn who buys, How do they buy, When do they buy, Where do they buy.

#### **FACTORS INFLUENCING BUYING BEHAVIOUR OF CONSUMERS**

As a consumer product that is being sold to a young, increasingly more affluent customer, key success factors in decorative paints are as below:

- **Brand:** Paints are becoming a high involvement purchase for the end use consumer, hence the brand plays a key role in determining his choice, both for new construction and repainting activities
- **Product portfolio:** It is essential for paints companies to have a judicious mix of targeted products for its core customer along with a complete product portfolio across product categories and price points for the entire customer universe
- **Distribution:** Sales of decorative paints requires extensive dealer networks, especially in the rural and semi-urban markets; hence a strong supply chain and pan-India distribution presence is essential.

Consumers are looking forward to new product launches some for application in special areas. Companies are increasing the value-added services available to customers by offering a variety of finishes through specialized and trained applicators, well supported by back end support of specialized service. Moreover, consumers are continuously looking for better products; more and more consumers are switching to marginally higher-priced emulsions where they get more durable and better-looking finishes in a wider range of colours. Customers of Asian Paints and Berger Paints are homeowners, corporate, automobile companies, distributors and wholesalers etc. Its retail customers are the people in the age group of 20 years & above and are from middle, upper middle and upper-income group, while corporate customers are companies, government bodies, and other institutions.

## **CHAPTER-5**

### **COMPETITORS ANALYSIS**

#### **➤ KANSAI NEROLAC PAINTS LTD**

In 1920, Gahagan Paints and Varnish came into being at Lower Parel in Mumbai. A century later, this paint company continues to be in an enviable position- that of being the second largest paint company in India and one of the most trusted names in the industry.

- Total Sales: Rs 5,173 Cr.
- Profit: 467 Cr
- Market Cap: 22,305 Cr.
- ROE: 13.38 %
- Sales Growth (3Yrs): 12.92 %
- Promoter holding: 74.99 %
- Debt to equity: 0.05
- Price to book value: 6.49

Kansai Nerolac is the second largest coating company in India and a market leader in Industrial Coatings. SRK became the brand ambassador for Nerolac. GNPL signed a TAA with Kansai Paints Co. Ltd., of Japan in Osaka in 1986 for the manufacture of Cathodic Electro-deposition Primer and other sophisticated coatings for the automotive products. GNPL was the first company to introduce this technology in India.

#### **➤ AKZO NOBEL INDIA LTD**



Akzo Nobel India present in India for over 60 years. It is one of the leading paints and coatings company. The company has 5 operating sites in India, with offices and depots spread across the country. Akzo Nobel NV acquired Imperial Chemical Industries Ltd., the holding company of ICI India Limited, through a scheme of arrangement under section 425 of the UK Companies Act 1985. The name of the Company was changed to its present name, Akzo Nobel India Limited.

- Total Sales: Rs 2,918 Cr
- Profit: 211 Cr
- Market Cap: 9,499 Cr.
- ROE: 15.97 %
- Sales Growth (3Yrs): 3.40 %
- Promoter holding: 74.76 %
- Debt to equity: 0.07
- Price to book value: 8.36

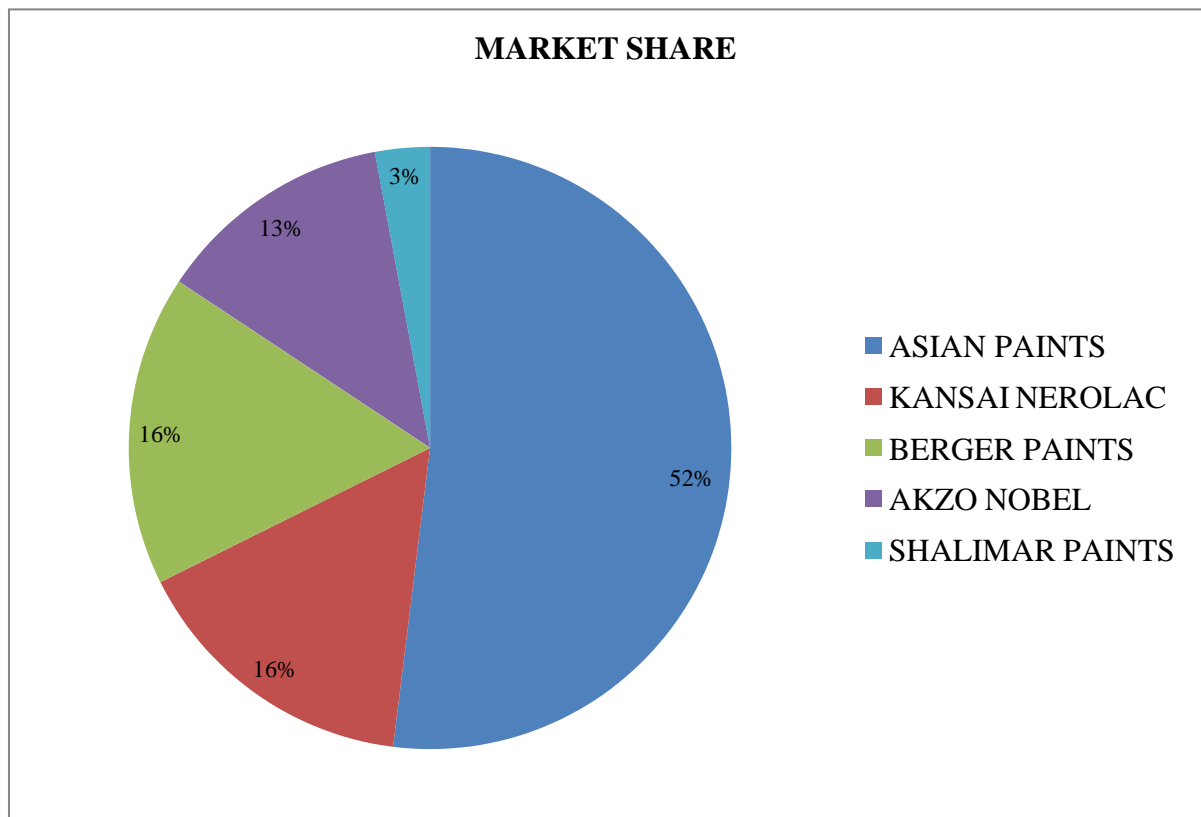
In 2012, 3 other Akzo Nobel Group companies operating in India were merged under the umbrella of Akzo Nobel India Limited, to make it the only integrated Paints and Coatings Company in India with presence in all segments of the Paints & Coatings space, with a relative small Chemicals' portfolio. The chemicals business was hived off in 2018, thereby making the company a focused Paints & Coatings company.

#### ➤ **SHALIMAR PAINTS LTD**

The Shalimar Paint Color & Varnish Company was established in 1902 in Howrah. Shalimar Paints set up South-East Asia's first ever large-scale manufacturing plant in 1902 in Howrah, West Bengal. As the company expanded its footprint across India, it established its second manufacturing unit in Nashik, Maharashtra in 1992 to cater to the Western region. Shalimar Paints set up its third manufacturing facility in Sikandrabad, U.P. in 2002.

- Total Sales: 287.62 Cr
- Profit: -81.54 Cr
- Market Cap: 340.54 Cr.
- ROE: -29.76 %
- Sales Growth (3Yrs): -9.17 %
- Promoter holding: 53.10 %
- Debt to equity: 0.45
- Price to book value: 1.10

Shalimar soon became the country's leading paint brand. India's iconic structures like Rashtrapati Bhavan, Howrah Bridge, Vidyasagar Setu, Salt Lake Stadium, continue to use Shalimar Paints. With access to high-end technology in the industrial coatings segment, Shalimar Paints pioneered aviation coatings, marine paints and the painting of thermal power plants.



## **CHAPTER-6**

### **ANALYSIS OF WORKING CAPITAL BY RATIO ANALYSIS**

#### **➤ CURRENT RATIO**

The current ratio is found by dividing current assets by current liabilities. A ratio of 1 means the business has just enough current assets to pay current liabilities. Ratios above 1 mean a firm

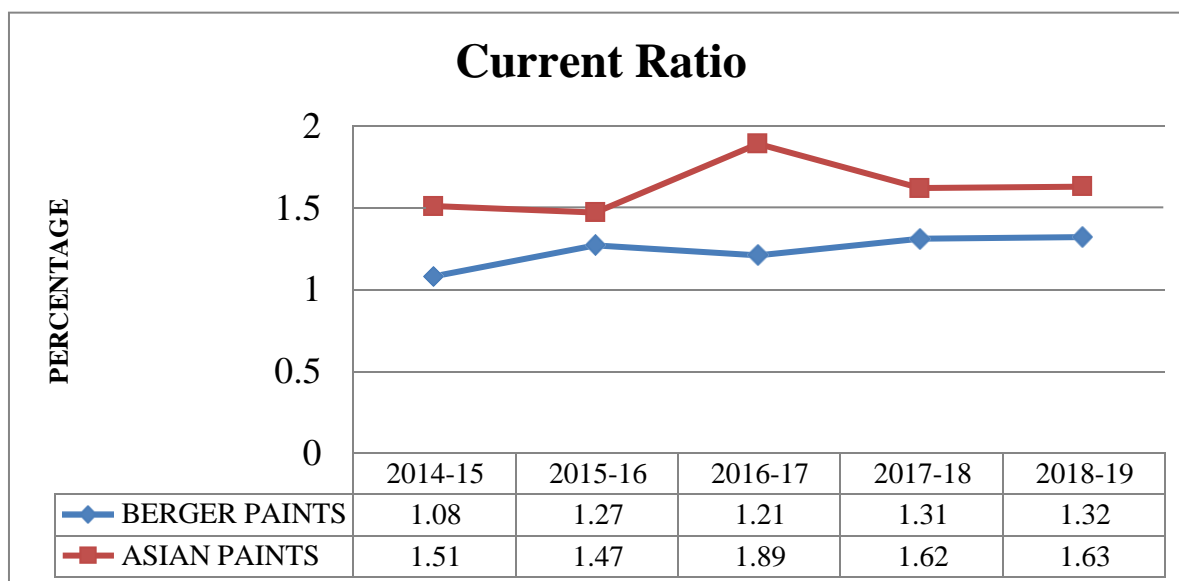
| <b>YEAR</b>    | <b>CURRENT RATIO</b> |               |
|----------------|----------------------|---------------|
|                | <b>ASIAN</b>         | <b>BERGER</b> |
| 2014-15        | 1.51                 | 1.08          |
| 2015-16        | 1.47                 | 1.27          |
| 2016-17        | 1.89                 | 1.21          |
| 2017-18        | 1.62                 | 1.31          |
| 2018-19        | 1.63                 | 1.32          |
| <b>AVERAGE</b> | 1.62                 | 1.24          |

has more current assets than current liabilities; ratios below 1 mean more current liabilities than current assets. Investors typically prefer a lower current ratios because it shows that a firm's assets are working to grow the business.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**Table 1**

**Figure-1**



In the Table-1, it is observed that the average current ratio for the Asian Paints is 1.62 percent, and for Berger Paints the average current ratio is 1.24 percent during the five years study period from 2013-2017. In the year 2016-17 the current ratio is maximum for Asian

| YEAR           | QUICK RATIO |        |
|----------------|-------------|--------|
|                | ASIAN       | BERGER |
| 2014-15        | 0.86        | 0.94   |
| 2015-16        | 0.94        | 0.70   |
| 2016-17        | 1.13        | 0.64   |
| 2017-18        | 0.98        | 0.85   |
| 2018-19        | 0.93        | 0.77   |
| <b>AVERAGE</b> | 0.97        | 0.78   |

Paints and in the year 2015-16 it is minimum. Similarly, for Berger Paints the current ratio is maximum in the year 2018-19 and minimum in the year 2014-15. The current ratios for both the companies are satisfactory. Also it was found that current ratio for Asian Paints is better than the Berger Paints.

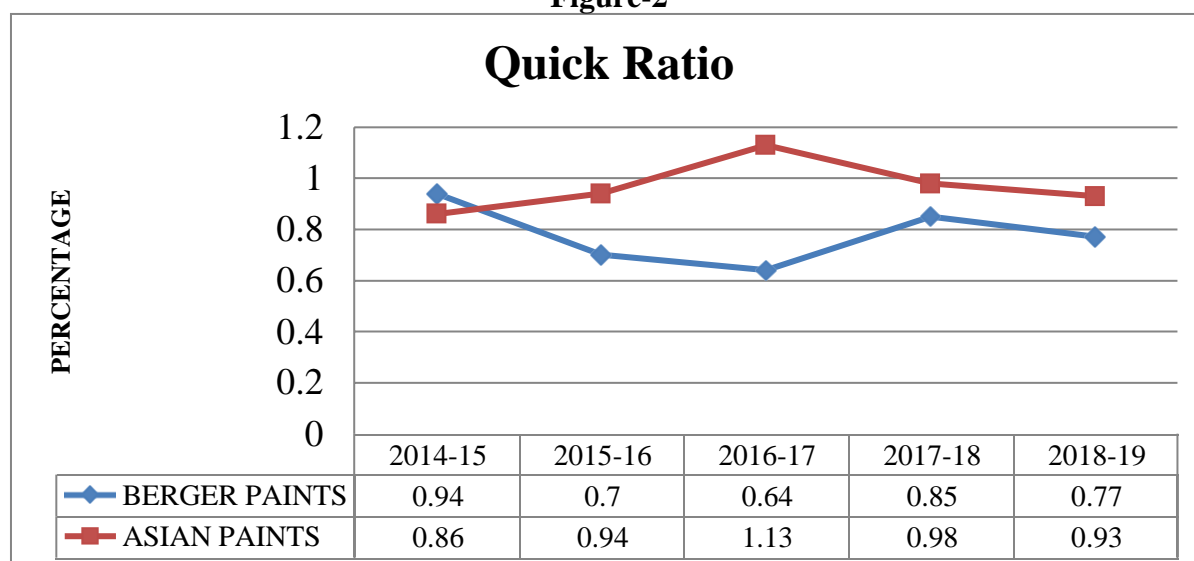
#### ➤ QUICK RATIO

The quick ratio, also called the acid test, subtracts inventory from current assets before dividing them by current liabilities. The acid test gives a more accurate view of the firm's short-term liquidity than the current ratio because it removes inventory that the firm may not be able to sell from the equation.

$$\text{Current Ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

**Table-2**

**Figure-2**



In the above table, it is found that the average Quick Ratio for Asian Paints is 0.97 percent and for Berger Paints is 0.78 during the period from 2015 to 2019. The minimum Quick Ratio for Asian Paints is 0.86 in the year 2014-15 and maximum Quick Ratio for Asian Paints is 1.13 in the year 2016-17. Similarly, the minimum and maximum Quick Ratios for Berger Paints are 0.64 in the year 2016-17 and 0.94 in the year 2014-15 respectively. From the above graph it is clear that the position of Asian Paints is better because higher Quick Ratio indicates better position of the firm.

#### • **WORKING CAPITAL TURNOVER RATIO**

Working capital turnover ratio is a ratio that measures how efficiently a company is using its working capital to support a given level of sales. A higher ratio indicates that the management is being very efficient in using a company's short-term assets and liabilities for supporting sales. In contrast, a low ratio may indicate that a business is investing in too many account receivable and inventory to support its sales, which could lead to an excessive amount of bad debts or obsolete inventory.

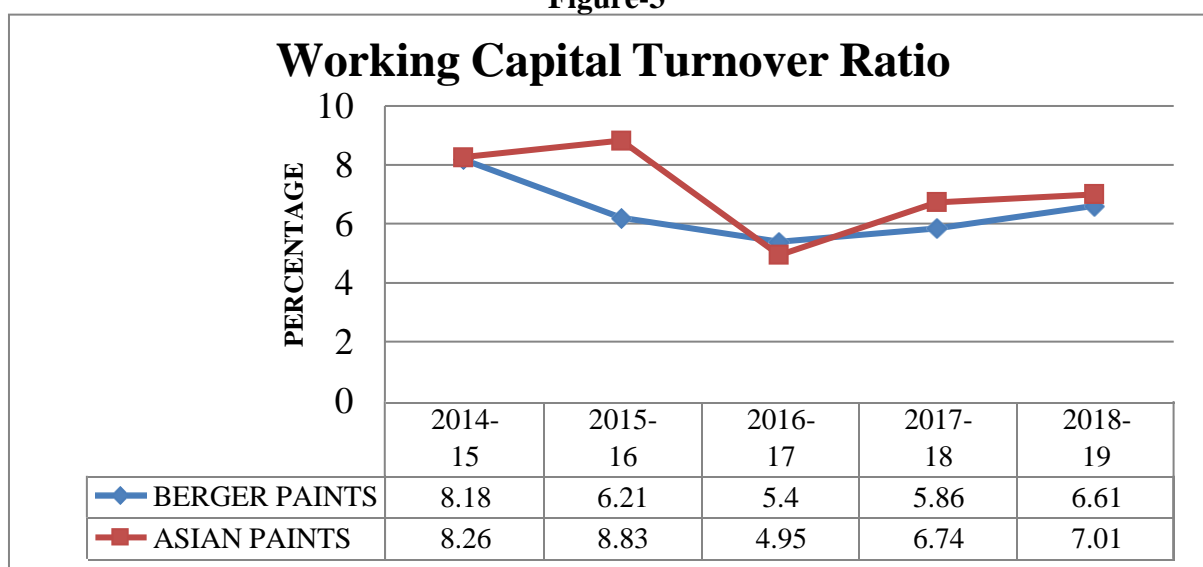
$$\text{Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Working Capital}}$$

Where,

$$\text{Net Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

**Table-3**

**Figure-3**



In the above table, it is found that the average Working Capital Turnover Ratio for Asian Paints is 7.16 percent and for Berger Paints is 6.46 during the period from 2015 to 2019. The minimum

| YEAR           | WORKING CAPITAL TURNOVER RATIO |        |
|----------------|--------------------------------|--------|
|                | ASIAN                          | BERGER |
| 2014-15        | 8.26                           | 8.18   |
| 2015-16        | 8.83                           | 6.21   |
| 2016-17        | 4.95                           | 5.40   |
| 2017-18        | 6.74                           | 5.86   |
| 2018-19        | 7.01                           | 6.61   |
| <b>AVERAGE</b> | 7.16                           | 6.46   |

Working Capital Turnover Ratio for Asian Paints is 4.95 in the year 2016-17 and maximum Working Capital Turnover Ratio for Asian Paints is 8.83 in the year 2015-16. Similarly, the minimum and maximum Working Capital Turnover Ratios for Berger Paints are 5.4 in the year 2016-17 and 8.81 in the year 2014-15 respectively. A higher working capital turnover ratio is better, it means that the company is utilizing its working capital more efficiently i.e. generating

more revenue using less investments. So Asian Paints has a good working capital turnover ratio

| YEAR           | INVENTORY TURNOVER RATIO |        |
|----------------|--------------------------|--------|
|                | ASIAN                    | BERGER |
| 2014-15        | 6.46                     | 6.52   |
| 2015-16        | 7.85                     | 6.66   |
| 2016-17        | 5.76                     | 5.28   |
| 2017-18        | 6.50                     | 5.15   |
| 2018-19        | 6.34                     | 4.80   |
| <b>AVERAGE</b> | 6.59                     | 5.69   |

as compared to Berger Paints except in the year 2016-17.

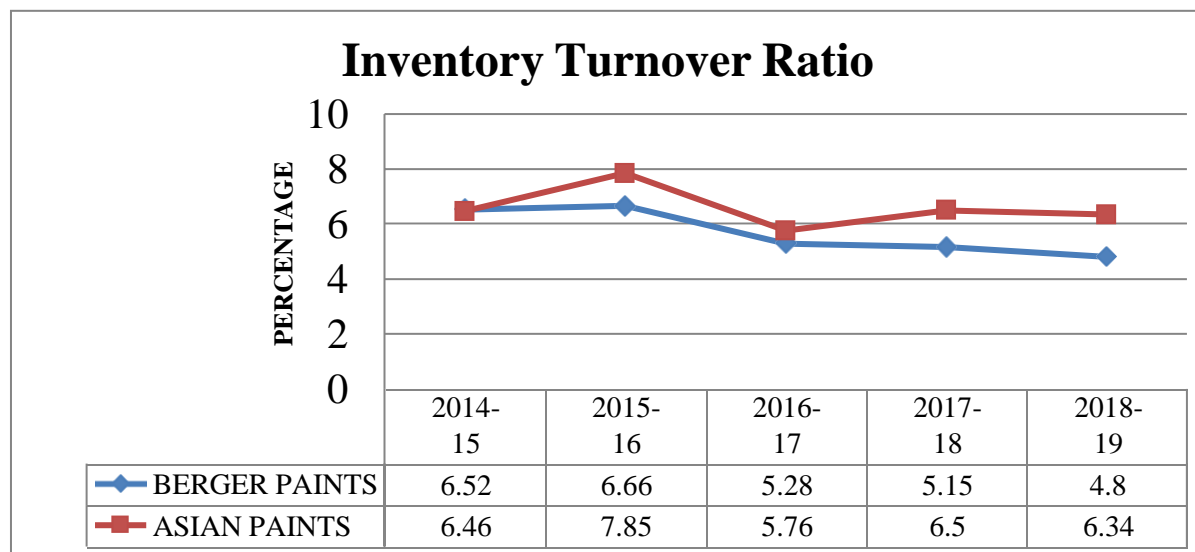
### • INVENTORY TURNOVER RATIO

Inventory turnover is the number of times a company sells and replaces its stock of goods during a period. Inventory turnover provides insight as to how the company manages costs and how effective their sales efforts have been. The higher the inventory turnover, the better since a high inventory turnover typically means a company is selling goods very quickly and that demand for their product exists. Low inventory turnover, on the other hand, would likely indicate weaker sales and declining demand for a company's products.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost Of Goods Sold}}{\text{Average Inventory}}$$

Table-4

Figure-4



In the above table, it is found that the average Inventory Turnover Ratio for Asian Paints is

| YEAR           | ASSET TURNOVER RATIO |        |
|----------------|----------------------|--------|
|                | ASIAN                | BERGER |
| 2014-15        | 1.96                 | 2.14   |
| 2015-16        | 1.90                 | 2.19   |
| 2016-17        | 2.09                 | 2.34   |
| 2017-18        | 2.73                 | 2.62   |
| 2018-19        | 2.95                 | 2.52   |
| <b>AVERAGE</b> | 2.33                 | 2.36   |

6.59 percent and for Berger Paints is 5.69 during the period from 2015 to 2019. The minimum Quick Ratio for Asian Paints is 5.76 in the year 2016-17 and maximum Quick Ratio for Asian Paints is 7.85 in the year 2015-16. Similarly, the minimum and maximum Quick Ratios for Berger Paints are 4.80 in the year 2018-19 and 6.66 in the year 2015-16 respectively. From the above graph it is clear that the sales and demand of Asian Paints is better because higher Inventory Turnover Ratio indicates better sales and demand of the firm.

- **ASSET TURNOVER RATIO**

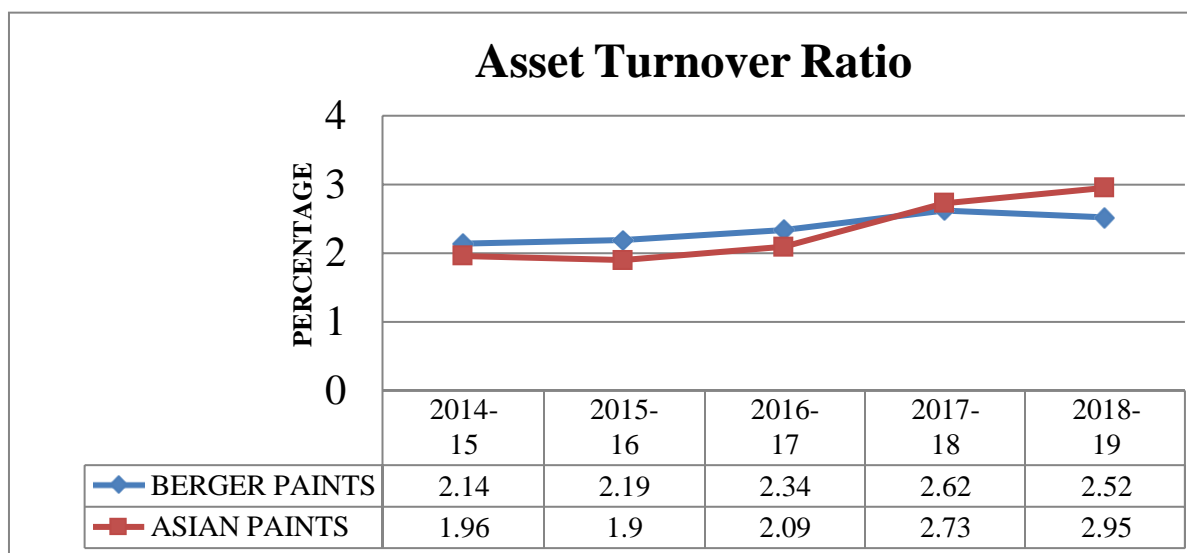
The asset turnover ratio is an efficiency ratio that measures a company's ability to generate sales from its assets by comparing net sales with average total assets. In other words, this ratio shows how efficiently a company can use its assets to generate sale.

$$\text{Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Total Assets}}$$

**Table-5**

**Figure-5**





In the above table, it is found that the average Asset Turnover Ratio for Asian Paints is 2.33 percent and for Berger Paints is 2.36 during the period from 2015 to 2019. The minimum Asset Turnover Ratio for Asian Paints is 1.9 in the year 2015-16 and maximum Asset Turnover Ratio for Asian Paints is 2.95 in the year 2018-19. Similarly, the minimum and maximum Asset Turnover Ratios for Berger Paints are 2.14 in the year 2014-15 and 2.62 in the year 2017-18 respectively. From the above graph it is clear that both Asian Paints and Berger Paints are efficient in utilizing their assets to generate sales.

## **CHAPTER-7**

### **RELATIONSHIP BETWEEN CHANGES IN WORKING CAPITAL AND PROFITABILITY**

- RETURN ON ASSETS(ROA)**

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. Return on assets is displayed as a percentage.

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

**Table-6**

**Pearson's correlation between ROA and various Working Capital Ratios are as follows:**

**Table-7**

| <b>ASIAN PAINTS</b> | ROA   | CR    | QR    | WTR   | ITR   | ATR   |
|---------------------|-------|-------|-------|-------|-------|-------|
| ROA                 | 1     | -0.45 | -0.22 | 0.59  | 0.64  | -0.92 |
| CR                  | -0.45 | 1     | 0.90  | -0.98 | -0.79 | -0.15 |
| QR                  | -0.22 | 0.90  | 1     | -0.86 | -0.47 | -0.03 |
| WTR                 | 0.59  | -0.98 | -0.86 | 1     | 0.83  | -0.29 |
| ITR                 | 0.64  | -0.79 | -0.47 | 0.83  | 1     | -0.32 |
| ATR                 | -0.92 | -0.15 | -0.03 | -0.29 | -0.32 | 1     |
| 2014-15             |       |       | 18.25 |       |       | 11.51 |
| 2015-16             |       |       | 19.90 |       |       | 14.13 |
| 2016-17             |       |       | 17.39 |       |       | 14.38 |
| 2017-18             |       |       | 16.35 |       |       | 12.32 |
| 2018-19             |       |       | 16.23 |       |       | 11.44 |
| <b>AVERAGE</b>      |       |       | 17.46 |       |       | 12.76 |

- From the above table it is clear that there is a moderate negative relation between Current Ratio (CR) and Return On Asset (ROA) of Asian Paints which means if CR increases ROA decreases and vice-versa.
- Similarly, there is small negative correlation between ROA and Quick Ratio (QR). If QR increases ROA decreases and vice-versa.
- There are strong positive correlation between ROA & Working Capital Turnover Ratio (WTR) and ROA & Inventory Turnover Ratio (ITR). If WTR and ITR increase ROA increase and vice-versa.
- There is strong negative correlation between ROA and Asset Turnover Ratio (ATR) which means if ATR increases ROA decreases and vice-versa.

**Table-8**

| <b>BERGER<br/>PAINTS</b> | ROA   | CR    | QR    | WTR   | ITR   | ATR   |
|--------------------------|-------|-------|-------|-------|-------|-------|
| ROA                      | 1     | 0.10  | -0.82 | -0.69 | 0.22  | -0.27 |
| CR                       | 0.10  | 1     | -0.42 | -0.67 | -0.60 | 0.76  |
| QR                       | -0.82 | -0.42 | 1     | 0.79  | 0.21  | -0.02 |
| WTR                      | -0.69 | -0.67 | 0.79  | 1     | 0.50  | -0.51 |
| ITR                      | 0.22  | -0.60 | 0.21  | 0.50  | 1     | -0.89 |
| ATR                      | -0.27 | 0.76  | -0.02 | -0.51 | -0.89 | 1     |

- From the above table it is clear that there is a small positive relation between Current Ratio (CR) and Return On Asset (ROA) of Berger Paints which means if CR increases ROA increases and vice-versa.
- Similarly, there are strong negative correlation between ROA & Quick Ratio (QR) and ROA & Working Capital Turnover Ratio (WTR). If QR and WTR increase ROA decreases and vice-versa.
- There is small positive correlation between ROA and Inventory Turnover Ratio (ITR). If ITR increases ROA increase and vice-versa.
- There is small negative correlation between ROA and Asset Turnover Ratio (ATR) which means if ATR increases ROA decreases and vice-versa.

## **CHAPTER-8**

### **FINDINGS**

- Both Asian Paints and Berger Paints have good liquidity ratio, working capital turnover ratio and inventory turnover ratio, but Asian Paints has better working capital management than Berger Paints.
- Asian Paints manages a better balance between current assets and current liabilities than Berger Paints.
- Asian Paints growth, profitability and operations are better than Berger Paints.

- If the amount of working capital is more than required, it will no doubt increase liquidity but decrease profitability.
- If large amount of cash is kept as working capital then this excessive cash will remain idle and cause the profitability to decrease.
- If the amount of cash and other current assets is very little, then lot of difficulties will have to be faced in meeting daily expenses and making payment to the creditors.

## **CONCLUSION**

The study of the working capital management concerned with the companies like Asian Paint and Berger Paint was listed with objective of assessing the performance of working capital management in terms of the existing system of inventory, receivables and payables management of the companies by analysis of the financial data with help of ratio analysis and schedules of changes in working capital. It is observed from the analysis that the working capital of the companies is efficiently managed throughout the study period. It is also understand that over all the working capital management of the companies is found to be satisfactory. There should be optimum balance between current assets and current liabilities so that profitability of the business remains intact and there is no fall in liquidity.

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