

# A Study On Financial Performance Analysis Of Berger Paints India Limited

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**Abstract-** *Financial performance analysis plays a critical role in determining the operational efficiency and sustainability of business organisations. This study evaluates the financial performance of Berger Paints India Limited (BPIL), one of India's leading paint manufacturers, over a five-year period from 2020 to 2025. The analysis focuses on ratio analysis, trend analysis, and comparative financial statements to assess the company's liquidity, solvency, profitability, and turnover efficiency. The study uses secondary data collected from annual reports and financial databases. The findings reveal that BPIL maintains stable profitability, increasing revenue growth, and efficient utilisation of fixed assets. However, the company shows moderate liquidity levels due to high short-term obligations, and its solvency ratios indicate significant dependence on external borrowings. The overall conclusion suggests that BPIL is financially strong, with consistent expansion and stable stakeholder confidence.*

**Keywords-** Financial Performance, Ratio Analysis, Trend Analysis, Liquidity, Profitability, Berger Paints India Ltd.

## I. INTRODUCTION

Financial management is that part of management which deals with raising of funds in the most economical and suitable manner, using the funds as profitability as possible, planning future operations, inspections, controlling current performance and future development through financial accounting and other means. No business can plan its activities without considering its financial resources

The business functions of a finance department typically include planning, organizing, accounting and controlling the company's finance and to ensure intensive and economic use of capital resources of the organization. Since business firms are profit seeking organizations, their functions are to maximize the company's wealth. Asset management, costing, budgeting, credit management, debit management are the other functions of the finance department. Finance in essence is considered with the acquisition and use of funds by a business firm. The main objective of financial management is to control required funds for meeting short term and long-

term needs of business enterprise and to maximize the value of firm to its equity share holders

According to John N. Myers "Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements." This research is mainly done to find out the financial performance analysis and to determine the liquidity, profitability, efficiency and solvency position of the firm by using the equation and graph method. Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short term and long term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of, "analysis" is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other.

The study helps to assess the profitability and financial position of a concern. This analysis can be done by comparing the ratios for the same over a period of years. Accounting ratios are calculated for a number of years which shows the trend for the change of position. To take certain important decisions for their business various users like managements of the companies, bankers, investors and creditors etc. uses the accounting ratios for analyzing the financial position. The secondary data is used for the entire study. The study entitled 'Financial Performance Analysis of 'BERGER PAINTS INDIA LIMITED (BPIL)' has been oriented with a view to study the financial position of the company that help in making sound decision by analyzing the recent trend. The study helps to assess the profitability and financial position of a concern. This analysis can be done by comparing the ratios for the same over a period of years. Accounting ratios are calculated for a number of years which shows the trend for the change of position. To take certain important decisions for their business various users like managements of the companies, bankers, investors and creditors etc. uses the accounting ratios for analyzing the financial position. The secondary data is used for the entire

study. The financial information has been collected from various secondary data reports and from annual report of company.

### STATEMENT OF THE PROBLEM

The financial statements reveal a true and fair view of the financial position of a concern. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. To evaluate the company's profitability, liquidity, efficiency and solvency using the financial statements. To take certain important decisions for their business various users like managements of the companies, bankers, investors and creditors etc. uses the accounting ratios for analyzing the financial position.

### OBJECTIVE OF THE STUDY

- To evaluate liquidity, solvency and profitability position.
- To estimate the trend in sales and profit of the firm.
- To evaluate the financial position of Berger Paints India Limited.

### SCOPE OF THE STUDY

The scope of the study is limited to only one organization BERGER PAINTS INDIA LIMITED (BPIL). Every organization needs finance to conduct its activities and the financial statements shows the details of financial position, which is more helpful to understand more about the business. Analysing financial statement is necessary to understand the profitability and position of business.

Major scope of this study is to find out the financial strength and weakness of the firm from analysing the financial statements.

### LIMITATIONS OF THE STUDY

- The study has been based on secondary data sources, namely published financial statements of the company. Therefore, the reliability of the ratios is linked to the accuracy of information in these statements.
- The study is for a period of five years only. I.e. FY 2020-21 to 2024-25.
- The study involves the use of various financial tools, which itself is having its own limitations.

## II. REVIEW OF LITERATURE

**Baby, Mia & Pitchay,( 2024)** A systematic review of financial performance in the manufacturing industry – Review of manufacturing firms, 1987–2022. Found that internal factors (CSR, innovation, board features) matter more than external ones for financial performance.

**Dhiman, Suri & Kaur, (2024)** Effect of Capital Structure on Financial and Social Performance of Indian MFIs: A Bibliometric Analysis and Systematic Literature Review – Indian micro-finance institutions: capital structure's effect on financial & social performance.

**Mahin Husain (2023)** The research paper examines the performance analysis of selected paint companies of India by the researcher. The researcher has selected Asian Paints Limited, Berger Paints and Nerolac Paints as sample of the study. The secondary data method was used by the researcher to analyze the data. The researcher has analyzed liquidity ratios, solvency ratios, efficiency ratios, profitability ratios and market ratio. DuPont analysis was also done by the researcher. The findings revealed that Asia Paints and Berger Paints are leaders in market of Paint industry. While Nerolac Paints has room for the improvement in case of profitability and efficiency aspects

## III. RESEARCH METHODOLOGY

Research methodology refers to the systematic process and scientific approach used in conducting research. It provides the framework that guides how a study is designed, how data is collected, and how the results are analysed and interpreted. Unlike research methods, which are simply the tools and techniques used to gather and analyse data, research methodology explains the reasoning behind the choice of those methods. It ensures that the research is logical, reliable, and valid by justifying why a particular method is suitable for addressing the research problem.

### RESEARCH DESIGN

Research design refers to the overall plan, structure, and strategy used to conduct a research study in order to answer the research questions effectively. It serves as a blueprint that outlines how the research will be carried out, including the methods of data collection, the tools of analysis, the type of data required, and the time frame of the study. In simple terms, research design provides a systematic framework that ensures the research is organized, logical, and capable of producing valid and reliable results. It helps the researcher decide whether the study will be descriptive,

analytical, exploratory, experimental, or a combination of these approaches.

## ANALYTICAL RESEARCH

Analytical research is a type of research that focuses on critically examining and interpreting information to explain the reasons behind a phenomenon or to establish cause-and-effect relationships. Analytical research goes deeper by analysing data, evaluating patterns, and interpreting results to draw meaningful conclusions.

### IV. DATA ANALYSIS TOOLS AND TECHNIQUES

Data analysis is a critical part of research, These tools enable the company to evaluate the feasibility, profitability, and risks associated with long-term projects.

#### Ratio Analysis

- Liquidity Ratio
- Solvency Ratio
- Turnover Ratio
- Profitability Ratio

#### Trend Analysis

Trend analysis in simple regression means fitting a straight-line equation to time series data so we can understand the long-term direction (trend) and use it for forecasting future values.

#### FORMULA

$$Y = a + bX$$

$$b = \frac{\sum xy - \sum x \sum y}{N \sum x^2 - \sum (x)^2}$$

$$a = \frac{\sum Y - b \sum X}{N}$$

#### Comparative Analysis

Financial data becomes more meaningful when compared with similar data for a previous period or number of prior periods. Statements prepared in form that reflects financial data of two or more periods are known as comparative statements. Annual data can be compared with similar data for prior years. Such statements are very helpful in measuring the effect of the conduct of business during consideration.

### DATA ANALYSIS AND INTERPRETATION

#### LIQUIDITY RATIO

#### Current Ratio

The company's current ratio was slightly above the ideal 2:1, the current ratio is satisfactory, indicating strong short term financial stability.

YEAR	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
2020-2021	3085.26	1820.23	1.69
2021-2022	3522.84	2515.32	1.40
2022-2023	3600.21	2696.03	1.33
2023-2024	3623.87	2036.27	1.77
2024-2025	4133.8	1985.77	2.081

#### SOLVENCY RATIO

#### Debt to Equity Ratio

An acceptable norm for this ratio is considered to be 2:1. The company is over-leveraged, exposing it to higher financial risk and potential instability during adverse market conditions.

YEAR	DEBT (Cr.)	EQUIY(Cr.)	DEBT TO EQUITY
2020-2021	268.24	97.13	2.76
2021-2022	346.69	97.13	3.56
2022-2023	408.87	97.14	4.20
2023-2024	540.15	116.58	4.63
2024-2025	509.69	116.58	4.37

**TURNOVER RATIO****Fixed Asset Turnover Ratio**

The company's Fixed Asset Turnover Ratio remains consistently between 3.2 and 3.7 across all years, which lies in the ideal range of 3-4 times. This indicates that the firm is efficiently utilizing its fixed assets to generate sales, and the ratio is satisfactory.

YEAR	NET SALE (Cr)	FIXED ASSET (Cr)	RATIO
2020-2021	5,944.34	1,599.19	3.71
2021-2022	7,639.16	2,213.59	3.45
2022-2023	9,321.07	2,819.12	3.30
2023-2024	9,907.55	3,012.60	3.28
2024-2025	10,086.95	3,052.38	3.30

**PROFITABILITY RATIO****Gross Profit Ratio**

Mostly higher gross profit ratio is considered better. The company's Gross Profit Ratio is consistently within or above the ideal benchmark, the ratio is satisfactory.

YEAR	GROSS PROFIT (Cr)	NET SALE (Cr)	PROFIT
2020-2021	2238.22	5944.34	37.65
2021-2022	2093.85	7639.16	27.40
2022-2023	3044.65	9321.07	32.66
2023-2024	3904.24	9907.55	39.40

2024-2025	3723.12	10086.95	36.91
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**TREND ANALYSIS****Net Profit trend from 2020-2021 to 2024-2025**

YEAR	X	Y	XY	X2
2020-2021	1	680.78	680.78	1
2021-2022	2	749.86	1499.72	4
2022-2023	3	828.39	2485.17	9
2023-2024	4	1015.05	4060.2	16
2024-2025	5	1077.5	5387.5	25
TOTAL	15	4351.58	14113.37	55

The net profit shows a gradual increase from 2021-2025 and reaches the highest last year

**REGRESSION**

$$Y=a+bX$$

Where,

$$b = \frac{\sum xy - \sum x \sum y}{N \sum x^2 - \sum (x)^2}$$

$$= \frac{5(14113.37) - (15)(4351.58)}{5(55) - 15*15}$$

$$= 105.863$$

$$a = \frac{\sum Y - b \sum X}{N}$$

$$= \frac{4351.58 - (105.863)(15)}{5}$$

$$= 552.726$$

**Profit for the Year 2025-2026 to 2029-2030**

$$Y = a + bX$$

- 2025-2026

$$Y = 552.726 + 105.863 * 6$$

$$= 1187.904$$

- 2026-2027

$$Y = 552.726 + 105.863 * 7$$

$$= 1293.767$$

- 2027-2028

$$Y = 552.726 + 105.863 * 8$$

$$= 1399.63$$

- 2028-2029

$$Y = 552.726 + 105.863 * 9$$

$$= 1505.493$$

- 2029-2030

$$Y = 552.726 + 105.863 * 10$$

$$= 1611.356$$

**Estimated Profit from 2025-2026 to 2029-2030**

YEAR	PROFIT (Cr)
2025-2026	1187.904
2026-2027	1293.767
2027-2028	1399.63
2028-2029	1505.493
2029-2030	1611.356

From the past data (2020-2021 to 2024 -2025) of the trend of net profit is estimated for the next five years (2025-2026 to 2029-2030) the graph shows that the movement of net profit has a positive trend in the future.

**Net Sales trend from 2020-2021 to 2024-2025**

YEAR	X	Y	XY	X <sup>2</sup>
2020-2021	1	5944.34	5944.34	1
2021-2022	2	7639.16	15278.32	4
2022-2023	3	9321.07	27963.21	9
2023-2024	4	9907.55	39630.2	16
2024-2025	5	10086.95	50434.75	25

TOTAL	15	42899.07	139250.8	55
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The sales shows a gradual increase from 2020-2021 to 2024-2025

**REGRESSION**

$$Y = a + bX$$

$$b = \frac{N\sum xy - \sum x \sum y}{N\sum x^2 - \sum (x)^2}$$

$$= \frac{5 * 139250.82 - 15 * 42899.07}{5 * 55 - 15 * 15}$$

$$= 1055.361$$

$$a = \frac{\sum Y - b(\sum X)}{N}$$

$$= \frac{42899.07 - 1055.36 * 15}{5}$$

$$= 5413.73$$

**Sales for the year 2025-2026 to 2029-2030**

$$Y = a + bX$$

- 2025-2026

$$Y = 5413.73 + 1055.361 * 6$$

$$= 11745.9$$

- 2026-2027

$$Y = 5413.73 + 1055.361 * 7$$

$$= 12801.26$$

- 2027-2028

$$Y = 5413.73 + 1055.361 * 8$$

$$= 13856.62$$

- 2028-2029

$$Y = 5413.73 + 1055.361 * 9$$

$$= 14911.98$$

- 2029-2030

$$Y = 5413.73 + 1055.361 * 10$$

$$= 15967.34$$

**Estimated Sales from 2025-2026 to 2029-2030**

YEAR	SALES (Cr)
2025-2026	11745.9
2026-2027	12801.26
2027-2028	13856.62
2028-2029	14911.98
2029-2030	15967.34

From the past data (2020-2021 to 2024-2025) the trend of net sales is estimated for the next five years (2025-2026 to 2029-2030) the graph shows that the movement of net sales for the future has a positive trend

### COMPARATIVE ANALYSIS

#### Comparative Balance Sheet of Berger Paints India Ltd, year ended March 2019-2020 and 2020-2021

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets increased by 2.87 % , the current liabilities increased by 23.12 % and the current assets are increases by 39.66%

#### Comparative Balance Sheet of Berger Paints India Ltd, year ended March 2020-2021 and 2021-2022

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are increased by 38.41 % , the current assets are increased by 14.18% and the current liabilities are increased by 38.18 %

#### Comparative Balance Sheet of Berger Paints India Ltd, year ended March 2021-2022 and 2022-2023

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are increased by 27.35%, the current assets by 2.19 % and the current liabilities are increased by 7.18 %

#### Comparative Balance Sheet of Berger Paints India Ltd, year ended March 2022-2023 and 2023-2024

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are increased by 6.86 % , the current assets by 0.65% and the current liabilities are decreased by 24.47 %.

#### Comparative Balance Sheet of Berger Paints India Ltd, year ended March 2023-2024 and 2024-2025

The comparative balance sheet of the company reveals the comparison between two years of the financial data. The fixed assets are increased by 1.32 % , the current

assets by 14.07 % and the current liabilities are decreased by 2.48 %

## V. FINDINGS, SUGGESTION AND CONCLUSION

### FINDINGS

- The current ratio of Berger paints India Ltd is adequate. the ratio not only meets but slightly exceeds the ideal benchmark, indicating that the **current ratio is now satisfactory in relation to the ideal standard**
- The average debt-equity ratio is 3.909. It's over-leveraged, posing higher financial risk
- The firm was able to maintain a good level fixed assets turnover ratio. The firm achieved an average of 3.413, which is very good for a business concern
- Gross profit is satisfactory and reflects strong cost control

### SUGGESTION

- Improve Liquidity Position, Quick ratio (0.672) and absolute liquidity ratio (0.136) are below ideal levels. Reduce inventory holding or increase cash equivalents.
- Reduce Financial Leverage, Debt-equity ratio is high (3.909), indicating over-leverage. Limit new borrowing unless it leads to revenue-generating growth.
- Strengthen Proprietary Ratio, Low proprietary ratio (0.622) means higher risk to creditors. Retain more earnings instead of paying high dividends.
- Asset Optimization, Fixed asset turnover is strong (3.413), but still can be optimized, Dispose or lease under-utilized assets.

### CONCLUSION

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. A financial statement is an organized collection of data according to logical and consist accounting procedures. An analysis of financial performance shows that the company's ability to meet its current obligation is not satisfactory. The study has been undertaken to the objective of evaluating the financial performance of Berger Paints India Ltd. Specific objectives has been set for the study and secondary data for the period of 5 years from 2020-2021 to 2024-2025 were analyzed. The

findings of the study revealed that liquidity position of the company is fair and the solvency position of the company is moderate. The trend shows positive growth for future period. The points noted in the findings are important factors regarding the firm. The study came to the conclusion that, the overall financial performance of the company is good.

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