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A Study on Cost Analysis at Kansai Nerolac Paints Limited at Hosur

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Abstract: *This study delves into the cost analysis practices at Kansai Nerolac Paints Limited in Hosur, aiming to understand the cost structure, identify key cost drivers, and suggest strategies for cost optimization. Kansai Nerolac Paints, a leading paint manufacturing company in India, operates in a highly competitive market where efficient cost management is crucial for maintaining profitability and market share. The research employs both qualitative and quantitative methodologies, including a detailed examination of financial statements, cost records, and operational data. Interviews with key personnel in the finance and production departments provide insights into the practical challenges and strategies employed in cost management. Cost analysis is a critical aspect of financial management that helps in identifying, categorizing, and managing costs efficiently to optimize profitability. This comprehensive analysis encompasses various cost components, including raw materials, labor, production, and overheads, and evaluates their impact on the overall financial performance of the company.*

Keywords: *Raw Material Costs, Labor Costs, Production Costs, Overheads, Cost of sales*

1. INTRODUCTION

Determining an appropriate costing of your product can make or break your business. Most business owners fail to understand the importance of costing which can actually help your business avoid running into troubles such as loss of profits, time mismanagement and over budgeting. Knowing how much the company spends to produce a product is not enough when it comes to figuring out the product's costing value. Furthermore, selling a product with a wrong value can have a great impact on your company's sustainability. To run a successful business, you need to think ahead against your competitors and one way of doing so is to understand what product costing needs to be followed. Costing techniques can be tricky and complicated to understand and hence requires a systematic approach in determining the same. This article broadly covers determining the costing in case of manufacturing industry. Organizations often shy away at the mention of cost modeling. Most of them find it highly complex and time consuming. Managers are accustomed to make decisions based on instincts and intuitions which more often not wreaks havoc. Owing to globalization, companies have started to realize the benefits of a data driven approach and strategic decision making based on actionable insights.

2. OBJECTIVES OF STUDY

To understand the cost structure of the company.

To understand how the cost will affect performance and profit of the company.
To evaluate each cost of the company and suggest them what are the changes they have to implement.

3. SCOPE OF THE STUDY

Cost analysis has a wide scope in the company's operation. The cost incurred by the company will determine the performance of the company. For a good budgeting program, the cost analysis plays an important role. The manager can fix the price for a product by understanding the cost incurred for each product. Less cost means good performance and good profit. The study can help the managers to make changes in their cost structure. The study helps to identify and classify various cost overheads, which will help the management to fix the selling price of products effectively and efficiently. The study covers the effect of cost control techniques. Main areas of the study are labor, material, sales and fixed overheads

4. LITERATURE REVIEW

Webner (1911) States the production factor constitutes a lot for cost analysis which includes material, other related expenses and cost of Labour. Sachdeva and umesh sharma (2006) Describes that purchasing of materials, cost of related expenses which includes fabrications for the product place a significant role in management of material which intern leads to cost effective system.

P.J. H baily (1973) had made research on purchase department. If the department is not effective in planning those orders required for production at a proper time which leads to problem. Mikhail chester and chris hendrickson (2005) Describes that construction cost increases only when there is a delay, when the work is said to be defective, when strikes takes place, acceleration, and cost cutting. Federal high way administration (FHWA) States about the lifecycle cost of highway payment design. These are certain components of cost which includes investment; maintenance cost etc. Plays a very important role in analysis of cost control system.

5. RESEARCH METHODOLOGY

TYPE OF RESEARCH: The proposed study is of ANALYTICAL IN NATURE Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible. A research design for a particular problem usually involves the consideration of the following factors.

RESEARCH APPROACH AND DESIGN: Research design is a framework or the blueprint for conducting the research report Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

DATA COLLECTION:

SECONDARY DATA: Secondary Data has been collected from the company's annual report, journal, magazine, and website.

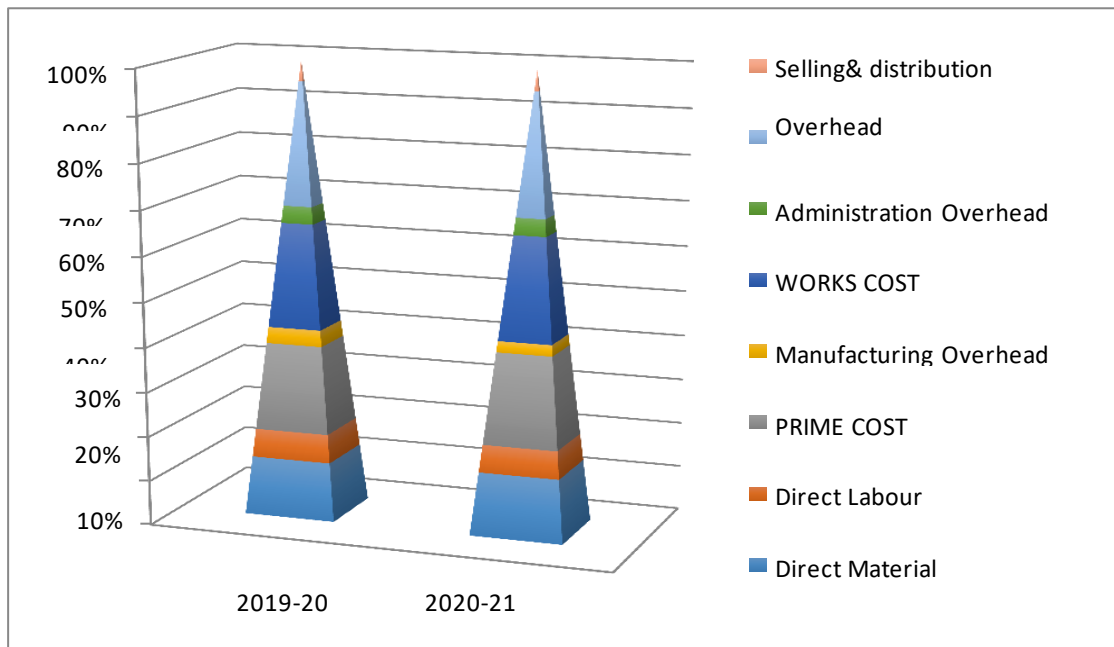
6. DATA & ANALYSIS

COST SHEET FOR THE YEAR 2019-20 & 2020-21

Amount in Rupees

PARTICULARS	2019-20	2020-21
Direct Material	30,713,383	35,125,919
Direct Laboure	14,842,242	15,222,877
Direct Expenses	-	-
PRIME COST	45,555,625	50,348,796
Manufacturing Overhead	8,432,665	6,064,001
WORKS COST	53,988,290	56,412,797
Administration Overhead	8,787,414	9,155,459
COST OF PRODUCTION	62,775,704	65,568,256
Selling& distribution Overhead	10,620,473	10,963,526
TOTAL COST	73,396,177	76,531,782
Net SALES	80,160,360	85,677,188
Less Total Cost	73,396,177	76,531,782
PROFIT	6,764,183	9,145,406

Chart showing Cost Sheet for the Year 2019-20 & 2020-21



Interpretation:

In the year 2019-20 the total cost was 73,396,177 but in the year 2020-21 it was increased to 76,531,782 because company increased production capacity. Even though the company need to take certain measures to increase its profit level by decreasing its production cost. Buts the company reach its desired goal as there is a more sales.

7. FINDINGS

1. Profit of KNPL was increasing continuously but in 2020-21 the profit reduced. But in 2021-22 company again increased their profit.
2. It is found that KNPL is one of the leading manufacturers of construction equipment.
3. The company is supplying a good numbers paints in India.
4. The Laboure cost of the company is increasing every year because they are recruiting more and more employees

8. SUGGESTIONS

KNPL should try to obtain more orders which will help the company to manufacture bulk products and thereby reduce the cost of production. KNPL should always purchase the high-quality raw materials because it helps to attract more customers and expand its market. The company should purchase raw materials at reasonable price so that they can reduce cost.

9. CONCLUSION

KANSAI NEROLAC PAINTS LIMITED is a company of producing different paints, and it supplying its products on India. Its adopted good quality checking instruments for inspection of each individual products in the organizations. It sells the products at reasonable price to the customers. In the current market situation, all the industry competes the competitive market, KANSAI NEROLAC PAINTS LIMITED manufactures and sells the products more economically.

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