

A Study of Paint Industry With Special Reference to India-2016



Management

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ABSTRACT

Indian paint industry is as old as Ancient Indian culture but modern synthetic paints were introduced in the country by Goodlass Nerolac Paints in 1920. This research paper aims to study current scenario of Indian paint industry. Though the size of global paint market (Size-\$132 billion) is 20 times bigger than Indian market (\$ 6.77 billion) the growth of Indian paint market (15%) is three times faster than global market (5%). There are five major players in organized Indian paint market with 61% market share. The Asian Paints Ltd. leads the organized sector in sales volume and profits. The unorganized players constitute about 35% share of the total Indian paints market. This is a secondary data based descriptive study that shall be done to analyze the current scenario of the Indian paint industry. Lot of study material is available on paints industry here and there but there is no research paper available on the title. The paper concludes that Indian paint market is not only among the most competitive markets in the world but is also one among the most opportunistic paint markets in the world for national and international players. The recommendation includes the regulation of environment damage caused by the paint industry by law or regulatory agencies mandatory.

INTRODUCTION

A substance used for protecting or decorating a surface, especially a mixture consisting of a solid pigment suspended in a liquid, then when applied to a surface dries to form a hard Coating (freedictionary.com). Across the world total paint sales in terms of value is around \$ 132 billion and in terms of volume is 43.8 million tons in 2014 (world paint & coating market report, 2015). The high demand of paint products is because of high global building construction spending particularly in North America, Europe & Japan (world paint & coating market report, 2015). Indian paint industry estimated to be more than \$6.77 billion (40,600 Cr) and has been growing at a rate of 15% for the last few years. Out of total market 65% been catered by organized players and remaining 35% by unorganized players in terms of value. The organized players mainly predominant in distemper & primer category (Shastra, 2011). 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 (Paint sector analysis report, Nov 17, 2014). Paint industry has 2 segments-First is decorative segment – Major segments in decorative include exterior wall paints, interior wall paints, wood finishes and enamel and ancillary products such as primers, putties etc. Decorative paints account for over 73% of the overall paint market in India. Demand for decorative paints arises from household painting, architectural and other display purposes. Second one in industrial segment- Three main segments of the industrial sector include automotive coatings, powder coatings and protective coatings. User industries for industrial paints include automobiles engineering and consumer durables. In India decorative segment account for 73% of total paint demand and 23% account for industrial demand. In International market ratio is 50:50. Majorly unorganized players caters to rural market. As per code laid down by the Bureau of Indian Standards (BIS), which specifies that lead content should be 1,000 ppm. In the US, lead had been termed the number one environmental threat to the health of children. But it was a non-issue for the industry in India. So, government has to step in and set regulations and then ensure that these can be enforced (Narain, Sep 08, 2009).

LITERATURE REVIEW

The history of Indian Paint Industry is as old as the history of the Indian people. The earliest examples of Indian painting are cave paintings going back to 10,000 B.C. The

tradition of painting in Indian subcontinent grew and developed over time, resulting in a fully developed and finest style, incorporating the culture and faith of the region and religion. Indian paints always embrace rich color and clear symbolism, using specific iconography to make religious figures clearly recognizable (Indian Mirror July, 2015). Cave paintings representations traces have been found at *Bhimbetka*; close to the Bhopal area in approximately thousand caves. The date set for these caves dates back to the Paleolithic period (7000 BC). In that remote time the inhabitants of this area were still forming the bases of the civilization and however already pictorial realization are done on the walls of these dark caves used also as protection from the weather and animals (Paint in ancient India, Oct-5, 2013).

World's top ten paint brands in 2015

COMPANY NAME	ANNUAL TURNOVER(\$ billion)
AKZONOBEL (N.L.)	16.516
PPG Industries (U.S.)	15.33
SHERWIN-WILLIAMS (U.S.)	11.43
RPM Inc. (U.S.)	4.595
VALSPAR (U.S.) BASF (D.E.)	4.428
Axalta (U.S.)	4.252
DIAMOND Paint (U.S.)	3.473
BASF (D.E.)	3.214
SACAL (U.K.)	3.064
NIPPON Paint (J.P.)	2.937

(SOURCE: WPCIA January 5, 2016 Washington)

The top five paint manufacturing firms in India are-

- 1. ASIAN PAINTS** - First in the list is Asian Paints, Asian Paints was started in 1942 and has over 60 years of industry experience. It is India's largest paint company with widest range of wall and wood paints.
- 2. BERGER PAINTS LTD** - Second in the list is Berger Paints India Limited, Berger Paints is UK based company which started its India operations in 1923. They are India's second largest paint company based out of Kolkata.
- 3. KANSAI NEROLAC PAINTS LTD** -Third in the list is Kansai Nerolac

Paints Ltd. Nerolac is leading Paint Company of India. They are 100% subsidiary of Kansai Paint, Japan. Headquartered in Mumbai. They are leaders in Industrial Paints.
4. AKZONOBEL INDIA LTD - Akzonobel India ltd is an India based arm of Netherland Company. Company has started its Indian operations way back in 1932. **5. SHALIMAR PAINTS** - Expertise of more than 100 years, Shalimar Paints are among most trusted paint brands of India.

RESEARCH METHODOLOGY

This is secondary data based descriptive study that shall be done to study the current scenario of the Indian paint industry. The sources of the data would be the related books, internet and financial reports of various companies. Tables and charts are based on the interpretation taken from the secondary data collection will be drawn with the help of MS office and analysis will be done by simple analytical and statistical tools.

Rationale- Past literature has focused over statistical representation of paint industry in world market, Asia Pacific market and Indian market separately but no work has been done for comparative study of paint industry in all three market.

Research objective-To study the current scenario of Indian paint industry.

Limitation- It is secondary based study and inherent limitations of secondary data based study is there.

OBSERVATIONS AND INTERPRETATIONS
SECTORWISE DISTRIBUTION OF GLOBAL CONSUMPTION OF PAINT PRODUCTS Table 1.0-Showing Sector wise distribution of paint products consumption in world constructed by author.

Sector	Building	Industry	Transportation	Pack-age	Other	Total
sales volume (million tons)	21.69	12.58	4.8	2	2.31	43.38
Percentage share	50%	29%	11%	5%	5%	100%

(SOURCE: WPCIA, JAN-2015)

OBSERVATION - This table shows that paints are consumed in 5 major sectors. The building sector is largest with 50% consumption followed by Industrial paints (29%), transportation (11%). The paints products used for packaging and other purposes are just very small segments-5% each.

INTERPRETATION-Three major contributors to paints industry are building, industrial and transportation sectors with 90% share of total consumption. Rest 10% consumption is by packaging and other sectors.

SALE OF PAINTS ACROSS WORLD IN TERMS OF VOLUME & VALUE REGION WISE

Table 2.0-Showing region wise distribution of paint products sale in world constructed by author.

REGION	Asian Pacific	Europe	North America	Latin America	Others	Total
SALES OUTPUT (TONS)	20.38	10.41	7.8	2.6	2.16	43.38 million
Scale (%)	47%	24%	18%	6%	5%	100%

OUTPUT VALUE (U.S \$)	52.8	40.92	26.4	7.92	3.96	132 billion
Scale (%)	40%	31%	20%	6%	3%	100%

(SOURCE: WPCIA, JAN-2015)

OBSERVATION- Asia Pacific region in 2014 was the most rapidly growing & emerging market in the world. Above table shows that Asia Pacific region's share to sales output is 20.38 million tons followed by Europe sales output share 10.41 million tons followed by North America share 7.8 million tons and Latin America share 2.6 million tons. In terms of value Asia Pacific region's share is \$52.8 billion followed by Europe share is \$40.92 billion and then followed by North America at \$26.4 billion Latin America at \$7.92 billion.

INTERPRETATION-Asian Pacific region's share to total paint industry across world is 47% in terms of sales output and 40% in terms of sales value. Europe's share is 24% in terms of sales output and 31% in terms of sales value. Latin America share is 18% in terms of sales output and 20% in terms of sales value. So we can conclude that Asian Pacific region is biggest contributor to world paint industry.

COUNTRY WISE BREAKUP OF SALES VOLUME IN ASIA PACIFIC REGION.

Table 3.0-Showing Volume sales of paints in Asia Pacific region constructed by author.

COUNTRY	CHINA	JAPAN	INDIA	SOUTH KOREA	AUSTRALIA	OTHERS	TOTAL
sales output (billion)	30.62	4.75	4.22	3.16	2.11	7.92	52.8 billion
scale %	58%	9%	8%	6%	4%	15%	100%

(SOURCE: Asia Pacific report, Aug-15)

OBSERVATION-In above table in Asia-Pacific region, sales of China is the largest, accounted for \$30.62 billion of the Asia-Pacific Paint market, Japan accounted for \$4.75 billion, India accounted for \$4.22 billion, South Korea accounted to \$3.16 billion and Australia accounted to \$2.11 billion.

INTERPRETATION-In Asia Pacific region China is biggest and very high potential market which contributes 58% total sale of paints in Asian Pacific region, followed by Japan contributing to 9% and then India contributing at 8%. If we put altogether China, India and Japan then 75% paints consumption and sales in Asian Pacific region comes from 3 countries only.

PAINTS INDUSTRY IN REAL ESTATE SECTOR IN INDIA

In real estate sector three major industries has been attached with it i.e. Cement, Steel & Iron and Paints.

Table 4.0-Industry wise sales in terms of volume related to real estate constructed by author

INDUSTRY	Size of market(2014-2015) Million tons
CEMENT	280
STEEL & IRON	90.5
PAINT	2.25

(SOURCE: ibef, Aug-2015)

OBSERVATION-The 3 major component in real estate business are - cement, steel & Iron and Paints. The above

table shows that Cement is largest consuming material followed by steel & Iron and Paints.

INTERTRETATION-The paint is consumed 100 times lesser to cement and 40 times lesser to steel & Iron as per weight measurement.

5. PAINT INDUSTRY SEGMENTATION IN INDIA

Table 5.0-Value sale of paints as per segment in India constructed by author

INDUS-TRY	SEGMENT	SALES(CR)(2014-2015)	PERCENT-AGE
PAINT	DECORATIVE	29638	77
	INDUSTRIAL	10962	23
	TOTAL	40600	100

(SOURCE: Indian Mirror, July- 15)

OBSERVATION-Paint industry has two segment – Decorative & Industrial segment. Total paint industry size is 40,600 Cr - Decorative segment is 29638 Cr and Industrial segment is 10962 Cr.

INTERPRETATION-Paint consumption in India mostly in Decorative segment as compare to Industrial segment. Almost 73% sales comes from decorative segment and 27% sales comes from Industrial segment

6. MAJOR PLAYERS OF PAINTS INDUSTRY IN INDIA

Table 6.0-Top 5 Paint companies in India in terms of net sales & net profit constructed by author.

COM-PANY	BUSINESS MODEL	NET SALES in Cr for FY 2015	Percent-age Contribution to Paint market	NET PROFIT in Cr for FY-2015
Asian Paints	Decorative, Industrial & automotive paints.	14182.8 (\$236.4)	34.93%	1327.4 (\$22.12)
Berger Paints	Decorative & Industrial paints,	4214.7 (\$70.2)	10.31%	264.7 (\$4.4)
Kansai Nerolac	Decorative, Industrial & automotive paints.	3532.4 (\$58.8)	8.70%	271.7 (\$4.5)
Akzo Nobel	Decorative, Industrial, automotive paints & Powder coatings.	2469.6 (\$41.1)	6.08%	186.3 (\$3.1)
Shalimar Paints	Decorative & Industrial paints.	484.6 (\$8.0)	1.19%	-105.4 (-\$1.7)

(SOURCE: Balance sheet of different companies of 2014-2015)

OBSERVATION-Top 5 companies share is 61% to total sales of the Paint industry in India. Below is the sales and net profit data of top 5 paint companies in India as per there balance sheet. Asian Paints Ltd is biggest paint company in India have sales value of 14182.8 Cr, followed by Berger paints 4214.7 Cr, followed by Kansai Nerolac paints 3532.4 Cr and Akzonobel paints 2469.6 Cr. As per percentage share Asian Paints Ltd share almost 35% to Indian paint market, followed by Berger Paints at 11%, followed by Kansai Nerolac Paints at 8.7% and Akzonobel India ltd at 6%.

INTERPRATION- Asian paints is biggest paint compa-

ny in India having 35% market share followed by Berger paints having 11% market share, followed by Kansai Nerolac paints having market share of 8%. In terms of profit also Asian paint profit is 1327 Cr is highest among all the players followed Kansai Nerolac paints at 271.7 Cr and Berger Paints at 264.7 Cr.

CONCLUSION

As seen not only demand for paint has been increasing in India but across the world it has been increasing. Various major players & new entrants are focusing in India market as it has been third fastest growing market in Asia Pacific region. India has good opportunity to cover the gap with Japan in terms of sales in Asia Pacific region. Indian companies has to face stiff competition from MNC and they have to be on toes so that they will not lose foot in India market. Companies has to focus on rural market a lot to gain benefits as unorganized players are leaders there. Market players has to shift from oil based paint products to water based product and major players has been focusing on water based paint product(80% of their total output). The major factors for such a dramatic growth are (i) Indian economy is emerging economy.(ii) The Indian population is a stable population and is second largest in the world.(iii) Favorable Government policies to boost the Real Estate sector. So Indian market has got huge potential to grow and paint companies has to design strategies to capture market share.

RECOMMENDATIONS

As paint industry and Indian economy is growing at consistent pace, so lots of major players around the world has been attracting to Indian market. Indian Paint Company will going to face strong competition from them and they have to be well prepared to fight with new players. They have to focus on unorganized market (rural market), which is accounting 35% of total paint market. Regulation of industry to reduce environmental pollution is mandatory and impending.

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