A Study Of Emerging Trends & Challenges In Paints & Coatings Industry In India

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PAINTS - A HISTORICAL BACKGROUND

The history of paints is as old as the history of human civilization. Millions and millions of years ago, life floated in the deep seas in the form of unicellular amoebae. Evolution brought it into its best and the natural culmination - man. Even though evolution seems to have stopped, revolution in the outlook, ideas and habits of man still continues. The capacity to understand and appreciate beauty, further extended to beautifying nature as well as his own creations. The history of colour started from there.

The origin of paint can be traced back to the pre-historic period (20,000 years ago). The cave dwellers of those times expressed their artistic abilities by daubing coloured mud on the walls of their caves. The pre-historic paints were made by mixing coloured mud and water. Animal fat was used as the binder. The primitive painters used their own fingers and sticks as brushes. Coming to 3000 BC, the Egyptians painted their tombs and temples with the happenings of those days like battles, priestly rites.

It was a long time before people realized the need for a long lasting paint rather than frequent repainting. By the end of the 18th century, paint factories started operations in Europe. Paint, which was once a costly product of hard labour by master craftsmen, who prepared and mixed their own raw materials, formed a secret formula, which was handed over from generations to generations, became ready for the mass production stage. The 20th century revolutionized the concept of paint and paint application. The ever-increasing demand for paints necessitated the introduction of new synthetic pigments & binders and new application techniques. The need for long term durability and substantial increase in the painting cost further accelerated the development process. Keeping in line with the development in technology in other areas, the development in paint technology in the last quarter of the century surpassed the development in all the previous years put together. The search for new raw materials, new products for new surface and industrial application techniques have transformed paint production into a modern science from an ancient art.

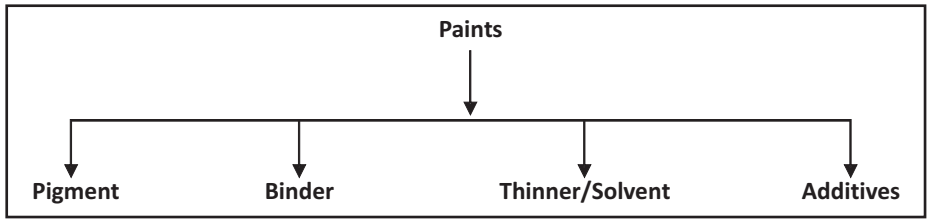
WHAT IS PAINT?

Paint can be defined as a fluid material which, when spread over surface in the form of a thin layer, will form a solid, adherent and cohesive opaque film.

Paint is a mixture of four elements - solvents, binders, pigments and additives. The composition of paints is shown in fig. 1.

Solvents give the paint a liquid flow, while the binder binds it to the surface. Pigments impart colour and opacity to the paint and the additives give it special resistance properties.

Figure 1 : Components of Paints



THE GLOBAL PAINT & COATINGS SCENARIO

The total output of the world paints and coating manufacturing industry was valued at $54 billion in 1996.The industry was forecasted to expand at the rate of 3.5 percent annually. The global economic downturn has affected virtually every

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industry, including paints and coatings. Over the period 2002 to 2007, the global paint and coatings industry grew at an annual rate of nearly five percent in terms of volume and nearly seven percent in terms of revenue. The market slowed significantly in 2008. The total global 2008 revenues for the paint and coatings industry were approximately US$93 billion on a volume of more than 27 billion liters.

Global production of paints and coatings can be divided into two broad segments- architectural paints (Decorative paints) and industrial paints. While industrial paints are used for protection against corrosion and rust on steel structures, vehicles, white goods and appliances, decorative paints are used in protecting valuable assets like buildings. Decorative coatings are the largest of the major segments representing approximately 51% of the global volume and 43% of the global coatings value. The balance of the market is distributed across the different segments of industrial coatings. Globally, the decorative coating segment has grown at an annual rate of more than five percent in volume and nearly eight percent in value over the past five years. Similarly, industrial coatings have grown more than six percent annually in volume and slightly more than seven percent in value. Within the industrial sector, powder coatings and industrial maintenance and protective coatings have posted the highest average annual growth rates, both in terms of volume and value.

The world paints and coatings industry is becoming increasingly dominated by a small group of highly focused, globally positioned firms. For many of these companies (e.g., Sherwin Williams, Kansai Paint, Nippon Paint, and Asian Paints), coatings represent the primary line of business. In other cases (e.g., Akzo Nobel, ICI, BASF, Hoechst, Dupont & Courtalds), the firm's strong position has arisen from involvement in various upstream petrochemical activities, including production of many of basic raw materials used in coatings production. Akzo Nobel, the world's top player, has a strong presence in both segments (60:40 in favour of industrial coatings). Sherwin Williams, ICI, Total, Asian Paints, and Benjamin Moore focus primarily on architectural paints whereas PPG, Kansai Paint, Courtaulds, Nippon Paints and RPM focus heavily on the industrial segment. BASF, Dupont, Lily Industries and DAI Nippon focus entirely on industrial coatings.

Representing more than 35% of the total global coatings volume, Asia-Pacific has become the largest geographic region. Europe is the next largest region at nearly 30% of the global volume. NAFTA trails Europe and makes up 21% of the volume. The balance of the market volume is split between Latin America and the rest of the world. Market distribution based on coatings value varies from the volume distribution. Europe is the largest region in terms of coatings value, representing approximately 35% of the market volume. Asia-Pacific trails Europe and comprises roughly 31% of the global value. NAFTA is the third largest region, making up approximately 24% of the market. Latin America and the rest of the world split the balance**.**

According to the research conducted by the magazine "Paint & Coatings Industry" in 2007, following table 1 presents the ranking of top 10 coating manufacturers in the world. These rankings were done by the magazine on the basis of worldwide 2007 coatings sales figures of global leaders.

Table 1: Ranking Of World Coating Manufacturers

Rank	Name of the company	Worldwide coatings sales ($)
1	Akzo Nobel Coatings	9.628 billion
2	PPG Industries, Inc.	7.46 billion
3	Dupont Coatings & Color Technologies Group	6.6 billion
4	Sherwin-Williams Co.	6.0 billion
5	ICI Paints	4.835 billion
6	BASF Coatings	4.007 billion
7	Valspar Corp.	2.941 billion
8	Sigmakalon Group	2.9 billion
9	Nippon Paint Co. Ltd.	2.4 billion
10	RPM International Inc.	2.1 billion

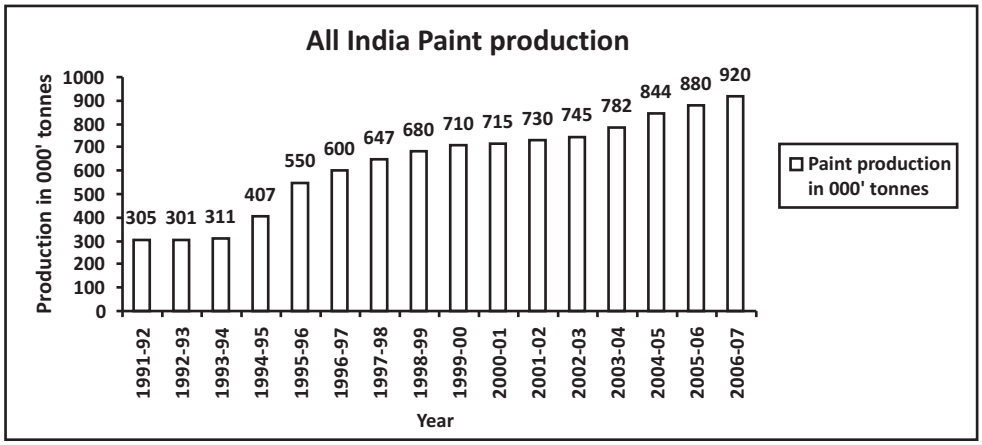
(Source: www.pcimag.com, The "Paint & Coatings Industry" magazine website)

THE INDIAN PAINT INDUSTRY - AN OVERVIEW

The Indian paint industry is over 100 years old industry. Its beginning can be traced back to the setting up of a factory by Shalimar Paints in Kolkata in 1902. Until World War II, the industry consisted of small producers and two foreign companies. After the war, the imports stopped, which led to the setting up of manufacturing facilities by local entrepreneurs. Still, the foreign companies continued to dominate the market. Initially, British paint companies such as Goodlass Walls (now Kansai Nerolac), ICI, British Paints (now Berger Paints), Jenson & Nicholson and Blundell & Eomite dominated the market.

Today the Indian paint industry is a ₹ 11000 crores industry. It was valued at ₹ 82 billion in value terms in 2006 and ₹ 95 billion in 2007. Since the last two years, it has been growing at more than 15% p.a. The total production of paints in India also has been growing constantly since 1991-92. Figure 2 presents the all India paint production since the year 1991-92:

Figure 2 : All India Paint Production



(Source: Chemical Business, January 2008)

In the 1990s, helped by a growing economy, the Indian paint industry recorded a healthy growth of 12-13% annually. This was mainly due to a drastic reduction in excise from a staggering 40% to 16%. However, the growth was restricted in 2002-03 to single digits. There was a revival in 2003-04 with a robust growth of 13%. Today, the Indian paint industry is growing at the rate of more than 15% p.a.Table 2 presents absolute growth rate and per capita growth in paint demand.

Table 2: Paint Demand In India

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Absolute growth in Paint demand	12%	5%	6%	11%	13%	14%
Per capita growth in Paint demand	9%	3%	4%	9%	12%	14%

(Source: Chemical Business, March 2005)

Coming to the sector-wise classification, while the organized sector controls approximately 70 to 75 per cent of the market for paints, while the unorganized sector comprising of 2500 plus small scale units accounts for the balance 30 percent, making it a force to reckon with. In 2005-06, the organized sector held 75% share of the total paint market, while the balance was made up of the unorganized units. Currently, the organized sector of India's paint and coatings market is largely dominated by five major paint companies.

The Indian paint industry has two main market segments--industrial and decorative paints. The Indian decorative business has a share of approximately 70% in total sales. In foreign countries, 50-70% of the business is from the industrial segment. The trends are likely to shift in India too, but at a slower pace, in favor of industrial paints. The per capita consumption of paint is 900 grams in India, and is still low as compared to 15 kg in Europe and 21 kg in the US. Because consumption relates to affordability, the low Indian figure is not a surprise. The global average per capita consumption is 15 kg. India's share in the world paint market is just 0.6%. Within the decorative segment, the share of exterior paints is 21%, interior emulsions 11%, distempers 30%, solvent-based enamel paint 36% and wood finishes

two percent. The exterior category, particularly exterior emulsions, is the fastest growing segment at 20% for the last three years. The industrial coatings segment includes high performance coatings with 30% market share, powder coatings with 10%, coil coatings with 5%, marine coatings 5% and automotive coatings 50% market share.

As sophisticated technology is not a prime requisite for manufacturing decorative paints, the industry is flooded with a number of small players catering to the lower-end of the market by supplying low value unbranded products in small quantities. In the decorative paints segment, while both the sectors have a share of nearly 50 per cent each, the share of the unorganized sector in industrial paints is limited to roughly 35 per cent. This is because technology is the overriding factor in this segment and industrial paints require constant upgradation and servicing. The sluggish volume growth in the past was due to high excise duties levied on paints manufactured by organized sector players, making their products unaffordable. This was the period during which the unorganized sector flourished because of a substantial price difference between paints manufactured by the unorganized and organized players. In contrast to the decorative paint business, tapping the industrial paint segment is not by brand-building, but through getting the right foreign partner (for technology) and captive customers. While decorative paint manufacturers need to offer variety and have a wide reach to stay ahead of competition, industrial paint producers need to be competitive in terms of technology and service.

The major players in the organized sector are Asian Paints, Kansai Nerolac Paints, Berger Paints, ICI Paints and Shalimar Paints. Asian Paints is the market leader with overall 44% market share, while Kansai Nerolac Paints is second in the industry with 20% market share. Asian Paints has the largest distribution network among the players and its aggressive marketing has earned it strong brand equity. Berger paints and ICI paints enjoy 17% market share and 12% market share respectively. The organized sector has grown at a CAGR of 11.5% in the last five years. Kansai Nerolac Paints is the leader in the industrial paints segment, with more than 40% market share.

Recently, world leaders like Akzo Nobel, PPG, DuPont and BASF have set up base in India with product ranges such as auto refinishes, powder coatings and industrial coatings. Kansai Paints of Japan, which entered into collaboration with Goodlass Nerolac in 1984, is now the holding company for Goodlass Nerolac with 64.52% equity holding. PPG has a joint venture with Asian Paints to manufacture industrial coatings. Jenson & Nicholson and Snowcem India are no longer active players because of dwindling sales in recent years.

INDUSTRY HIGHLIGHTS

Most of the organized companies in India's paint and coatings market have a nationwide presence with multi-location manufacturing facilities. The companies in the unorganized sector are mostly regional, spread in and around their manufacturing facilities and deal in low value products.

Asian Paints has created a nationwide marketing campaign focusing on all small interior markets. Not only was the company able to establish itself in interior markets, the demand percolated to main towns, allowing the company to enlist support of large customers.

Being restrained by FERA (Foreign Exchange Regulations Act) and MRTP (Monopolies & Restrictive Trade Practices Act), most players were not allowed to increase production capacities until the Nineties. With liberalization, these shackles were removed and other companies have expanded, though the gap between Asian Paints, which could expand continually, and others has widened.

Another winning point for Asian Paints was its strategy to focus on smaller packs, while others were focusing on larger packs. Asian Paints has also been introducing new product categories, which helped in expanding the market. This made distribution still more complex as precise forecasts for more than 3,000 SKUs (Stock keeping units) became a challenge for every organization. With the advent of color dispensing machines supported by all paint companies and sophisticated IT enabled distribution tools, the situation has eased considerably.

With the industry business becoming complex, most companies have restructured and have used information technology as the key driver for reengineering. They have aligned their organized structures on the basis of expanding business and its complexities. This was essential in order to tighten controls.

Today, companies have divided their sales organizations into decorative, industrial and high performance coatings business units. The national level organization structure is split into zones, regions and branches.

Color dispensing machines, both computerized and manual, have transformed the business, particularly on the manufacturing and distribution sides. Earlier, paint companies were required to manufacture all the shades (30-50

depending on a product line) in all the packs (five to eight packs). Big paint companies have launched these machines for industrial paints too.

The demand pattern was difficult to predict, even with the support of historical data/trends as consumer preferences were changing fast. The machines altered the production pattern from shades to producing bases, thus providing economies of scale, reduced inventory levels and eliminated redundancy of stocks. It has cut down the new products introduction cycle considerably. This has helped expand the range of shades for each product category, offering a choice of shades to consumers in the hundreds. For the retailers also, it eliminated the sales loss for want of range/desired shade. The machines have brought a total change in the way business is transacted and revolutionized business processes as well.

There are approximately 11,000 color-tinting machines installed at the dealers' end including multiple machines on some counters.

The dependence on information technology has increased remarkably from a corner room EDP operation to playing a pivotal role in the way business is transacted. While Asian Paints has invested in i2 technology, Kansai Nerolac has backed up IBM enabled APO and has upgraded to the latest 3.1 version to improve its distribution and optimize production scheduling. Both companies are operating on an ERP (SAP R3) operating system through full connectivity across the factories and branches via V-SATS, thus virtually working on live data for sales, accounting and purchasing.

Kansai Nerolac has moved one step further by launching its intranet-employee portal to capture knowledge sitting in the minds/desktops of individuals to a common platform, which can be accessed by all employees. It has also invested in advanced business plan performance measurement tools like balanced score cards to track, review and align performance.

Most companies in the Indian paint industry are functioning on multi-division models with individual functions controlled by business heads. Some manage their business through sub-committees. As in the case of Kansai Nerolac, there are two levels of teams managing/guiding business. While all the policy and major decisions are looked at by the management committee (MC), which reviews operations on a monthly basis, there is a parallel team--business analyst team (BAT)--which analyzes the businesses and discusses new initiatives, working as the think-tank for the company. Recently, CAT (Creative Analysis Team) has been created to work on new long-term initiatives.

As far as Asian Paints is concerned, it operates on strategic business units (SBUs) model. It operates with three SBUs: Decorative business unit (DBU), Growth business unit (GBU) and International business unit (IBU). DBU takes care of decorative paint business and GBU handles industrial paints business in India. IBU takes care of export and overseas business activities of the company.

CHALLENGES AND OPPORTUNITIES FOR THE INDIAN PAINT INDUSTRY

Most companies have an identical range of products for the decorative-paint market. In the industrial segment, the range of products is more customized and guided by the technology support provided by the collaborators. In the case of decorative products, the technology has been mostly indigenously perfected over the years and the products can be divided on the basis of interior and exterior application or in categories like water-based and solvent-based. Moreover, most companies have been advertising their products in the exterior emulsions category, which has expanded the market and triggered a shift from cement paint.

While solvent-based enamels are still popular in India, outside India, there is a clear shift visible from solvent- to water-based glossy enamels. India will take some time before this change is accepted on account of three hurdles currently faced including cost (water-based is expensive), low level of gloss in water-based enamels and the psychological barrier that water-based coatings cannot be superior to solvent-based coatings for protecting wood or metal surfaces.

Companies not working on operational efficiency business models have been losing. Asian Paints and Kansai Nerolac have been aggressively working on cutting costs/operating expenses. Berger has been managing well with economical yet acceptable formulations and low operating costs.

The industry is not capital intensive and depreciation charges are not significant. Working capital requirements are moderate. However, most companies in the lower rungs are unaware about the realization of debtors. Added to this, has been the problem related to collection of installments on color dispensing machines, which are mostly purchased on lease.

The highest efficiency required is in physical distribution. The poor forecasts of demand result in poor distribution. As a result, companies are investing in sophisticated supply chain management tools. Margins have remained under pressure due to dropping prices, which have been more strategic and forced by the market leader. Companies have been working on improving internal efficiencies to retain profits. The pressure from original equipment manufacturers (OEMs) to reduce prices has also been a cause for low profits for paint companies. Even with the turnaround of the Indian economy, the pressure has not relented. The customer, or retailer, has also been dictating his terms as most companies have common counters to meet their objectives. So they have no choice but to lure more customers through incentives. Lower productivity of high cost labor in the old units has been another problem. This in totality has increased operating pressures.

Some of the international players are already present in India's paint and coatings market, but mostly for industrial coatings. They include Akzo Nobel, BASF, Henkel (pre-treatment chemicals), PPG, ICI (decorative) and DuPont (auto refinishes). A few others are present through collaborations like Kansai and Nippon.

For the decorative range of products, it is difficult for international companies to set up shop on a stand alone basis because of existing barriers such as the strong network of established players, brand image, range of products (Indian context) and required distribution logistics. Therefore, the safer route has been and will be to tag along with existing companies. For industrial products, however, this may not apply and based on their tie-ups in home countries and their OEM customers, the required range can be made and sold.

There is however room for niche players, with radical and unique ranges of products properly conceived and marketed in the Indian context and supported with machines.

The Indian paint and coatings industry is riding high on the growth in the Indian automobile industry, new construction in the housing segment and improving infrastructure throughout the country. Thirty percent of the paint business is comprised of new construction projects. The growth will be 12-13% in the industrial segment and 8-9% in the decorative paint segment. The Indian automobile industry has been performing remarkably well and will benefit the market leader in the segment, Kansai Nerolac.

As for the future, the industry has predicted a CAGR of 8-9 % for the next five years compared to last year's growth levels of 27.4% for cars and 8.9% for two wheelers. The Indian housing industry is likely to do well in the current year as well, recording a growth rate of 35% last year. As a result of the overall health of India's economy, it is safe to predict a nine to ten percent growth rate for the Indian paint industry in the next five years.

Consumers can look forward to new product launches, some for application in special areas. Companies will be increasing the value added services available to customers by offering a variety of finishes through specialized and trained applicators. There will be more options like ranges of colors/finishes for wood applications through the tinting machines. Additionally, the trend towards water-based coatings is likely to set in both for industrial and decorative applications. While India has not yet embraced the *Do It Yourself* (DIY) concept as cheap labor is still available, exclusive retail chain stores sponsored and run by Indian paint companies will become a reality.

As far as industrial paints segment is concerned, paint companies are likely to launch tinting machine concept for few select categories of industrial coatings. For example, polyurethane based protective coatings give excellent corrosion resistance and superior aesthetics to the surface. Industrial customers also started paying attention to aesthetics of plants along with its protection and have become a little bit demanding with respect to the choice of shade for the plant exterior. Thus, paint companies have decided to launch the tinting machine concept to offer their industrial customers range of shades in industrial products too. Asian paints has taken a lead by deciding to launch tinting machines first in south India for industrial paints.

The Indian paint industry has progressed well and moving ahead is likely to be influenced by several factors including new technologies, new innovative products, new associations, consolidation of industry and poor performers getting out of the market. Ultimately, in the years ahead, there will be only four or five key players operating in the Indian paint market.

KEY SUCCESS FACTORS FOR THE INDIAN PAINT INDUSTRY

ICRA report on Indian paint industry in 2004 enlisted key success factors for the paint industry. These factors are as follows:

☸SUPPLY CHAIN MANAGEMENT

The reason supply chain management is a key success factor in the paint industry is because of the larger number of stock keeping units (SKUs), which have to be produced to cater to heterogeneous consumer preferences. An SKU in the paint industry is a combination of product, shade and pack size. The product could be distemper, emulsion, enamel or wood finish. Each of these products is available in a large range of shades and pack sizes. The magnitude of the problem can be gauged by the fact that APIL (Asian Paints India Ltd.) through Colour world in the mid 90s, started offering over 1000 shades. APIL's supply chain integrates the company's paint and chemical plants, 18 processing centres, 350 raw materials and intermediate goods suppliers, 140 packing material vendors, six regional distribution centers and 72 depots, dealers as well as keeps a continuous tab on the 300 raw materials. All this has to be well managed in order to provide quality service to over 16,000 dealers and industrial customers.

Shade preferences vary across regions. Consumers have preferences not only in shades but also in pack sizes. For instance, during festivals, small pack sizes of 50 and 100ml are in demand in certain pockets for purposes like Rangoli or painting the horns of buffaloes. A large painting contractor, on the other hand, finds it economical to purchase in bulk packs of 20 liters. In case the required SKU is not available, the consumer cannot postpone the painting and so switches brands. This necessitates excellent supply chain management so that the right shade of the right products is available in the right pack size.

☸INVENTORY MANAGEMENT

Like in certain other industries, the paints industry is also caught in managing the paradox between offering an ever increasing number of SKUs to cater to heterogeneous customer preferences and reducing inventory carrying costs. One way of resolving this problem has been the installation of computerized tinting machines at retail outlets. Through these machines, companies are able to provide more than a thousand shades to the customer without a proportionate increase in inventories. In this system, instead of manufacturing and distributing thousand of shades, the company simply provides the retailer with a certain number of bases (Paint without the pigments) and stainers (pigments which provide colour). The two can be mixed in different proportions to get the desired shade. The consumer chooses the shade from the shade display. Software detailing the volume of base and stainer required for the particular shade is installed in the computer kept at the retailer's shop. On choosing a particular shade on the screen, the required volume of stainer is released from a dispensing machine into the tin of base kept below it. The system not only reduces inventories along the value chain, but also increases the retailer's return on investment by reducing the average level of stocking.The basic principle of decentralization of the tinting process is not new, as manual tinting was always there. In manual tinting, painters would buy the stainer from the company and mix it with either base or white paint manually. However, the computerized method enables the tinting of a much larger number of shades. But the penetration of these machines is limited, as many retailers cannot afford the investment this entails. It is also likely that for premium products, the key to increasing market share will be the success of these outlets. It is expected that these outlets will take away the sell of premium products (sold in urban areas) from other retailers.

☸CONTROL OF RAW MATERIAL COST

Raw materials account for 65-70% of the production cost of paints. There about 300 inputs in the manufacture of paints, of which, about 70% are petroleum based. The raw materials can be divided into four classes: pigments, solvents, binders, and additives. The two major raw materials used in the industry are titanium dioxide and phthalic anhydride. They together account for about 48-50% of the total raw material usage. Thus, the price of these raw materials has a major impact on the profitability of the paint industry.

Titanium dioxide (TD) is a white pigment and depending on the shade, its usage can vary from 2% to 50% of the weight of paint. It is used in various industries like paints, plastic, paper, printing inks, and ceramics. The two major producers of TD in India are Travancore Titanium products and Kerala Minerals and Metals Ltd., both of which are Kerala based public sector enterprises. TD is commercially available in two grades- anatase and rutile.

Rutile-grade TD is more resistant to heat and chemical attack and is used for more premium quality products and industrial paints. TD has high tinting strength and depression properties as well as chemical stability. Limenite, a mixed oxide of titanium, ferrous iron and ferric iron are the main raw materials for the production of titanium dioxide pigment. 57% of all TD pigment sold is used by the paint and other coatings markets, 13% for use in rubber, 10% for

textiles, 4.5% for paper, 3.5 % each for cosmetics and manmade fibre , and the rest for other applications. Thus, the demand from the paint industry is a key determinant of the price of TD. A large quantity of TD is imported.

Pthalic Anhydride (PAN) is available in abundance locally. Thirumalai chemicals, IG Petrochemicals, and Asian paints are the large PAN producers in the country. The estimated installed capacity for PAN in India is about 230000 tons per annum (TPA), whereas, the demand is estimated at around 135000 TPA. In spite of PAN being exported, there is an over supply situation in domestic market, which in turn has resulted in low price flexibility for the domestic PAN producers.

❁ INCREASING CONSUMER INVOLVEMENT

On the demand side, the paint industry is characterized by low involvement of consumers and a correspondingly higher role of influencers, mainly painters and retailers. However, as the painting process is a time consuming, costly and cumbersome one, the decision to paint gets postponed. Once the decision to paint is taken, the painter plays a very important role. Either the brand choice is left to the painter or the painter accompanies the customer to the shop. While the shade is generally chosen by the consumer, the painter can exercise a lot of influence on the brand choice. Thus, painter behavior is as important as consumer behavior and paint companies offer a number of incentives to painters. The retailer and the painter may together push a particular brand and share the incentives given by the manufacturer between them. The low level of consumer involvement & product awareness and the high price sensitivity make it difficult to create brand loyalty.

To overcome this problem, paint companies are broadening their focus from being paint sellers to providers of painting solutions. For instance, paint companies started a helpline in major cities where consumers can get their queries answered on paints and various painting services. One major problem in the paints industry is low customer awareness about paints/painting solutions. Educating the customer about the correct usage of a particular product is a necessity. APIL has started painting solutions for children with the launch of kids world. Here, painting designs for kids room/kids corner are introduced by inviting the customer to get into a Do-it-yourself mode with these designs. Paint companies are also opening mega showrooms, which would also provide décor-consulting services besides selling paints.

❁ TECHNOLOGY, PRODUCT RANGE AND RELIABILITY OF INDUSTRIAL PAINTS

In the case of industrial paints, the key success factors are technology, product range, presence of complete painting systems, ability to meet client specifications and nearness to the customers. Industrial paints are relatively price-inelastic, but this sector is also vulnerable to general business cycles. Since automotive paints for cars, trucks, two-wheelers, etc. form almost 50% of the category, growth in the industrial paints business depends largely on the growth in the automobile sector. The automotive category consists of two segments: retail or refinishes and original equipment manufacturers (OEM). While automotive paints are sold through retail channels for consumption in garages (repainting, dent repair etc.), large volumes are in the OEM segment. Till a while back, Kansai Nerolac Paints, by virtue of being the major supplier for Maruti Udyog Ltd. and TELCO, was able to dominate the market in the industrial paints segment. With an increasing number of multinational automobile majors setting up shop in India, the industrial paints market has become more competitive. In addition to technology, the presence of a leading foreign partner can also help in securing multinational clients in India. In India, the main paint companies in the industrial paints segment have foreign technology tie-ups. APIL has a tie-up with PPG industries (USA). It has formed a joint venture with PPG Industries Inc. to service the automotive OEMs.

Kansai Nerolac Paints has technical collaboration with Ashlad chemicals (U.S.A), a leader in the petrochemical industry, Nihon Tokushu Toryo Company and Oshima Kogyo Company (Japan); and Berger Paints India Ltd., has a tieup with Nippon Paints (Japan).

CONCLUSION

❁ The Indian Paint industry has a huge growth potential, considering higher push on Infrastructure development in India. Especially, the industrial paints segment is going to grow phenomenally due to increased industrialization in India.

❁ Decorative paint segment is becoming more mature and saturated so as to make it difficult for players to maintain the profit margins. On the contrary, Industrial paint segment is expected to grow rapidly in the near future and needs technological excellence in order to fulfill customized industrial customer requirements. This is the only reason behind plenty of technological tie-ups between Indian majors and foreign companies in the industrial paint segment. In future, industry will witness more strategic tie-ups like these.

❁ Players with superior supply chain network, differentiated and wide range of products, technological advancement in the products & systems, and better cost control will certainly possess competitive edge over others.

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