SNAPSHOT OF INDIAN COATINGS INDUSTRY – 2010/11

Dilip Raghavan
Editor-Publisher

Your window to the Indian Coatings, Inks and allied industries

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

CONTENTS

INDIA – THE COUNTRY

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

- Seventh largest country
- Current population of 1.18 billion
- Second largest labour force in the world
- 64% in age-bracket of 15-64 years with median age of 24.4 years
- English-speaking populace
- Well-developed judicial system and democratic fabric
- Primarily an agriculture-based economy
- Per capita income of about USD 2900
- Large middle-class segment
- GDP growth of 7.8% predicted for 2011, as against the average of 8.1% in the last 5 years.
- India - A country of diversity

INDIAN COATINGS INDUSTRY

paintindia

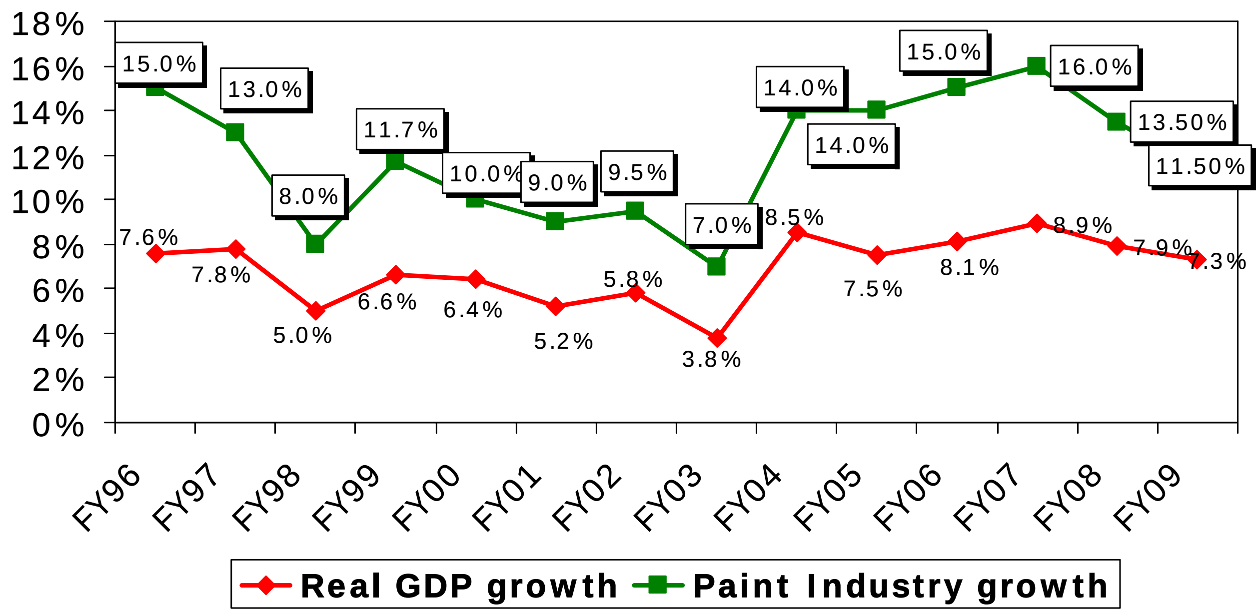
Your window to the Indian Coatings, Inks and Allied Industries

- The industry is over 100 years old, with the first unit being set up in 1902.
- About 4.3% of the global coatings market
- Worth about INR 23,600 crores (USD 5.3 billion)
- Market size of about 2.7 million tons
- Per capita consumption of about 2.3 kg
- Quantum of exports from (0.25%) and imports into India (4% - mainly niche decorative, UV systems and other specialized forms) of paints is minimal.

Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY – YOY GROWTH

paintindia
Your window to the Indian Coatings, Inks and Allied Industries



Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY - STRUCTURE

paintindia
Your window to the Indian Coatings, Inks and Allied Industries

- The Indian coatings industry has traditionally been categorized into the organized (large-scale) sector and the SME Sector.
- With the emergence of the SME sector as a significant stake-holder, there is a new categorization that speaks of the large-scale, the small-scale and the medium-scale sectors.

INDIAN COATINGS INDUSTRY - ARCHITECTURAL

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

- ***MARKET:***

  Architectural coatings constitute 70% by value and 77% by volumes

- ***TECHNOLOGY:***

  There has been a recent shift towards water-based coatings in the recent past, and the current split between water-based systems and solvent-based systems stands at about 50:50 today, with water-based systems easily outgrowing solvent-based systems. Designer finishes are fast gaining popularity and prominence.

- ***SALES:***

  The mode of sale for architectural coatings is predominantly distributor-driven or through hardware stores. Institutional sales are a small fraction driven by the organized construction segment.

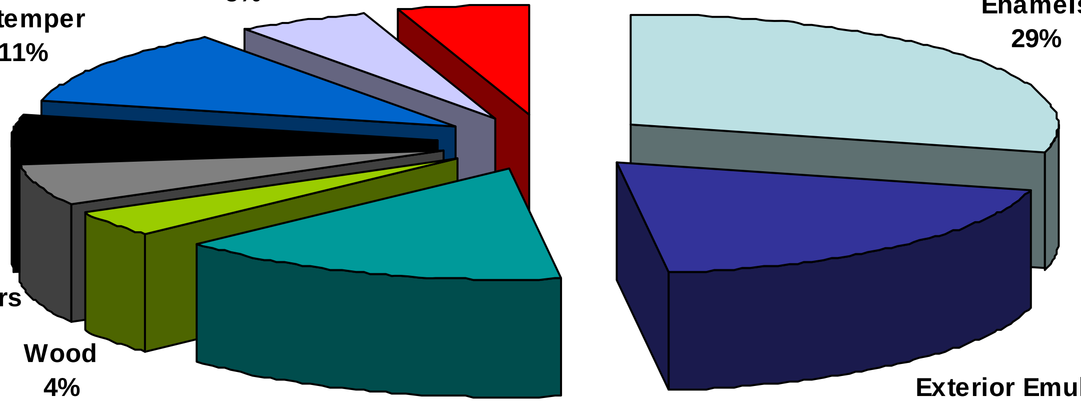
  The DIY segment is non-existent. Point-of-sale tinting is becoming increasingly popular, though. Over 22,000 installations, making it the most in the world.

Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY - ARCHITECTURAL

paintindia
Your window to the Indian Coatings, Inks and Allied Industries

- ***PRODUCTS***



Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY - ARCHITECTURAL

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

- ***PLAYERS:***

  Organized sector contributes 58%. The top players are Asian Paints, Berger Paints, Kansai Nerolac Paints, Akzo Nobel (ICI Paints) and Shalimar Paints
- ***APPLICATION:***

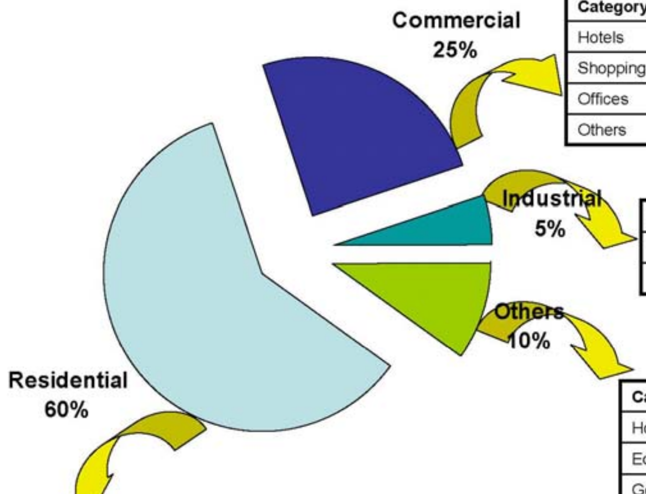
  Still rely on unskilled applicators with low sophistication in application equipment. Growing usage of spray guns is a recent trend.
- ***GROWTH-DRIVERS:***
  - 100% FDI in construction
  - Change in culture tending towards nuclear families
  - Simultaneous upgradation of major cities, satellite towns and rural areas
  - Easy availability of home loans at affordable rates
  - Thrust on non-residential sector as well
  - Government-driven housing schemes

Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY - ARCHITECTURAL

paintindia
Your window to the Indian Coatings, Inks and Allied Industries

- ***SEGMENTS***



Commercial:

Category	Share(%)	CAGR
Hotels	8	16
Shopping	35	22
Offices	55	24
Others	2	

Industrial:

Category	Share(%)	CAGR
Warehouses	15	9
Manufacturing	85	11

Others:

Category	Share(%)	CAGR
Hospitals	20	11
Educational	25	7
Govt.	10	6
Recreation	10	14
Amenities	33	19
Others	2	

Residential:

Category	Share(%)	CAGR
Government	20	16
Private	80	22

Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY - INDUSTRIAL

- ***MARKET:***

  Industrial coatings constitute 30% by value and 23% by volumes

- ***TECHNOLOGY:***

  Industrial coatings in India are almost exclusively solvent-borne. The only applications that are currently employing water-borne technology are certain automotive primers and high-end automotive refinishes. PUDs hold promise for the future.

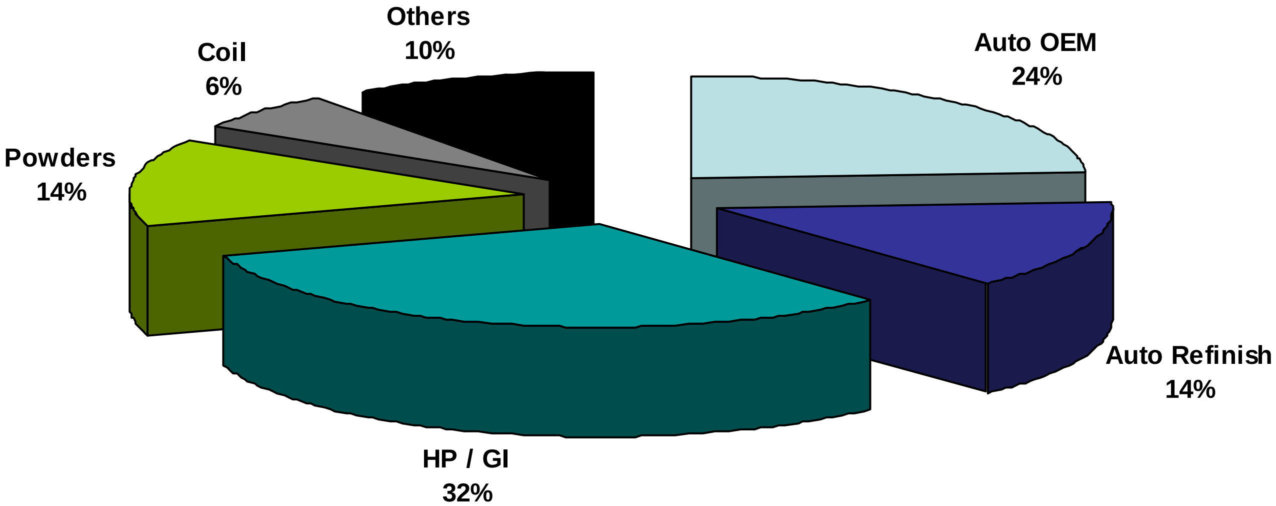
- ***SALES:***

  The mode of sale for industrial coatings are direct in most cases. However, automotive refinishes by and large, and powder coatings/general industrial coatings for some applications still follow traditional distribution channels for smaller volumes and common applications.

INDIAN COATINGS INDUSTRY - INDUSTRIAL

paintindia
Your window to the Indian Coatings, Inks and Allied Industries

- ***SECTORS***



Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY - INDUSTRIAL

- ***PLAYERS:***
  The top industry players in various segments are:
  - Auto OEM: Kansai Nerolac, BASF, Asian PPG, Nippon, Berger, Maharani Paints, Rajit
  - Auto Refinish: Akzo Nobel, Esdee Paints, Akzo Nobel, Asian Paints, BASF
  - Protective Coatings: Berger, Akzo Nobel, Kansai Nerolac, Asian, Shalimar Paints
  - Powder Coatings: Kansai Nerolac, Marpol, Asian Paints, Jotun
  - Coil Coatings: Berger-Becker, Nippon, Akzo Nobel, BASF, PPG, KCC

Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY - INDUSTRIAL

paintindia
Your window to the Indian Coatings, Inks and Allied Industries

- ***GROWTH DRIVERS:***
  - Auto OEM:
    - Establishment of global and Indian auto majors in India with thrust on domestic and export sales
    - Increased roadways: intra-city and inter-city
    - Easy availability of auto loans
  - Auto Refinish:
    - Need for maintenance of premium vehicles
    - Traffic conditions
    - Increasing sophistication of refinish business
  - Protective Coatings / General Industrial:
    - Increased thrust on infrastructure
    - Proliferation of oil and gas, downstream industries
    - Spurt in manufacturing growth
  - Powder Coatings:
    - Consumer durables (luxury and convenience)
    - Inherently tropical climate
    - Shift towards powder coatings as a technology
  - Coil Coatings:
    - Growth of high-end construction segment

ARCHITECTURAL v/s INDUSTRIAL

Parameter	Architectural	Industrial
(Volume/Value)	77% , 70%	23% , 30%
No. of players	~1100	~500
Technology (vis-a-vis Global)	Technology-lag	Comparable to global standards
Technology Driver	Indigenously developed	Often transferred from overseas collaborator
Product Drivers	Markets	Customer specified
Distribution/Sales	Trade-driven	Most often B2B

Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY – PROCUREMENT SOURCES

paintindia
Your window to the Indian Coatings, Inks and Allied Industries

Material	Local	Imported
Titanium dioxide	**	***
Carbon Black	**	***
Organic Pigments	****	*
Inorganic Pigments	***	**
High-performance pigments	**	***
Additives / Biocides	*	****
Emulsion Resins	*****	
Resins-Acrylic/PE/Epoxy/Amino/PU	**	***
Resins – Alkyds/Phenolics	*****	
Solvents	***	**
Machine Colorants & Tinting Systems	****	*
Manufacturing Equipment	***	**

Your window to the Indian Coatings, Inks and allied industries

SWOT ANALYIS – RAW MATERIALS (LOCAL)

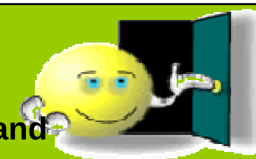
paintindia

Your window to the Indian Coatings, Inks and Allied Industries

Strengths:

- Established manufacturing network
- Strong Marketing and Distribution network
- Engineering expertise in machinery
- Proficient local application knowledge
- Packing material sufficiency
- Technical manpower

Opportunities:



- Strongly growing demand
- Potential for growth in industrial paints
- Sustained growth in architectural paints
- Boom in end-user industries
- Reduce reliance of imports
- Tap export markets better

Weaknesses:

- Lack of technical know-how for some sectors
- Undeveloped VAT system
- Over-reliance on architectural paints
- Insufficient distribution in global market
- Need to enhance technical services

Threats:

- Import policy: raw material – finished goods
- Dependence on petroleum-based inputs and associated volatility
- Import/dumping - value/price erosion
- Inability to comply with regulatory and environmental norms

GLOBAL GIANTS IN INDIA

- ***Akzo Nobel:*** established presence in India in Refinish, Protective and Powder markets. ICI acquisition will give them a huge advantage in the premium decorative segment.
- ***Asian Paints:*** No. 1 Indian player.
- ***BASF Coatings:*** Manufacturing in Mangalore. Focus on Auto OEM, Refinish and Coil.
- ***Becker Coatings:*** JV with Berger for coil coatings in Goa
- ***Behr Process Paints:*** Have just set up a R&D lab in Pune. Further plans not revealed as yet.
- ***Dai Nippon Toryu (DNT):*** Speculation suggests that they are looking for an Indian partner to tap the Auto OEM segment.
- ***DuPont:*** Have a R&D set-up in Baroda. Could soon start rolling out Refinish and Powder paints. Have a technology transfer arrangement with Berger for Auto OEM primers.
- ***Hempel:*** After many past alliances, have set up their own manufacturing in Pune – mainly protective coatings targeted.
- ***Jotun:*** Earlier had a small powder manufacturing operation in Gujarat. Have now set up a green-field site near Pune for making decorative paints, powders and protective coatings.

GLOBAL GIANTS IN INDIA

paintindia
Your window to the Indian Coatings, Inks and Allied Industries

- ***Kansai Paints:*** Majority stake-holders in KNP, who are the leaders in industrial coatings in India.
- ***KCC:*** Looking to tap Auto OEM sector through globally preferred business with Hyundai Motors and also use their proposed Chennai base for Coil Coatings.
- ***Nippon Paints:*** Have set up operations in India with plans to manufacture decorative coatings, Auto OEM, protective coatings and coil coatings. Already established presence in the market. Were looking at JV with Berger for plastic coatings in North India.
- ***PPG Industries:*** JV with Asian in Auto OEM coatings. Have extended it to a second JV for other industrial caotings.
- ***Sherwin Williams:*** Entered India in 2007 through the acquisition route – acquired Nitco Paints. Currently in a consolidation phase which might entail more acquisitions.
- ***Valspar:*** Servicing some global packaging coatings and general industrial coatings through imports. Have licensed agreements with Orbit Coatings for HR powders
- ***Weilburger Coatings:*** In the process of setting up operations near Kolkatta.

… and many others

Your window to the Indian Coatings, Inks and allied industries

INDIAN COATINGS INDUSTRY - FOOTNOTES

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

- ***Education:*** There are various educational institutes offering degree, diploma and vocational course in paint technology. Exposure to industry for students is low. Applicator skill levels are low, with no thrust on formal training.
- ***R&D:*** Due to pricing pressures, the dependence on overseas partners for technology and due to economies of scale, the R&D spend in the Indian coatings industry is very low, and far lesser than even 1% of the turnover.
- ***Manpower:*** The lack of quality manpower is something that is plaguing the industry. The explosive growth of the industry is not being accompanied by the injection of new human resources into the industry. This is leading to a lot of intra-industry attrition. The loss of resources outside the industry is also a worry.
- ***Luxury v/s Necessity Paradigm:*** In India, paints are still considered to be a luxury, and not a necessity. This is reflected not only in the purchasing mentality of the common man, but also in the government policies towards the industry. Extensive consumer education is needed.

INDIAN COATINGS INDUSTRY – THE FUTURE

- Increased thrust on water-based technologies.
- Major consolidation expected in the next few years.
- Point-of-sale tinting will become a force in architectural coatings
- Organized retail will directly boost architectural & indirectly boost some segments in industrial coatings
- Aggressive marketing in architectural coatings
- With many OEMs setting up shop in India, a lot of institutional sales will be generated in industrial coatings (Auto/GI/Powders)
- The paint manufacturing and application segment could be bound together more closely with possible integration as well
- Shortage of skilled manpower
- Difficulties due to sudden mandatory introduction of legislations
- Continued growth in architectural and industrial segments, with the latter likely to grow at a faster rate. Double-digit industry growth foreseen.

WHO ARE WE?

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

FINISH

Coatings Applications Unleashed

JOURNALS * EXHIBITIONS * CONFERENCES * BUYER-SELLER MEETS * MARKET INTELLIGENCE

Your window to the Indian Coatings, Inks and allied industries

PAINTINDIA 2012

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

International Exhibition-Conference

PAINTINDIA 2012

Serious Business for your Industry

India's proud global event for the paints, coatings, inks, construction chemicals and adhesives/sealants industries

23-25 February 2012
Bombay Exhibition Centre,
Mumbai, India

Your window to the Indian Coatings, Inks and allied industries

WONDERFUL INDIA

paintindia

Your window to the Indian Coatings, Inks and Allied Industries

THE LAND OF OPPORTUNITY BECKONS …

Your window to the Indian Coatings, Inks and allied industries