

RESEARCH PROJECT

PAINT INDUSTRY

**EQUITY
ANALYSIS**

I N D E X



INDUSTRY ANALYSIS



PESTLE ANALYSIS



COMPANY ANALYSIS



CONCLUSION

Industry Analysis

The Indian paint industry has been around for almost a century. It all started with the establishment of a plant by Shalimar Paints in Calcutta (now Kolkata) in 1902. Small producers and two foreign corporations dominated the business until World War II. In the last 10 years, the Indian paint industry has witnessed a 12-13% CAGR.



India's paint business is flourishing right now. The Indian paint industry has been witnessing a gradual shift in the preferences of people from traditional whitewash to high-quality paints like emulsions and enamel paints, which is providing the basic stability for the growth of the Indian paint industry. Through well-defined distribution networks, these companies have been able to suit the needs of individual homeowners. This industry's technological improvements have had a significant impact on its overall growth.

The paint industry is a fiercely competitive market these days, with competitors employing a variety of techniques to capitalise on the industry's growing demand for a larger share. Furthermore, the rising disposable income, coupled with increased investment in education; urbanization and various launches of many innovative products, are major drivers propelling the growth of the Indian paint market.

The domestic paint business is projected to be worth Rs 500 billion, with decorative paint accounting for about 75% of the market. Asian Paints and Berger Paints are the two biggest companies in the Indian decorative paint market, with the category accounting for more than 80% of their total revenue.

The automotive industry is crucial to the growth of the industrial paint segment. The automotive industry has been the largest consumer of industrial paints, accounting for 40-50% of total demand. Kansai Nerolac is the market leader in industrial paints, accounting for 45% of the company's total revenue.

Small, unorganised paint makers, primarily serving the lower end of the market, account for a rough 30% market share.

PESTEL Analysis

Political factor

1. A fair amount of political stability, with consensus on economic reforms.
- 2.. A more liberal taxation policy, as Indian government reduced GST rate.

Economic factor

1. Per capita, paint consumption is rising.
- 2.The government's push towards infrastructure growth.
3. Global supply-demand parity led - to an unprecedented increase in raw material prices.

Social factor

1. India is second largest populated country
- 2.. For the average Indian, constructing a home is crucial.
3. Home decorations on special occassions.

Technological factor

1. Technological development in the paint industry, especially in distribution channel connection.
2. The development of the tinting machine.
3. Having collaboration with the foreign firm with regards to the technological aspects.

Environmental factor

1. Release of volatile organic compounds (VOCs). VOCs participate in the formation of ozone, which attacks lungs tissue.
2. 20%-40% increased risk of certain types of cancer has been reported.
3. Cause headaches, trigger allergies.

Legal factor

1. Pollution control law.
2. The Regulation of Lead Contents in Household and Decorative Paints Rules.
3. Environmental law.



Brief Bio:

Asian Paints is an Indian multinational paint company, headquartered in Mumbai, with annual revenue of approximately Rs. 17,000 crores. It is the only business in the world to grow revenues by at least 20% per annum every year for the last 60 years. The company is engaged in the business of manufacturing, selling, and distributing paints, coatings, and products related to home decor, bath fittings, and providing related services.

Position of the Company:

The position of the company in comparison to its competitors is quite good. The prominent competitors of Asian paints include Kansai Nerolac, Berger Paints, Indigo Paints, etc. The P/E ratio of the company stands at 94.04, which is really good in comparison to its competitors.

Business Model:

The company is among the most trusted paint brands in India and is one of the largest paint corporations in India and the third-largest in Asia. The company manufactures paints in the decorative, automotive, and industrial segments and various accessories as well, like wall primers, wood primers, putty, strainers, etc. The company offers a diverse range of products according to the specific needs of people of different income groups.

Management Analysis:

As of October 2021, Asian Paints' top-level management consists of 14 people which includes 1 Executive Director, 1 Executive Chairman, 1 Executive Vice Chairman, 4 Non-Executive – Non-Independent Directors, 7 Independent Directors (including 2 Woman Independent Director).

Shareholding Pattern:

The promoters' holding is about 50% of the company, which is balanced and demonstrates the promoters' trust in the business. Over the years, there has not been much change in the shareholding pattern, which shows the stability and trust of institutional holders and promoters in the business.

Promoter holding- 52.79%

Institutional holdings: 27.84%

Public holding- 19.35%

Dividend:

The company has a good dividend track record and has consistently declared dividends for the last 5 years. The dividend per share of Asian Paints as of May 2017 was Rs. 5.65 per share, which became Rs. 14.50 per share as of May 2021.



BERGER PAINTS INDIA LIMITED

Brief Bio:

Berger Paints India Ltd. is an Indian multinational paint company. The company manufactures and sells paints, varnishes, and enamels for a variety of applications. They provide their customers with a wide range of innovative painting solutions, whether decorative or industrial. The company is based in Calcutta and serves the market through a distribution network that includes approximately 110 stock points and over 250,000 dealers.

Position of the Company:

The company has a strong foothold among its competitors. The prominent competitors of Berger Paints include Asian Paints, Kansai Nerolac, Indigo Paints, AkzoNobel, etc. The company has a P/E ratio of Rs. 87.71, which is quite good as compared to its competitors.

Business Model:

The company's framework is to establish itself in the market and position its products through the use of service segregation, product segregation, and image segregation, which aid in gaining a good market position by offering better-valued products at a reasonable and affordable price. These business plans are based on Berger Paints' marketing, which aids the brand's success.

Management Analysis:

As of October 2021, the top management of Berger Paints consists of 11 people, which includes 1 Chairman, 1 Vice Chairman, 1 MD and CEO, 2 Executive Directors, 4 Independent Directors, 1 Director Finance and CFO, and 1 Vice President and Co. Secretary.

Shareholding Pattern:

Berger Paints' promoter holdings are 75%, indicating that it is well-balanced and reflects the promoter's support and trust. Throughout the year, there has been no significant change in shareholding patterns, which demonstrates the resilience and trust of institutional investors in the company.

Promoter Holding- 74.99%

Institutional Holding-15.12%

Public Holding-9.89%

Dividend:

The company has a solid dividend track record, having declared dividends on a consistent basis for the last 5 years. For May 2017, the dividend per share for Berger Paints was Rs 1.75 per share, which rose to Rs 2.80 per share as of May 2021.



Brief Bio:

Kansai Nerolac Paints Limited (KNPL), formerly Goodlass Nerolac Paints Ltd., is India's second-largest paint producer and a leader in the industrial segment with a market share of over 40%. It is a subsidiary of Kansai Paint of Japan. With a legacy of over 100 years, they are engaged in the industrial, automotive and powder coating business to deliver exceptional solutions. As of 2021, Kansai Nerolac has the third-largest market share in India (Approximately 13-14%).

Position of the Company:

The company stands as the symbol of paramount products and services, providing a wide range of variety in decorative paints, automotive coatings as well as performance coatings. The P/E ratio of the company stands at 59.6 which is quite impressive but lags industry competitors Asian paints and Berger Paints.

Business Model:

Paint systems are developed and supplied by the company for not only decorative and industrial paintings but also for the finishing lines of electrical components, bicycles, furniture etc. Because of its strong marketing methods and branding, Kansai Nerolac Paints Limited is at the top of the business. The company prioritises research and development (R&D), which results in new high-quality goods that fulfil the needs of customers.

Management Analysis:

The board of directors is made up of professionals from many fields, bringing a diverse set of abilities and expertise to the table, ensuring the company's creative and seamless operations while also strengthening stakeholder confidence. The current board includes an Executive Chairman, a Vice-Chairman, a Chief Financial Officer (CFO), an Executive Director, and five non-executive directors (including two Indian directors).

Shareholding Pattern:

The shareholding pattern of Kansai Nerolac Paints Ltd.-

Promoters: 74.99%

Institutions: 16.74%

Non-Institutions: 8.27%

The company has only one promoter, Kansai Paints Co. Ltd. (which owns around 3/4th of the company), and its shareholding hasn't changed much over the years, demonstrating the company's stability and the promoters' trust in it.

Dividend:

The company has a strong dividend track record, having declared 27 dividends since July 19, 2001. In the past 12 months, they have provided an equity dividend of Rs. 5.25 per share. The dividend amount dropped significantly in 2014, but since then has seen an upward trend, indicating the growth of the company.

Future Prospects

Over the projection period of 2021-26, the India paints and coatings market is expected to increase at a substantial rate, with a CAGR of over 8%. The construction industry's growing need, combined with increased infrastructure activities, is boosting demand for the market under consideration.

Some key factors that will be considered in the future include

- The expansion of the market analysed is expected to be hampered by declining vehicle production and sales in the country
- During the forecast period (2021-26), the usage of nanotechnology in the paints and coatings sector is likely to provide a variety of chances for the market to expand.

Added factors such as rising oil prices, production cutbacks by international raw material suppliers, force majeure in some geographical areas, uncertainty in global vessel movement, and supply-demand parity led to an unprecedented increase in raw material prices and freight charges in the third and fourth quarters of the year under review. These factors are also to be looked at as they may impact the future potential growth of the industry and these players. . :