



# Kansai Nerolac Paints Limited

## Team 6

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# OVERVIEW

- Kansai Nerolac Paints Limited (KNPL), erstwhile Goodlass Nerolac Paints Ltd is the third largest paint company in India and is the leader in the industrial segment.
- They have 6 strategically located manufacturing units spread across the country. These are located in Jainpur (UP) Lote (Maharashtra) Bawal (Haryana) Hosur (Tamil Nadu), Sayakha (Gujarat) and Goindwal (Punjab).
- The Company operates in two segments, Industrial and Decorative, with the Industrial to Decorative revenue ratio remaining at 45:55 in FY 2022.



## FY 21-22

5948 CR

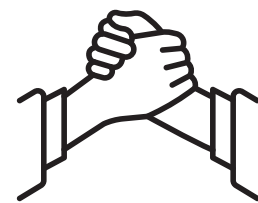
Revenue from  
operations

647 CR

EBIDTA

374 CR

PAT



Integrity



Customer focus



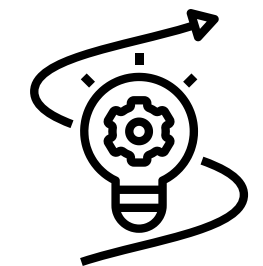
Accountability



Respect



Entrepreneurial Mindset



Innovation

# EVOLUTION OF NEROLAC'S STRATEGY

- Nerolac ventured into the Indian markets with a strong focus on the Industrial paint segment. Today, the company holds 45% of the market share in this segment which makes it a market leader. They generate the maximum revenue from automotive paints.
- Substantial intellectual capital coupled with multi-locational manufacturing setup has helped Nerolac maintain its leadership position in the industrial paint segment.
- However, the company recently saw a slump in revenues from the Industrial paint category. Unprecedented inflation in the crucial raw materials, i.e., crude oil and titanium dioxide, along with the rupee depreciation, adds to their problems.
- To mitigate the negative impact of the situation, Nerolac sought a price increase from its customers, which proved inefficient. Profits took a hit, and revenue became stagnant.
- With covid, we also saw a slowdown in the automobile industry, contributing to 30% of the company's revenues.
- Therefore, to maintain its leadership position, Nerolac moved to newer segments and changed its positioning.

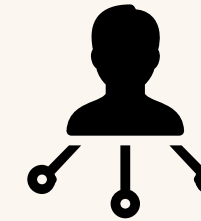
## NEW FOCUS AREAS



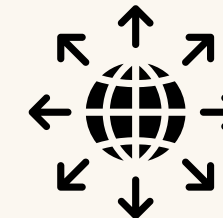
Decorative paint segment



Capacity expansion



Expanding dealership network



Geographic expansion



Product Innovations



Sustainable growth

MORE

# STRATEGY AND FUTURE ROADMAP

## STRENGTHENING THE CORE

- Focus on technology and product innovation by leveraging the vast unique technical capabilities
- Maintain and expand the distribution network to reach out effectively to customers across regions
- Focus on Nerloac Paint+ wherein "+" denotes offerings that go beyond colour

## EXPANDING HORIZONS

Led by a two-pronged approach:

- Focused on creating new avenues of growth
- Expanding across the Indian subcontinent
- Leveraging core competencies
- Expansion beyond Decorative and Automotive markets to foray into performance coatings and then auto refinishes

## BUILDING ORGANISATIONAL CAPABILITIES

- Continuously investing in Information Technology (IT), digital, people, and internal efficiency improvement programs
- Aim to build capabilities and competencies needed to execute companies vision

## DELIVERING SUSTAINABLE VALUE

- Strengthening governance, compliance, and risk management functions, besides building a robust sustainability framework
- Robust sustainability programme, focussed around environmental consciousness



# SWOT ANALYSIS

## Strengths

- **Brand Value** – Leverages on the existing brand value for new categories and products.
- **Technology & Innovation** – Strong R&D set-up with cutting-edge technologies. Shifted from text-based to digital content, including augmented reality ads and 360-degree videos, giving consumers a more immersive experience.
- **Good Supply Chain** – Robust supply chain and distribution networks allow consumers to access goods from any part of the country.

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## Opportunities

- Strong potential for developing new products that can be leveraged on the existing brand value
- The government focuses on promoting industrial development gives a further push to the industry.
- Opportunities online, where local distribution/retail center could act as customer center for online buyers

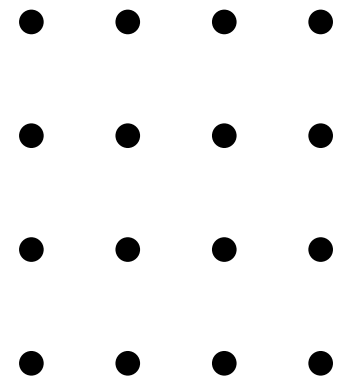
## Weaknesses

- **Dynamic industry** – Dynamic industry with frequent changes in trends and consumer taste & preference due to increasing disposable income and urbanisation
- **Competition** – Competitors with better research-intensive strategies

## Threats

- Need more robust product planning & inventory management to not lose the market
- Although 3rd in terms of market share, the top 2 giants have more than 50% of the market

# COMPETITIVE EDGE



KNSAI initially started with automotive paint manufacturing, distribution, and sales and is currently deep diving into decorative paints and the new businesses of Adhesives, Construction Chemicals, and High-end Wood Finishes.

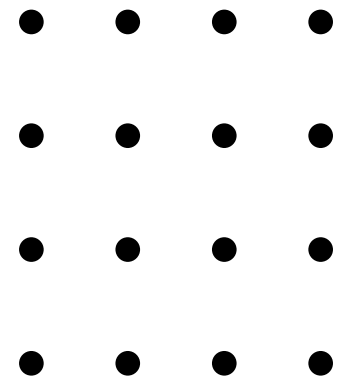
While the company vigorously pursues innovations while concentrating on R&D and technology, its production methods focus on eco-friendly solutions that help reduce air emissions, water and energy consumption, and carbon footprints.

It was the first company to release low-VOC, eco-friendly paints in 2010. The new brand strategy of "Colours that Care" is consistent with our commitment to responsibility and care.

KNPL is committed to creating goods in the health and hygiene market in keeping with its brand promise of "Colours that Care." In India, it introduced Nerolac Excel Virus Guard, the first anti-viral paint to use Japanese Shiqui technology.

It had created the cutting-edge program "NexGen" for its partners. It is a first-of-its-kind partner engagement initiative in the paints sector to promote company expansion.

# COMPETITIVE EDGE - INFRASTRUCTURE TECHNOLOGY



With the introduction of new digital technologies, it is now possible to employ them to change an organization into a digital one and gain essential commercial benefits.

To increase consumer responsiveness, reliability, speed, and productivity, it has been pushing a company-wide digitalization agenda quickly.

Dealers: Introduced is a dealer app called "SAATHI" that aims to build a virtual link between a dealer & KNPL.  
Influence: Introduce an influencer app called "PRAGATI" to establish a digital connection with influencers.

Sales teams: Use chatbots and machine intelligence to develop and guide actionable insights for increased market performance.

Mobility and Cloud: This year, KNPL has significantly embraced mobility and the cloud, developing and launching applications on both platforms. Later years would see this improve even more.

## WAY FORWARD

Although Kansai Nerolac is the leader in the industrial paints segment, the margins on these products are lesser than those on decorative paints. Till now, Kansai Nerolac has focused more on the urban markets with economy ranges of paints and mass markets with its brands like Soldier, specifically targeting tier-3 and tier-4 towns. By incorporating recommendations, it could increase its target segment as well as strengthen its position in market against market leaders

## RECOMMENDATIONS & KEY ACTIONS (1/2)

- Nerolac spends much more on ads than the competitors. The ad spends 4.2% of sales by Asian Paints, 3.3% of sales by Berger Paints, and 5.1% of sales by Kansai Nerolac. The company shall reduce this to optimize costs.
  - Improving the inventory at dealer level by increasing the number of tinting machines. These machines make it possible to have any shade available at the dealer itself.
  - Nerolac could increase its competitive advantage through diversification such as adhesive segment, construction chemicals, wood finishes and premium decorative paints.
  - Nerolac should target bigger upcoming government projects for maintaining its dominance in industrial segments; Projects like Setu Bharatam Projects, Central Vista Projects, Gas Pipeline Projects
  - Nerolac could aim for the EV industry as the EV ecosystem is a growing space and will replace traditional vehicles.
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## RECOMMENDATIONS & KEY ACTIONS (2/2)

- Focus on creating environmentally safe products and marketing them in a similar way. Consumers have started looking for safer and environmental friendly products for their homes. Therefore, an increased marketing as "lead-free paints" will help.
  - The company does not have a significant presence in East India. They can look at expanding to this region which will also help them get easier access to its Bangladesh subsidiary, subsequently minimizing transportation costs and time.
  - With the use of technology such as AR/VR, consumers would know beforehand how the final work would look like and also suggest paints/ decoratives through the use of AI technology, thus improving consumer satisfaction.
  - Increase manufacturing efficiency and induce automation. The plant at Goindwal is its first digital plant for manufacturing decorative paints.
  - Spread awareness about Pragati app which is a platform for registering the painting contractors. These contractors can be upskilled to make the full use of this platform.
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