



PAINT INDUSTRY ANALYSIS

Team 6

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OVERVIEW

- The Indian paint industry is a Rs. 5000 crores industry comprising ~3,000 companies.
- It has a high domestic consumption due to large population base and rising per capita income.
- It comprises of two major segment - Decorative and Industrial. In decorative segment the organized players account for 78% of the total market share and 22% is shared by unorganized players.
- Organised players have around 72% market share with the rest occupied by unorganised players.
- The industry is expected to grow at a CAGR 10% during 2021-22 to 2024-25 in value terms.



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OVERVIEW OF MACRO FACTORS

POLITICAL

- The political situation is more or less stable.
- Reduced GST induces sales.
- Make in India initiative & PLI scheme helps Indian brands to expand and emergence of new players.

ECONOMIC

- Market-based economy.
- Export-oriented economy
- India is 3rd largest in terms of purchase power & fastest-going economies.
- Introduction of FDI in the paint industry & other factors promote the flourishing of paint industry.

TECHNOLOGY

- Paint manufacturers have started investing in innovation to keep up with the changing demands of customers and this has led to the increase in production of eco-friendly paints.
- Brands have started giving home décor advice tips through mobile apps and websites.

LEGAL

- The BIS is the regulatory body for paints while the BCS regulates the labeling and packaging.
- Stringent regulations & their compliance has made difficult for players to operate in the competitive market.

SOCIAL

- Paint is highly influenced by social esteem in India
- Occasions like marriage & Diwali have positive impact on industry
- Emerging middle class of India have increased preference for quality & performance of paints. Thus market share of trusted brands will increase

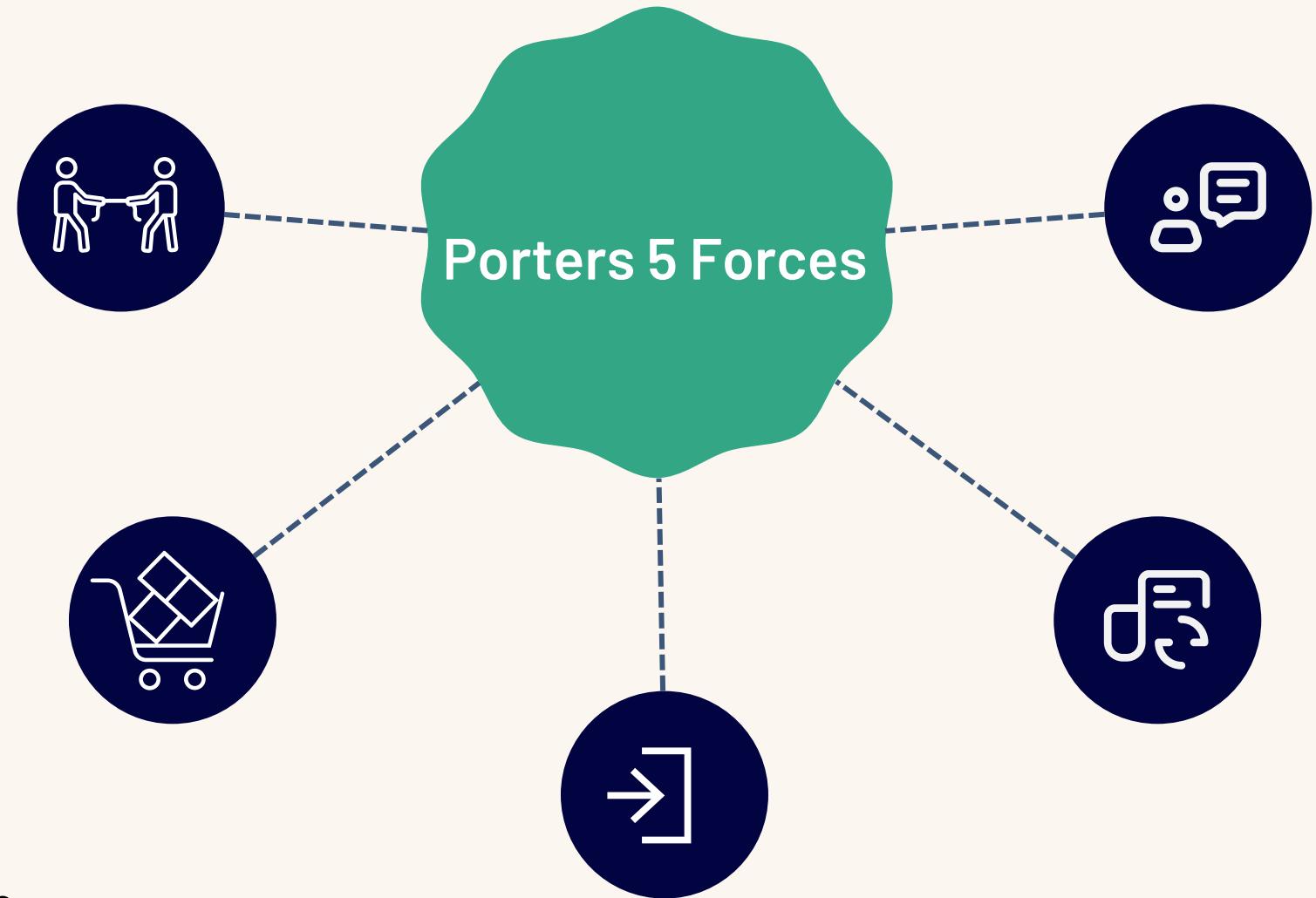
ENVIRONMENTAL

- Demand for eco-friendly paints have increased and thus have concerns for all the players
- Due to water pollution & water scarcity, there have been increased instances of production halt

COMPETITIVE INDUSTRY ANALYSIS

Industry Rivalry

- 80% of industry demand is catered by top 4 players
- Current market growth is sufficient for all the players of industry to flourish
- Thus Industry rivalry is low



Threat of substitutes

- Increasing demand for trendy & easy to use alternatives to paints
- Domestic - Colorful patterned wallpaper and wall panel
- Industrial - OEM's prefer metallic finishes
- Substitute threat is low

Threat of new entrants

- Paint industry dominated by few players
- Requires Extensive distribution network
- High working capital, given prices of Raw Materials
- Industrial segment is Technology intensive
- Threat of new entrants is moderate

Bargaining power of buyers

- Segregated end users - household & industrial users
- Price competitive Industry
- Consumers want higher quality at the same or cheaper price
- Thus consumers have higher bargaining power

Bargaining power of suppliers

- Raw material intensive industry
- TiO₂, one of the key pigment is facing global shortage
- Other ingredients are petro derivatives (fluctuating price)
- Bargaining power of supplier is moderate

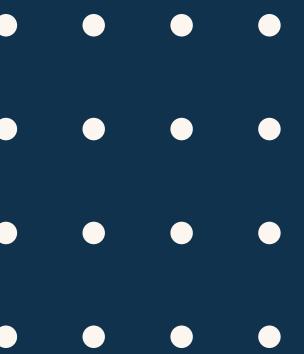
CHANGES IN THE INDUSTRY & FUTURE PROSPECTS

- The oligopolistic nature of the Indian paint industry lessens the competition. Most players were not allowed to increase production capabilities until the 90s which changed post liberalisation. This also saw the emergence of small unorganised players.
- The paint industry has witnessed a shift in consumer preferences from traditional whitewash to high quality paints like emulsions and enamels.
- Increase in disposable income of the middle class and rise in per capita consumption gives a further boost to the industry.
- There is more focus on home improvement and increased demand for high quality products especially after covid which creates an opportunity in the industry.
- Government's push towards infrastructural growth provides an edge to the industry.
- Though the situation after covid remains unpredictable, the paint industry can look at a stable growth owing to demand of safe and hygienic painting solutions, development of rural markets with growth in sales of related non-premium range of products like putty and distempers and various new product launches, aided by a gradual shift from unorganised to organised players led by better consumer awareness.
- Future forecasts predict the industry to have a turnover of almost 50,000 crores.

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ACTIONS TO IMPROVE INDUSTRY PROFITABILITY

1. As for the future, the industry has predicted a CAGR of eight to nine percent for the next five years compared to last year's growth levels of 27.4% for cars and 8.9% for two wheelers and housing 35% last year.
2. The industry will be governed by movers who adopt to invest in bio-based raw materials within paints & coatings, making the Paints & Coatings more eco-friendly.
3. Companies will have to increase the value added services available to customers offering a variety of finishes through specialised and trained applicators.
4. In India, concept as cheap labor is still available and it has not yet embraced the DIY, exclusive retail chain stores sponsored and run by Indian paint companies will become a reality.
5. Due to more demand, trend towards water-based coatings is likely to set in both for industrial and decorative applications.
6. Raw materials constitute ~56% of the total expenditure in paint. Titanium dioxide is one of the major raw materials and price fluctuations in cost has substantial impact on the cost of production. With technology advancements, we should look at alternate raw materials.
7. Forming an oligopoly market. Large companies may acquire smaller players to control the market while establishing a high control over material supply chain and distribution.
8. The rising demand for paints and coatings from end-use industries such as packaging, building & construction, automotive and general industrial is expected to offer lucrative opportunity for the paint industry.
9. Elastomeric coatings in tilt-up concrete for buildings and construction will open new revenue stream for the industry.



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