

INDIA



It is no secret that India's paint and coatings industry is going through one of its most severe challenges in recent history. Here, *Yogi Malik* presents an overview of the market

Testing times for India's coatings industry

India's paint industry, valued at around US\$7.5bn at the end of the year 2019, is undergoing one of its most severe challenges in recent history. Even before the onset of COVID-19, the industry was struggling to maintain the growth levels registered in recent years. Less-than-expected economic growth in the last two years and the current challenge of COVID-19 has made the paint producers jittery.

■ KEY CHALLENGES

A slew of measures taken by the federal government, which had a direct bearing on the construction sector, had an adverse impact on the architectural paint segment in the last two years. The segment forms the backbone of the Indian paint industry, accounting for nearly 75% of the value.

Speaking to APCJ, an employee from Berger Paints said, on the condition of anonymity, that: "In volume terms, the current financial year will witness a demand contraction in the range of 4-7%. Almost all of the companies witnessed nil sales during the period of March 25–May 15."

Sanjay Gupta, a New Delhi-based paint distributor, told APCJ during a store visit: "We expect a 50% decline in sales in April 2020-Sep 2020, as consumers are likely to defer discretionary activities, such as re-painting, to avoid close contact with labour due to health concerns. Easing of lockdown restrictions would release pent-up demand from incomplete re-painting projects but we do not expect much new re-painting work, especially in urban markets as COVID cases are high in these areas, nor a pickup in paint demand from new construction. Right now, it would be very difficult to give you my opinion on the outlook for industrial coatings and rural markets."

When queried about the likely recovery in the architectural paint demand in the Indian market, he continued: "India does not have

a culture of do-it-yourself (DIY) paints. Also, the painting activity in India involves repair work too. Hence, there will be relatively slower recovery in India, compared to countries where DIY paints are more used."

“A slew of measures taken by the federal government, which had a direct bearing on the construction sector, had an adverse impact on the architectural paint segment in the last two years.”

As paints are discretionary items, many consumers have delayed renovating homes. With the lack of manpower and enforced social distancing, painting activity may resume only in the second half of FY'21. Demand in the industrial division, which includes automotive, may see a further deceleration in the next one-two quarters. Automotive sales were negligible in April and May and could remain lacklustre for the next few months.

While the slowdown in the automotive segment has been there for a while, paint companies were looking to the decorative segment to shore up volumes. In fact, much of the traditionally busy season for paint makers has been lost due to the lockdown.

However, lower raw material costs have come as a big help for Indian paint producers in the last few months. With crude oil prices reaching historic lows in recent months, raw material costs are expected to keep the overall cost of production at lower levels in the short term.

■ KEY PLAYERS

In the last two years, one noticeable trend in the Indian paint industry has been that organised sector producers have been able to acquire a significant share from smaller, unorganised sector producers. Until 2016, organised paint companies in India had a market share of only 65%. The unorganised paint companies held the remaining 35% market share. However, after the implementation of the Goods & Service Tax (GST), the paint industry also became streamlined and the organised players benefited. Now, the organised paint companies in India make up about 75% market share.

Asian Paints, the country's largest paint producer, continues to dominate the market in the architectural segment. For the financial year 2019-20, the revenue of Asian paints increased by 5% to INR202.11bn (approx US\$2.7bn).

Berger Paints and Kansai Nerolac are joint second, with a market share of 13%-14%. Meanwhile, the fourth largest, Akzo Nobel India, has a market share of 9%-10%.

■ COVID-19: IMPACT ON INDIA'S PAINT INDUSTRY

With one of the strictest lockdowns on a global scale, most of India was under strict shutdown between March 24 and May 17. COVID-19 has kept the painters away and things could get worse for paint companies in the next two quarters. Some of what lies ahead is already visible in the Q4 results (Jan 2020–March 2020) of all the paint majors in India.

Speaking during the company's conference call in June regarding the annual results for 2019-20, Asian Paint's CEO, Amit Syngle said: "Our business has had partial resumption since May 2020 and now most of the markets have opened for

business. We have seen business picking up in most of the smaller towns and cities, while business has been slow to pick up in the metros and tier-1 cities. However, the situation still remains fluid with a number of COVID positive cases on the rise daily and some states have again implemented lockdown in select regions.”

According to Ashok Gupta, Managing Director, Shalimar Paints: “We expect the demand of paint products to increase once lockdown is over. People will become more hygiene conscious and would like to clean their house frequently, hence

“ *With crude oil prices reaching historic lows in recent months, raw material costs are expected to keep the overall cost of production at lower levels in the short term.* ”

demand for such products may increase. [I expect] majority of the demand to come from renovation of old houses as demand from retail, automotive, hospitality and new construction will dip. However, paint prices may not decrease further as they are already at their lowest.” ■

Author: Yogender Malik, Freelance Writer
Email: malikyogi@gmail.com