

INDIA



One of the largest producers in the Asia Pacific region, India's paint and coatings industry has registered one of the highest growth rates in recent years and the country is expected to retain the tag of one of the fastest growing paint and coatings industries for a long time to come. *Yogender Maik* presents an overview of India's paint industry and the impact of COVID-19

India's paint industry hit hard by COVID-19

For the first time in a decade, revenue of the domestic paint sector, pegged at INR510bn (approx US\$7bn) in fiscal year 2019-20 (April 2019-March 2020), is expected to contract – by as much as 8-10% – as the COVID-19 pandemic drastically curbed both consumer and industrial demand. That compares with a compound annual growth rate of 13% seen between fiscal years 2011 and 2020.

In India, as much as 75% of the Indian paint sector's revenue comes from the decorative segment and the rest from the industrial segment. Within decorative, repainting accounts for 70% of revenue. Steady demand from the rural and semi-urban markets has enabled paint producers to cushion the impact of low urban sales of decorative paints and curb the segment's revenue decline to 6-8%. But the industrial segment is expected to see a sharper fall of 14-16% during 2020-21.

More than two-thirds of the consumers of decorative paints are in rural and semi-urban areas, where consumption drivers are better poised compared with the urban areas. While improved sentiment due to a good harvest and a rise in income levels supports rural demand, semi-urban markets benefit from better availability of painters compared with urban centres. Urban demand for decorative paints remains dull, given safety concerns, social distancing and a low demand for real estate.

Overall, revenues of paint makers were under severe pressure in the first quarter (April-June) of 2020 and fell 45-60%. However, second and third quarters witnessed a gradual recovery, with utilisation levels rising to 70-80% from ~50% in the first quarter. With more people working from home and the festive season, sales of decorative paints witnessed traction in the months of October and November.

The industrial paint and coatings segment was the worst affected by the

COVID-19 pandemic. Weak automotive sales and the closure of automotive service centres occurred in the initial 3-4 months of the pandemic. The postponement of demand from the manufacturing and marine sectors has also affected sales of protective, powder and performance coatings.

After a gloomy year, paint industry volume growth in India is expected to normalise from FY22 onwards, with a recovery in GDP. India's paint industry is expected to grow at a rate of more than 10% in the next financial year. Decorative paint demand will largely be driven by a shortening of the repainting cycle, growing urbanisation and an increased distribution reach of organised players. Rising tax compliance in India will also help to increase the market share gain in the coming future for unorganised and smaller regional players.

■ IMPACT OF COVID-19 ON INDIAN PAINT INDUSTRY

India is the second worst affected country hit by COVID-19. The pandemic brought life to a stand-still for a period of more than two months, when the country was forced to impose a nationwide lockdown impacting the economic activities in an unprecedented manner. Paint producers and painting activities in the country suffered massively as a result.

India's paint industry is expected to shrink in the ongoing financial year 2020-21 (April 2020-March 2021) due to the strict lockdown in the early phase of the pandemic and operational challenges during the later months. India's paint and coatings industry may shrink by about 8-10% points, as almost all companies have faced difficulties to operate and sell under COVID-19 safety protocols.

The smaller players (mostly unorganised sector paint producers) have been the

worst hit in the ongoing pandemic, as these producers have found it difficult to match the scale of larger firms, which have a wider reach and robust supply chains. Larger firms with almost seamless supply chains, higher budget for dealers, a knack for expanding network due to brand value and consistent availability of products have gained share at the expense of these smaller producers. The top four paint and coatings producers are pushing 'value for money' (20-30% lower than the luxury variants) and mid-segment variants aggressively through volume schemes to upgrade the market from the economy segment, thereby making it even tougher for smaller brands.

A recent survey in September by one of the leading paint companies showed that while luxury emulsion (INR400/lit and above, approx US\$5.5) to improve indoor air quality (anti-pollution, anti-bacteria and environmentally friendly) and reduce the incidence of infection-causing bacteria and material-destroying fungi that contaminate surfaces every day were present in the market as well, they have gained higher adoption rates post the pandemic as consumers are looking for not only functionality and durability from decorative paints but also hygiene.

The automotive industry, which is a major consumer of the paint and coatings products saw one of the worst years in recent memory in 2020. However, the automotive industry has witnessed a rise in volume in Q4 of the year, bringing a much needed relief for automotive paint producers in the country. ■

Author: Yogender Maik, Freelancer
Email: malikyogi@gmail.com