

# Update on Paints Industry

**Contact:**

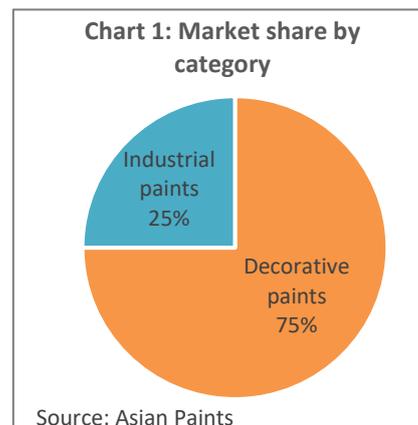
**Madan Sabnavis**  
 Chief Economist  
 madan.sabnavis@careratings.com  
 +91-22-6837 4433

**Vahishta M. Unwalla**  
 Research Analyst  
 vahishta.unwalla@careratings.com  
 +91-22-6837 4408

**Mradul Mishra (Media Contact)**  
 mradul.mishra@careratings.com  
 +91-22-6754 3573

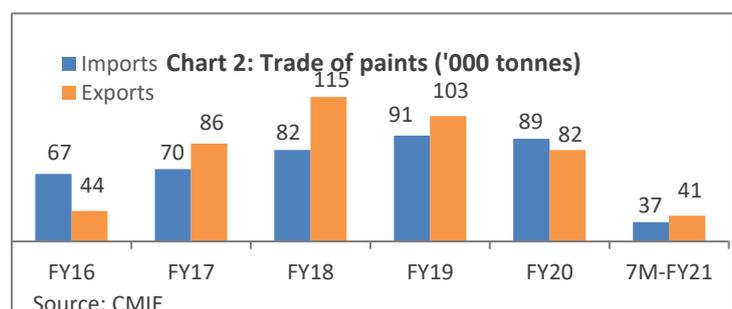
The domestic paint industry consisting of the decorative and industrial paint segment is estimated to be around Rs. 50,000 Crores. The decorative paint segment constitutes more than 75% of the paint market and are used mainly in real estate for exterior and interior wall paints, wood finishes, enamels, undercoats such as primers, putties, etc. On the other hand, the industrial segment refers to paints that go into protective coatings largely for varied substrates like iron, galvanized iron, mild steel, aluminium, chimneys, etc. This comprises automotive, marine, packaging, powder, protective, floor and other general industrial coatings and accounts for the balance 25% of the paints market.

The small unorganised paint manufacturers primarily catering to the lower end of the price points, maintain a sizeable 30- 35% share in the overall paint industry in India.



## Trade

The yearly trends in exports and imports of paints is depicted in chart 2. The exports grew by 2.6 times between FY16 and FY18, but cooled off in the following two years. While imports of paints grew between FY16 and FY19, its volumes marginally declined in FY20. In 7M-FY21, the exports declined by 1/3<sup>rd</sup> on a YoY basis to 41,000 tonnes, while imports were lower by 17.2% YoY and reached 37,000 tonnes.



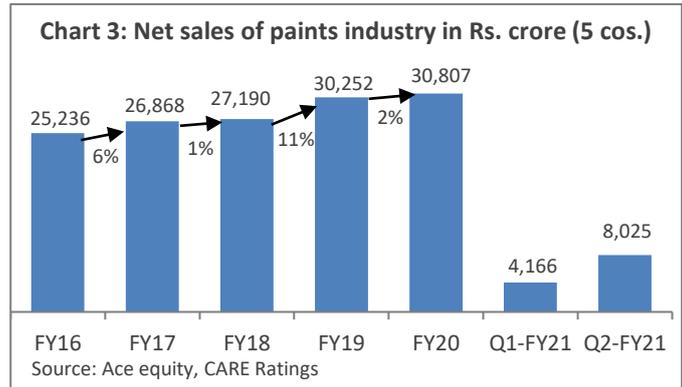
**Disclaimer:** This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

**Financial performance**

Chart 3 depicts the net sales of five players of the paints industry. Analysis of this chart shows that the industry grew at a CAGR of 5.1% in the past five years from FY16 to FY20.

FY20 was particularly challenging for the overall demand conditions due to the tough operating environment experienced by a large part of the domestic economy. The liquidity crunch and resultant tight borrowing conditions for the real estate and infrastructure developers meant pressure on the domestic decorative and industrial paint demand.

Additionally, an extended monsoon season across many parts of the country hit the paint demand in the economy. Alongside, the consistent downward demand conditions in one of the largest end user industries – automobiles, exerted pressure on the automotive coating players in the paints industry. Moreover, in last week of FY20, the government implemented a shutdown on the entire supply chain to contain the spread of the pandemic. FY20, thus, clocked a lower growth rate of 2% YoY for the paint industry as compared with the previous year of 11% YoY.

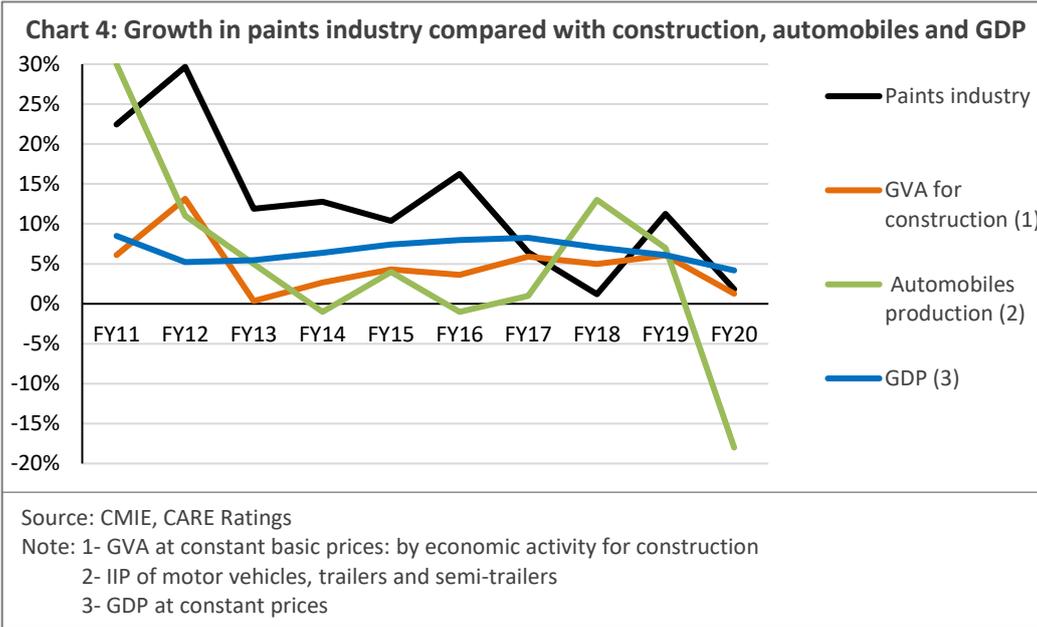


After the covid-19 related disruptions in initial few weeks of FY21, the paints industry was on a recovery mode from the last month of Q1-FY21, led strongly by Tier-2,3 and 4 markets. The companies reported strong volume growth in Q2-FY21 in decorative paints on a sequential basis, which can be attributed to the recovery in passenger vehicles and two-wheelers demand, along with a seasonal demand from households owing to festivities. Further, good rains helped the agrarian sector in terms of demand for agricultural machinery like tractors. The repainting cycle in households have shortened over the years due to the growth in nuclear families. Other growth drivers for the paints industry are its growing affordability, rise in demand from tier 2 and 3 towns, conversion of mud and clay houses to brick and mortar, affordable housing initiatives from government, rising disposable income, median age of population, urbanisation, rising demand from rural markets, etc.

**Outlook**

Chart 4 assesses the relation of the paints industry with its end user industries and economic indicators of the country. This chart shows how the paints industry has performed relative to the construction industry, automotive industry and the GDP of India. The average of yearly growths in net sales of paints industry in the past 10 years (FY11 to FY20) has been 12.4%. This is compared with 5.1% growth in production of automobiles and 4.8% in GVA for construction. The GDP at constant prices grew at 6.7% in the same period.

The outlook for paints industry is dependent on how quickly normalcy is restored in the overall economy and its main end user industries such as construction and automotive. Based on analysis of data for past 10 years, and CARE Ratings’ GDP expectation of -7.7 to -7.9% in FY21, we expect the paints industry to de-grow in the range of 12 to 15% YoY in FY21. Prospects of full recovery in this industry is distant, possibly beyond September 2021, and will depend on the return of all migrant workforces, government’s push on infrastructure development, rise in disposable income, etc.



**CARE Ratings Limited**

**Corporate Office:** 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022. CIN: L67190MH1993PLC071691  
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457  
E-mail: [care@careratings.com](mailto:care@careratings.com) | Website: [www.careratings.com](http://www.careratings.com)

Follow us on  [/company/CARE Ratings](https://www.linkedin.com/company/CARE-Ratings)  
 [/company/CARE Ratings](https://www.youtube.com/channel/UC...)