

Decorative paints

Depicting 'greener' opportunities



Courtesy: Boston Decorative Painting Service

Decorative paints industry in India has undergone a metamorphosis in the recent years. Currently, the segment (which constitutes around 75 per cent of the total paint market) has been witnessing strong demand across categories and geographies. Increase in disposable income, growth of the construction industry, demand from rural India, etc have fuelled the growth of the segment. Also, the performance of SMEs in fulfilling the customers' demand is laudable, finds **Prasenjit Chakraborty**.

Paints and colours have remained an integral part throughout the human existence, and the domain has evolved rapidly over a period.

The decorative paints industry, one of the main two categories (the other being industrial paints), constitutes a significant part of the total paint market in India, and been making rapid strides too. "There is a great silver lining for the industry. With the boom in the construction industry, the demand for decorative paint is growing approximately at 17-18 per cent per annum," says Nirav Raveshia, President, Indian Small Scale Paint Association (ISSPA). He further adds that the figure sounds challenging, but this is the fact.

Currently, two types of demand are witnessed in decorative paints sector - from new projects and recoating. With the revival of the economy in India, both segments are thriving, and hence the growth rate is high too. According to Raveshia, interior paint sector (in decorative segment) has been witnessing a significant change in the coating system. "Previously, interior paint constituted various paint processes like putty, primer coat, emulsion coat/enamels coat, etc. Today, the whole putty application is changing: on top coat, the enamel (coat) is no more popular with the customers, rather they prefer emulsion coat more," he points out.

Table 1: Production of paints & varnishes

	February '09	February '10	April-February 2009-10	April-February 2010-11 (Estimated)
In tonne	63,526	86,200	753,289	9,43,324
YOY percentage	-4.7	35.7	-0.4	25.2

Source: Central Statistical Organisation

Similarly, exterior paints segment has undergone several changes as well. Innovation, value addition, etc make the segment a vibrant one. Today, painting a house is no more considered a luxury, rather it has become a necessity. "There has been a significant growth in the exterior coatings segment, and paint manufacturers have introduced premium products having superior quality with increased durability," says Tej Dialani, Head - Sales (Coating Business), India Sub Region, BU Pigments, Clariant Chemicals (India) Ltd. Echoing a similar sentiment, Raveshia says, "The exterior coatings market is also growing fast. There exists a high margin in this segment, and the customers' perception about the quality of major companies helps them realise a higher margin."

Like many other segments, SMEs are also not far behind, as they have emerged competitive and offer good quality. "However, we are not visible in the media, hence our volume in this segment is not as high as major companies," says Raveshia.

The changes certainly augur well. However, the industry has to traverse a long distance. The per capita paint consumption in India is only around 1.5 ltr. The industry is less than half the size compared to the Chinese



Nirav Raveshia
President, Indian Small
Scale Paint Association

There is a great silver lining for the decorative paint industry. With the boom in the construction industry, the demand for decorative paint is growing approximately at 17-18 per cent per annum. The growth has just begun, and the demand will rise in 2015.

market, and about one fifth of the US market by volume. "Even Sri Lanka and Pakistan have higher per capita paint consumption. This is surely a strong reason to be optimistic about the continued growth potential of this sector," says an optimistic Dr Mosongo Moukwa, Vice President - Technology, Asian Paints Ltd.

Recent trends

Lately, the dynamics of many industries have changed due to the increase in disposable income of the people. It is because they seek innovative products. It has been reflected in the paint industry as well. For example, paint companies in the past were supplying only their products, whereas now they offer a complete solution (ie, material and labour) to paint a house. The new concept, 'Home Solution', is likened by the customers though they have to spend more. "Designer and textured finishes, coupled with washable & scratch resistance properties are in vogue. Besides, feature walls in deep shades are now preferred," says Dialani.

Points out Abhijit Roy, Senior Vice President, Berger Paints India Ltd, "Today, consumers are ready to experiment with choice of shades. One may select Mediterranean yellow on the outside of a building, accentuated by red on parapets. In the interiors, metallic shades are used and so are gold and copper." Further, trends are shifting from conventional painting to aluminium/glass exteriors, especially in commercial complexes. "This could affect and impact exterior coatings market," opines Dialani.

Another important change is the growth of darker shades vis-à-vis white and pastels. This is a sign of changing decor styles and consumers' willingness to experiment. "The increasing popularity of textures and fashion finishes further illustrates this point," explains Dr Moukwa.

It has been observed that painting of houses is generally done during the



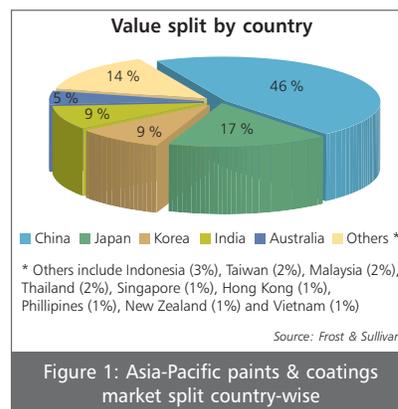
Tej Dialani
Head - Sales (Coating
Business), India Sub Region,
BU Pigments, Clariant
Chemicals (India) Ltd

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festive season, and mostly for an available budget. "Hence, a very small segment of customers use high and expensive paints (with high value addition). In smaller cities, products manufactured by SMEs are more popular," claims Raveshia.

Environment-friendly option

Of late, companies have taken several measures to promote environment-friendly paints. For example, Clariant is offering solutions and products for lead-free and low-Volatile Organic Compounds (VOC) coatings. "This in turn is helping our key customers to formulate and provide eco-friendly decorative paints in the market," says Dialani.



He avers that there is a need for increasing awareness of safe and eco-friendly paints. "People do not have any knowledge of what paints they opt for, or whether it could become a potential hazard affecting their health. While spending on such products, customers tend to prefer low-quality paints. However, there are some who are prepared to pay a higher price for quality," he adds.

Taking due cognizance of the fact, all household or decorative products of Asian Paints no more contain any added lead, mercury, arsenic and chromium. This was done with effect from April 2008. "Our technologists are continually researching on 'greener' technologies, so that the products are safer for human beings and the environment at large," says Dr Mosongo.

SMEs are also leaving no stone unturned to play a significant role in making environment-friendly paints. According to Raveshia, the SME sector is the market leader in the water-based segment (environment-friendly paint). "Last year, growth of the SMEs in water-based paints was above 20 per cent, and it was more than 5 per cent in the case of solvent-based paints. Growth in large companies comes mainly from the solvent-based sector," he says. Like countries in the West, people in India are moving towards water-based paints



Dr Mosongo Moukwa
Vice President -
Technology, Asian Paints

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for both interiors and exteriors. Thus, in all probability, the demand for water-based products should remain robust in the coming years.

Cost factor

In a recent survey published by McKinsey, it summarised the consumer behaviour, with respect to green products. It identified five barriers preventing consumers from purchasing green products - lack of awareness, negative perceptions, distrust, high prices and low availability. Says Dr Moukwa, "Before buying green products, consumers must know that there exist such products in the market, which live up to their expectations. A few consumers buy these only because they are green, which comes with many advantages."

The survey also states that price is one of the largest obstacles in purchasing green products. These are not necessarily more expensive than the so-called standard products. Cost is commensurate to the value provided. "Perhaps, the paint industry has not been successful in convincing the consumers that these are good products worth the expense. We have to work towards this," he exhorts.

Outlook for the industry

Companies are unanimous in saying that the future of the industry is bright. "The Indian paint industry has grown by 1.5-2 times of India's GDP growth on a year-on-year basis. With the revival and upswing of economic activities in the country, the paint industry is expected to witness double digit growth in the current fiscal," predicts Dr Moukwa.

According to Raveshia, the growth has just begun, and the demand will rise in 2015. He further adds, "The per capita consumption of paint in India is estimated to be more than 800 gm compared to 10 kg in other Asian countries, and above 20 kg in the developed countries. Against the backdrop of a rapidly changing scenario, even if the per capita consumption is 2 kg, which in all probability is likely to



Abhijit Roy
Senior Vice President,
Berger Paints India Ltd

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happen in the coming five years, the industry should witness 100 per cent growth - from approximately Rs 25,000 crore to Rs 50,000 crore by 2015. Further, the marketshare of SMEs will remain approximately 50 per cent, as the customers are gradually recognising their quality."

The prospect of the industry further brightens with setting up of shops by prospective global paint manufacturers in India. "The outlook is promising, and the industry is estimated to grow by 15 per cent on an annual basis," says Dialani.

Prediction of normal monsoon has provided further momentum to the sector. "The industry should continue to grow handsomely, as the monsoon is projected to be normal, and GDP is being projected to grow in excess of 8 per cent in the coming months," says Roy. However, there exists a risk factor due to sharp increase in raw material prices from the beginning of the current financial year. "This could affect the margins of paint companies substantially," cautions Dr Moukwa.

Going by the current trend and customers' attitude, the future augurs well for the industry. What is positive for the industry is that today people in rural India also feels it a necessity rather than a luxury to paint their houses every year, which is indeed a significant change of thought. ■