

# Paints

Industry Code (as per Stock Exchange): IN020201015'

November 2023

Overall Industry Risk Score: **14/20 | Favourable**

Sample Size: 9 Companies

Median Rating Value of sample size: A-

## Individual Parameters Contributing to the Score

**Demand & Supply Balance**  **16/20**

### Moderate Demand

The paints industry reported a y-o-y growth of 20.1 percent in sales in FY23. Apart from healthy volume growth, the revenue growth was also driven by increased realizations, given the pass through of higher raw material prices. The volume growth in the sector is expected to remain healthy in FY24 on the back of a pickup in real estate activity, construction of larger number of houses under the Pradhan Mantri Awas Yojana (PMAY) as well as healthy demand from the automotive segment.

The size of the paints and the coatings industry is projected to grow to Rs 1 trillion in FY28 from an estimated Rs 620 billion in FY23, which translates into an annualised growth of 10.0%.

## Extent of Competition 12/20

Neutral

Paints is primarily classified into two segments - decorative paints and industrial paints. The industry has been historically dominated by a few large players namely Asian Paints, Berger Paints, Kansai Nerolac and Akzo Nobel India with peripheral presence of a few smaller players. However, the competition in the sector has intensified over the last two years with the entry of a few large business groups i.e. Grasim Industries, Pidilite Industries and JSW. In order to retain their market position, major players like Asian Paints and Berger Paints have proposed to make huge investments worth Rs. 9.6 billion and Rs. 27.0 billion respectively in the next five to six years for enhancing their domestic manufacturing capacities.

## Regulatory Risk 16/20

Stable Regulatory environment

The threat of imports of paints in India is limited due to the relatively high import duties. The industry is subject to pollution control norms given the toxic nature of the effluents. The government's focus on affordable housing and the production linked incentives (PLI) provided for new industrial investments will give a strong impetus to the paints industry.

## Input Related Risk 12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

While the availability of raw materials is not a challenge, the sector is vulnerable to raw material price volatility given the strong linkages with crude oil prices. Further, the sector's profitability is also linked to the prices of titanium dioxide, an important raw material. While the raw material prices had supported the industry profitability in the first half of the year, they are likely to be firmer in H2FY24 due to significantly higher crude prices.