CHAPTER – 4 :- MAJOR PLAYERS OF SAURASHTRA PAINT INDUSTRY

4.1 - Analysis of the company

1) Asian Paints

As for the figures of 2017 Asian Paints is considered to be the largest paint company of Saurashtra as well as in India and has also established its brand is the third largest company in all over Asia having the turnover of more than 30 billion rupees. The reputation of the company is undoubtedly on the fastest track of growth having the professionalism of building equity shareholders and the strongest distribution network all around the Saurashtra market. Asian Paints operates in all over the cities and Metro areas of the Saurashtra region and has more than 10 manufacturing units which are widely spread all over the area covering the entire territory of Saurashtra.

The marketing strategy of Asian Paints is considered to be the most successful in terms of analysis of the product and the need of customers for developing the brand. When the company was introduced it was on small scale units having very narrow variety of Shades and range of products to suit different customers at different pockets but it succeeded in understanding the local customer needs and giving them attractive pricing to establish their brand.

The company was established in 1942 at Bangalore where the first plant was initiated in order to survive in the market. Today it has the operating unit in 21 countries and worldwide servicing facilities of 29 manufacturing paint departments which operates at the same level strategic intensity to cover wide range of products decorative sector as well as industrial sector including the use of the automobiles. At worldwide the company is fully integrated comprising of different coatings of the companies and is ranked among the top 10 players of the decorative sector in the world. In order to cover the local customers and manufacturers having their own premises and small business units the company has introduced wall primers, wood primers and other finished products in order to expand its overall market in this Saurashtra region.

Considering the giant player off the paint industry Asian Paints has covered more than 39% of the total market share for the decorative sector among the other leaders such as Berger Paints, kansai Nerolac etc. in the organised sector.
With the growth of the competition and intensity of other players for becoming the highlight of the paint industry the manufacturers are bounded by the entry barriers offering competition as well as the foreign players having strong financial background.

With the technological advancement and continuous improvement in the visibility of its reputation Asian Paints is continuously maintaining strong volume of additional plans to increase the strike rate of covering their market. The initial capacity of any basic plant of Asian Paints is working on the capacity of 1.5 Lakh kiloliters for year which has the capacity of setting up for the project cost of 200 crores. The company is in continuous planning of satisfying the needs of the customers at different parts of the Saurashtra region as the mindset of the painters or distributors changes with the seasonal climate.

**Financial Statements**

The financial figure shown in the graph indicates net sales of the Asian Paints on yearly basis which indicates the growth and fall in the time period.

![Net sales graph](source-url)
The below graph shows the activity of the sales in Saurashtra market by calculating profit before tax (pbt) and profit after tax (pat)

![Graph showing profit and return on net sales from 2013 to 2016.]

Source: CAGR sales report 2016

The net worth is the figure occurred by dividing profit after tax with the share holders fund. The profitability is then measured by the funds invested by the company. The productivity of the company is dependent on this measurement and also involves the capital risk of the firm.
The below ratio is called the sales or net profit on fixed assets which measures the investment in fixed assets per rupee. It also measures efficiency of the fixed assets with low ratio of use of assets. The increasing graph shows the good sign of profit and vice-versa.

**Sales on fixed assets investment**

Source: Cso

**In-house management**

The major drawback of most of the companies is for the arrangement of the raw materials at their premises and thus do not make raw materials themselves but import them from outside. This is not a problem for Asian Paints for strong financial administration and does the raw materials like pan is manufactured from ortho xylene along with titanium oxide which is involved with the production of paints. Asian Paints is the only company in the paint industry not only in saurashtra but entire India which manufacturers pan. The Other players of the industry imports the raw materials as the prices of harmful toxic substances required for the manufacturing of the paints are at constant rise due to the changes or fluctuation in the petroleum products.

The shifting from one product to another benefit in the open market for the leading company. Asian Paints also provides the benefits to the other companies by selling...
pan at their prices. There is an increase in the production of enamels and emulsions which is expected for future growth considering the revenue in the industry which is only dependent on the distant or another segments at the growth rate of 15% and higher. The high margins of the company dependent on this shift of significant growth to emulsions which would lead to better realizations and share of the company.

**Distribution network**

Asian Paints as a wide range of distribution network in all over Saurashtra which is the key success factor behind the growth of the company. It has more than 90 depots all over the country out of reach there are 25000 of retailers and other outlets.

2) **Kansai Nerolac**

If we go back in 1920 when the company was established as Gahagan Paints and varnishes which was later in 1930 was collaborated with the British company in order to formulate the lead industrial groups and those was known as Goodlass wall in India.

Kansai Nerolac went to the public figure in 1946 as Goodlass Nerolac before the independent and was considered as the oldest paint ideologies among the country with the collaboration of the Giants having a market share of 43% during 1957 and was considered to be the dominant player in the auto Paints market which accounted for one third of the total industrial paint segment. The commercial vehicles and the light automotives passenger cars have encourage the market of the Goodlass Nerolac becoming the strength of the local players in identities which covered the heavy vehicles like trucks and two wheelers.
For the auto Paints market, the equity share of Goodlass Nerolac is considered to be around 52 percentage in which more than 90% of the shares of the passengers cars and 50% are contributed in light Automotive vehicles and others are distributed among two wheelers and heavy trucks. In the present time Nerolac is the only company which produces cathodic electron disposition primer commonly known as CED by taking the technical knowledge from the Japanese companies known as kansai paints, which mainly covers the market of top coatings, primers and anti coating refineries supplying to the Indian manufacturers of Maruti Udyog requiring 90% of the supply and has the capability of producing more than 200 cars per day. For the automotive and industrial sectors, Nerolac ad also tie up with the nihon Tokyo Japanese companies for Automotive coatings and for business opportunities of planning this supportive parts of cars Gnpl is the major distributor for the supplies. Recently it has tie up with the DuPont company based in Madurai for the automotive Paints and their clients in India. In 2006 Goodlass Nerolac change its name to Kansai Nerolac which has the distribution sales of 1200 crores at a professional level and is considered to be the second largest company of paints in India covering the market share of 17% in the decorative sector and also is considered to be the leader in the Powder coatings.

Financial Statements

The financial figure shown in the graph indicates net sales of the Kansai Nerolac on yearly basis which indicates the growth and fall in the time period.
The below graph shows the activity of the sales in Saurashtra market by calculating profit before tax (PBT) and profit after tax (PAT).

The net worth is the figure occurred by dividing profit after tax with the share holders fund. The profitability is then measured by the funds invested by the company. The productivity of the company is dependent on this measurement and also involves the capital risk of the firm.
The below ratio is called the sales or net profit on fixed assets which measures the investment in fixed assets per rupee. It also measures efficiency of the fixed assets with low ratio of use of assets. The increasing graph shows the good sign of profit and vice-versa.

Source :- Cso
3) Berger Paints

The establishment of the Berger Paints is considered to be begin in 1923 when different businesses and industrial performance in modern India where considered to be the rise in the paint industry. In order to meet the continuous requirement of the customers Berger Paints has shown the performance level in wide variety of decorative and industrial Paints with the increasing share of competitive market gains in the Saurashtra region. The company is considered to be the third largest paint company of India in the manufacturing unit and second largest as for Saurashtra region which controls the distribution network of more than 10000 dealers across the country out of which 2500 are established in the Saurashtra market.

The automotive Paints as the tie up with Herberts for getting the advantage of Technical perspective and also have a German subsidiary for the management of powder coatings and civil Paints. The company has its hold on the white good segments and the Powder coatings which develops the shifting to the industrial coatings and expansion of more than 800 metric tons currently in its plant.

As per the recent study Berger Paints introduced of computerized machine that mixes the tinting colours with a special type of software known as colour Bank having tie up with the Tinto the Italian company. The colour Bank machine provides the customers with a variety of Shades and choices of more than 5000 colours which are offered by the competitors of the company.

Another achievement of the Berger Paints is that in order to meet the technological expertise of the market the company has set up prolinks at differs at different counters which have been collaborated with the increasing competition off the market. The main focus of prolinks is to provide this source to the builders and Architects directly for placing the initiative and enable them for innovative products and services. These counters are arranged in order to meet the solution for the specific problem leading to technical advices, colour consistency, inspection at the project work, maintaining database of the clients and to get the knowhow of the market of different regions of Saurashtra in order to develop day-to-day relation with the current trends.

Financial Statements
The financial figure shown in the graph indicates net sales of the company on yearly basis which indicates the growth and fall in the time period.

Source: CAGR sales report 2016

The below graph shows the activity of the sales in Saurashtra market by calculating profit before tax (pbt) and profit after tax (pat).

Source: CAGR sales report 2016
The net worth is the figure occurred by dividing profit after tax with the share holders fund. The profitability is then measured by the funds invested by the company. The productivity of the company is dependent on this measurement and also involves the capital risk of the firm.

Source :- Cso

The below ratio is called the sales or net profit on fixed assets which measures the investment in fixed assets per rupee. It also measures efficiency of the fixed assets with low ratio of use of assets. The increasing graph shows the good sign of profit and vice-versa.
4.2 Market share

If we talk about the top Giants of the paint industry then the three names it comes in over mind are Asian Paints, kansai Nerolac and Berger Paints. Starting from the leader of the market Asian Paints has the market share of 39%, kansai Nerolac having 17% and 12% that of Berger Paints.
Starting from the leader of the market having high volume and variety of segments in the decorative Paints Asian Paints has been considered as the decision maker of the paint industry since 6 years which consolidates the biggest share of 39% in the organised sector. Taking the second lead comes the kansai Nerolac contributing 17% of the total market share that has higher industrial market than others consisting of quality products with a wide range of distribution network. The potential of these semi urban and rural markets is generally covered by the other companies and localites such as Shalimar, ICI and others.

4.3 Industry performance
The paint industry is the platform where more than 200 inputs of the raw materials are classified into the manufacturing process of which 50% are petroleum based products. The raw materials for the manufacturing of the Paints can be determined into 5 parts that are pigments, binders, solvents, additives and white cement or urea which are combined more than half of the cost of the total production. This is the main reason for the sensitive price Rises of the industries profit which are related to
the international price Rises. The paint companies only benefits when the price of the international petrochemical products comes down and vice versa.

The Operating profit margins of the will go up simultaneously with the raw materials prices another tariff prices would be expected to come down in next few years. Main disadvantage of most of the companies is the fact that they don't manufacturer the raw materials by themselves. The main ingredient in the paint manufacturing process is phthalic anhydride which comes under the production of paints with titanium oxide and which is generated from Ortyhoxulene which is only manufactured by Asian Paints.
Most of the companies import the raw materials from outside and process them in their factories by mixing the raw materials up to the desired level and adding preservatives for the long term benefits.

4.4 Production
In the production process required for the smaller batches production is generally longer time than the large batches which minimize around 25% of the capacity of the production which has a strong presence for capacity utilization which manages more than 60% of the total production for any manufacturers in the paint industry. The conception of the paints in Saurashtra region is very less as compared to the other areas no there is more potential in the paint manufacturers due to the availability of the raw materials and average capital income of the people. The liberalisation policy in Saurashtra region having the economic impact for attracting the giant leaders like BASF, Dupont and other manufacturers of paints in India. Big manufacturers companies like Jotun set up a powder coating plant to be announced in the industrial sector Bhavnagar during 2016, so as the international companies have introduced the Marine Paints in the decorative sector to come up with new ideas in the market which intense to setup the Marine plant for the Paints in Ahmedabad. For the last decade decorative Paints has the direct bearing on sales including the government policy for the consumer product sales and also having fluctuation in price have change the mindset of the people to come out with the overall sales increment in the
decorative sector though having higher excise duty. The giant companies which are having the market share of more than 25% of the total income increases the MRP of the product and then make available to the consumers for different schemes and discount rates due to the brand name benefits. Due to the reduction in the excise duty the price of the products are also increased by 3 to 4% since 4 years. Marketing also plays important role in the industry which has the awareness in perception of the market leader in which the distribution channel and retail market the main focus of the companies having the entire brand equity of the specific brand to be able to connect with the dealers and wholesalers of the paint industry having the distribution of more than 15,000 did dealers around saurashtra region spread across different areas and having different perception of the products regarding the quality, price and availability the consumers at the convenience place.

4.5 Turnover
As per the global scenario off the market the ratio of the paint industry for the decorative segment and the industrial segment is expected to be 60:40 having the higher criteria of inline trading over the next few years the companies are focusing on the industrial Paints because in this sector the profit can be easily available to the dealers and at timely based payment from the companies at regular interval. Main focus of the companies is in increasing the quality of the product at the affordable price in the decorative segment. The growth of the paint industry for the New Housing skims and repainting the old houses mainly in the festival season and after the monsoon rains is expected to be covering 30% of the total sales which is having higher demand criterias among the people in the Saurashtra region. This will boost the oral growth off the paint market which increases the disposable income in the rural areas targeting the 4 years plan of the consumers. There is a considerable amount of growth in the decorative segment for the coating line and exterior paints which equalizers the premium products off the paint manufacturers having exterior coatings of superior quality falling in the category of higher price and higher durability of the Paints.
Industry practices
4.6 Pricing
Talking about the bottom layer of the market that is the average players which are covering around more than 50% of the market or in the scarcity of the raw materials which are mainly imported petroleum products in affects the deficit in the stock management for the bottom line players which deals with daily basis of targets for the companies which are pressuring them for higher sales at the specified limit of time.

The common raw materials used in the manufacturing of the Paints or soyabean oils, turpentine, linseed oil, castor oil and other materials which can be easily available to the manufacturers. But besides this the main raw materials used in the manufacturing of the paint are titanium oxide, phthalic anhydride and peutarithrithol which are major constitutes of the Paints having higher cost and having more than 60% of the total cost of the raw materials. This is the main disadvantage of the small players and wholesalers which are in the manufacturing industry and need to join hands with the big players in order to sum up the profit sales of the monthly targets which are having adverse effects upon the customers who has to pay higher prices of the products inclusive all cost summarizing from the manufacturers to the dealers.

Most of the manufacturing items are tried by the Indian market players to be process in there in house, but around 30% of the total raw materials till today are being imported by the Saurashtra manufacturers from outside of the country which increases the overall price of the paint due to the import policies which effect the industry and the major players off the market. On over this situation the packaging of the material which uses HDPE which has been reduced considerable of the import of tinplate by the central government the overall price of the product.

4.7 Distribution
In the paint industry the automotive segment also plays an important role which differentiate the industrial Paints and decorative Paints in the product lines for the housing sector which is the major consumer in the future market. There can be further distribution of premium, medium and distemper segments for the decorative paints which are mostly consumed by the house hold consumers mostly used in the urban and rural markets. Demand of the distempers Paints are mainly in the urban market where people cannot afford much of the luxurious items, where us the medium range products are used in the towns and popular small cities which can be
connected to the big cities or urban market having the economic demands of the products, which differentiates premium products of the paint industry like the emulsions in the acrylic sector which ideologies mainly metro cities in the unorganised sector in which a decorative Paints are sold more than 20% of the total market in the Saurashtra region. Coming to the industrial paints having higher performance then the decorative segment mainly includes powder coatings and Marine Products to the industries which need to be painted walls frequently due to temperature variations another unfavourable condition of the industry.

4.7.1 Distribution Network
The main strength of the company lies in the distribution network and marketing strategy which generates revenue from all parts which is widely spread for the overall growth of the company having more than local enhancement channels and wide distribution network which is the main strength covering the entire market off the paint industry.

The major players of the paint industry having relatively higher prices than the other Industrial and economic players which covers around 50% of the market share and are having the pricing power due to the technology advancement and Research and Development network having the vast distribution network with successfully covering the market of both type of customers with attractive discount schemes have raised their capital share in 3 years from 20 to 30% of the total production cost.
4.7.2 Marketing management

The Global players in the market gathers latest information of the needs of the customers on every business expects and offers the market intelligence which is not limited to the additive, coatings and effects on the walls but are also concentrating on the variations of the needs of the customers in the selecting process and guiding them to buy the right paint according today budget. The vertical industries focuses on the data analysis, industry forecast and business commitment in the paint market why marketing research using the research and development strategies, performing sales and marketing projections, information services to the dealers leading to the trends of the market and at the same time understanding the future prospects of the customers.

The competitive analysis based on the sales report and market intelligence by providing the right full information regarding the price and quality of their products by comparing them with other companies. Asian Paints which is the main leader in the paint industry has the aggressive marketing in the organised sector covering more than 30% of the market share and has strong brand equity providing the largest distribution network from the overall perspective of the different range of products.

The two major sectors of the market it is the decorative Paints and industrial Paints different characteristics in terms of seasonal business and I also price sensitive with one another. The Diwali season is the period when most of the people repaint their houses in the Saurashtra region while in monsoon there is a slack in the market. On the other hand industrial paint segment having the higher volume business but does not vary in the seasonal occasions which is the deciding factor for the paint industry having the superiority in the technological an automobile sector in which the company depends their sales outcome for the entire season and calculative growth can be identified based on two different segments in the market.
4.8 Compete through innovation
The key factor which is involved behind the success of the company is giving importance to the newest Technology involved in the research criteria which helps in the overall development of the brand and generates satisfaction among the users of the products which attracts other customers to be a part of the company and its brand. The setup facilities behind the research an innovative product has been improved over recent years for dealing in the manufacturing process and continuing the innovation methods for improving the quality of the products by setting up excellent facilities. The companies which are involved from many years in the manufacturing business in Saurashtra region have a strong backbone for the cumulative experience of the organisation having the benefit of taking all kinds of decision for the betterment of the company which has the changing needs and variety of choices of the customers towards developing the product and services to satisfy the needs of the customers. In recent years there has been highly fluctuation in the needs and desires of the customers who has recognised the difference between the Giants players in the market of the paint industry in Saurashtra region and has chosen to follow the vivid choices off market having different qualities and price ratios for the fastest growing paint in the organised sector to adjust their meteoric rise of the growth of the organisation by overcoming all the barriers in terms of technology as well as production to build an economic growth in the market.

Feedback from customers
The main source of feedback from the customers is by knowing the sales figures among all the areas at regular interval of time while calculating profit ratios and reordering of the customers which are loyal to the brand and have satisfactory performance towards the products of the company. The other method for the feedback is by generating the questionnaire from the retail outlets and wholesalers for the demand and ongoing corporate offices data to be taken at regular period of time. The feedback of the customers is not only obtained buy after sales services but also before the selling of the products and understanding the needs of the customers.

4.9 Technology collaboration
The Global companies join hands with the local players in the Saurashtra region for the labour market and small companies tie ups with the Giants players for the
technological advancement and automotive services for various purposes and to know the technological knowhow. In addition to this the imported Paints having higher margin then the local brands in the saurashtra market are mainly involved to the quality conscious are also depreciating their prices to complete in the local market. The main reason behind the joint venture of two companies is to get maximum of the technological innovations having financial backup for higher manufacturing of production for large batches to reduce the cost of the process and at the same time to enter the market at the comparative price. For example ICI makes the paint with technological support of DuPont in US while DuPont has technological ties ups with Nerolac in manufacturing of sophisticated coatings in the automotive sector.

In recent years the advancement in the technology has helped the manufacturers in the paint industry to involve as the strength of the market within short period of time in which the company has entered the market with the future prospects and marketing strategies. For example Asian Paints has the export business of paints over more than 12 countries around the globe which involves its joint ventures with Tonga, Nepal, Vietnam, and Australia which acquires more than 70% of total equity stake in the market.

4.10 - Market trends
The market slack in the estate business in recent years is involved for the recession of construction and automobile sector which is the main reason for involving the balance sheet of the major players in the Saurashtra region.

4.10.1 - Market potential
The driving force in the decorative segment has been the key factor for the increasing urbanization, and house loans at the average growth of more than 9 to 10%, which has helped to generate demand in the automobile sector providing more revenues in the industrial Paints segment. The new government projects, building of the flats in the metro cities which has increased growth in the infrastructure and spending of the funds in the decorative market has increased the revenue of protective coatings for building the Civil applicative projects and building the interior and waterproofing works to all parts. in today's Trend of increasing urbanization, and rise of population there is constant need of measuring the need of the customers
specially in the housing sector by developing the structural requirements which acts as the driving force of the company.

Industrial growth considering the competitiveness among the different players of the market providing certain amount of revenue nearby 12% of the average growth in the automobile sector and more than 60% of the revenue in the industrial sector.

Most of the Paints are applied for these civil applications, building sectors and heavy Infrastructures spending which generates the road marking of interior, exterior as well as the waterproofing works of the customers.

More than 40% of the industrial sectors have increased their manufacturing activities in the form of consumer durable goods which requires constant protective layer in the form of paints in order to apply the best possible quality to the customers with the best possible rates.

The seasonality of the decorative Paints depends on the shifting of the Seasons which have the protective value rather than influencing demand at the operational events which contradicts the industrial outcomes where there is constant need of surface protection at steady level of income.

The lifestyle and spending of the people have grown by initializing the knowledge of the Paints and the characteristics for helping the decorative market replaced by the exteriors and interior Paints over to the emulsions known as the cement paints.

4.11 - New opportunities for foreign companies

The local companies in the Saurashtra region collaborates with the International franchises to take the advantage of the technological arrangements by joining hands with the foreign companies to enhance the market area boundaries and to operate all over India by strengthening the financial limits in the process industries. At the end of 2005 and beginning of 2006 government passed the policies for the retail outlets of the foreign brands by allowing the entry which the local needs to involve in this franchise arrangements and to expand the businesses of the local dealers and importers in the Saurashtra region. This helped the single retail outlets to open their stores in Saurashtra by contributing more than 50% of the joint venture shares and owner businesses to collaborate with the foreign brands.

4.12 - Size of the paint market in Saurashtra
The size of the paint market in Saurashtra for considering the contribution of the organised and unorganised sector with the ratio of 60 to 40 is to be estimated at rupees 11 billion which also helps for the competitive advantage of losing the market on the edge of unorganised sector for the targeted players. For maintaining low capital conception as per the annual data there are 12 to 14 developed cities in the Saurashtra region that has greater potential to dominate the market is there intensive working capital. The turnover of these players is witness for the increase the volume of the working capital mainly in the festival seasons rather than fixed income the ups and downs in both industrial as well as the decorative sector. The benefits of this rising demands mainly in the festival season and in the celebration periods helps to reduce the prices on the selected products and benefits to the customers expansion of the capacity and getting variety of choices during this. A strong distribution network is observed for the industrial sector which has the constant demand of the Paints in their areas due to the variations in the temperature inside the factory and the working environment need for the production of high quality of goods. The season for the decorative Paints is mainly during the summer, Diwali festival, holi festival, end from October to March during which largest segment of enamel Paints is consumed for more than 50% followed by primers, wood finishes, on wall finishes which has wide range of Shades, distribution strength, and efficient working finance which are the key factors for the success ratio in the decorative paint segment. The characteristic of the decorative Paints varies from the industrial sector due to the price sensitive market in the tough competition scenario and also cyclical in demand in which monsoon is considered to be a slack season while the peak period is considered to be the deciding factor mainly in the festival seasons when most of the people we paint their houses.

In the developed cities of Saurashtra region the ratio of the decorative Paints to the industrial Paints is around 40 to 60 where as in the rural areas or villages this ratio is around 30 to 70. This numbers gives an idea towards the developing future of the industrial paints in the next few years market share going after more than 50 percentage as per the Global trend of the market. Total contribution of the paint industry to the economic sales
The market for the paints in Saurashtra is expected to grow at 1.3 to 1.5 times of the GDP growth in next 5 years. The high volumes of the low cost distempers which are sold at the marginal cost have higher volume of approximately 200 per annum at the average cost of 40 rupees per kg which is expected to rise by 7% sporty as per the top players in the market such as Asian Paints, Nerolac, and Berger Paints which is likely to clock about the growth rate of the industries.