

# Paint Sector – An Overview



# Outline

- ◆ Industry and Growth Drivers
- ◆ Industry Features
- ◆ Major Industry Players
- ◆ Process
- ◆ Product Composition
- ◆ Paint Categories
- ◆ Custom Duty On Major Raw Materials
- ◆ Key Challenges

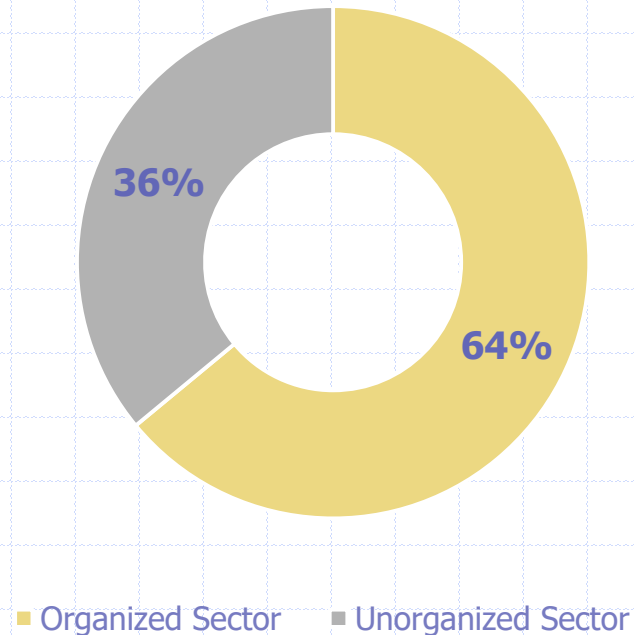
# Industry Growth & Drivers

- ◆ Paints industry of Pakistan has depicted CAGR of 6-7% in the past five years
- ◆ Paints and coating industry was estimated at PKR 37bln in FY17 and is currently estimated at PKR 50bln
- ◆ Demand continues to outpace supply, with imports increasing to bridge the gap

# Industry Features

- The industry has a huge unorganized sector accounting for ~34% of the textile industry on a value basis, with over 110 players.
- The unorganized sector caters to the vast market of semi-urban and rural areas, with most price-sensitive consumers
- Organized sector suffers not only due to lost market share, but lowered quality bar in the paint industry

# Industry Composition



# Major Industry Players

The industry comprises multinational players in addition to various local players

## ◆ Multinationals

- ◆ AkzoNobel Pakistan
- ◆ Berger Paints
- ◆ Jotun
- ◆ Nippon
- ◆ Kansai

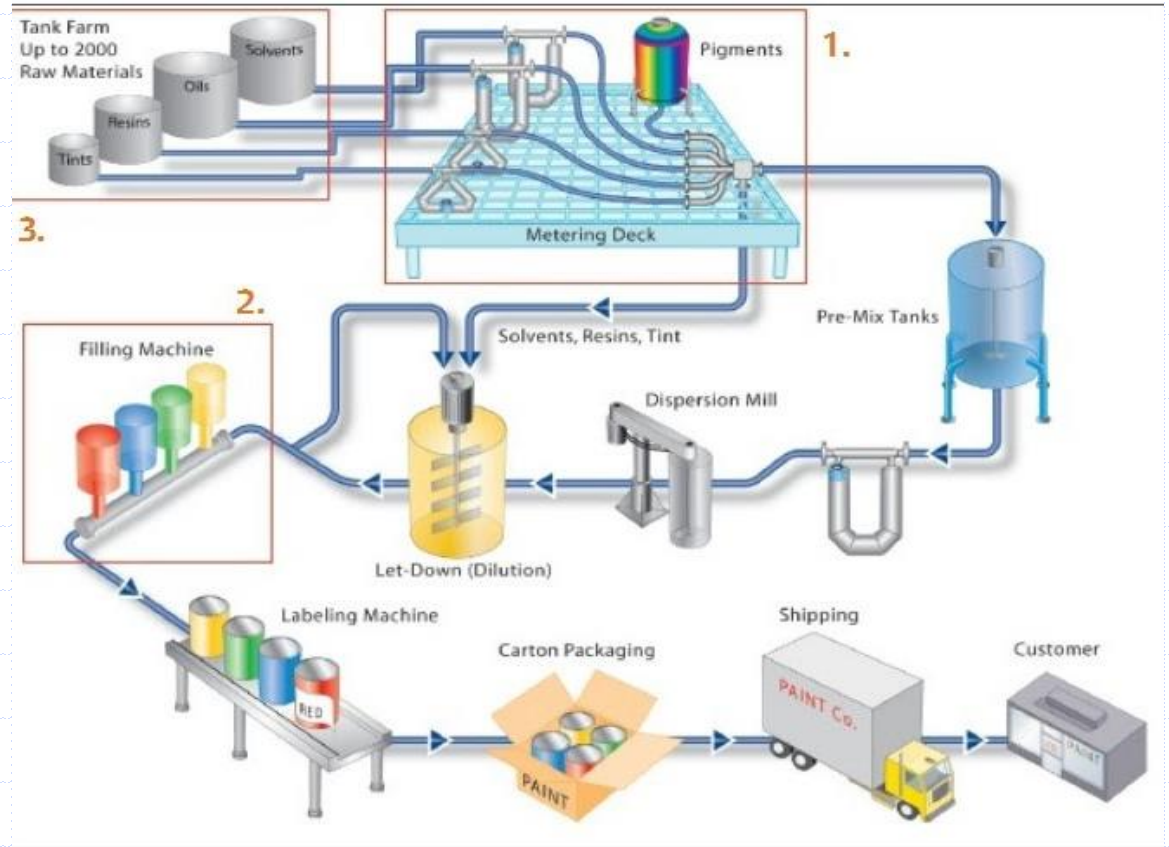
## ◆ Local

- ◆ Master
- ◆ Brighto
- ◆ Happilac
- ◆ Diamond
- ◆ Buxly
- ◆ Nelson



# Process

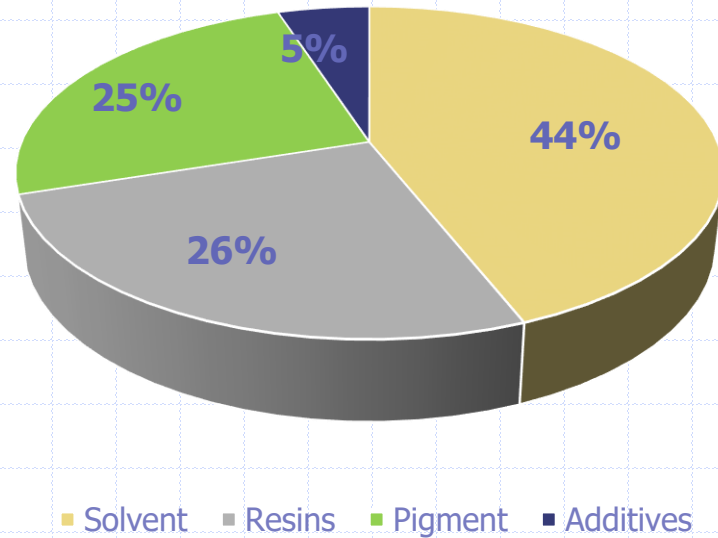
- The main raw materials involved in the process are:
  - Pigments (including titanium dioxide)
  - Solvents (to disperse pigments and resins for desired consistency)
  - Resins (to bind pigment particles together)
  - Additives (to modify properties of the product)



# Composition

- Composition of paints depends on their proposed use
- Generally, solvent comprises majority of the mixture followed by resins, pigments and additives

## Paint Composition



# Paint Categories

## DECORATIVE PAINT

- ◆ **Primer** : Used on new surfaces to protect the material underneath. Helps to even out color and smoothen the surface. Can be both, Oil and water based.
- ◆ **First Coat** : Used to help build up the opacity. Typically, one or two coats of it are applied before color can be applied.
- ◆ **Flat Paint** : This matte – finish paint is typically best used for walls and ceilings.
- ◆ **Eggshell** : Usually, two coats of eggshell are required on top of a primer or first coat to achieve the true color.
- ◆ **Gloss and Satin Finishes** : These resilient paints are less prone to yellowing and stand up well when cleaned. Used both on the interior and exterior.
- ◆ **Varnishing** : A hard transparent protective finish or film.





# INDUSTRIAL PAINT

- ◆ Solvent Based Paints : High quality topcoat paints to give a strong and durable coating to various industrial equipment. Helps protect against fading and damage from chemicals and equipment.
- ◆ Aquatic Paints: These paints offer fade resistance and help in color retention.
- ◆ Powder Coat Paints: Offer protection and add beauty to the industrial equipment. The powder coating provides thickness and protection against UV exposure and also offers chemical resistance.
- ◆ Anti-Fouling : Provides long lasting tin-free coating to the equipment, Durable and bright, they work in wide range of climates and can be applied to wood, steel and glass.



## Custom duty on major raw materials used in the paint industry

Raw Material	2018-19	2017-18	2016-17
Titanium Dioxide	3%	3%	5%
Ethylene Glycols	3%	3%	2%
Varnishes	20%	20%	20%
Plasticizers	16%	16%	15%
Emulsion Grade	11%	11%	10%
Resins	20%	20%	20%
Driers	20%	20%	20%
Alkyd resins	20%	20%	20%
Poppy Oil Seeds	3%	3%	5%
Fungicides	3%	3%	2%

# Key Challenges

- Levy of high regulatory duty on imported raw materials
- Highly price sensitive market
- High production costs
- Intense competition posed by foreign players and unorganized sector
- Economic slowdown
- Inflationary pressure and rupee devaluation are posing a major threat, since the paint industry is not export oriented.

# Further Reading

- ◆ Federal Board of Revenue ([fbr.gov.pk](http://fbr.gov.pk))
- ◆ Economic Survey of Pakistan ([finance.gov.pk](http://finance.gov.pk))
- ◆ [Substech.com](http://Substech.com)
- ◆ Paint Research Association ([pra-world.com](http://pra-world.com))
- ◆ [Fillopainting.com](http://Fillopainting.com)
- ◆ [Growel.com](http://Growel.com)

<b>Analysts</b>	<b>Zoya Aqib</b> <i>Associate Analyst</i> Zoya.aqib@pacra.com	<b>Ateeb Riaz</b> <i>Supervisory Senior</i> Ateeb.riaz@pacra.com
<b>Contact Number: +92 42 3586 9504</b>		

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