



Paints Sector – An Overview

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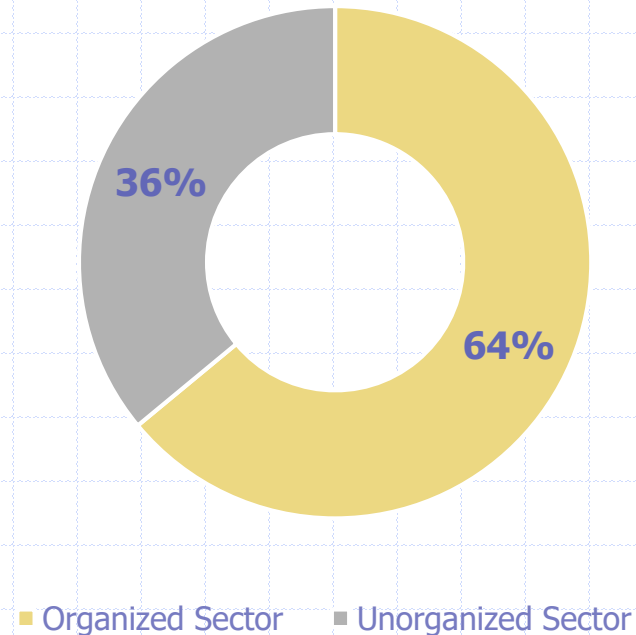
Industry Growth & Drivers

- ◆ Paints industry of Pakistan has depicted CAGR of 6-7% in the past five years (*BR Research*)
- ◆ Paints and coating industry is estimated at 50bln (*Industry estimates and revenues of listed paint companies*)
- ◆ Recent CPEC activity has been a major growth driver however, construction activities has been slowed down since change in government
- ◆ Demand continues to outpace supply, with imports increasing to bridge the gap (*SBP*)

Industry Features

- The industry has a huge unorganized sector accounting for ~36% of the textile industry on a value basis
- Unorganized sector consists large number players based on various estimates
- 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

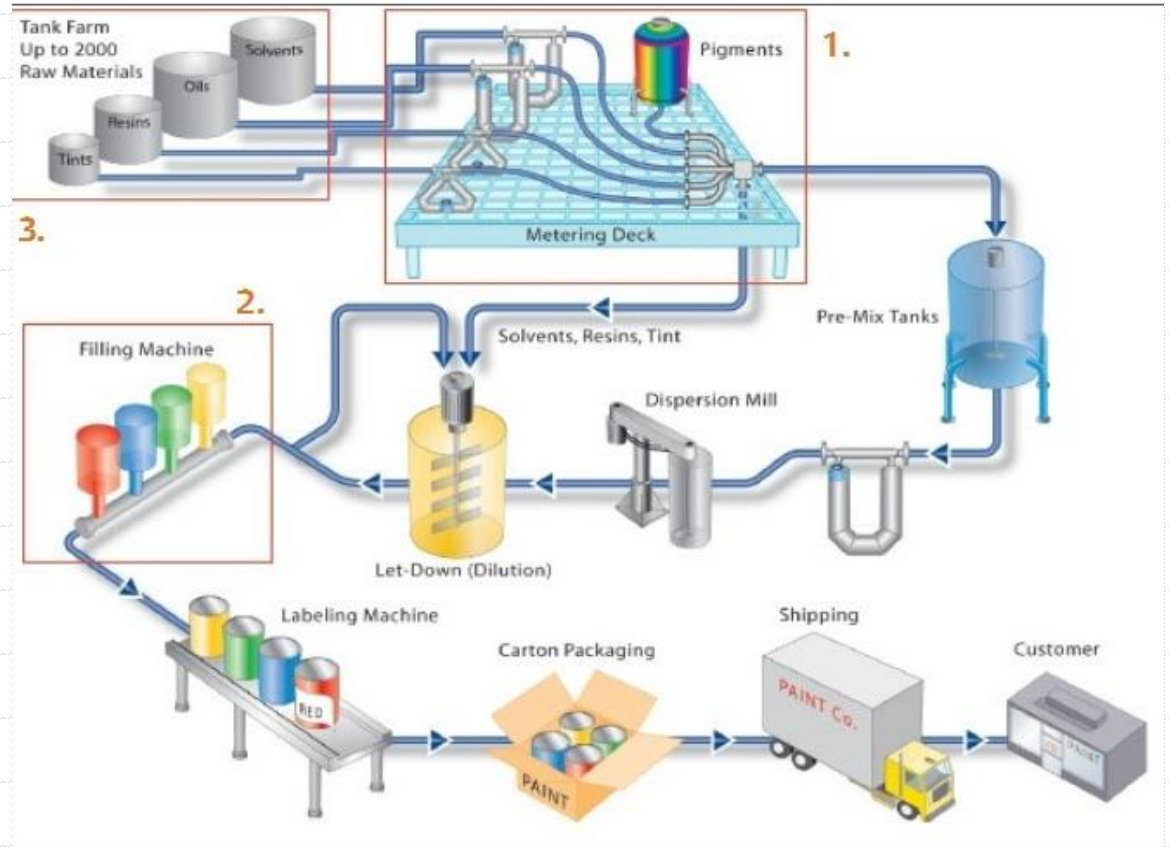
◆ Local

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



Process

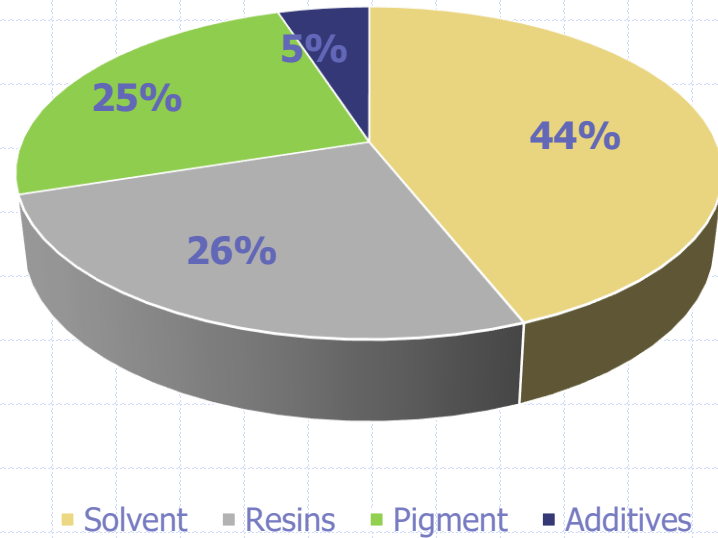
- The main raw materials involved in the process are:
 - Pigments (including titanium dioxide)
 - Solvents (to disperse pigments and resins for desired consistency)
 - Resins (to bind pigment particles together)
 - Additives (to modify properties of the product)



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.
- ◆ First Coat : Used to help build up the opacity, applied before color can be applied.
- ◆ Flat Paint : 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 : less prone to yellowing and stand up well when cleaned.
- ◆ 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.
- ◆ Aquatic Paints: These paints offer fade resistance and help in color retention.
- ◆ Powder Coat Paints: Offer protection and add beauty to the industrial equipment along with thickness and protection
- ◆ Anti-Fouling : Provides long lasting tin-free coating to the equipment, Durable and bright



Custom duty on major raw materials used in the paint industry

Raw Material	2018-17	2017-16	2016-15
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%

Finished Goods i.e. Paints & Emulsions have 20% custom duty

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.

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