

BRIEF ON PAINT SECTOR

Overview

- ✓ The paints sector is at mature stage in Pakistan.
- ✓ The sector can be divided into two segments, i) Organized segment and ii) Unorganized segment
- ✓ The unorganized segment accounts for ~60% of the production and has over 100 players. It caters to construction industry with focus on vast markets of semi-urban and rural area. The segment is highly price sensitive. Our main focus is on organized segment in this sector study.
- ✓ The organized segment accounts for ~40% of total market share. The organized segment comprises around 20 players. The organized segment includes both multinational brands, such as AkzoNobel, Berger, Nippon and Kansai, and local players like Master Paints, Brighto Paints and Diamond Paints.
- ✓ The organized segment suffers not only due to loss of market share but also faces cost pressures as unorganized segment avoids taxation and other costs associated with organized sector.
- ✓ Overall, the nature of the sector is competitive with players differentiating themselves based on quality and targeting various income segments (high, middle, low).
- ✓ The organized paint sector contributes ~0.12% to the GDP of the country.
- ✓ The estimated market size of the organized segment is PKR ~50bln in FY20.
- ✓ The average gross margin of the sector is ~21% while the average net margin is estimated at ~3%.

Raw Material(s) used in Paint Industry

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)

TYPES OF PAINTS:

1. Decorative Paints

- Primer
- First Coat
- Flat Paint
- Eggshell
- Gloss and Satin Finishes
- Varnishing

2. Industrial Paints

- Solvent Based Paints
- Aquatic Paints
- Powder Coat Paints
- Anti-Fouling

Duty Structure of Imported Raw Material(s)

PCT Code	Description	ACD		CD		RD		Total	
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Raw Materials									
1207.91	Poppy Oil Seeds	2%	0%	3%	3%	0%	0%	5%	3%
28.23	Titanium Dioxide	2%	0%	0%	3%	0%	0%	2%	3%
2905.31	Ethylene glycols	2%	0%	0%	3%	0%	0%	2%	3%
32.11	Driers	7%	0%	20%	20%	0%	0%	27%	20%
32.12	Pigments	2-7%	0%	3-20%	3-20%	0%	0%	5-27%	3-20%
3812.2	Compound plasticizers	4%	0%	16%	16%	0%	0%	20%	16%
3904.101	Emulsion grade	2%	0%	11%	11%	0%	0%	13%	11%
3907.3	Epoxide Resin	4%	0%	16%	16%	0%	0%	20%	16%
3907.5	Alkyd Resin	7%	0%	20%	20%	0%	0%	27%	20%
38.08	Fungicides	2%	0%	3%	3%	0%	0%	5%	3%

Finished Goods

32.08	Paints & Varnishes (including enamels and lacquers)	(including 2%	0%	20%	20%	5-10%	10%	27-32%	30%
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Pakistan's Imports of Paints & Varnishes – 3208Source: www.trademap.org

Exporters	2016	2017	2018	2019	2020
World	27,792	31,616	26,807	23,078	26,155
China	6,511	7,565	7,208	7,197	10,721
United Arab Emirates	1,954	2,313	2,203	2,086	2,406
Taipei, Chinese	3,539	-	-	-	2,197
Italy	2,181	2,742	2,392	2,286	2,076
Korea, Republic of	1,086	941	751	1,573	1,680

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Importers	2016	2017	2018	2019	2020
World	20,155	18,831	14,294	12,011	13,006
Afghanistan	20,085	18,642	13,856	11,721	12,537
Qatar	-	56	405	204	335
Tajikistan	11	-	-	78	67
Madagascar	-	-	8	-	16
Italy	-	-	-	-	12

- Representative trade body: Pakistan Coating Association (PCA)
- Head Office of PCA: Lahore
- Secretary General: Col. (R) Liaqat Ali Qamar
- Total Members: 166
- **City/Region-wise breakup:**

Lahore: 96	Karachi: 42
Faisalabad: 08	Rwp/Isl: 08
Multan: 04	Gujranwala: 04
Haripur: 01	Hyderabad: 01
Sargodha: 01	Swabi: 01

Key Challenges (Source: PCA)

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

General suggestions for the uplifting/ development of the paint sector

- Government must bring the custom duties at 0% on those raw materials which has total dependency on imports and has no local production.
- Coating sector must be included in priority sector like other 5 export sectors.
- State bank must provide export financing at promotional rates to coating sector with reasonable payback time period.
- Custom duties on the plant and lab equipment must be Zero.
- Formation of a specific training institute for skills development of necessary workforce.
- Paint industry to be included in Construction sector for all developmental incentives from Government for the industries