

# KANSAI PAINTS COMPANY LIMITED

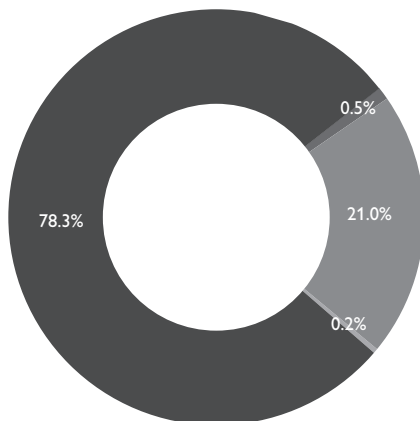


## Company Background

Kansai Paints Company Limited (Kansai) was established in 1918 as a paint manufacturer. The company is headquartered at Osaka, Japan. It is among the leading manufacturers of paints and coatings in Japan. Kansai also manufactures products that cater to the biotechnology and electronics sectors.

The company employs 2,158 employees as of 31 March 2006. Kansai earned revenues of approximately US\$ 1.8 billion in 2005-06.

Kansai's Revenue by Geography-2005



- Japan
- Americas
- Asia
- Europe

Source: Kansai Annual Report

## Kansai in India

Kansai started its operations in India by forming a joint venture with the Tata Group in 1986. The joint venture was named Goodlass Nerolac Paints Ltd. (Goodlass), with Kansai having a 36 per cent stake.

In 2000, Kansai turned Goodlass into its subsidiary by acquiring Tata's stake in the venture. In 2006, Goodlass changed its name to Kansai Nerolac Paints Ltd. to give it a new corporate identity.

Nerolac has an associate company - Nipa Chemicals Ltd. Polycoat Powders Ltd. is a wholly owned subsidiary of Kansai Paint Co, which is now being merged with Kansai Nerolac Paints Ltd. Nerolac also has one subsidiary company, Kansai Coatings Malaysia Sdn. Bhd., in Malaysia. The company has won many prestigious awards such as National Energy Conservation Award from the Ministry of Power, Government of India for its Jainpur plant, the Golden Peacock Award for Corporate Governance in 2005, the Business Innovator of the year award in 2006 from the CTO Forum Magazine and Best Managed Company award from Business Today in 2004.

The company manufactures and sells decorative paints for walls, woods, and metals; and industrial paints for automotive coatings, powder coatings,



etc. It has five manufacturing plants in the country. In the FY 2005-06, company planned to increase its production capacity at three of its major plants by investing US\$ 22.2 million.

The company has a workforce of approximately 2000 personnel. It earned revenues of approximately US\$ 276 million in 2005-06.

Nerolac is the second-largest paint manufacturer in India. It is a leader in the industrial paints segment in India with an overall market share of 42 per cent. It has a market share of over 60 percent in the automotive coating segment and a 27-percent market share in the powder coating segment. In the decorative paints segment, the company has a market share of 14 percent in the country; the company's overall market share in India is over 20 per cent.

## Factors for Success

### Research and Development

Nerolac's focus on research and development is one of the key reasons for its success in India. The company has been able to innovate and develop products according to market requirements. It recently developed an automotive paint solution, which reduces the six-step painting process to four. The research and development laboratory of the company is officially recognised by the Department of Science and Technology, Government of India.



Moreover, support from the parent company facilitates Nerolac in providing automakers with a wide range of products, latest technology and a complete painting solution. It also enables the company to develop innovative products on a regular basis.

### Strategic Alliances

Nerolac has developed strong relationships with automakers, such as Maruti, which facilitates it in maintaining its market leadership position in the industrial paint segment. Nerolac's parent company Kansai is a global supplier of paints to Suzuki – Maruti's parent company – which further strengthens the relationship.

Nerolac has also taken initiatives to strengthen its existing relationship with automakers, which include placing technical teams at automakers' paint shops to provide them with services. Such initiatives have proved to be fruitful, and Nerolac has 9 out of 11 automakers as its customers.

### Distribution Network

Nerolac has a strong distribution network of over 11,000 dealers. The company has 8 sales divisions and 66 depots in the country to meet local demands. This has assisted the company to better



understand the needs of the market and develop products accordingly. A strong dealer network facilitated the company in maintaining its leadership position in the market.

## Future Plans

### Increase Market Share in Decorative Segment

The organised sector constitutes over 70 per cent of the total Indian paints industry. The decorative segment forms over 75 per cent of the organised sector. Nerolac, which has a 14 per cent market share in the decorative segment, is focussing on increasing its presence in this segment to tap the available opportunity.

Nerolac is undertaking various initiatives to increase its sales in the decorative segment. The company has introduced products, such as Disney Paints, Beauty Emulsion, Impressions Luxury Emulsion with metallic finishes (first time in India) etc., in the market. The company has a substantial market share in this segment in North India and is

focussing on strengthening its retail network to also increase its presence in other parts of the country.

Nerolac is also focussing on brand building. Changing its name to Kansai Nerolac Paints Ltd. from Goodlass Nerolac Paints Ltd. is one of the initiatives in this regard. The company in the past has also signed on Amitabh Bachchan as its brand ambassador to boost its brand image, the contract being over in 2005.

### Targeting Rural Market

Nerolac has stepped up its efforts to increase its presence in the rural market. The company has introduced some products, such as Beauty Emulsions in the range of 80-100 rupees per litre, which cater to the price-sensitive market. It has also formed an alliance with ITC on its E-Chaupal initiative to improve its presence in the rural market. The company is also making efforts to strengthen its dealer network to improve sales.