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Branded Cos Brush Aside Small Paint Units in Noida

Despite growth of nearly 20 percent in the sector, domination of big brands is preventing smaller players in the city from gaining

J SRIKANT
NOIDA

MAKING it big in business while competing with bigger companies is a scenario tough to imagine and tougher to accomplish.

Noida-based paint manufacturers are finding this the hard way. Small and medium sized paint manufacturers say the lack of big brand name is hurting their business even at the local level.

"Business for small and medium paint manufacturers like us has not grown significantly," said SV Singh, owner of Technocoat Industries, a medium-sized paint manufacturer based in Greater Noida. "In paint industry, it has become imperative to have a visible brand name to corner a major chunk of market share."

However, players said that this does not mean that there is no growth in the industry. "The overall industry has been expanding at a healthy 15 to 20 percent every year," said Harris T Koilpillai, senior general manager, paints division, Grauer & Weil (India). "It is just that the lion's share of this growth is going into the kitty of top 5 or 7 multinationals present in the country," he said. The paints division of the company was earlier Bombay Paints which was merged with Grauer & Weil (India) in 2009.

According to a presentation by Shalimar Paints, as of 2011, the top five companies control 80 percent of the total paint market in India. The big five namely are Asian Paints, Berger Paints, Kansai Nerolac, Akzo Nobel amd Shalimar Paints. The Indian paint market today is estimated to be nearly ₹30,000 crore and is expected to touch a figure of ₹34,000 crore by 2015.

"There are not many ways to improve the situation for small paint manufacturers," lamented Singh. "We have to live with the competition from big multinationals." However, the one way to better the prospects of SSI in paint manufacturing is the active participation of government in procurement from SSI sector.

"There is already a provision that government run units have to procure a certain amount from SSI sector. But it is hardly ever implemented," said Singh. "Only 5 to 10 percent of the demand from government units comes to SSI. This number should be much higher."

Players said that public sector units are a major demand generator for industrial paint and constant help from this sector would go a long way in reviving the small players in paint industry.

The industry is primarily divided into decorative paints and industrial paints. Most of the small and medium players specialise in industrial paint. Although, they are also into manufacturing of decorative paints. Industrial paints are used in manufacturing sectors whereas, decorative paints are used for interior and exterior of residential complexes.

Another major issue for all the small and medium sized players is that most of the demand is in the decorative paint segment. "70 percent of the market in paint industry is in the decorative segment," said Koilpillai. "The rest 30 percent demand is in the industrial paint segment."

But players in Noida said that being present in NCR has been an advantage as this is one of the biggest markets for industrial paints. "All of these are big industrial cities in NCR have units from all sectors," said Koilpillai.

Although most manufacturing sectors are clients for paint industry, automotive is by far the biggest. "There are a lot of vendors who are supplying to automotive companies in the region," said Koilpillai. Lot of big names like Hero Motocorp, Maruti Suzuki, Yamaha and Honda Siel are present in NCR. Agriculture equipments and Defence are other two major contributors to the industry.

Paint industry is heavily dependent on crude oil and even a minor fluctuation in the prices of this commodity impacts the paint industry. And in the last couple of years, the prices of crude oil in international market have been anything but stable. "From manufacturer's point of view, the rise in crude oil affects those more that are into the production of industrial paints," said Koilpillai. "This is because, unlike in decorative paint segment, it is extremely tough to pass on the rise in production cost to the customer."

Despite the bottlenecks, there is a bit of optimism amongst the players regarding the future. "There is still a big market that is still to be tapped in India. Customers here should understand that Indian manufacturers have the technology to manufacture quality products which are better value for money for them," said Koilpillai.

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'NCR is the Core Area of Focus for Us'

Despite having presence in many regions, Faridabad-headquartered SRS Real Estate Ltd considers NCR as its core focus area. ***Dr Anil Jindal****, chairman, SRS Group, talks to* ***Sanjeev Sinha*** *about the realty sector as well as their USP and growth plans. Excerpts:*

What needs to be done to boost the growth prospects of the sector in the current scenario?

From an overall policy perspective, the long-standing demand for according 'infrastructure status' to the real estate sector has not been acceded to, which didn't meet the expectations of the sector. For the real estate sector, this budget didn't provide any proposal, which could benefit the sector significantly. Yes, additional interest deduction of Rs 1 lakh for low-cost housing should be welcomed by the sector. Additional allocation to rural housing fund and launch of urban housing fund should provide some relief to certain types of developers, who are facing liquidity crunch. However, to turn the market positive, I think it is crucial to have a friendly interest rate regime and faster regulatory clearances for realty projects. A speedy development of infrastructure will help the industry significantly. If the areas surrounding the main metro hubs are given a very sharp focus on infra development, it could result in a more appropriate distribution of demand and also bring in the affordability factor. Right now, everyone wants to buy property in well-developed areas, which is only pushing the prices up.

SRS Real Estate is currently engaged in various types of projects. How have these different segments performing?

Our core focus area is the residential segment and in the commercial segment, we are pursuing a few high-growth opportunities in a measured manner. As far as residential spaces are concerned, we've several projects in Greater Faridabad, and apart from this, we are also present in Palwal, Rewari, Mumbai (Karjat), Panchkula and Kurukshetra, among others. Consumers like our residential projects for the perfect balance of pricing and quality. Secondly, we are also valued as a realty brand that has a sharp focus on deliveries.

All our residential projects are witnessing rapid construction, and many of them are lined up for possession this year itself. What has set the ball rolling for us is the fact that we are in the mid-range housing projects, which are seeing the maximum off-takes.

On the commercial front, SRS Tower is one of Faridabad's finest corporate addresses, and has been completed. Several offices are already functional, and many more are in the fitment stage. We have also started work on our IT Tower in Ballabgarh, which is a high-growth pocket. This too is a world-class structure and will be the city's landmark. Work is also going on in a planned manner at our 5 star hotel in Prithla.

What is SRS doing to differentiate its offerings in a sector inundated with hundreds of players? What is your USP?

More than the USP, it is about having a very keen understanding of our consumers. We try to offer a mix of options that suit various segments, be it an apartment or an independent floor or a farm house or a plotted colony. Secondly, we put in an honest attempt to be highly transparent and consumer friendly. We focus on timely deliveries. Pricing is another thing we have mastered, and that as you know is a key deciding factor in just about every case. We give all modern amenities, deliver value for money and act as partners in fulfilling the customers' dreams. Another formidable asset that we have with us is the trust factor — thanks to our long and multi-domain presence in NCR.

How important is the NCR region for you and what are your future plans for the region?

NCR is our core area of focus as it is also our home ground. And in NCR, Faridabad has come into the spotlight now, and boasts of superb connectivity, and rapidly-improving infrastructure. Thanks to the rising prominence of Faridabad, proximity to Delhi, Gurgaon and Noida as well as the advantage of having probably the lowest prices in NCR, this city is fast becoming the region of choice. Any player who has a presence here is standing in front of a huge opportunity, and we are one of them for sure.

BSE Becomes the SME Hub in India

OUR BUREAU
NOIDA

INVESTOR interest is growing in the small and medium enterprises (SME) segment on the BSE. Nearly 86%, or 18 out of 21 companies, on the BSE SME platform are trading above their issue price and only one has seen an over 10% fall. Yet another company debuted on the BSE SME platform on Monday.

On the other hand, BSE's rival National Stock Exchange, or NSE, has only three companies on its SME segment and two of them are trading below their issue price. The third was listed last Friday.

"The SME segment on BSE has emerged as the leading platform and the exchange wants to build on this success," said Ashish Chauhan, BSE's chief executive officer and managing director.

BSE has a 90% market share in the segment and the S&P BSE SME index, which was launched in August 2012, has given 129% return over the past one year. The index has risen from 100 to 229 by the end of last week, which shows that the market performance of the SME companies listed on BSE is robust, say market players.

An NSE official said, "We have been encouraging SME companies to opt for voluntary grading by a reputed credit rating agency. There is also an effort to build an ecosystem for the segment."

On the risks associated with trading in SME companies, BSE says they have a minimum lot size of ₹1 lakh and, owing to this, only serious players with sound understanding of the market will invest in these companies. The list of SME companies preparing for a listing on BSE is long and at least six of them are in the process of launching an IPO.

"SMEs, which are large job creators, need encouragement, and listing is an additional framework by which companies can raise money to improve their financial ratio," Chauhan said.

MCX SX too had big plans for the SME segment. The exchange had created a hub-and-spoke model for SMEs by launching websites in various regional languages.

On its part, NSE has a tie-up with SIDBI for the SME segment, which is crucial considering that the finance minister had enhanced the refinancing capability of SIDBI to ₹10,000 crore per year from ₹5,000 crore a year in the last budget.

Noida welcomes School of Built Environment

J SRIKANT
NOIDA

RICS (Royal Institution of Chartered Surveyors) in collaboration with Amity University has launched RICS School of Built Environment, Amity University, India's first institution giving courses in build environment.

RICS School of Built Environment, Amity University will offer 3 years BBA in Real Estate and Urban Infrastructure, 2 years MBA in Real Estate and Urban Infrastructure and 2 years MBA in Construction Project Management from July 2013. The first batch will start with 150 seats across three programs.

The School aims to bridge the skills gap in India by equipping 15,000-20,000 construction and real estate, construction and infrastructure management professionals over the next three to five years.

RICS - The Royal Institution of Chartered Surveyors is a leading professional qualification and standard setting body in land, property and construction sector with nearly 1,30,000 members. This is for the first time that RICS has joined hands with a University to open a school of Built environment. Till now, RICS had only given accreditations to close to 600 institutions across the world, including a few courses in Harvard and Massachusetts Institute of Technology.

The School of Built Environment was inaugurated by Kamal Nath, Union Minister of Urban Development, Government of India. "I see this endeavour between RICS and Amity University in setting up the School of Built Environment as a first-of-its-kind initiative that will lay the foundation to setting new benchmarks that other institutions will subsequently try and emulate," he said. "The RICS School of Built Environment, Amity University will enable quality and relevant education for young professionals. I also look forward to the School of Built Environment creating 'next practices' which in turn will lead to 'best practices' for the industry."

The school would be supported by Ministry of Urban development. "A lot of work would be done alongside the ministry," said Atul Chauhan, chancellor, Amity University, Uttar Pradesh. "We will be in constant touch with ministry of Urban development regarding various projects.

Chauhan added that the industry would be directly involved with the school which will prepare the students according to industry requirements. This will help students be industry-ready and get employment immediately after graduating.

The School has been established to address the serious issue of lack of skilled manpower in the build environment sector which accounts for nearly 17.5 per cent of the GDP in India. According to RICS, there is approximately 80 percent shortage of skilled professionals in the sector. "Built environment is severely being impacted by a demand-supply mismatch of professionals," said Sachin Sandhir, MD-RICS South Asia. "We are extremely glad to have set up the RICS School of Built Environment, Amity University as a world-class, industry led academic institution that will help bridge the skills gap in India," he added.

RICS mentions that over the next decade, India would require close to 4 million civil engineers, 396,000 architects & 119,000 planners on an average and the corresponding average supply available would only be 642,000 civil engineers, 65,000 architects and 18,000 planners

The Indian construction industry is currently the 9th largest market in the world and is expected to become the 3rd largest in the world by 2020.

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Online Auction Platforms Help Bridge Boundaries

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ON stamps, one can be assured of at least 20 percent of return and no loss at all, claim philatelists. Estimates say India has 40 million collectors, over 1500 Philatelic Clubs and Societies. According to India Post there are 1.75 lakh Philatelic Deposit Account Holders, 68 Philatelic Bureaus and 1111 Philatelic counters.

Online auction platforms have also helped in bringing down geographical barriers across national boundaries. "Stamps mostly have a local flavour as they are based on themes based on a nation's historical developments. However, there are stamps such as Queen Victoria, Black Penny etc which interest philatelists across the globe. Stamps based on themes such nature, rare flora and fauna are also popular beyond borders," Sanjay Rathi, a collector from Delhi, said.

However, the online medium has its own disadvantages. Ashok Mehta, a professional philatelist from Mumbai said, "Before the online medium became popular the philatelic world worked like in the 18th century. But the Internet has its own disadvantages. There are people on auction sites, who buy the stamps but do not pay. In those cases we have to pay the auction fee to the sites without even making a sale." Mehta has been a philatelist for the last 48 years and has one of the best collections of Mahatma Gandhi stamps.

Stamps are an esoteric form of investment, however, not new at all. A collector does not finds stamp collection only a hobby but also a safe bet of growing their money when the other modes of investments are offering volatile returns.

There is also a 12.5 percent of service tax applicable on buying and selling of stamps in Delhi. The rate changes from state to state. However, the philately is a field not monitored by the government. Even the pricing in the secondary market is not handled by any government authorised body.

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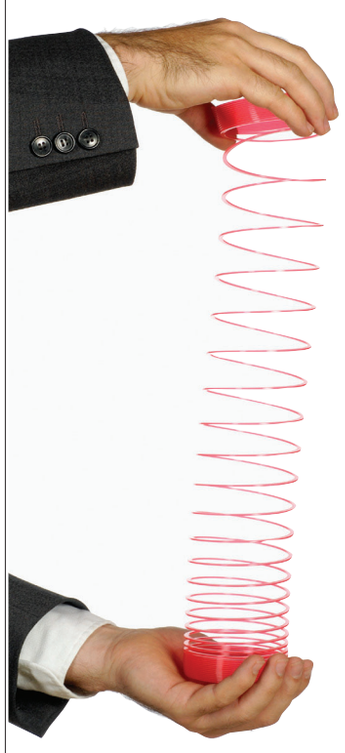
Competition Pulls Down Meerut Spring Biz



SHIVENDRA KUMAR SINGH
MEERUT

SPRING manufacturers, concentrated in Meerut, are battling competition and low margins as demand dipped. While the players said that this is a complicated job because of the use of springs in practically everything in day to day life, the fact that the margins on every piece is not worth the time they invest.

OP Sharma, director of Ashok Engineers said, "Meerut is one of the biggest manufacturing centres for various kinds of springs. There are more than thousand people who are doing it but majority of them have started making them in their houses." This is breeding competition and this is not a product that is niche any more so the buyer has a lot of choice as to where to buy from and get the price that suits him, said Sharma.

Another city-based manufacturer, Vinay Goel expressed similar sentiments. "Competition is bringing us down. The buyer has the say and more often than not he manipulates the prices."

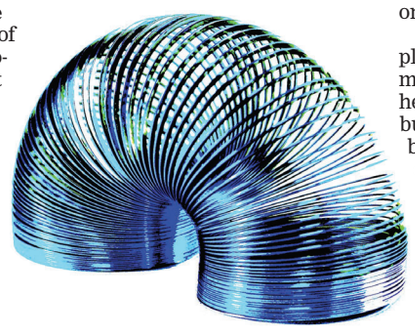
"Springs are major components of almost anything be it automobiles, machines to smallest items like spectacles, hair clips and ball pens," explained Rasheed Ahmed Rahi, owner of Rahi Springs. He added, "We manufacture 6,000 different types of springs. They are made of wires with thickness ranging between 1mm-16mm. The wires may be of silver, copper, brass or SS strips and sheets." Rahi informed that while the company supplies its products all across the country, 10-15 percent of the business comes from exports.

Sharma of Ashok Engineers said though Meerut is an industrial and manufacturing hub, but automation has led to the decline in demand. "Most of the machines are CNC machines now irrespective of the industry. These are semi-automatic electronic machines do not need that many springs. Initially, there was a lot of demand for spares which has reduced now."

There are also manufacturers who are sector specific and have deliberately stuck to it. Manoj Gupta is one such example. "We manufacture springs for scooters and motorcycles. We manufacture for the secondary market and not for the OEMs but as spare parts for the service and repair industry. It manufactures six different types of springs that are used in brake shoes, brake paddles, stand and valve etc," said the director of Perfect Spring Manufacturing Company.

Rahi also spoke about the attitude of the customers. "The customers need instant deliveries and are often impatient so sometimes even for small springs the orders are stopped even of bigger ones."

"Spring manufacturing has become a complicated job with a lot of emphasis on the quality now. The buyers have their own equipment to test the strength of the springs. Even a small mistake leads to the cancellation of the order," said Sharma.



Rahi further added, "We don't have a testing facility at our unit so we get the products tested in Ghaziabad and Delhi. Cost of production rises as a result of this."

Some have diversified while the others still continue because the players are generally small and have been doing it since several decades. They do not have the capital to start anything new reasoned the manufacturers. "We have switched to manufacturing other machines of late and reduced manufacturing springs. It is now only on orders," said Sharma.

Manoj Gupta said, "We are small players and have been doing it for more than five decades now. That helps because now people know us but buyers are always unpredictable." Perfect Spring started its operations in 1962.

"Electricity and labour problems continue to harm the industry," complained Vinay Goel of Sparex Springs..

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