

PAINT PRODUCTION BUSINESS PLAN IN NIGERIA

[TATA PAINT.]
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CHAPTER ONE - EXECUTIVE SUMMARY

Today, the Nigerian paint industry is one of the largest producing on the continent and it is a major player in the employment of labor and economic advancement our dear nation. A major contributor to the rapid growth and advancements experienced in the nation is the fact that there is stiff competition and each producer has to put in efforts to continually improve products. The Nigerian paints industry operates on three tier basis, the tiers are based on product quality, company reputation and a large customer base.

The challenge however is that in the last few years the country has experienced one of the worst economic recessions which has resulted in income to the populace. Due to the recession, people find it difficult to construct quality structures and when they do, they find it hard to adorn the house with quality paint. The quality paints are too costly and the average person can hardly afford them. We propose to bridge the gap between the rich and the poor with respect to purchase of paint products. This will solve the problem of the masses while also conveniently creating a drop in price in the industry.

Our mission is to manufacture products that deliver superior value, offer outstanding quality at the best possible price, are the most technologically advanced and innovative and provide highly personalized solutions.

This vision will be achieved with an estimated initial capital outlay of #16,950,000.00, the business has a very high profitability index of 112.58 and thus is expected to breakeven in the first year of operation.

CHAPTER TWO - INTRODUCTION

For several years paint production companies have been in existence in Nigeria although in the onset most of them were subsidiaries of foreign paint companies. With time and growth in understanding of the sector, indigenous paint production outfits began to crop up. These indigenous companies gradually grew to buy off the shares of the foreign companies and then they grew the industry, improving their production techniques and expanding the business. Since then, there has been a marked improvement technologically, the paint production sector has become one of the most important in the country as it is a major contributor to the economy annually.

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The first tier consists of major players and producers of top quality paints like Dulux paints, Berger paints, Meyer paints, IPWA, CAP Plc. and premium paints. They to a large extent control the industry and have been existing for decades as importers of paint products but began to produce locally as the demand increased. These key players worked hard to lay the foundation of the indigenous paint industry and have remained at the top majorly because they have refused to compromise on the quality of their products.

The second tier consists of medium quality paint producers with a lesser control of the market shares. They are mostly private owned companies that operate on a smaller scale than those in the first tier. Finally, the third tier is made up of companies that produce basic quality paint products, they have a considerably larger market than the middle tier producers. This is because their products are usually cheap, affordable and easily accessible.

THE PAINT INDUSTRY IN NIGERIA

As at 2012, the paints and coatings market in Nigeria was worth an estimated \$200 million. Growing by an estimated CAGR of 9.01%, the

market was an estimated \$218 million in 2013 and reached an estimated \$238 million in 2014. Due to a significant number of unorganized players, estimating production capacity and sales volumes are difficult. However, from research and analysis it is estimated that total sales volume per year will be around an estimated 128 million liters.

The Nigerian paint industry, just like every other is segmented into two broad sectors, the organized and unorganized sectors. The organized sector, as you expect, consists of companies who have sufficient capital and an increasingly effective distribution network. A major factor used in establishing the differentiation of market players is access to funds and technical expertise at their disposal which are required for industrial coatings.

Both organized and unorganized players are present in the decorative paints segment. This is majorly because it hardly requires any heavy technological investments. There are also very lenient government policies which allows for new players to enter into the market without much stress. This free market entry has resulted in the presence of a large number of players in the Nigerian paints & coatings industry.

The sector comprises of about five major companies with each company's annual revenues in excess of \$7 million, and numerous small and medium scaled companies nationwide. In 2012, according to Frost & Sullivan, decorative paints & coatings which have a strong correlation with the real estate industry was an estimated 71% of total volume of paints and coatings in Nigeria.

From a detailed survey of the different prices in the different paints and coatings segment, we estimate the decorative segment accounts for an estimated 60% of total sales value. The industrial coatings sector accounts for an estimated 29% of total volume and 40% of total sales value.

**THIS IS NOT THE COMPLETE BUSINESS PLAN FOR PAINT
PRODUCTION**

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