

# China Water-based Coating Industry Report, 2014-2018

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## **STUDY GOAL AND OBJECTIVES**

This report provides the industry executives with strategically significant competitor information, analysis, insight and projection on the competitive pattern and key companies in the industry, crucial to the development and implementation of effective business, marketing and R&D programs.

## **REPORT OBJECTIVES**

- ◆ To establish a comprehensive, factual, annually updated and cost-effective information base on market size, competition patterns, market segments, goals and strategies of the leading players in the market, reviews and forecasts.
- ◆ To assist potential market entrants in evaluating prospective acquisition and joint venture candidates.
- ◆ To complement the organizations' internal competitor information gathering efforts with strategic analysis, data interpretation and insight.
- ◆ To suggest for concerned investors in line with the current development of this industry as well as the development tendency.
- ◆ To help company to succeed in a competitive market, and

## **METHODOLOGY**

Both primary and secondary research methodologies were used in preparing this study. Initially, a comprehensive and exhaustive search of the literature on this industry was conducted. These sources included related books and journals, trade literature, marketing literature, other product/promotional literature, annual reports, security analyst reports, and other publications. Subsequently, telephone interviews or email correspondence was conducted with marketing executives etc. Other sources included related magazines, academics, and consulting companies.

## **INFORMATION SOURCES**

The primary information sources include Company Reports, and National Bureau of Statistics of China etc.

## Abstract

So far, China has become the world's largest coating production and consumption country. In 2014, China's coating output reached 16,482 kt, accounting for 38% of the global total and consisting of 5,357 kt of construction coatings and 11,125 kt of industrial coatings (including 1,780 kt of automobile coatings).

Despite rapid development, China's coating industry is still at the initial stage, with a low penetration rate compared with developed countries. In 2014, China's water-based coating production approximated 1,648 kt, occupying 10% of total coatings, and the market size totaled around RMB46.48 billion. Driven by good policies, especially the Notice of Taxation on Battery and Coating Consumption issued by the State Administration of Taxation, China's water-based coatings are expected to develop at a fast pace, and the penetration rate will be improved.

China's water-based coating market is now dominated by international brands represented by BASF, Axalta and AkzoNobel. Moreover, these major international brands are still expanding their water-based coating capacities in China to further enhance competitiveness.

In January 2014, Axalta invested USD50 million in the construction of a 25 kt/a quality water-based coatings plant in Shanghai. The plant was to be put into operation in 2015.

In November 2014, Akzo Nobel Swire Paints (Chengdu) Ltd started its water-based coating project, and the first phase worth RMB360 million is to be completed in 2015. In May 2015, BASF announced to invest RMB1.06 billion in expanding a 79.5 kt/a automotive coating project, including 9.5 kt/a waterborne colored paint, 5 kt/a solvent-based undercoat, 25 kt/a varnish, and 40 kt/a diluent, expected to go into operation in 2017.

In contrast, the Chinese water-based coating manufacturers are less competitive, with the representative enterprises including Shanghai Kinlita Chemical Co., Ltd. (KNT), SKSHU Paint Co., Ltd, Shenzhen Rainbow Fine Chemical Industry Co., Ltd. and Zhanchen Paints Co., Ltd.

As one of the leading water-based coating producers in China, **KNT** successfully launched 1-generation two-component cathodic electrodeposited coating in 1998, making it the only enterprise with proprietary brand that mass produces cathodic electrodeposited coatings (with an annual output of over 10 kt). In 2015, KNT, together with a subsidiary of Axalta, established a joint venture, in which a 50.1% stake is held by KNT. The new joint venture is mainly engaged in sales of paints and coatings for commercial trucks.




**SKSHU** has 4 wholly-owned subsidiaries, whose products cover a full range of coating products, including home-decoration coatings, construction coatings, and carpentry paints. In 2014, the company's water-based coating output totaled 112.5 kt, which generated revenue of about RMB680 million. In the same year, SKSHU filed for an IPO and raised funds to expand an 80 kt/a water-based coating project.

**Zhanchen Paints** has 7 major production bases nationwide. Up until now, it has obtained 235 rights of invention patent and invention patent application, and has participated in formulating and revising 19 national coating industry standards. In 2014, the company's revenue approached RMB1.8 billion. In January 2015, the company announced to resume the IPO program, and it is now preparing for the application materials.

China Water-based Coating Industry Report, 2015-2018 is mainly concerned with the following:

- Development of global water-based coating industry, including development status market size, etc.;
- Development of China's water-based coating industry, including development status, related policies, market size, import and export, competition pattern, etc.;
- Forecast and outlook of China's water-based coating industry, operation of major enterprises, as well as development of upstream and downstream sectors;
- Operation and water-based coating business of top 10 players in China.

## Major Chinese Water-Based Coating Companies and Their Developments

Company	Headquarter	Developments
 <b>KNT</b>	Shanghai	Shanghai Xinlita Chemical Co., Ltd. is the largest green automotive water-based coating company in China. In early 2015, it set up a joint venture (registering a <b>50.1%</b> stake) with Axalta to engage in the sales of coatings and varnishes for commercial truck industry.
	Putian	SKSHU Paint Co., Ltd has <b>4</b> wholly owned subsidiaries. In 2014, its water-based coating output reached <b>112</b> kt; the same year, SKSHU applied for an IPO; fund-raising projects proposed included <b>80</b> kt/a water-based coating expansion project.
	Shenzhen	Shenzhen Rainbow Fine Chemical Industry Co., Ltd is a listed company focusing on environmental functional coating. As early as in 2008, its developed water-based wood coatings completed the lab test and appeared on the market in small quantities; in 2009, the small-lot production of water-based spray coating went ahead; moreover, the company has also developed water-based formaldehyde-cleaning coatings.
	Yantai	Wanhua Chemical is one of the world's most competitive MDI manufacturers, concurrently engaged in water-based coatings and other functional materials. In 2014, its <b>50</b> kt/a water-based coating resin project worth RMB <b>150</b> million was finished. Water-based coating resin devices in Zhuhai, Yantai and Chengdu are expected to be completed and put into operation in the coming years.
	Foshan	Maydos has an annual production capacity of more than <b>200</b> kt and <b>2</b> production bases nationwide, of which, Chengdu Base was put into production in 2015 with a total investment of RMB <b>2</b> billion and an annual capacity of <b>200</b> kt. So far, the company has been authorized by <b>6</b> national patents in the field of water-based architectural coatings and water-based wood coatings.
	Shenzhen	Zhanchen Paints has <b>7</b> production bases in China, with sales approximating RMB <b>1.8</b> billion in 2014. In Jan. 2015, the company announced plans to restart the IPO. Currently it is preparing the application materials.
	Baoding	Hebei Chenyang Industry & Trade Group Co., Ltd is committed to the research, development, production and sales of water-based coatings. It has a capacity of <b>125</b> kt/a water coating and products have passed SGS and TUV certification.
	Jinhua	In 2014, Zhejiang Shenglibang Paint Industry Co., Ltd. earned revenue of RMB <b>34.328</b> million; the same year, the <b>8</b> kt/a water-based automotive coating, <b>5</b> kt/a water-based wood coating and <b>6</b> kt/a water-based UV photocurable coating technological upgrading project phase I worthy of RMB <b>100</b> million was completed.

Source: China Water-Based Coating Industry Report, 2015-2018 by ResearchInChina

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