

## AKZO NOBEL INDIA LTD (AKZO)

Potential transactions announced, likely to enable the sale of decorative paints business

## What changed

Akzo Nobel NV, the parent company of Akzo Nobel India, has requested the Indian arm to consider, evaluate and thereafter, start taking exploratory steps towards:

**Potential transaction #1:** a potential sale of the Company's Powder Coatings business and its International Research Centre (R&D operations) to a separate indirect wholly owned subsidiary of the parent

**Potential transaction #2:** potential acquisition of Decorative Paints Intellectual Property/ies (owned by the parent) by Akzo Nobel India.

## Our view

**On Potential transaction #2:** In October 2024, the parent company announced a strategic review of the decorative paints business in India, to explore various strategic options ranging from partnerships or joint ventures through to mergers or divestments. For any third-party which may be interested to buy the business, an important aspect would be access to the IP related to it. Hence, the potential transaction #2 announced now, seems to be a precursor to the divestment of the decorative paints business of Akzo Nobel India.

**On Potential transaction #1:** Akzo Nobel India's revenue is split 65:35 between decorative paints and industrial coatings. Within the 35% pie of industrial coatings, the company has presence in automotive & specialty coatings, coil & packaging coatings, powder coatings, marine and protective coatings. Of this, the company has stronger presence in automotive, marine and protective coatings. On the other hand, it was in the process of building its position in powder coatings, which was not as strong, owing to lower presence in the mass segment.

We await more clarity from the management regarding the details of these transactions. However, we believe that **the potential transaction #1** could largely be an enabler for the Indian arm to fund the **potential transaction #2**. This in turn would act as a foundation for the sale of the Indian decorative business piece.

## Valuation and view

We have not made any changes to our estimates or valuation at this stage as we await more clarity.

We have been negative on the share due to lack of clarity over how the business would shape up in the coming times, in view of its portfolio review process. We also think there are concerns of possible product mix deterioration going ahead.

**Retaining our valuation multiple at 33.0x and Sep-26E EPS of Rs 104.3, we arrive at a price target of Rs 3,440 (unchanged). This is at par with the CMP. However, we retain our 'Sell' rating on the shares of Akzo Nobel India and will review our estimates and rating post the Q3FY25E results.**

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	38,021	39,616	42,035	46,440	50,155
Growth (%)	20.8	4.2	6.1	10.5	8.0
EBITDA	5,251	6,320	6,369	6,951	7,507
EBITDA (%)	13.8	16.0	15.2	15.0	15.0
Adj. PAT	3,351	4,266	4,209	4,551	4,967
Adj. EPS	73.6	93.7	92.4	100.0	109.1
Adj. EPS Growth (%)	16.1	27.3	-1.3	8.1	9.1
ROE (%)	26.0	32.2	31.8	33.1	33.2
ROCE (%)	30.7	37.2	36.8	38.7	38.9
P/E (x)	56.8	44.6	45.2	41.8	38.3

Sources: Company, ACMIIL Research

SELL

Target: ₹ 3,440

## Key Data

Bloomberg code:	AKZO IN
Target price (₹)	3,440
CMP (₹)	3,420
Upside/ (Downside)	0.6
Rating:	Sell
Shares outstanding (mn):	46
Mcap (₹ bn) :	155
52-week H/L (Rs):	4,674/ 2,267

## Price Performance (%)

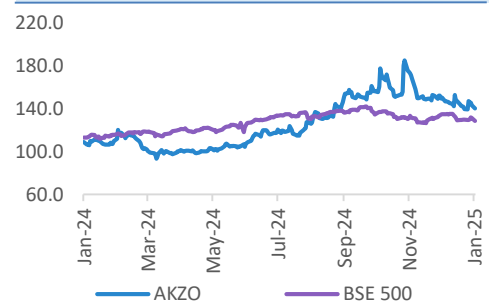
1 month	(6.9)
3 months	(10.0)
12 months	31.8

## Shareholding Pattern (%)

	Mar'24	Jun'24	Sep'24
Promoter	74.8	74.8	74.8
FII's	3.4	3.6	3.8
DII's	8.4	8.3	8.0
Public/other	13.4	13.3	13.4
Pledge	-	-	-

Sources: BSE

## AKZO performance vs. BSE 500



Sources: NSE, BSE

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	$\geq 15\%$
SELL	$< -10\%$
HOLD	$> -10\%$ to $15\%$

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