

## Retail Equity Research

### Akzo Nobel India Ltd

#### Paints/Varnish

**CMP Rs. ₹ 3568**
**Rating: Overweight**
**NSE CODE: AKZOINDIA    BSE CODE: 500710**

Akzo Nobel India exhibited a resilient financial trajectory in CY24 despite quarterly volatility. After a sharp -6% dip in Q1 sales (Mar'24), the company rebounded with sequential growth in Q2 (+6%) and Q4 (+7%), ending the year with ₹1,050.5 Cr in sales—indicating strong demand recovery. Operating profit grew 14% YoY in Q4, aided by effective cost management and easing raw material pressure. The Sep'24 quarter saw a notable earnings dip (-17% net profit) due to margin compression, but the rebound in Q4 (+10% net profit growth) confirms operational agility.

EBITDA margin improved to ~15.9% in Q4 from ~14.8% in Q3, showcasing cost discipline. A decline in other income and a marginal rise in depreciation were offset by strong topline momentum. Interest costs remained negligible. Despite sectoral headwinds, Akzo's FY performance reflects prudent execution and earnings resilience, positioning it well for sustainable mid-term growth in the decorative paints space.

Company Data			
Market Cap (cr)	Rs.	16,138.37	
Enterprise Value (cr)	Rs.	10,387.59	
Outstanding Shares (cr)		4.55	
52 week high	Rs.	4,674.00	
52 week low	Rs.	2,421.00	
1m average volume (lacs)		0.20	
Face value	Rs.	10.00	
	FY22	FY23	FY24
Sales	3148.6	3802.1	3961.6
Growth(%)	30%	21%	4%
EBITDA	457.1	552.5	667.9
EBITDA Margin(%)	14.5%	14.5%	16.9%
PAT	290.00	335.10	426.70
Growth(%)	40%	16%	27%
EPS	63.7	73.6	93.8
P/E	29.9	31.2	25.4
P/B	6.9	8.0	8.2
EV/EBITDA	18.2	18.1	15.6
ROE(%)	23%	25.5%	32%
ROCE(%)	29%	33.9%	42.1%
ROIC(%)	23%	24.9%	31.4%
D/E	0.06	0.05	0.05

#### 1. Strategic Realignment and Asset Transactions:

AkzoNobel India is restructuring its portfolio by selling the powder coating business and the Bangalore Research Centre, while acquiring IP rights for decorative paints valued at ₹11.5 billion. This aligns with the global strategy to sharpen focus on core paints and coatings in South Asia.

#### 2. Strong Financial and Operational Performance:

The company achieved a 6% revenue CAGR and improved EBIT from 8.8% to 13.9% over five years. EPS more than doubled, and consistent dividends totaling ₹13.8 billion were distributed, reflecting robust cash flow and operational efficiency.

#### 3. Resilient Market Position and Growth Outlook:

Despite industry challenges, AkzoNobel India outperformed peers with 4.2% growth in FY24. The brand holds a strong position in decorative paints, and management remains confident about long-term growth, supported by strong R&D and strategic restructuring to boost shareholder value.

## Key Highlights

### 1. Legacy and Global Backing:

Incorporated in 1954, Akzo Nobel India Ltd. (ANL) stands as a formidable player in the Indian paints and coatings industry. As a part of the globally renowned Akzo Nobel Group—the world's largest coatings company—ANL brings international expertise, innovation, and quality standards to the Indian market. The company operates not only as a manufacturer and seller of paints and related products but also provides research and development services to its parent and affiliated group companies, further strengthening its technical capabilities and strategic role within the global Akzo Nobel network.

### 2. Diversified Business Verticals:

Akzo Nobel India has a well-structured business portfolio catering to diverse industry needs through five major verticals. The Decorative Paints division addresses the B2C segment with products for homes and buildings, offering paints, lacquers, varnishes, tinting machines, and color design solutions. The Automotive and Specialty Coatings segment provides OEM and refinishing solutions for vehicles and electronics. Powder Coatings caters to industries seeking durable and environmentally friendly finishes for architectural, automotive, and industrial applications. The Marine & Protective Coatings business ensures surface protection for high-value assets in sectors like oil & gas and wind energy. Lastly, the Industrial Coatings vertical supports the packaging, construction, and domestic appliance sectors with specialized coatings, including wood finishes, adhesives, and metal packaging inks.

### 3. Robust Product and Brand Portfolio:

ANL operates under a multi-brand strategy to serve a broad spectrum of users—ranging from individual homeowners to large-scale industrial clients. For residential applications, its flagship Dulux brand is bolstered by the Dulux Assurance™ warranty program, which includes 17 products for interior and exterior use, and offers up to 15 years of warranty coverage. For institutional buyers and builders, the company offers advanced coating solutions under the Dulux Professional label, including products like Solitaire Stain Resist and Weather Shield Ultra Clean. On the industrial front, Akzo Nobel India markets a wide array of specialty brands such as Interpon, Sik-kens, Butanox, Dry-Flo, and Levasil, delivering performance and reliability across critical industries.

### 4. Strong Manufacturing Infrastructure:

The company's operational strength is further amplified by its strategically located manufacturing facilities. Akzo Nobel India operates five major production units across the country—in Mohali, Thane, Gwalior, Bengaluru, and Hyderabad. These locations enable ANL to efficiently meet both domestic and export demands while maintaining high standards of quality control, environmental compliance, and customer service. This geographically diversified manufacturing base not only enhances logistical efficiency but also supports the company's growth plans across India's rapidly urbanizing and industrializing regions.

### 5. Dominantly Domestic Revenue Model:

Akzo Nobel India's business remains largely India-focused, with about 95% of its revenue in FY24 generated from domestic sales, reflecting its deep market penetration and strong local brand equity. While international sales through exports accounted for approximately 5% of total revenue, the company's core strength lies in serving the diverse Indian consumer and industrial base. In terms of revenue composition, around 97% of earnings were derived from product sales, while services and other operating income constituted around 2% and 1%, respectively. This demonstrates a strong revenue base driven by physical goods, with minimal reliance on ancillary income.

### 6. Innovation and Customer-Centric Strategy:

Akzo Nobel India maintains a sharp focus on product innovation and customer satisfaction. Through initiatives such as color consulting, tinting technology, long-term warranty programs, and training for partners, the company continues to enhance its customer engagement and service delivery. Its R&D activities, both standalone and in collaboration with the global parent, enable it to stay ahead in technology and product development, especially in areas like waterproofing, sustainability, and specialized coatings. This forward-looking approach, combined with robust branding and strong institutional partnerships, positions Akzo Nobel India as a premium and trusted choice across consumer and industrial segments alike.

## Quarterly Financial Consolidated

### Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	1,032.70	973.40	1,036.30	982.30	1,050.50
Growth(%)	8%	-6%	6%	-5%	7%
Expenses	866.30	811.60	867.40	835.90	883.60
Operating Profit	166.40	161.80	168.90	146.40	166.90
Growth(%)	17%	-3%	4%	-13%	14%
Other Income	8.40	10.30	9.70	9.10	6.00
Depreciation	20.10	21.80	21.80	22.20	23.40
Interest	3.20	3.20	2.50	1.50	3.30
Profit before tax	151.50	147.10	154.30	131.80	146.20
Tax	37.70	38.30	39.70	33.90	37.60
Net profit	113.80	108.80	114.60	97.90	108.60
Growth(%)	17%	-5%	5%	-17%	10%

## Financial Consolidated

### Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	2,661.80	2,421.40	3,148.60	3,802.10	3,961.60
Growth(%)	-9%	-9%	30%	21%	4%
Expenses	2,291.40	2,078.00	2,714.20	3,275.90	3,328.40
Operating Profit	370.40	343.40	434.40	526.20	633.20
Growth(%)	8%	-7%	26%	21%	20%
Other Income	41.10	20.60	22.70	26.30	34.70
Depreciation	79.00	75.50	75.90	82.50	82.30
Interest	9.30	10.30	14.50	14.10	12.50
Profit before tax	323.20	278.20	366.70	455.90	573.10
Tax	85.80	70.60	76.70	120.80	146.40
Net profit	237.40	207.60	290.00	335.10	426.70
Growth(%)	13%	-13%	40%	16%	27%

Balance Sheet

(Rs Cr)

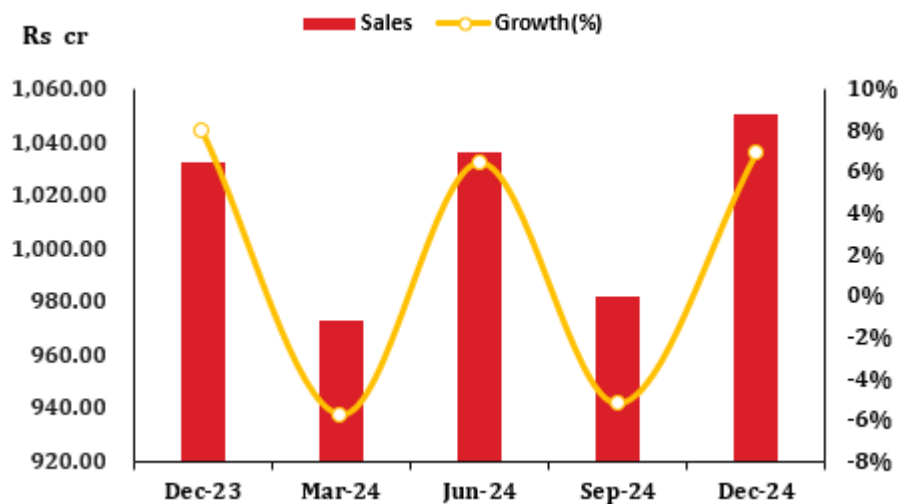
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	45.50	45.50	45.50	45.50	45.50
Reserves	1,191.80	1,242.10	1,213.30	1,270.10	1,283.70
Borrowings	64.30	63.90	70.50	69.70	60.40
Other Liabilities	1,023.80	1,177.70	1,261.20	1,353.90	1,513.40
<b>Total</b>	<b>2,325.40</b>	<b>2,529.20</b>	<b>2,590.50</b>	<b>2,739.20</b>	<b>2,903.00</b>
Net Block	573.50	542.80	520.00	510.70	525.80
Capital Work in Progress	15.90	16.50	41.60	72.70	119.10
Investments	84.00	0.50	-	-	-
Other Assets	1,652.00	1,969.40	2,028.90	2,155.80	2,258.10
<b>Total</b>	<b>2,325.40</b>	<b>2,529.20</b>	<b>2,590.50</b>	<b>2,739.20</b>	<b>2,903.00</b>

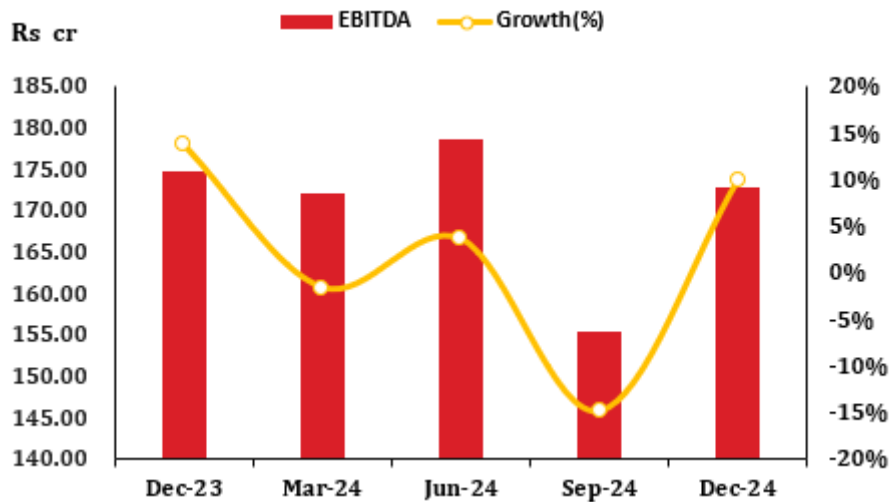
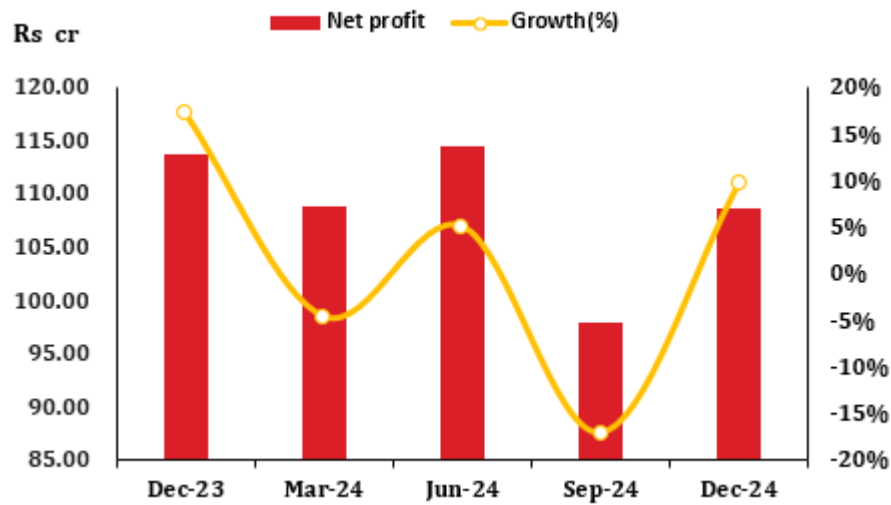
Cash Flow

(Rs Cr)

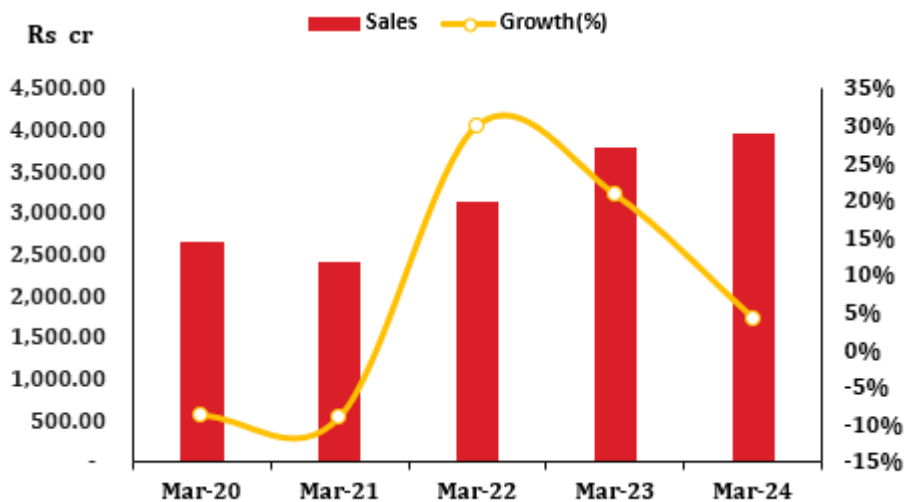
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	374.6	282.7	121.2	486	485.9
Cash from Investing Activity	4.4	-224.7	230.4	-14.8	-87.1
Cash from Financing Activity	-157.3	-173.7	-345.9	-301.7	-439.4
Net Cash Flow	221.7	-115.7	5.7	169.5	-40.6

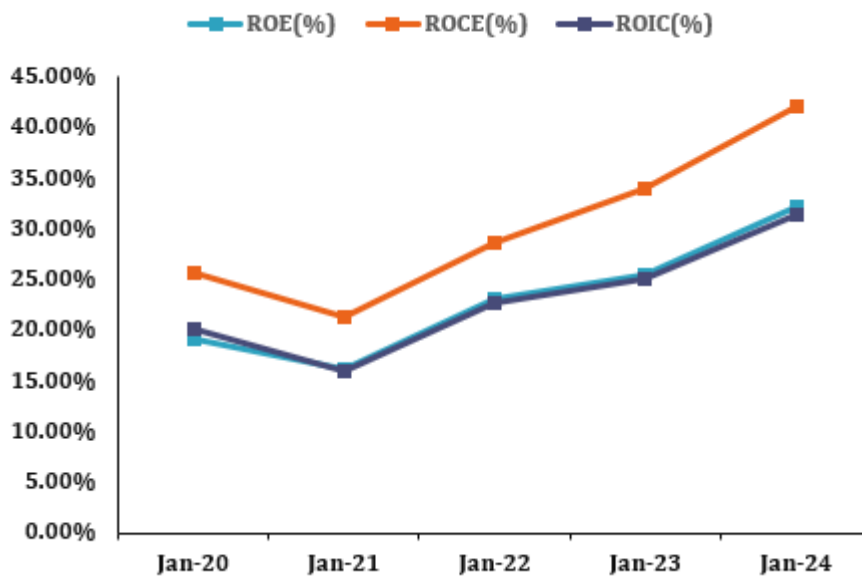
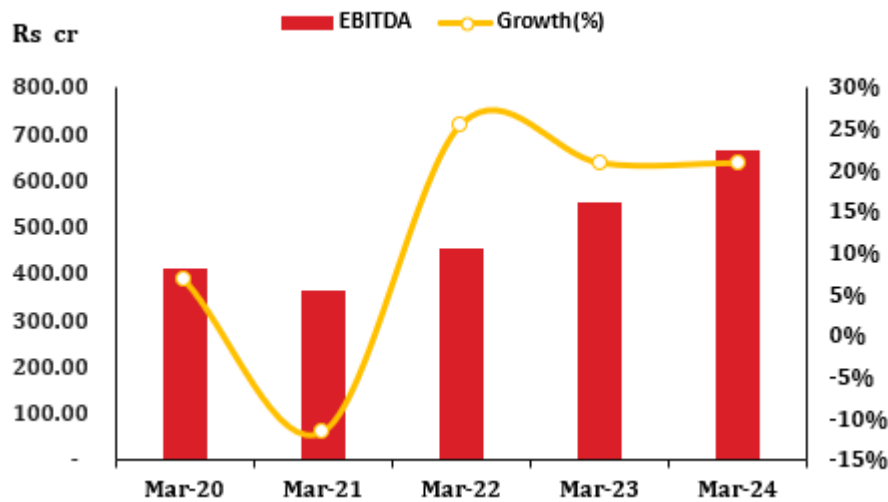
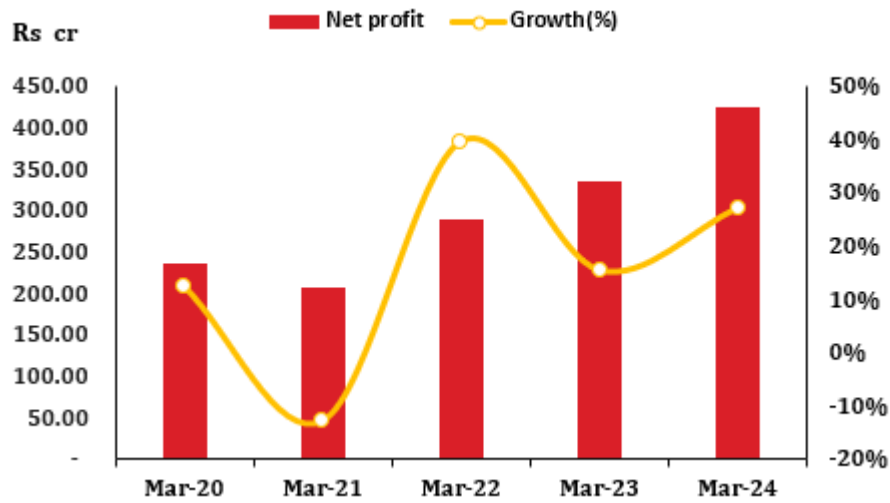
Key Metrics: Quarterly





### Key Metrics: Yearly





**Key Ratio:**

<b>Leverage Ratios</b>	<b>Mar-20</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24</b>
D/E	0.05	0.05	0.06	0.05	0.05
Debt/Assets	0.03	0.03	0.03	0.03	0.02
Debt/Ebitda	0.16	0.18	0.15	0.13	0.09
Debt/Capital Ratio	5%	5%	5%	5%	4%
Cash flow/Debt	5.83	4.42	1.72	6.97	8.04
Interest coverage ratio	35.75	28.01	26.29	33.33	46.85
Sales Change	-9%	-9%	30%	21%	4%
Ebit Change	4%	-13%	32%	23%	25%
Operating Leverage	-0.93	0.81	0.88	1.02	4.85
Financial Leverage	1.88	1.96	2.06	2.08	2.18

<b>Efficiency ratios</b>					
Receivable days	54	62	57	53	53
Receivable turnover	6.72	5.86	6.35	6.88	6.88
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	5	4	4	5	5
Net Fixed assets turnover	4.64	4.46	6.06	7.44	7.53
Sales/capital employed	2.05	1.79	2.37	2.74	2.85
Total Asset Turnover	1.14	0.96	1.22	1.39	1.36

<b>Profitability ratios</b>					
Ebitda	411.5	364	457.1	552.5	667.9
Ebitda margin	15%	15%	15%	15%	17%
Gross Profit	1173	1017.6	1175.9	1372.9	1553.7
Gross Profit Margin	44%	42%	37%	36%	39%
EBIT	332.5	288.5	381.2	470	585.6
EBIT Margin	12%	12%	12%	12%	15%
ROE	19%	16%	23%	25%	32%
Net profit margin	9%	9%	9%	9%	11%
EPS	52.18	45.63	63.74	73.65	93.78
DU Pont ROE	19%	16%	23%	25%	32%
Net Profit Margin	9%	9%	9%	9%	11%
Sales/Total assets	1.14	0.96	1.22	1.39	1.36
Financial Leverage	1.88	1.96	2.06	2.08	2.18
DU PONT ROA	10%	8%	11%	12%	15%
Net Profit Margin	9%	9%	9%	9%	11%
Sales/Total assets	1.14	0.96	1.22	1.39	1.36

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	17%	15%	22%	25%	32%
EBIT Margin	12%	12%	12%	12%	15%
Sales/cap employed	2.05	1.79	2.37	2.74	2.85
NOPAT	244.23	215.29	301.47	345.46	436.01
Capital employed	1301.6	1351.5	1329.3	1385.3	1389.6
ROIC	19%	16%	23%	25%	31%

Valuation Ratios					
Price/Earnings	42.42	50.32	29.94	31.24	25.43
Price/Book	8.14	8.11	6.90	7.96	8.16
Marketcap	10,069.38	10,447.03	8,683.90	10,467.50	10,850.39
Enterprise Value	9,581.08	9,778.43	8,296.80	9,974.00	10,387.59
EV/EBITDA	23.28	26.86	18.15	18.05	15.55



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