

12<sup>th</sup> March 2025

Department of Corporate Services  
BSE Limited  
1st floor, New Trading Ring  
Rotunda Building, P J Towers  
Dalal Street, Fort  
Mumbai - 400 001  
Scrip Code: 500710

The Listing Department  
National Stock Exchange of India Ltd.  
Exchange Plaza, 5th floor,  
Bandra-Kurla Complex  
Bandra (E)  
Mumbai – 400051  
Symbol: AKZOINDIA

Dear Sir/Madam,

**Sub: Group Investor Call Transcript**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the group investor call conducted by the company on 7<sup>th</sup> March 2025.

This has been uploaded on the Company website also and can be accessed through the link:  
<https://akzonobel.co.in/investors.php#im>

Kindly take the aforesaid information on record.

**Thanking you.**

**Yours truly,**  
For Akzo Nobel India Limited

Rajiv L. Jha  
Company Secretary & Compliance Officer  
Membership No. F5948

Encl : as above.

MANAGEMENT: Rajiv Rajgopal - Chairman and Managing Director  
Rajiv Jha - Company Secretary and Compliance Officer  
R. Krishna - Chief Financial Officer  
Rohit Totla - Wholetime Director

## Presentation

**Rajiv Rajgopal:** Good evening. Wonderful to be here. My name is Rajiv Rajgopal. I'm the Chairman and Managing Director of AkzoNobel India Limited. One of the reasons we are here, of course, thank you all for taking time and coming. Good to see all of you. Good to see a lot of smiles on the faces, particularly your time.

Look, the purpose of today is first, if I can request all the shareholders within this group to kindly put up their hands so that at least we know how many is there only one shareholder in the entire group? Are there any other shareholders in the group, holding shares of AkzoNobel? Two. Okay. So listen. What we've got is we will just take 10 minutes, one, two, or recent things so that our shareholders get an idea of what the transaction is and then we will quickly finish this.

It will take about 15 minutes since only two people are there. If you have any questions, do reach out to Rajiv Jha, the Company Secretary and Compliance Officer. So first, good evening, and welcome to all of you. I'm joined in this meeting by R. Krishna, CFO, AkzoNobel India Limited, Rohit Totla, who's the Executive Director and is also what we call the Marketing and Sales Unit Director for the decorative paint business.

Rajiv Jha is the Chief Compliance Officer and Company Secretary of your company. Our attempt today is to first just talk about the recent post that we did on the BSE and NSE stock exchanges and notification in terms of our interest to sell off the powder coating business and our international research centre and buy back the IP rights to decorative paints.

But before I do that, let me hand it over to Rajiv where we quickly run through a safe harbour statement, right and Krishna will thereafter run through the slides. Yeah, Rajiv over to you.

**Rajiv Jha:** Thanks, Rajiv. So as per our process, we are starting with this safe harbour statement that whatever is going to be stated in this meeting, that may vary depending upon many factors. And as far as the strategic review from our parent entity is concerned, we keep updating

the stock market as well as the shareholders about any updates. So, nothing to be relied upon as far as this meeting is concerned. You have to apply your own data analysis. Over to you Krishna.

**Rajiv Rajgopal:**

Thanks, thanks all for joining us in terms of this thing. Couple of ground rules in terms of these conversations. Rajiv has clearly stated what is the safe harbour statements. And, we will confine ourselves to discussing on the proposed transactions. That's the objective of this conversation. And in case if any questions revolving around the transaction, which we are intended to do, which is, then we will take the questions. And then we, of course, we can complete the session.

**R Krishna:**

Thank you. So coming to, previously last time we came to the investors, seeking their special approval in terms of mandate is that in 2017-18, and we intended to diversify the chemicals business with their objective to focus on the core of the paints and coatings businesses. Thereafter, in line with what we explained to the investors during that meeting, we continued our revenue growth trajectory of around 6% in the last five years, CAGR of 6%.

EBIT CAGR had been up from 12% to 15% post divestment. And if you see, we ended up EBIT at around 13.9% in '23-'24 against the 8.8% of the 2017-18. So there is a continuous improvement on a year-on-year basis. It's not built on one year, but it's set of the years. There is a continuous improvement there. And, EPS has significantly shot up from 44 to 94 for a period of time.

And then, we do strongly believe, with the dataset available in the industry that we are best in class industry in the paint scenario in terms of return on capital employed. All these translated into, stronger cash flows, which has been shared with the investors by way of the dividends. And the overall, if I had to get across the period of time, is last five years seems around ₹13.8 billion which stands based around ₹303 per share.

Moving forward, to what has happened during the last year and the last nine months and how well we performed versus the paint industry of the listed space, the top five would have taken. Industry in '23-'24 has grown by around 3.8%, whereas we grew around 4.2%. But clearly shows that we have outpaced the investing and the market share base.

And, as far as the current fiscal nine months is concerned, industry has declined by around 2.7% on back of rainfall and soft economic market conditions. And whereas we continue to go through up albeit, there is

a slight decline, slight gap of the growth percentage, but we still continue with the full position in terms of growth of 2.7%. EBIT percentages, minimum dilution that happened on a year-on-year basis, just 50 basis point versus the 50 basis points of the industry as a core for the nine months.

Moving to next phase in terms of the, what we are trying to do now in today's conversation is that, as you are aware in October '24, AkzoNobel has announced that its intention to do a strategic portfolio review, which was disclosed to the stock exchanges. And the intent of that review is to redeploy the capital towards growing its core paint and coatings business. And with the initial focus of South Asia, this was disclosed.

And there is also a strong clarification which was given during that development. AkzoNobel and we recognise that India is outperforming the industry. It's in the sweet spot in terms of this thing. At the same time, there is a strategic mismatch between the group's priorities versus the India operation. So that is the India operations or the decorative paints for that matter, that has led to this.

And there is, then moving forward, the initial outcome of the okay, so the strategic review continue with the internal assessments in terms of how does the portfolio fix in, where does it fix, what are the gaps? What are the things which needs to be? But then as outcome of that, parent has come back to India entity somewhere in early January asking that they would like to buy out the Powder Coatings business.

And at the same time, they would like to buy out the International Research Centre, which is situated out of Bangalore. And they also proposed that intellectual property along with the brand would be sold to the India subsidiary. So these three things, then, we promptly disclose it to the exchanges and discuss with the board internally.

Then board has authorised the key management person in terms of exploring, taking the necessary next steps and appraisal. So we did started the process in terms of engaging with the consultants and the regulators in terms of what it would entail in terms of the valuation piece. Okay, the rationale piece, another stuff, Rajiv, then I'll come back to the valuation.

**Rajiv Rajgopal:**

So look, I think powder coatings we are designed to keep it, because globally we are a market leader with a market share twice the number two player. And it's got a lot of distinctive technology, raw materials,

etc. which we obviously want to keep it internal. So that's the reason we decided, AkzoNobel decided that they will create another unlisted company in India eventually, yeah, which will house the power coating business.

And along with that, we also told them to keep the R&D centre because it's a cost centre which only does 99% of the work for the global paint, automotive and specialty coatings business unit. And they don't do anything for India. The R&D labs for India in each of the business are separate. Like, decorative is in there, each of the coating business, MPY, marine and protective or industrial coating, the whole VR is in Bangalore. It's a separate team, right?

So this is another team, we said that we had spent about ₹50 crores, etc. So we got two agencies as suggested by the board, by the Chair of Audit, get two agencies. So we got the KPMG and Grant Thornton. Both are very reputed companies in India. And they came with the valuation and moved to the next step.

And, we started working through the valuation, but what to say, what we wanted to do is to sell the two, top one which is in light pink and buy off the one which is highlighted in purple and the net proceeds of that will be given to us. That's why I asked who are our shareholders. Shareholders are going to get quite a bounty. We just gave a huge dividend of, as you know, ₹70 per share for our 70 years of AkzoNobel in India. And over and above this, before the transaction, the global transaction of the company, then the initial dividend that'll come in. And Krishna will walk you through the rationale of how this is done. Krishna?

**R. Krishna:**

Okay. So the valuation exercise is done by two independent SEBI registered valuers, KPMG and Grant Thornton. And while coming to the powder business, it was valued at ₹20.7 billion in a blended source of the market multiple and the discounted cash flows for the future investments. And the range came between ₹20.6 billion to ₹20.7 billion. So we chose the highest from that to get us say consideration for the transaction. And then coming to ₹20.7 billion, then what ₹20.7 billion translates into around 24.5x of EBITDA. It's not the last reported number.

**Rajiv Rajgopal:**

Almost 5x, 4x to 5x.

**R. Krishna:**

5x.

- Rajiv Rajgopal:** which does about 10% of the overall company, so less than sort of 4x
- R. Krishna:** And the R&D centre as Rajiv has explained, it's a captive R&D centre who does the development activities for the automotive and specialty coatings.
- Rajiv Rajgopal:** It's not research, it's more development. There is one only one Senior Manager. Rest are all basically young staff who do a lot of the programs that are written outside. They do it in India, because it's like, obviously, India is a right place for global business in India. They do all the tests in it. That's basically...
- R. Krishna:** So the valuation range is between the...
- Unidentified Speaker:** What was the EBITDA performance for the powder coating business?
- R. Krishna:** EBIDTA multiples is around 25X, 24.5X
- Unidentified Speaker:** Is this trailing EBITDA?
- R. Krishna:** Trailing EBITDA.
- Unidentified Speaker:** 24X now.
- R. Krishna:** So for, as a governance process, the detailed valuation reports are available on request for all the shareholders.
- Rajiv Rajgopal:** For shareholders, if you write to Rajiv Jha, then he give you a copy.
- Unidentified Speaker:** Okay.
- Rajiv Rajagopal:** So together, you have to be a shareholder.
- R. Krishna:** Coming to the valuation of R&D centre, it came landed between the it's a discounted cash flow method and landed between 579 to 700 million, took the highest of that thing.
- Rajiv Rajgopal:** So we've taken the highest of what we sell and the lowest of what we buy. Because we said that's the best for the minority shareholders, right?
- R. Krishna:** Moving forward to the Decorative IP rates, the brand valuation ended up at 11.5 billion. The method here is that royalty relief method. Presently, we do pay a royalty of around 3% of the revenue. Post this

approval and the execution of the transaction, we need not have to pay any royalty. And range of valuation is between 11.5 to 11.8, and decided to be 11.5 by all the process. I do pause here and seek any clarifications, questions in the topic for which we have gathered here through this.

**Unidentified Speaker:** So the IP rate of decorative paint business, which is what it's for the lifetime or any type of...

**R. Krishna:** It's a full transfer for perpetuity

**Unidentified Speaker:** Perpetuity.

**Rajiv Rajgopal:** And India, it covers Nepal, Bangladesh, Bhutan also.

**Unidentified Speaker:** AkzoNobel in future will never enter a decorative business as a fact that...

**Rajiv Rajgopal:** That's nothing to do with the listed entity. We have only done powder. So at the time of the powder business, we had put that there's no compete for three years. That's what we...

**Unidentified Speaker:** for listed company?

**Rajiv Rajgopal:** For the listed company, one we because they are selling that to us. On the other part of the transaction, it's a global transaction. So we have...

**R. Krishna:** So the question is, clear, as far as the IP transfer is concerned, it is coming to the AkzoNobel India Limited as a listed entity, okay? The question of non-compete doesn't arise as AkzoNobel holds 75% of the listed entity.

**Unidentified Speaker:** So when we say IP rights, what are the brands which are coming to?

**R. Krishna:** It's Dulux, predominantly, and there is a list of...

**Unidentified Speaker:** That industrial...

**R. Krishna:** No. Industry. It's only decorative paints.

**Unidentified Speaker:** Okay. Thank you. So the ₹990 crores inflow into AkzoNobel listed companies, pre -tax?

**R. Krishna:** yes, pre-tax.

- Unidentified Speaker:** What is the taxation impact?
- R. Krishna:** Taxation impact could be around 14% of the purchase consideration or the sale consideration. Yeah.
- Unidentified Speaker:** 14% of the sales consideration, purchase consideration you don't...
- R. Krishna:** No. That's due of tax.
- Unidentified Speaker:** Clear.
- Unidentified Speaker:** Can you throw some light on how have we arrived at 11.5 billion for the IP rights?
- R. Krishna:** It's a relief from royalty. As I explained, we do pay a royalty of 3% on the decorative paints sales value. And post this arrangement, once the complete perpetual transfer of the brand and the royalty brand and the IP rights comes into the picture, the royalty cease to exist. So there is a valuation metrics, which has been arrived at based on the future projections and how much is the benefit which comes from that discounted cash flow plan.
- Unidentified Speaker:** What is the asset base of forward projections, which is going along with this?
- R. Krishna:** Rajiv can you come with the detail for valuation, please.
- Rajiv Rajgopal:** When you say asset base...?
- Unidentified Speaker:** The powder business is getting...
- Rajiv Rajgopal:** It is there in the detail, Krishna is right. Like, for shareholders, you could just write to Rajiv Jha. He will submit you.
- Unidentified Speaker:** Okay. One question. In the powder business, does it have any dependency on other businesses? That's for the industrial business?
- R. Krishna:** There's no dependency in technologies, with completely different manufacturing process.
- Unidentified Speaker:** Facilities as well.
- R. Krishna:** Facilities as well largely.

- Unidentified Speaker:** Is this the one which was there in Bhopal?
- R. Krishna:** Gwalior. So we have three sites, one is Bangalore, Thane and Gwalior. Gwalior is a recent one.
- Unidentified Speaker:** Sorry and there's no non-compete estimate, like in the case of powder coatings?
- R. Krishna:** The Powder Coatings business is concerned. Business transfer agreement would be AkzoNobel India Limited as it's divesting the powder coatings though AkzoNobel NV would not be participating in the powder coatings business for the next 36 months post execution.
- Rajiv Rajgopal:** Yeah. That's a transaction between the parent and us. The other transaction has nothing to do which we are completing.
- Unidentified Speaker:** I feel it's only until brand transfer, not, let's say, any knowledge transfer.
- Rajiv Rajagopal:** What do you mean by that?
- R. Krishna:** Including the knowledge transfer?
- Unidentified Speaker:** Just in terms of...
- Rajiv Rajagopal:** Oh, everything is included.
- Unidentified Speaker:** Incrementally, what would be parent, let's say in that time share with you? Would they guide you any manufacturing know how excellence?
- Rajiv Rajgopal:** Currently there is no knowledge transfer, over the last three years, our R&D, we've built a very strong capability in R&D India. And suffice to say, the R&D India today needs the thought leadership, on many of the new products, formulations, etc. So it's been a reverse brain. So there's limited. Like, for example, the entire Aquatech, Dulux Aquatech waterproofing portfolio has been created and crafted in India. There's no knowledge transfer that's happening.
- Rajiv Rajgopal:** Any other questions on the topic? Happy to clarify.
- Unidentified Speaker:** The R&D facility that we now sell to the listed subsidiary. Was it the cost of making entity or was it...?

**Rajiv Rajgopal:** It's a completely captive consumption centre. So it's the cost of the R&D facility which we run in Bangalore. The entire cost gets recharged to the Netherlands pass through.

**Unidentified Speaker:** Pass through is a markup.

**Rajiv Rajgopal:** So the 12% markup is a profit which was realised in the listed entity.

**Unidentified Speaker:** But not a very significant markup.

**Rajiv Rajgopal:** Any questions, particularly from the two shareholders? Of course, good happy to take the questions from everyone.

**Unidentified Speaker:** Yeah. Yeah.

**Unidentified Speaker:** But it's not as simple as it is because remember that it's not really from royalties. It's not just 10 years, because the decor royalties approximately ₹68 crores or ₹69 crores. It's also growth. So there is a factor of growth for the next five years of 11%. The rate of market and then the technical. So there's a calculation. That's why, in the interest of time, it's better that Rajiv sent that note. You read that note. It will explain to you how it's selected.

**Rajiv Rajgopal:** Yeah. Good. So are we done with this? Then we can sort of close this session and move to any other questions that you may have. As just Rajiv mentioned in the beginning, we are not going to talk too much about forward statements, etc, because the purpose was really to meet all of you and run you through what our thinking is.

But happy in since we are here to take questions that you may have. Any other questions of the business or anything else with us? We are also having interaction with all our investors on opportunity basis, we'll start do that, right?