



## 3M INDIA LIMITED

### TRANSCRIPT OF THE 33RD ANNUAL GENERAL MEETING OF 3M INDIA LIMITED HELD AT 3.15. P.M. IST ON WEDNESDAY, AUGUST 26, 2020 THROUGH VIDEO CONFERENCING

Proceedings starts at 3.15 P.M. instead of 3.00 P.M.

**Biren Gabhawala:** Chairman of Audit Committee and Nomination & Remuneration Committee

Good Afternoon Ladies and Gentlemen,

Sorry for the delay in holding the AGM because of some technicalities. Mr. Bharat Shah, Chairman of the Board is unable to join the meeting. However, I have been requested to become the Chairman of the Meeting and I will conduct the Meeting.

I am Biren Gabhawala, joining from Mumbai. In accordance with Article 84 of the Articles of Association, as the Chairman of the Meeting, let me occupy the Chair.

On behalf of the Board of Directors of the Company, I extend a very warm welcome to all of you to this 33rd Annual General Meeting and the first AGM of your Company being held thru Video Conference. I hope you and your family are taking necessary precautions to remain safe and healthy during the ongoing Covid19 Pandemic.

Srini, can you confirm, whether the requisite quorum is present.

**Srinivasan:**

Yes Biren, the requisite quorum is present to start the proceedings.

**Biren Gabhawala:**

Thanks, Srini . I call the meeting to order, as we have the requisite quorum present through video conferencing to conduct the proceedings of this meeting. Participation of Members through Video Conferencing is being reckoned for the purpose of quorum as per the circulars issued by MCA and as per Section 103 of the Companies Act, 2013. This meeting is being held through Video Conference in accordance with the circulars issued by the Ministry of Corporate Affairs and SEBI. Before we start the main proceedings of the meeting, May I take this opportunity of introducing my colleagues on the Board of your Company and other participants who are participating in this Video Conference.

I will request the Participants to raise their hand for identification

Ms. Radhika Rajan, Independent Director, participating from Mumbai.

Mr. Amit Laroya, Non-Executive Director, participating from Seoul, South Korea.

Mr. Jongho Lee, Non-Executive Director, participating from Singapore.

Mr. Ramesh Ramadurai, Managing Director participating from the Corporate Office, Bengaluru.

Ms. Mamta Gore, CFO, participating from Dubai.

Mr. V. Srinivasan, Company Secretary and Compliance Officer participating from the Corporate office, Bengaluru.

I further acknowledge the participation of Mr. Vikash Gupta representing Messrs. BSR & Co., LLP, Statutory Auditors participating from Bengaluru, Mr. Vijayakrishna K.T. Secretarial Auditor. participating from Bengaluru and Mr. Murali Krishna, Cost Auditor representing Rao, Murthy & Associates, participating also from Bengaluru.



I now request Srin, Company Secretary, to provide general instructions to the Members regarding participation in this meeting. Srin,

**Srinivasan:**

Thank you, Biren.

Good afternoon everyone.

- The Company has enabled the Members to participate at the 33rd AGM through the Video Conferencing facility provided by KFin Technologies Private Limited, Registrars and Transfer Agent in compliance with the applicable circulars issued by the Ministry of Corporate Affairs and SEBI.
- The proceedings of the AGM are also being web-casted live for all the Members.
- Members have been provided with the facility to exercise their right to vote by electronic means, both through remote e-voting and e-voting at the AGM in accordance with the provisions of the Companies Act, 2013 and SEBI Listing Regulations.
- The Members joining the meeting through Video Conferencing, who have not already cast their vote by means of remote e-voting, may vote through InstaPoll e-voting facility provided by Kfin.
- The Company has appointed Mr. Vijayakrishna K.T, Practising Company Secretary, as the Scrutinizer who will collate the voting results of the remote e-voting and the InstaPoll for each of the items as per the Notice.
- Representation under Section 113 of the Companies Act, 2013, has been received in respect of 75% Share Capital held by 3M Company, USA.
- The Register of Directors and Key Managerial Personnel, the Register of Contracts or Arrangements, has been made available electronically for inspection by the Members during the AGM. Members seeking to inspect such documents can send their requests to investorhelpdesk.in@mmm.com
- As the AGM is being held through video conference, the facility for appointment of proxies by the Members was not applicable and hence the proxy register for inspection is not available.
- Members are requested to refer additional information provided in the Notes to AGM Notice.
- Some of the members have already registered themselves as speakers for the meeting. Accordingly, the floor will be open for these members to ask questions or express their views. The moderator will facilitate this session once the Chairman opens the floor for questions.

Thank you very much. I now hand over to Biren to continue with the proceedings.

**Biren Gabhawala:**

Thank you, Srin. The Company has taken all the efforts feasible under the circumstances to enable Members to participate and vote on the items being considered at the meeting.

I will now read the Chairman Speech.

Dear Shareholders of the Company,

On behalf of the Board of Directors of 3M India Limited, I am happy to welcome you all to the Thirty Third Annual General Meeting of your Company through Video Conference and Other Audio-Visual Means. Thank you for your presence here today. I trust the Notice convening the Meeting, the Boards' Report and the Audited Standalone and Consolidated Financial Statements together with the Auditor's Report for the year ended March 31, 2020, which was sent electronically on July 21, 2020 well in advance, have been with you for some time now.



First let me cover the changes in the composition of the Board of Directors during the Financial Year(FY) 2019-20 and first quarter of FY 2020-21:

- Ms. Debarati Sen, Non-Executive Director resigned as Director of the Company from the closing hours of March 02, 2020 due to her global role, travel related and other commitments in the United States with her engagement with 3M Company, USA.
- Ms. Sadhana Kaul, Non-Executive Director resigned as Director of the Company from the closing hours of May 05, 2020 as she had decided to pursue her career outside of 3M Group.

The Board places on record its appreciation for the contributions made by Ms. Debarati Sen and Ms. Sadhana Kaul to the progress of the Company during their tenure as Directors.

- Mr. B.V. Shankaranarayana Rao, Whole-time Director of the Company superannuated from the Company from the closing hours of May 13, 2020 after a long association of 30 years of service with the Company.

The Board places on record its appreciation for the contributions made by Mr. Shankar to the progress of the Company during his tenure as Chief Financial Officer and as a Director.

- As you all know, Mr. Bharat Shah was re-appointed for a second term as a Non- Executive Independent Director by the Members of the Company by way of a Special Resolution through Postal Ballot Notice dated February 11, 2020. The results of the voting by Postal Ballot were announced on March 26, 2020.
- At the Board meeting held on August 13, 2020, Mr. James Ernest Falteisek was appointed as an Additional Director categorized as Non- Executive Director and Ms. Mamta Janak Gore, the present CFO of the Company was appointed as an Additional Director and Whole-time Director from September 1, 2020.

I would like to extend a warm welcome to Mr. Jim Falteisek and Ms. Mamta Gore to the Board.

Coming out of a difficult year, and moving into an uncertain period, your Company registered a modest performance while focusing on strengthening the portfolio mix, maintaining fiscal prudence and cash flow management through most of Financial Year 2019-20. Your Company's revenue from operations on a standalone basis de-grew by 1.56% and on a consolidated basis de-grew by 1% for the financial year ended March 31, 2020. The operating margin on a standalone basis for the current year was 13.59% when compared to 19.02% for the previous financial year and on a consolidated basis, it was 16.34% for the current year vs 18.75 % for the previous financial year. Mr. Ramesh Ramadurai, Managing Director, will cover the details of the financial performance of the Company for the FY2019-20 and for the 1st Quarter of 2020-21 in his speech separately.

Ladies and Gentlemen ,the COVID-19 crisis is a societal crisis threatening lives and the wellbeing of our society with a potential to fundamentally reshape the world. In India, we have crossed the 32 lakhs mark in number of cases with more than 58000 fatalities. The economic fallout of this crisis is inevitable. With more than 90% of the World's GDP in lockdown at some time or the other in the last few months, this is having a far-reaching impact on world economy. The International Monetary Fund pegs the cumulative output loss over 2020 and 2021 from the pandemic crisis at around \$ 10 trillion.

The Indian government took several steps to provide relief to the most vulnerable sections of the population by providing food grains and other support. The Government also announced steps to provide credit facility access to various sectors of the economy, viz., providing collateral-free automatic loans to MSME (Micro Small & Medium Enterprises), setting up liquidity facilities and providing partial credit guarantees for NBFCs (Non-Banking Financial Company), and others. These were steps in the right direction.

I would like to commend the leadership and employees of your Company for a comprehensive response during the new and unprecedented challenges during the period March – June 2020. Actions were undertaken to protect employees and ensure business continuity through a smooth transition to work



from home. Medical and safety products were prioritized to nodal government agencies and hospitals overcoming supply chain disruptions. The employees of the Ranjangaon Plant did an incredible service by supporting critical manufacturing lines to ensure essential supplies throughout the lockdown period. Humanitarian support was also extended to local communities affected by lockdown restrictions with timely food security initiatives.

Ladies and Gentlemen, as the global uncertainty continues due to the COVID-19 situation, your Company shall continue to focus on Business Continuity, emphasis on Cash Flow, and strengthen Customer engagements through virtual campaigns. Additionally, our India portfolio, focused on sectors like Healthcare, Consumer, Energy, etc., will be aligned with the current priorities, as well as early recovery.

As I conclude, Ladies and Gentlemen, I would like to express our sincere thanks to the Government of India and the State Governments of Karnataka, Maharashtra and Gujarat for their continued support. My thanks also go to our customers, dealers, suppliers, bankers, shareholders, 3M Company, USA and other 3M Group Companies worldwide for their support and co-operation.

On behalf of the Board, I convey special thanks and appreciation to the employees of the Company at all levels for their hard work, dedication and commitment and extend my gratitude to my fellow Directors on the Board for their counsel and commitment to the Company.

And of course, Dear valued shareholders, I once again look forward to your continued support and goodwill that provide us the encouragement and motivation to take 3M India to greater heights and looking forward to meeting you in person next year.

I would now like to invite Mr. Ramesh Ramadurai, Managing Director of the Company to speak about the performance and various other initiatives of the Company during FY 2019-20 and of 1st Quarter of FY 2020-21. Ramesh,

Video is played

**Ramesh Ramadurai:**

Thank you, thank you, very much Mr. Biren Gabhawala before I proceed, I will request the Moderator to confirm the audio check is fine.

**Moderator:**

The Audio is fine Sir, very clean.

**Ramesh Ramadurai:**

Thank you very much.

Dear Shareholders of the Company,

Suswagata! Namaskara! Namashkar!

Good afternoon & welcome to the 33rd Annual General Meeting of your company, conducted virtually for the first time in today's extraordinary circumstances. I hope all of you are staying safe and well. It is my honor to serve as your company's Managing Director and to present an overview of our performance in the last financial year and our overall response to the current COVID situation.

At the outset, I would like to reinforce our safe harbor statement.

"In today's presentation there may be some predictive statements that reflect our current views about 3M India's future performance, but these are subject to risks and uncertainties".



The theme for our 2019-20 annual report is “Resilience for Sustainable Growth”. We have been operating in a volatile and uncertain environment for some time now and the global pandemic has challenged us to adapt and be resilient through this. As a company, our constant endeavor has been to adapt quickly with a focus on mitigating the near-term impact while positioning our business for sustainable growth, as we come out of the crisis.

Across the world, 3M is at the forefront of fighting the global pandemic from many angles. 3M India stays true to the vision of the company to improve lives by prioritizing people at the heart of this crisis. Our response was anchored around three broad actions:

1. Protecting our employees.
2. Ensuring supplies of essential commodities for those who need them the most.
3. Supporting our communities to brave the challenges arising due to this crisis.

I will expand on each of these three responses, and the specific actions we have been taking.

First, our top priority was the safety of our employees. Our employees quickly adjusted to remote working and ensured business continuity. Our customers and partners have also supported us through this period. We will follow a phased approach to return to work at office locations. We have put in place strong, globally designed, workplace safety protocols to protect our employees at all our factories and offices.

Second, ensuring supplies of essential commodities: As a leading manufacturer of personal safety equipment, our solutions were deployed to help fight the pandemic around the world. Globally, our parent company significantly ramped up production capacity of respirators to meet the increased demand.

In India, our manufacturing facility at Ranjangaon (Pune) operated through-out the lockdown period, thanks to the commitment of our factory team. This ensured we were able to keep continuity of supplies of essential commodities such as respirators and hand-sanitizers.

The early days of the lockdown were particularly challenging with disruptions in supply chains and transportation of raw material and people. We are very thankful to the central and state governments as well as the local authorities where our plants are located, for their tremendous support, without which we could not have kept our operations running. We are also thankful for the excellent support from our suppliers, service providers, and our business partners.

As a result of all of these efforts, we are very proud to inform you that your company has increased the supply of N95 and equivalent masks, from less than 5 lakh pieces in April 2020 to about 50 lakh pieces in the month of July 2020. This was possible, as mentioned before, by the intense efforts of our factory team in Ranjangaon (Pune), as well as strong support from 3M’s overseas manufacturing locations. This also demonstrates the strength of your company to leverage both its local and global networks to contribute appropriately to the ongoing crisis. We prioritized these supplies to hospitals and the healthcare sector, nodal government agencies, and certain critical industries.

Third, community support: Since the COVID-19 outbreak, your company has taken up several community-support programs through our CSR initiatives. We provided support to stranded migrant worker families near our factory site with cooked food and dry rations. We have expanded this program to other locations as well. We are also providing critical equipment necessary for COVID care to certain government hospitals in five cities, to help improve their capacity, and more such actions.

I will now turn to your company’s performance in the financial year ended March 31st, 2020.

The Indian economy was softening sequentially throughout the year 2019-20, with declines in automotive production, broad-based declines in industrial production, and a tightening credit situation. The IIP for 2019-20 was -0.7%. GDP also declined from around 5.2% at the beginning of the year to about 3.1% in the fourth quarter of 2019-20. Both these indices were substantially weaker than the prior year 2018-19.



Under these conditions, on a consolidated basis, we delivered sales of Rs. 2987 crores, 1% lower than previous year, with EBITDA of 16.3%. We delivered a PBT of Rs. 433 crores at 14.3%. Profit after tax from continuing operations was Rs. 322 crores.

In the face of weak external market conditions, we exercised good discipline in managing all aspects of our costs, with a reduction of 14% in consolidated other expenses excluding employee and material costs.

As you know, we operate in four business segments. Safety & industrial contributed to 38% of our 2019-20 consolidated revenue mix, transportation & electronics 35%, healthcare 16% and consumer 11%. There was no material change in the segment mix versus prior year. Safety & industrial delivered a negative growth of 4.3, while the other business segments grew between zero to a little over 5%.

Even in the face of headwinds in the economy, your company achieved several notable milestones in the financial year 2019-20.

1. We opened our third Customer innovation center to expand our presence and proximity to our customers in the Western region. The center showcases the diversity of our solutions with examples of our science at work.
2. We continued to provide science-based solutions to help our customers. Examples include road safety solutions for rural areas, personal protective equipment for factory & health workers, solutions to protect commercial assets from fire hazards and leveraging the 3M Design Center.
3. Our work was recognized both nationally and internationally. Some awards I would like to highlight include:
  - a. Gold award for Manufacturing Excellence by Frost and Sullivan for the second year in a row.
  - b. An innovation developed by our India R&D team earned an honorable mention in Fast Company's World Changing Ideas in the Energy category.
  - c. 3M Company worldwide was recognized for the seventh consecutive year by Ethisphere® as the World's Most Ethical Company, underscoring our unwavering commitment to ethical practices.
  - d. Recognized as amongst the Top 100 companies for women in India, by Working Mother and AVTAR.
  - e. Recognized by Forbes India recently as among the Top 120 companies for our performance & contributions under challenging conditions due to COVID.

I am pleased to inform you that your company deployed 100% of the CSR budget for FY 2019-20. As in prior years, we supported programs in Education, Community and Environment, many of which have multi-year funding to make a sustainable impact. Project Nanhi-Kali is educating over 2000 girl children and ensuring they stay in school for the two academic years we have supported them. Project PAHAL continues to provide skilling and training to women community health care workers to deliver last mile health care services to communities. And we launched a new initiative to strengthen road safety education and provide additional safety infrastructure for school zones.

Let me now turn to the first quarter of FY 2020-21.

Due to the pandemic related lockdown, we experienced sharp declines across all our end-user market segments. IIP declined to unprecedented levels during the quarter due to the pandemic. From a low of -58% in April, IIP recovered to -34% in May and -16.6% in June. Your company was also affected by these conditions. April sales was limited only to the essential commodities of respirators and hand-sanitizers. We experienced sequential improvements in May and June, but the overall market conditions were challenging. We delivered consolidated sales of Rs. 346 crores, a decline of 57% over the same quarter prior year. The reduction in sales resulted in PBT loss of Rs. 58 crores consolidated.



During the quarter, we maintained a strong focus on managing our cash position and our costs. With this focus, our expenses excluding employee costs reduced about 30% versus prior year. Our cash position also improved about 8% consolidated by end-June 2020 versus end-March 2020.

Growth is the lifeline of any company, and crucial for our long-term success. The breadth of technologies, the breadth of our product portfolio, our strong financial position, and an engaged and committed team of 3Mers – all of these give us the ingredients which are essential for a resilient company. Our focus is to leverage these strengths to position ourselves for sustainable growth. Our prioritized actions will deliver outcomes both in the short term and beyond. I would like to highlight a few:

- We are conducting several virtual customer engagement programs around the themes of safety, sanitization and hygiene, leveraging our product portfolio.
- Our teams are working with great agility to capture the momentum in eCommerce, as well as the recovery in general trade consumer businesses.
- Our new products in the areas of vehicle interior cleaning for the aftermarket segment, road safety products, new multi-pack sku's for consumers are just a few examples.
- We are also executing new local manufacturing projects to expand capacity for the manufacture of hand-sanitizers, certain types of disinfectants, and BS-VI compliant emission control materials.
- We are also staying close to customers in key sectors where the Government has provided a strategic thrust through the Production Linked Incentive programs, such as smartphone manufacturing.

3M India benefits substantially by being a part of the global 3M network and having access to various capabilities. It gives us access to intellectual property and differentiated product portfolio. We also benefit from global and regional capabilities in digital infrastructure resources, digital marketing capabilities, common platforms for data analytics, to name a few. We also share in the global IT infrastructure.

Despite the current challenges, the India market opportunity remains attractive, and I have outlined several areas we are focusing on. And, with the resources and capabilities available to us, both within the country and from the parent 3M Company, we will continue to build your company for the future.

In closing, I would like to express my gratitude to you, our shareholders for placing your trust and confidence in the company. I thank the Board of Directors for their guidance and support. I would like to express our sincere thanks to the Government of India and the State Governments for their continued support, and especially during the lockdown. My thanks also go to our customers, partners and our employees for staying strong and resilient during this time.

Thank you and stay safe.

I now hand it back to Mr. Gabhawala.

**Biren Gabhawala:**

Thank you, Ramesh,

We will now resume with the proceedings.

As the Notice is already circulated to all the members, May I please take the Notice of the Meeting as read.

As there are no qualifications or observations or comments in the Independent Auditors' Report, both in Standalone and in Consolidated and in the Secretarial Audit Report, with the consent of the Members, May I take the Independent Auditors Report and Secretarial Audit Report as read.



As per the Secretarial Standards, I will request Mr. Srin, Company Secretary of the Company to briefly explain the background of all the Five (5) resolutions proposed to be passed at this AGM for the benefit of all the Members present. Srin,

**Srinivasan:**

Thank you, Sir.

The Resolution Details:

ORDINARY BUSINESS: (Ordinary Resolutions)

- 1 Adoption of Standalone Financial Statements for the year ended March 31, 2020.
- 2 Adoption of Consolidated Financial Statements for the year ended March 31, 2020.

The financial year of the Company was April to March. Accordingly, the Standalone and Consolidated financial statements have been prepared for April 1, 2019 – March 31, 2020. Accordingly, the Standalone and Consolidated Financial Statements together with the Board's Report, Secretarial Auditor Report and the Auditor's Report, are placed before the Members for consideration and adoption as Ordinary Resolutions No. 1 and 2.

- 3 Re-appointment of Mr. Amit Laroya.

1/3rd of total number of Directors who are liable to retire by rotation are liable to retire by rotation at each AGM. Accordingly, Mr. Amit Laroya retires at this AGM and seeks re-appointment.

SPECIAL BUSINESS: (Ordinary Resolutions)

- 4 Ratification of remuneration payable to Messrs. Rao, Murthy & Associates, Cost Auditors.

The Board of Directors has fixed a remuneration of Rs. 4,75,000/- as fees payable to Cost Auditors for conducting Cost Audit of 9 products for the financial year 2020-21. In terms of Section 148 of the Companies Act, 2013, remuneration payable to Cost auditors is required to be ratified by the Members. Hence the resolution is set forth for your approval.

- 5 Approval of estimated Material Related Party (RPTs) Transactions for Three (3) Financial Years from April 1, 2020 to March 31, 2023.

As per the provisions of the Companies Act, 2013 and Listing Regulations, all RPTs require approval of the Members by an Ordinary Resolution. Based on past trend, the transactions estimated Material Related Party Transactions for the Three (3) Financial Years from April 1, 2020 to March 31, 2023 would require approval of the Members. Hence the resolution is set forth for your approval. The Promoter will not participate for this resolution and will abstain.

The text of the resolutions along with explanatory statements are provided in the Notice circulated to the Members. I hand over to Mr. Biren to continue with the rest of the proceedings.

**Biren Gabhawala:**

Thank you Srin. If any Member desires to ask any question pertaining to any items on the Notice and Financial Statements, he/she may do so now. Members are requested to keep their questions brief and specific. The Moderator from Kfin will facilitate the questions on the audio/video feature. Members are requested to mention their name and their Folio ID or Client ID before asking their questions.

We have also received some questions through email before the start of the AGM.

To avoid repetition, the Management will respond to all the questions including the questions received through e-mail at the end. I will now request Ramesh, Managing Director and Mamta, CFO to note down the questions to be asked by the shareholders one by one.





I shall now ask the Moderator to give his general instructions to the Members who are present and who wish to seek clarifications one by one.

**Moderator:**

Thank you, Sir, All the speaker shareholders, kindly note that each speaker will be given 3-3.5 minutes of time to present their views. Speaker shareholders will be unlocked on the turn to speak and given permission to access their cameras and microphones. In any case of any speaker shareholders does not give any feedback when their name is called, we will be moving on to the next speaker in the order. However, if we find any speaker shareholder joining back after their turn, we may call out their names again keeping in mind the availability of time.

I will now request the 1<sup>st</sup> speaker Ms. H.S. Patel to unmute your audio, switch on your camera and ask your question.

**H.S.Patel:**

Respected chairman of the meeting Mr. Biren Gabhawala, Mr. Ramesh Ramadurai, Ladies on the board. First, I would like to thank our Mr. V Srinivasan, who has been extremely helpful from the secretarial department was extremely helpful, and he is a very approachable person who has always welcomed the shareholders even after the working hours. Thank you very much Mr. Srinivasan and wish you good luck. Obviously, CFO, Mamta Madam and our Srinivasan, both of you all have made a very excellent laid out report step by step. Very informative and comprehensive, I thank and wish you all both good luck. Now I come directly to the questions. So Eicher Motors just recently, it was trading at Rs. 20,000 share price, and recently they have announced their split of shares. Our share prices was also more than 20,000, I request the board and the management team to consider the split of shares so that I can add some more shares in my portfolio. 20000 to buying that, even if I would buy four shares or it will be Rs. 80,000 would go away in only for one company, I humbly request the management to take into consideration this please. Thank you. So, I would like to know what your capex plan is for 2021 and the capex expenses that you would have incurred if the company as incurred for Fy19-20. Sir I wanted to know whether you engage the shareholders as your brand ambassadors. So, let me first tell you the products of 3M are Just excellent. If Bharat shah was there, I would have really thanked him for yourself and among all the board members for being extremely for giving very good products. Even Mr. Jongho Lee, and other out of India members, I am really thankful for your good products. They are very, very effective and long-lasting products. Thank you. So, I wanted to know if you engage shareholders as your brand ambassador, we are not only your customers, we are not only your shareholders, we can even be your brand ambassador also. So that we can promote our own 3M products in the market more and more. I'm from Mumbai, I for one would love to engage myself with this company and try out new products as far as possible. Now, my other question is, sir, why was there an increase of finance cost? Is it merely because of adoption of Ind AS 16? Or are there any other reasons also? So, I acknowledge and appreciate the programs mentioned while learning and development and employee relations as mentioned on page 67. So, this year there was the situation favoring the demand of our products. Our sales were flat, PAT/PBT flat, yet they were less than that of previous year. Why so? Are we gone up perform much better in the coming year? This is after a reduction of tax rate from 35 to 25%. So, there was a need for a mask during the COVID. Did we lack the supply of the product? or was it or have been missed the opportunity to engage on this demand? Similar story was also for our Avaguard. Are we taking any opportunities in the future? So your Scotch Brite was a very nice product, very helpful for housewives especially in the kitchen it is very useful, sir, but the product is very very expensive because if we give it to our servant maids, within two days they



become bearr ho jatha hai and we have to keep on buying every time because the product is so expensive. We find it a little difficult if you can just see to lower it. As a housewife I'm requesting you, not as a shareholder. Anyway, I would also say you all have many plants at Bangalore and Pune and branches all over metros or could I expect any plan to visit your company any time after the covid ends. I am very proud to be a shareholder of this debt free company or sooner. This company has been a debt free. You have made this company debt free; I congratulate each and every employee in the management team for this. So, US holding is almost 75% in this company so that is very good and notable to know how strong we are. So, how come the cash balance has increased from 47 to 66, but about expenditure shown is also more in this year, inventory level has is quite up from 37 it has become 41 Why is it so, depreciation has also increased from 41 it has become to 57, export has gone down by 15% if you can throw light on itself, Sir, so far I have one very important question: your foreign earning 8231 but foreign expenses incurred is 11915 ,foreign earnings for two three month while expenses are 11,000-1,19,000? Why is that difference? And so, what is it that you're mentioned on page 109? received the amount of 194 and 911 on for tech research and service fees? What is this about sir? I thank everyone for this. And I wish good luck to each and every employee for their hard work even during the COVID time, and the management team and the Board of Directors all the very best. Good luck to you all.

**Moderator:**

Thank you, Mam, our next speaker shareholder Aspi Bamanshaw Bhesania has not joined the meeting. I will now request the next speaker Mr. Dipankar Purkayastha to unmute your audio, switch on your camera and ask your question

**Dipankar Purkayastha :**

I had sent in my questions and advanced by email. But I'll repeat them for the benefit of other shareholders. And plus, I have got a comment to offer. And that is regarding the tenure of the CEOs of this company. For the last few years. I've been noticing that the tenure of a CEO in this company is about two to two and a half years. And I wonder if this is too little to adequately understand the Indian market and doesn't this result in a lack of continuity in bringing about strategic changes. I'm a shareholder and other US based MNC is operating in India manufacturing companies like Goodyear, Ingersoll Rand, Timken, Honeywell automation and none of them have such brief tenures. Last fortnight we attended the AGM of Goodyear India, where the CEO stepped down and on retirement after a tenure of 13 years. So, our request to the representatives of the promoter on the board to please consider this aspect and not post people like the way the Indian government posts bureaucrats for fixed two or three years, without any regard to what is achieved or not. Now coming to the questions. The first point was that the company has about 134 crores stuck in litigation with the income tax department. So, did the company avail of the recent Vivad se Vishwas scheme of the income tax department to settle some of these disputes? So if it did, how much was the amount settled and if they didn't do it then what the reasons for it .Next is only based on evaluation of COVID-19 pandemic, effects on the carrying amount of assets and liabilities, you have said that you don't expect any material impact on the same but in respect of investment in your wholly owned subsidiary, you have recovered an impairment of 79.9 crore, given the impact of COVID-19. So, what is the reason for this difference in the evaluation of the covid-19 pandemic between the two entities? The only logical conclusion would be that we overpaid for the acquisition of 100% shares in a subsidiary. So, your comments on this. Last year there was a scheme of amalgamation of the wholly owned subsidiary with the company, but it seems it didn't go through because you didn't get the minimum 90% support of members and creditors. So, if you could share the reasons why the members and creditors



did not vote for this, the requisite number, and your annual report says that you will also be doing an alternate plan for the merger. So, can you give us an update on the status of this alternate plan? If I look at the segmental results of your company in the various segments in which you are disclosed in the annual report, we can clearly see that the consumer business is the segment where both revenues grew. Profit margins grew and return on capital also improved. In absolute terms, this segment has also the highest margins and return on capital. So, this is really the star segment of the company. Unfortunately, it's also the smallest segment. And if the company wants to do well, it has to really ramp up the business in this segment. So, my question is, how do you intend because it will need disproportionate resource allocation to this segment if you really want to boost this business. So how are you going to go about boosting the resources for us in this segment? Then I find that in your notices to the stock exchange on 3, August, we have intimated that you are discontinuing the automotive graphics business with effect from November 2020. There is no mention of this in the report, because this has been printed before that I suppose. So, what are the reasons for the same? And my final question is that you have a tie up with Castrol. I'm also a shareholder in Castrol to jointly offer vehicle care products. So, I just wanted to know how this tie up has fared during FY 19-20. The Castrol guys gave me a particular viewpoint that just cross checking with you how this has fared. That's all. Thank you and good day.

**Moderator:**

Thank you, Sir, I will now request the next speaker Mr. Ravi Kumar Naredi to unmute your audio, switch on your camera and ask your question

**Mr. Ravi Kumar Naredi:**

Thank you respected chairman of the meeting, MD , Eminent Board of Directors, employees of the company and fellow shareholders. Sir, you are retaining 780 crores in your bank account and not giving any dividend. Will you tell exactly what is your plan is? Do you believe profits will earn next year is very difficult hence you want to escape dividend? Do not tell us we will discuss on board whatever you are discussing with the board about dividend, you must disclose to us ,since last 4 years our top line is not growing and more our bottom line too is not growing, what plan to take and discuss to grow the company. That is my question. Thank you for giving me the opportunity to ask the questions.

**Moderator:**

Thank you, Sir, our next speakers Mr. Beruz Feramroz Pouredhi and Mr. Rangan V have not joined the meeting. Moving on, I will now request the next speaker, Ms. Pushpa Devi Khandelwal to unmute your audio, switch on your camera and ask your question

**Ms. Pushpa Devi Khandelwal:**

I am Hemanth Kandelwal speaking on behalf of my mother, Pushpa Devi Khandelwal. I am Hemanth Khandelwal, a shareholder from Chennai. Sir, with the chairman's permission, Sir, can I seek clarifications on my mother's behalf if you permit, I will speak else, I will log out, sir.

**Biren Gabhawala:**

Yeah, we will entertain it as an exception to the rule.



**Hemanth Khandelwal:**

Yes, we will just ask for some clarification with respect to the development in the company and other things on this. There is nothing and other than the agent of the meetings. So, first of all, I would like to thank the Chairman for this opportunity. I appreciate the arrangement and the presentation made for this virtual AGM extremely gratitude for our Company Secretary and his team for conducting this meeting. The presentation in your annual report is very detailed, transparent and informative manner. I appreciate the Kfin for assisting in conducting this virtual meeting. I sir, I completely endorse the and support the view of the Chairman, what has been stated as adversity in the often the true test of character and it's a spirit of resilience that shines through the tough time, time and again, we very much believe in this and this is what the spirit of every Indian it is. And so, I would like to just talk about reputation. I would restrict my clarification to the few: what is the company's strategy to improve productivity and the cost optimization? What are the innovative products companies are going to launch in this financial year? A third thing, the impact on China in recent times, are we sourcing any raw material or the finished products from the plant of our 3M located in China? What will be the impact on our business if the supply disruptions something on this aspect due to the relation between India and China .Sir I would appreciate if we can have more and more manufacturing in India in Make India the incentive which government of India is providing it I request if the we customer will be more engaging to use the product which is made in India rather than having a made in China mark on it. So, I would request the company to make a product which has a tag or a printer as a made in India thing, second things are very important. So, I have come across several infringement of 3M logo in the recent times in this pandemic several mask has been printed with the 3M logo on it and N95 and some something and amplify on one side in 3M another set which are not up to the standard of what 3M makes, but they have made it in the bottom cloth and other things. So, I would request why people or what company is doing in this regard to protect this intellectual property in a trademark and have 3M am delighted with the company's performance on all the parameters. We are also positive about the future outlook of the company under your dynamic leadership. Our recent products have excellent design and looks, and your identity mask has been very useful Sir, I would like to thank on the behalf of all Indians that it has been very, very, very helpful and it has saved several lives. So, I would like to thank your 3M your US company as well as the Indian team for creating a product which has an international standard, and which is easily, and the price is also very reasonable. So, I would like to congratulate on that part, sir. I'm very happy and satisfied with the contribution of our companies to the society through his business and CSR initiative. We also thank the company for the contribution to society and to the Indian economy and the nation. All our best wishes and good health sir and have a good year. Ahead sir thank you.

**Moderator:**

Thank you, Sir, our next speaker Mr. K. Sadananda Sastry has not joined the meeting, I will now request Mr. Aman Rakesh Shah, the next speaker to unmute your audio, switch on your camera and ask your question

**Aman Rakesh Shah:**

Respected chairman of the meeting and distinguished directors of the board. I have one question ,one of my questions has been asked earlier relating to the party transaction approval that we are seeking in this meeting, we see the significant amount of the transaction over the next 3 years, significantly higher than what actual transactions were there in FY 20. So, there is a factor increase of around 2.5 times over just the three-year period. We just wanted to know if you can highlight what are the thoughts on taking such



a high approval? Is it more on a conservative side or we are actually anticipating a higher business momentum that will require us a higher approval in future time? Or maybe have the rates of royalty changed for the next three years. Or maybe we feel just the share of imported goods versus our local manufacturing to increase. Thanks a lot.

**Moderator:**

Thank you, Sir, few of our speaker shareholders are getting connected back. I will now request Mr. Rangan V to unmute your audio, switch on your camera and ask your question

**Rangan V:**

Congratulations for the company. Excellent working. But if I see the company's working from the last 10 years point of view, I can see that The profit before tax has got to from 140 crores to 320 crores, the financial highlights I would like you to throw more details about the depreciation and all those details will be to be more elaborate and what do you mean by that capital investment? You're talking about in the the column 54 crores, 102 crores, 96 crores Can you just elaborate on that? Now you know a lot of products actually. Now for example, I have bought this product and this one, whether are you able to see, I don't know that's okay. This was a sharpshooter or something like that. And the shopkeeper told me you can have a wash with our scratch everything we go like that. But they actually if I find it is not doing like that. Whereas the Parryware product was a very good one actually is the lesser price. And what I feel ,you have a lot of consumer products. Why does Why can't you just take us also you're talking about the community Then you are talking about employees and what about the minority shareholders, see you produce a lot of products ,broom stick and so, many things, why don't you give us a pamphlet or in the balance sheet also you can do that and I think this can be given as a distribution or a pamphlet to send to the shareholders where it is available and you can have the experience Center at the Metropolitan stations first instance and gradually increase as a result of increase in sales. So, that is we know what are the products for example, I want to put some film in my canister glasses and very generic ,okay, I am in Chennai, metropolitan city, , I find it very difficult nobody's it but you say the product is there, but what is the point being product is there and you are not able to sell you are not having digital points, what is the point? Now, India is the only population, so you have to focus only on that item. I'm telling you, sir, please. Okay, I'm very sorry about the visibility of the products and I don't know less important for that I don't know that but otherwise I'm working on the company return on the net worth also falling return on capital employed also is this one and what are the status now what is the grand handicap? But there's no point in giving dividends, paying tax at 50%. I feel that is correct, that what you have done is not paying dividends. That will be better if we continue that pulse. Thank you very much.

**Moderator:**

Thank you, Sir, I will now request speaker Harsh Paresh Visharia to unmute your audio, switch on your camera and ask your question

**Harsh Paresh Visharia:**

So, my name is Harsh Paresh Visharia my client ID is 03356902. So, I have two queries. First query, that is 780 crores of cash on consolidated basis on a balance sheet, so, what I understand is: So, you don't like to pay dividends, you like to reinvest capital for growth. So, my question is, how do you plan to utilize this cash or and what are your future plans? So, are you going to put a factory or whatever plans and the second is my suggestion regarding the website? So, like many MNC companies, your website is also not up to the mark, we find it very difficult to navigate through it as an Investor so, whenever I have to find



the financial document say like Annual Report and quarterly results, I have to go to the BSE website and I find so it is not very investor friendly. So that is my suggestion to make the website investor friendly. So, with this I end my tone.

**Moderator:**

Thank you, sir, with that all the shareholders who have logged in and have registered are given an opportunity to ask questions. Now, I hand it back to the Chairman Sir.

**Biren Gabhawala:**

Thank you, I think Mr. Ramesh and Mamta would like to answer all the shareholders questions.

**Ramesh Ramadurai:**

Thank you very much, Mr. Biren Gabhawala. So, this is Ramesh Ramadurai speaking. So first of all, I would like to express my sincere appreciation and thanks to all the shareholders, number one for your participation, number two, for your appreciation specifically to our Company Secretary and our CFO. I'm sure they are very delighted to, you know, hear your word of appreciation. So, I thank you for that. I thank you for your questions, and I'll cover all of them and also for your engagement with a company and this meeting through virtual means. So, what I will do is I've taken note of all of the questions that you have asked all the way or different shareholders have posed. Just to avoid repetition. What I will do is I've grouped them into four or five categories, and I will take them one by one. So, I will first cover the business-related questions that came up, and then I will handle some of the finance, tax questions that came up. There were also questions around the electro and communications merger. And then some, I mean, I broadly call it under other topics. I'll cover them. Okay. So, for the business related, the first question was about the growth of a consumer business. I think the consumer business has delivered growth and what does the company intend to do to increase the contribution from the consumer business? That's a very astute and valid observation. I thank the shareholder for raising that the consumer business on a standalone basis. You know, the mix of consumer business over the last four years, improve increase by about 150 basis points, that is our 1.5 percentage points to our total mix running at about 11.6%. Today, last financial year, we acknowledge that it is, you know, a smaller portion of our portfolio to give to all of you. It is just a point of reference for our parent company on a global basis, the consumer business runs at about 15 to 16% of our total portfolio. So, we have some opportunities to drive growth in the consumer business. And we are taking several actions including strengthening the brand broadening portfolio in the cleaning, scouring and Home Improvement categories, and also accelerating adoption of digital commerce and e commerce channels as well. So, in terms of discontinued reasons for discontinuing the graphics business, you know, the company on an ongoing basis does an evaluation of a portfolio to see which are which are the ones that are poised well for future to deliver future consistent sustainable growth and margins. For various reasons, including, you know, inadequate technology differentiation and diluted margins, the company decided to exit this particular portfolio. And moreover, it contributed too much less than 5% of our total revenue. So, it was a relatively small portion of our overall portfolio. The capex plans, I think there were a number of questions on capex and toward three areas. So, I'll just mention that, you know, our capex, I've mentioned this in probably even in the last AGM, and I've also mentioned it in other forums, our capex plan tends to be lumpy. We are not yet at a Stage or Stage of maturity where we can say that annually, we will spend an X % to sales on capex. So, the



capex is a little lumpy. So, we did make the investment in E&C to drive our growth in 2018 in December of 2018, I highlighted some of the projects that we are focusing on right now including about putting up a new line for manufacturing BS6 compliant emission control materials. increasing the capacity of our hands and our hand sanitizers, our guard line and also manufacturing new ranges of disinfectants. So, we continue to have capex plans to utilize to reinvest in growth and this will continue into the future as well. Currently, we are executing projects you know, just the top three I mentioned contribute more than 65 about 65 crores over 100 crores is being executed as we speak right now. A question on masks, supplies of mask did we take advantage of the increased demand? Like I mentioned in my opening comments, we have increased the supply N95 and equivalent masks from less than five lakh pieces in April to almost 50 lakh pieces last month in July. So, we are but most of the practically all of the supplies goes to the healthcare sector, certain government agencies and critical industrial segments. So, yes, we are doing that, and we really appreciate that work being done by our Ranjangaon factory workers, our team and Ranjangaon factory to, you know, continuously work through the disruptions to be able to take care of this. We also appreciate the inputs that we get from 3M other manufacturing sites who support us with, you know, so that we could import some products. So, there are some excellent suggestions from two shareholders on you know, leveraging shareholders as brand ambassadors. There are some excellent suggestions, so please allow us to think through it and then come up with some actions back to you. So, I appreciate your inputs and suggestions there. The top line growth plans, I talked about it quite a bit in my MD'S address where I talked about six areas that we are focusing on. Just a few examples I gave you not that's not an exhaustive list. So, in the interest of time, I will not repeat all of those again, but it is there in my speech. The Impact of China's supply disruptions, okay, that's a good question. You know, what we import from China but only contributes constitutes barely 5% of our imports. So, we don't see this as a significant disruption at all. We have been able to import products over the last several weeks fairly, fairly easily, you know, without any disruptions, so we don't anticipate any material disruptions because of our imports from China. Thank you for the question on the logo infringement and fake you know, some of the fake respirators, a mask that you're seeing in the market, we have established a separate cell to actively review all of these cases, we work with social media sites, such as, you know, Facebook or others, to make sure we can take down some of these or Amazon etc., to take down some of these highly leveraged or highly priced type products. So, we do that. We also Have a three-tiered review process within the company to look into all of these. And then we, you know, we cooperate with local law enforcement authorities for certain cases as necessary. So, we do all of these, we track these, we have a separate team set up not only with the representation from India, but also representation from our area, regional and global teams. I think I covered most of the questions, on the Castrol tie up. Sorry, I think I missed that. Because the Castrol tie up where we as you know, we announced this, I think on March 31. Last year, incidentally, that was the I took over as the MD on June 1. So, we had a very good pilot with Castrol in the later part of 2019. We were able to test several markets with the tie up; we were able to get some good understanding and feedback from the kind of product portfolio that is well accepted. And we were in the process of reprioritizing some of the portfolio and unfortunately COVID hit. So, everything was on pause for a few months. And as recently as you know, just last a few weeks back, we've been engaging with Castrol to revive the program and we have very good hopes and expectations from this program. Okay, I will move on to the question. There were a couple of questions on the 3M Electro and communications. Why did the amalgamation did not pass were their objections? Now, I think as also disclosed in our annual report, we received 99%. You know, the first thing is we the first what we tried to do was fast track the amalgamation as per the process that's available for which requires a 90% assent



from both creditors and shareholders. Unfortunately, we have people who voted 99.6% of the shareholders gave their assent and 100% of the creditors gave their assent and the unfortunate part was not everyone responded. So, therefore, we are following the alternate path now, which is when NCLT is just about reopening for business now at least. So, we are taking it through the normal process with NCLT and we will keep you updated on the progress as we are able to as we have more updates. The question on the impairment charge on the way relative to our investment in 3M Electro and communications and is there a difference in the way it was conducted for 3M India versus E&C you know, the 3M E&C they are investment in 3m electronics and communications are required to be you know, investigated not investigated required to be assessed for any impairment charges. Unfortunately, due to the covid situation we had, you know, we were in a difficult situation to predict when the market growth will come back and also to accurately predict the rates of growth in a very uncertain environment that we are in today. And that is essentially the reason what led to the impairment charge. The underlying business case for the investment is robust. And this is also evidenced by the government's recent policy announcements in terms of production linked incentives for smartphone manufacturing in India. So, the underlying business rationale, the underlying hypothesis is all very valid and very relevant. It is just a timing issue due to COVID. We were unable to provide, you know, when exactly the timing of recovery would be. the other part of the question was, well, what's the difference with 3m India in the case of 3m, India, the 3M India assets and are already highly leveraged. So, this situation does not apply for 3M India and that was the very simple reason why they did not apply. I'll move to the questions there are a few questions in the under what I bucketed here as finance and tax okay. There was a question on the increase in the finance cost that was basically due to the adoption of the Indian standards, the accounting standards, there was reclassification of lease and 116, That is Ind AS 116 reclassification that is basically the reason why we had some finance costs and also it reflected in the depreciation okay. cash balances like I commented on that, you know, why has the cash balance increased. I think the kind of the company continues to maintain strong focus on managing our cash situation that as I mentioned in my opening remarks, whether it is in terms of with our current customers, you know, being very, very diligent in our cash management processes. I think we are in the current situation and COVID We are all very aware that given the uncertainty and volatility in the market situation, maintaining a good return on cash management is critical because of kind of the unknowns, we are not sure what might be in front of us. So, we have been very diligent, and we have been maintaining this diligent practice, even in the past. And I've already made some comments in terms of, you know, our capex plans and the lumpiness of our capex and the utilization of capital cash for some of our spring our investments. There was some question on inventory increase, yes, there was a if you look at our 2019-20 receivables reduced by, I think about almost 7 or 8%. But there was an increase in inventory also about 7%. But almost 80 to 90% of that increase was materials that were in transit. So that contributed to the increase. It's a timing issue of when the product left the shores of the export, purchase buying location. The profit before tax there was a question on profit before tax and the trends on profit before tax, I think the shareholder who raised the point made a valid observation that profit before tax, you know improved steadily from 2013-14, all the way through, probably 2018-19 from about 7% in 2000, from about 3.8% in 2018-19. It went up to all the way to about a little over 18% and then before we dipped in 2019-20, but keep in mind almost 80 crores of that dip is attributed to the impairment charge. So, we have taken several actions over the years to improve our profit before tax including managing a product mix, taking actions to improve our local manufacturing content. If you know if you look at our history of locally manufactured products, they contribute to about 56 to 57% today of our mixed and if you look at a period, it kind of only kind of on the average increases





70 to 100 ,110 basis points a year, not every year but you know up and down a little bit, but it improves every year by about 70 to 110 basis points. So, we continue to focus on improving a product makes improving local manufacturing in the total makes to continue to focus on improving a profit PBT .The question about litigation and whether we took advantage of VSP Vivad se Vishwas. Yes, this was launched earlier this year and we have our team of has been scrutinizing all the available opportunities and we have subscribed to about Rs.53 lakhs through for certain programs at this point in time. The scheme as you know, has been extended to December 2020. We will review it but those cases where we believe we known based on advice from our council. So, I think we will take the appropriate actions as we go forward, but we are reviewing every one of those cases very diligently. I think that covers a lot of the questions related to finance. Let me move to let me move to other topics, one was under share split, I think we will, the board will continue to look at all options, review these options available and take appropriate decisions. So, as a company, we are obviously focused on driving our growth, improving our margins and improving the value of the company. That is, we are focused on that and of course, the way we will work with the board on these types of opportunities that might be there. I think the point on the tenure of the Managing Directors of 3M India, thank you for bringing that up there, your point is obviously factual, but I must point out, if you look at the last, myself included, if you look at the last 2 or 3 managing directors, all of them had very deep experience of the India Business, all of us started our careers with 3M India and have been responsible for running businesses in India. So, I think there is and in many of our broader roles that we had outside of India prior to our appointment here. You know, we also had a very close engagement with India. So, having said that, your point is well taken, and we certainly will, you know, send that message not only to, to a nomination and remuneration committee of the board. Another question on the RPT's related transactions under increase in over the next three years, I think we approved the RPT estimates in our February 2020 board meeting, but before COVID hit us, okay. So, we are taking an omnibus approval, we took an omnibus approval, of course, broken down by all the different heads. So, the situation is slightly different today. And as you know, a big portion of our RPT's are anyway linked to purchase of materials. So those will be in line with what our sales activities are about, we expect absolutely no divergence from that. And like I also mentioned in my comments earlier that we are looking to, you know, improve our manufacturing mix by gradually it's about 56-57% today, we are looking to improve that as we go forward. So, I think our purchase of materials related from 3M and affiliates will be well aligned with our sales activities sales revenues for any given year. So, there will be no nothing out of the ordinary that 3M shareholders visit 3M locations. You know, we had hosted one visit a few years back. Of course, We will take to heart though the point that you made. Of course, if given the current situation, it's going to be a challenge to have any visits in the near future. But again, it's a point well taken and noted and thank you for your comment on the improvements needed on the website. We will take note of this as well. So, I think I have covered pretty much all the questions that were asked. So, I once again what a thank you for your participation and for the questions that you brought to the table here today. And if you have any further questions, please do not hesitate to write to email Mr. Srinivasan, our Company Secretary, and as you already acknowledged, he responds pretty quickly. Yeah. Thank you very much once again.

Back to you Mr. Gabhawala.

**Biren Gabhawala:**

Thank you, Mr. Ramesh , thank you for all your explanations.



Members may note that the voting on the KFin platform will continue to be available for the next 15 minutes. Therefore, Members who have not cast their vote yet, are requested to do so. The Board of Directors has appointed Mr. Vijayakrishna K.T, Practising Company Secretary Scrutinizer, as the Scrutinizer to supervise the e-voting process. Further, I hereby authorize Mr. V. Srinivasan, Company Secretary of the Company, to declare the result of the voting and place the results on the website of the Company, Kfin and Stock Exchange. The resolutions, as set forth in the Notice, shall be deemed to be passed today subject to receipt of requisite number of votes.

We had many members participating today in this 33rd AGM virtually. We are grateful to all our Shareholders for attending the meeting and I hereby declare the proceedings of this 33rd AGM as closed. Thank you very much and see you next year.

**Insta Poll – online voting starts.**

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