

Transcript of One on One Meeting with William Blair International held on June 24, 2021

00:00:00.000 --> 00:00:31.190

Daka, Anil

Uh, you know we are a long only investor. We manage at least the team estimated Ivy are part of. We manage around \$45 billion of assets and what we tell our clients is that we follow quality growth philosophy which translates into finding the names with the highest competitive advantages with the best growth profile and our philosophy has been to try.

00:00:31.300 --> 00:01:00.570

Daka, Anil

Come try own this investment for a very long time period so we don't have an exit strategy per say. We only take long positions. We do not have a short end in any of our products and in most cases we never take activist investment stands. We don't tell the management teams what to do if you don't like if you don't like what the management teams are doing, you know we simply exit 4.

00:01:01.670 --> 00:01:32.470

Daka, Anil

And so you know, in so many ways, I actually think we may be your ideal investor, right? I mean, in the sense that we you know we for the names that we like, we tend to be very, very long term oriented. But we don't actually tell the management teams what to do. I'm the analyst on the team. An Esteban is the associate for the industrial steam. I cover small and midcap names and like I mentioned most of our assets are actually international and half of them are split between emerging markets and half of them.

00:01:32.520 --> 00:02:05.760

Daka, Anil

Are in developed markets, though international and so 3M India kind of came across a Raiders. Honestly, because it's gotten large enough that we have a challenge because of our size, we can only invest in firms once they reach a certain threshold of size and that's how you guys I guess, hit our scanner and you know, I know 3M. Obviously you know not just from knowing about 3M but having covered some of this multi industry names in the United States for a pretty long time.

00:02:06.300 --> 00:02:34.820

Daka, Anil

For my current role. So the idea of the hope for us today is that you know we get a chance to talk about a bit of the history of the firm. You know, growth return characters takes post COVID impact an really how you guys are planning for, you know a bit more of a long term view on how you see the portfolio evolve for you guys. So it is a bit longer than two minutes, but I did want to provide that context.

00:02:37.830 --> 00:02:50.950

Ramesh Ramadurai

Sure, I appreciate that this is Ramesh Ramadurai speaking. So what I'll do is Srinu before I proceed further. Can I request you to mute your line? Because I thought I heard some disturbance from your life.

00:02:51.710 --> 00:03:21.860

Ramesh Ramadurai

Thank you, you know I have a kind of four 7-8 minute prepared remarks here, but I do have to let you

know up front. This was kind of this may not be the right kind of remarks for the background that we have here for this interaction. This is more to cover within, you know. Analysts meet where people have either been invested with us or kind of tracking our quarterly earnings and so on. But I'll nonetheless make.

00:03:09.510 --> 00:03:09.890

Daka, Anil

OK.

00:03:22.020 --> 00:03:43.090

Ramesh Ramadurai

You know, kind of cover those remarks, and then if you would like to address some of the history of our subsidiary 3M subsidiary here, 3M India and I ask other questions which are more which maybe you know a little bit more about the history of the company. Little bit about the future, etc. Let's do cover it in the Q&A if that's OK with you.

00:03:43.720 --> 00:03:44.100

Daka, Anil

Perfect.

00:03:44.550 --> 00:03:45.070

Ramesh Ramadurai

OK.

00:03:45.930 --> 00:03:53.310

Ramesh Ramadurai

So fine, let me let me get into my just prepared remarks. I guess both of you are in Chicago, right? So I should say good morning to you.

00:03:54.710 --> 00:04:23.610

Ramesh Ramadurai

So first of all, thanks for your interest in 3M India and thanks for this opportunity to interact with you. As you know, I'm joining the call today by our CFO, Ms. Vidya sarathy. She's a new CFO, she just took over from the 1st of June. She's actually joined 3M India from outside the company she came on board. End of end of April. She joined us, actually an end of April as a senior financial.

00:04:24.240 --> 00:04:53.150

Ramesh Ramadurai

Solar, but knowing very well that are pretty. The previous CFO. Would you know, move, move out to a different position within 3M outside of India. So this was a plan transition so she there was more than a month transition. She's worked in companies like Tata Motors starter comments. I think one of the Robert Bosch engineering services here in India in a variety of roles. So where we are very lucky to have her join our team. And Mr Srinivasan is.

00:04:54.250 --> 00:05:25.750

Ramesh Ramadurai

Company secretary so both of them are here on the call with me. So as always, I just wanted to reinforce before we go into it or disclaimers. So there in today's call there will be some predictive statements that

we make that reflect our current views. About 3M India's future performance. But these are subject to risks and uncertainties. And As for companies policy, we actually don't 3M India does not provide forward guidance and so I will not cover that as per our regulations here. This entire interaction will be recorded and the transcript recordings will be made available in R.

00:05:25.960 --> 00:05:27.040

Ramesh Ramadurai
Investors website.

00:05:28.010 --> 00:05:40.890

Ramesh Ramadurai
So what I'll cover here in the next few minutes is just a financial year 2021 that's April 2022 March 2021. The fiscal year the financial results and highlight certain aspects of our results.

00:05:41.560 --> 00:05:55.060

Ramesh Ramadurai
So as you probably know from 3M's, the way 3M is structured on a global basis. We also operate in the same 4 business segments, namely safety and industrial transportation and electronics, healthcare and consumer.

00:05:55.800 --> 00:06:05.910

Ramesh Ramadurai
For the last financial year, our safety and industrial business contributed about 39% of our total sales mix, transportation and electronics. About 35%.

00:06:06.580 --> 00:06:10.100

Ramesh Ramadurai
Healthcare 14% and consumer about 12% of the mix.

00:06:11.370 --> 00:06:21.330

Ramesh Ramadurai
You know, compared to the prior year, there's not been a very sick big changes in the sales mix. I think they're all within the hundred 150 basis points of each other.

00:06:22.760 --> 00:06:52.570

Ramesh Ramadurai
All segments delivered negative growth in the during the last financial year, with healthcare being the most impacted at minus 25% and consumer less affected at about minus 2%. Again. When all these results have sharing with, you are on a consolidated basis. 3M India Limited owns 100. It has 100% owned entity called 3M Electro and Communications Private Limited so the results are a consolidated basis.

00:06:53.640 --> 00:07:03.360

Ramesh Ramadurai
The 100% owned entity that's 3M Electro and communications makes a less than 10% of the total revenue, so it's from a materiality. That's the level.

00:07:05.310 --> 00:07:27.590

Ramesh Ramadurai

So the Indian economy as you both probably know what softening sequentially pretty much from July 2019 with declines in automotive production, broad based declines in industrial output and a tightening credit situation due to the pandemic related lockdown we experienced sharp declines across all of our end user market segments in the last fiscal year. That's 2020-2021.

00:07:28.740 --> 00:07:57.880

Ramesh Ramadurai

After the strict lockdown in April 2020 and part of May 2020, we saw a gradual reopening of the economy from June of last year. Our growth contracted sharply in fiscal Q1 and then showed subsequent sequential improvement on a consolidated basis or fiscal Q1 growth was minus 57%. This improved to minus 9.6% in Q 2 -- 0.5% in Q3 and plus 22.9% in Q4.

00:07:58.910 --> 00:08:14.960

Ramesh Ramadurai

Under these conditions, we delivered consolidated sales of Indian Rupees 2605 crores in FY20. 2112.8% lower than the prior year with a bit of 10.8% and uh PBT was eight point 4%.

00:08:15.870 --> 00:08:21.510

Ramesh Ramadurai

So in the face of weak external market conditions, we exercised good discipline in managing all aspects of our costs.

00:08:22.330 --> 00:08:31.260

Ramesh Ramadurai

What I'll do now is I'll make a card like to cover a few specific topics I got about 7 different topics, but I'll just run through them quickly.

00:08:32.150 --> 00:09:05.140

Ramesh Ramadurai

The first one is the amalgamation of the three M Electro and Communications Private Limited which I just mentioned is 100% owned subsidiary of 3M India and I'll Commission of that entity with 3M India Limited. This we recently intimated to the stock exchanges on June 17th of this year that we ran into some unexpected procedural issues. In completing this amalgamation and our application was denied by the regional director, Hyderabad Ministry of Corporate Affairs. We will pursue alternate path where the CLT to move this forward.

00:09:05.190 --> 00:09:18.140

Ramesh Ramadurai

We do not anticipate that this will have any material impact on our operations or business continuity. However, we do want to keep our Members informed of this development and we will also keep the Members updated as we progress.

00:09:19.300 --> 00:09:29.220

Ramesh Ramadurai

The second one is we had also announced earlier, the consolidation of a Pimpri factory with Ranjan gawn. Both are located in the Puna area.

00:09:30.020 --> 00:09:59.710

Ramesh Ramadurai

Uh, for your awareness and Ellen Esteban, we have four factories in I3 are owned by the 3M India entity and one factory by the 3M Electro and Communications Private Limited entity. We have two of those factories in Pony, one in Bangalore, an one and a bad. So here we're talking about consolidating the two factories which are located in Pune just for improved operational efficiencies and better customer service. The timing for this consolidation was earlier indicated is December 2021.

00:09:59.750 --> 00:10:09.130

Ramesh Ramadurai

We are proceeding with this plan. There could be potential slippage of 1/4 due to the COVID relation related restrictions in construction, etc.

00:10:11.200 --> 00:10:40.060

Ramesh Ramadurai

The third comment I want to make is around portfolio management. This is an ongoing effort in the company to ensure we prioritize our efforts and to the best products and customer portfolios. Last year, in June 2020 we had announced our intention to exit portfolio called the Printed Graphics, also called decals. The printed graphics business that we sell to the two wheel and four wheel automotive OEM's. This was part of our transportation and Electronics segment.

00:10:40.910 --> 00:11:07.440

Ramesh Ramadurai

This portfolio represented well below 5% of our total company sales. I would like to inform you that the business exit was completed with good transition support to our customers. The Voluntary retirement scheme that was announced to our factory employees was also successfully implemented at once. Again like to thank our employees who are part of this business for several years for their contribution as well as to our customers for their support and grade engagement with us during this transition.

00:11:08.660 --> 00:11:25.110

Ramesh Ramadurai

The 4th one is. I want to talk a little bit about our operations during covert times. As a company we adapted very well to the COVID situation with focus on employee health and safety, factory operations and remote working and also extending support to health care workers and community support.

00:11:26.700 --> 00:11:37.090

Ramesh Ramadurai

Since April 2020, we've been working mostly remotely with only about 5% of the head office employees accessing the office based on very specific business need.

00:11:38.060 --> 00:11:48.650

Ramesh Ramadurai

At the same time, we also put in place several employee engagement and support programs in the areas

of health and Wellness, connectedness, sharing, employees, stories and of course learning and development.

00:11:50.200 --> 00:12:09.140

Ramesh Ramadurai

We've also rolled out vaccination campaigns for employees and their eligible dependents, and we've covered close to 50% of their employees with the first dose so far. Again, keep in mind, this 80% means off the factory employees. We've covered well over 80% of our factory employees, and all others are in the mid 30s.

00:12:10.950 --> 00:12:22.140

Ramesh Ramadurai

But I do have to let you know is off the balance that is the non factory based employees. Several employees have got their vaccination on their own as well and they have not taken part in the company arranged programs.

00:12:22.900 --> 00:12:28.510

Ramesh Ramadurai

We're also pleased to let you know that we started a second dose of vaccination camps from today.

00:12:29.840 --> 00:12:55.170

Ramesh Ramadurai

The fifth comment is around demand recovery. We express our strong demand, recovery and business growth in the fourth quarter of fiscal 2021. That is the Jan, Feb March quarter of this calendar year we saw strong demand, recovery and growth, but this was tempered by several supply chain disruptions due to the pandemic due to the winter storms resulting in raw material costs and logistics cost inflation.

00:12:56.320 --> 00:13:31.280

Ramesh Ramadurai

I'll now pivot to growth and talk about. Make a few comments about our growth priorities. You know the breadth of technologies, the breadth of product portfolio and also an engaged and committed team of three Mers gives us the good ingredients for resilience and growth. We are leveraging these strengths for sustainable growth. Our actions will deliver outcomes in the short term as well as beyond. I just like to highlight a few. We naturally we double down on segments that demonstrate recovery. This was evidenced by a strong growth of about 23% in the fourth war.

00:13:31.480 --> 00:13:32.780

Ramesh Ramadurai

Office for 2021.

00:13:33.820 --> 00:13:58.790

Ramesh Ramadurai

During the past year, we also took several actions to improve productivity and efficiency across the enterprise. For example, we focused on improving our capability in digital LED customer experience, enhanced digital intimacy with customers to through programs such as Health Care Academy, infection, prevention protocols, Energy Academy for electrical markets customers, and several webinars. E connects, etc.

00:13:59.480 --> 00:14:09.400

Ramesh Ramadurai

And we've also been overlaying our design capability to these approaches. 3M India is one of the five global design centers that 3M has set up.

00:14:11.150 --> 00:14:31.700

Ramesh Ramadurai

We continue to closely track the make in India. Priorities that have been announced by the government as well as the PLA is or the production linked incentives that have been announced for each of these sectors. We have proper opportunities in practically most of these new sectors. Of course to varying levels of intensity. But we see this as a medium term opportunity.

00:14:33.400 --> 00:14:41.280

Ramesh Ramadurai

New applications, application replication in existing market segments continue to be foundational to our growth in existing markets.

00:14:42.230 --> 00:14:59.300

Ramesh Ramadurai

And several new products, whether in the areas of automotive OEM's interior cleaning, portfolio for air quality is disinfectants for the aftermarket Rd safety products. Some new multi pack SKU used in consumer or some examples of recent new product launches.

00:15:00.610 --> 00:15:12.680

Ramesh Ramadurai

Uh, and the 7th comment is on margins. You if you may have observed that are material cost increased by almost 330 basis points in financial year 2021 compared to the prior year?

00:15:13.410 --> 00:15:24.050

Ramesh Ramadurai

Of this increase, we would attribute partly to the depreciation of the rupee as well as impact of revenue mix changes and some cost inflation that I mentioned earlier.

00:15:25.720 --> 00:15:49.270

Ramesh Ramadurai

And finally, I'd like to just share an update on our corporate social responsibility or CSR programs. Last year, in addition to some of our multi year commitments, we also supported several NGO partners in the areas of food security and also programs to build resilience such as critical medical equipment for Cancer Foundation hospitals, mobile health vans and more.

00:15:50.480 --> 00:16:15.540

Ramesh Ramadurai

He also leveraged grants from the parent 3M foundation from the US to build capacity in selected hospitals by supplying them with supporting them with oxygen concentrators, HFN season others. And we did this in December 2020, which came in quite handy for those hospitals. I mean, it was a handful of hospitals, but nonetheless we were pleased. It came in handy during the second wave of pandemic that we all experienced.

00:16:16.690 --> 00:16:25.030

Ramesh Ramadurai

In the last couple of months, we've also partnered with other companies like ABB and Volvo to support the government with augmenting ICU bed capacity.

00:16:27.300 --> 00:16:47.300

Ramesh Ramadurai

In closing, I mean disk pretty much brings me to the end of the prepared remarks that I have. We do have our annual general meeting which is scheduled on August 26th, which will be held for the members of the company. OK, at this point I think we'll conclude my remarks and then we can open it up for Q&A. Until then, Esteban, I'll let you.

00:16:48.110 --> 00:16:50.220

Ramesh Ramadurai

Go ahead with your questions or comments.

00:16:51.070 --> 00:16:51.640

Ramesh Ramadurai

Thanks.

00:16:53.250 --> 00:17:04.070

Daka, Anil

Thank you Ramesh for that background because I mean clearly, you know, we were hoping to get a bit of a business update as well. So I do appreciate you touching on that.

00:17:05.380 --> 00:17:14.200

Daka, Anil

I'm, you know when I have a really basic question to start off with. So the relationship between 3M India and the parent.

00:17:15.800 --> 00:17:41.110

Daka, Anil

If you can, maybe, uh, spend a couple of minutes there. Is there a? Is there a royalty fee that is charged by 3M India to 3M and how much of the 3M India operations are manufacturing for export into? You know a more of a manufacturing hub versus more marketing hub for 3M product in India.

00:17:42.300 --> 00:17:51.170

Daka, Anil

You know, if you could spend a couple of minutes on that, I think that will set the stage for that will set the stage pretty well for us.

00:17:52.550 --> 00:18:00.450

Ramesh Ramadurai

Sure, so you, the company was established. The 3M India subsidiary was established in 1988.

00:18:01.360 --> 00:18:21.780

Ramesh Ramadurai

I think the actual date of incorporation Srinivasa will have the more accurate date, but I do know it's 4th of

July. You know it's kind of so it's kind of hard to forget it was in their certificate of incorporation was dated 4th of July. What I don't recall is whether it's 1987 or 1988. Was the date on that certificate of incorporation, but the company was.

00:18:20.080 --> 00:18:20.410

Daka, Anil
Right?

00:18:21.050 --> 00:18:21.500

Venkataraman Srinivasan
Here it is.

00:18:22.290 --> 00:18:23.720

Venkataraman Srinivasan
Is 1987 Ramesh.

00:18:23.830 --> 00:18:34.840

Ramesh Ramadurai
Correct, yeah, OK, that's what I thought. 4th of July 1987. So we were set up as a joint venture at that time with the Ashok Butler group and then over a period of several years.

00:18:34.890 --> 00:18:49.510

Ramesh Ramadurai
So you know 3M has a third 75% equity holding in this company and the other 25% is now broadly held by various financial institutions, FBI's domestic investors, mutual funds and individuals.

00:18:50.620 --> 00:19:11.930

Ramesh Ramadurai
So that's the kind of the ownership structure of the company. If you require additional details, I mean it's available on our website or Srini will be happy to provide additional details in terms of your question about how. What is the so we operate as a 3M subsidiary here? Of course we are only listed entity of 3M outside of the other than the parrot.

00:19:13.060 --> 00:19:43.310

Ramesh Ramadurai
Uh, yes, there are royalty fees that are payable just like any other subsidiary around the world pays 3M and that is also a corporate management fee for certain aspects of our operations. The royalty fee depends on the percentages vary by what class of activity. It's different. For manufactured products it's different. For traded products it's different for export products which are exported, but net . If you put all that together, I think the approximate royalty that we paid.

00:19:43.370 --> 00:19:48.340

Ramesh Ramadurai
Last year, as a percent of sales was about 1.4% OK, which is.

00:19:50.000 --> 00:20:21.990

Ramesh Ramadurai
Which is, uh, not just compatible, but probably at the lower end of compatible companies, because we

also do this annually through external auditors for transfer pricing studies and so on. OK, we're probably at the low end of the scale. In addition to that, corporate management fees are payable towards several support that we get. Whether it's lab, laboratory support, Technical Support, manufacturing, and engineering support, manufacturing technology support for establishing our factories and manufacturing operations here.

00:19:50.110 --> 00:19:50.680

Daka, Anil

Got it, yeah?

00:20:22.260 --> 00:20:26.650

Ramesh Ramadurai

Uh, several of them. In all, whether it's you know.

00:20:27.570 --> 00:20:41.590

Ramesh Ramadurai

Access to global processes, global systems, ERP systems all of this so that they are covered under the corporate management fee and that what we pay the corporate management fee payable. While it's not really.

00:20:42.220 --> 00:21:02.270

Ramesh Ramadurai

You know, technically speaking, it's not directly proportional to sales, but generally everybody likes to look at it as what is it as a percent of sales and it's been in the range of about four to 4.5 or 4.6% to sales. That's been the range based. Sometimes it's a little higher, sometimes it's a little lower, so so that was the to your question on.

00:21:01.750 --> 00:21:02.040

Daka, Anil

Got it.

00:21:03.000 --> 00:21:10.970

Ramesh Ramadurai

So corporate management fee as well as royalties in terms of the other part of the question was how are we structured here in terms of being?

00:21:12.110 --> 00:21:34.590

Ramesh Ramadurai

You know a trading company or a manufacturing company or what we do all of that. We do both manufacturing as well as we do import finished products and resell them. If you look at our from our published annual reports, approximately 56% of our sales last year last fiscal year it was about 58% of our sales. Is has some local manufacturing content in India?

00:21:35.490 --> 00:21:50.080

Ramesh Ramadurai

Uh, and the balance 40. Odd percent is purely imported finished goods that we resell on a trading basis. OK now, so that's why we have the four factories and we continue to expand manufacturing. It may not be.

00:21:51.390 --> 00:22:04.820

Ramesh Ramadurai

Well, you know it depends on the product portfolio. It depends on that to determine what extent of localization will have. Even though we localise manufacture it, there might be some import content in that in any case.

00:22:06.090 --> 00:22:17.610

Ramesh Ramadurai

And the last part of your question, I think was do we export out of India at this point of time? Our exports are very modest. I mean, it's probably not even barely a percent.

00:22:20.550 --> 00:22:21.160

Daka, Anil

Understood.

00:22:23.370 --> 00:22:32.280

Daka, Anil

Hey so, but just the pink use you guys as a they don't. I guess like part of the answer is.

00:22:32.970 --> 00:22:47.260

Daka, Anil

That the parent does not use you guys as a low cost manufacturing hub or anything of that sort. This is this is purely the India operations as they stand with some level of royalty management fee.

00:22:48.080 --> 00:22:53.630

Daka, Anil

Uh, component that dictates the you know the overall profitability in the transfer pricing mechanism here.

00:22:56.250 --> 00:23:04.360

Ramesh Ramadurai

No, I think the primary intent I'm not exactly sure I got what you meant, but let me let me step back and try to articulate.

00:23:05.370 --> 00:23:36.310

Ramesh Ramadurai

The intent the our objective is really to build the market in India for the range of solution products and solutions that 3M has and where necessary depending on the scale. Look at developing products which may be more appropriate for India or emerging markets. OK, that's number one. So we do have a a lab of about 100 people which includes, you know some product development folks in a lot of application engineering who do.

00:23:36.460 --> 00:23:45.010

Ramesh Ramadurai

Who work with customers. For application engineer. Application development. Application engineering. Type of work. So we are a full fledged manufacturing.

00:23:45.060 --> 00:24:01.290

Ramesh Ramadurai

So laboratory application, engineering, sales and marketing design. You know we have all of these capabilities here, of course, with the support other functions, whether it's finance or supply chain etc. Human resources. All of the above.

00:24:02.210 --> 00:24:23.980

Ramesh Ramadurai

So we had a full fledged manufacturing and sales and marketing subsidiary with the intent to develop a strong position for our products and services in the Indian market. We are at the so OK, I'll stop here and then ask if you would like to clarify and then I'll move on to the other part of my comment.

00:24:24.610 --> 00:24:26.070

Daka, Anil

No no, please go on actually.

00:24:26.510 --> 00:24:56.330

Ramesh Ramadurai

So I was just going to address your, you know, kind of briefly throw some color on. You know the export component that you export part of it that you refer to. 3M has a global manufacturing and sourcing strategy. They have global sourcing of source of supply strategy where we manufacture products or which products are manufactured where. So at this point I many factors go into determining those decisions, one of which of course is the availability of a local market.

00:24:56.640 --> 00:25:29.150

Ramesh Ramadurai

At scale, whether we are manufacturing in Japan or Korea or China, if you look at them, a lot of it started with local markets. They availability of local markets at scale and then many of those customers moved either overseas weather in the that it's automotive or electronics etc. Customers move overseas and a lot of the products and specifications also move with that. So I think that is a I mean of course there are more factors than just this, but this is definitely an important consideration when manufacturing it.

00:25:29.440 --> 00:25:41.920

Ramesh Ramadurai

Decisions are made in India at this point in time. What we're looking at is make manufacturing operations have been set up with four factories. Right now we're consolidating one into the other, so it'll go down to three by the end of this year.

00:25:43.480 --> 00:25:47.210

Ramesh Ramadurai

So three factories to serve customers requirements here in the country.

00:25:47.820 --> 00:26:09.170

Ramesh Ramadurai

And two of them are specialized factories and one is. By that I mean one factory named above is almost exclusively focused on certain types of corrosion protection products for oil and gas pipelines, etc. The

one in Bangalore is almost a high percentage of the output. From there is focused on the automotive industry.

00:26:10.020 --> 00:26:14.200

Ramesh Ramadurai

And the factory that we have in Puna, we have two factories. But let's say it's going down to one.

00:26:14.800 --> 00:26:20.460

Ramesh Ramadurai

Uh, that's what we call a multi product side where we make products going across multiple businesses.

00:26:22.440 --> 00:26:23.700

Ramesh Ramadurai

Back to you, honey.

00:26:23.630 --> 00:26:37.420

Daka, Anil

Yep, Yep, I've there any restrictions on what kind of product you can sell in India through you guys versus the 3M. Have any other operations to you know? Is there some?

00:26:38.110 --> 00:26:46.500

Daka, Anil

Uhm, some level of market breakdown between what you guys do with this. What the parent does directly. If they do anything at all.

00:26:46.330 --> 00:26:58.350

Ramesh Ramadurai

No, it's OK I I think it's a fair question. I think quite honestly that is the only. There are no restrictions. 3M India has access to the entire portfolio with a couple of exceptions, OK?

00:26:58.630 --> 00:27:18.540

Ramesh Ramadurai

Uh, I mean, I said no exceptions. I meant the exceptions. Are they in the areas of the new acquisitions? Some of the acquisitions that have had three M is made on a global basis, and in cases where they have already had separate legal entities in India. So we since we are a listed entities or those entities operate separately.

00:27:19.950 --> 00:27:35.080

Ramesh Ramadurai

I'll give you, I'll give you an example as acelity is an acquisition that 3M made recently in the healthcare space, so they have a set. Acelity has a separate legal entity in India and they continue to remain separate and operate separately.

00:27:35.380 --> 00:28:05.440

Ramesh Ramadurai

Yeah it is, although it's not germane to this discussion, but it's a very small, very, very small operation. OK, at this point in time in India, the Acelity, so those are the only cases where you have an acquisition

global acquisition that happens. They have a separate legal entity here, and because of our status as a listed entity. So we have to be clear on how we handle those with you governance protocols in place.

00:28:06.760 --> 00:28:07.460

Daka, Anil

Understand yeah.

00:28:09.510 --> 00:28:15.370

Daka, Anil

So I was going to switch over to maybe the growth discussion a little bit here when.

00:28:16.740 --> 00:28:23.270

Daka, Anil

When I think about the growth opportunity, I mean obviously there's the very broad landscape of what?

00:28:23.690 --> 00:28:32.020

Daka, Anil

Uh, you know what India's GDP is doing or some broad metric like that. But then in almost every business unit that you guys operate.

00:28:32.620 --> 00:28:36.920

Daka, Anil

There is the, UM, Jimmy. Actually, the crowd seems somewhat.

00:28:38.060 --> 00:28:45.610

Daka, Anil

Somewhat endless in the sense that you know there is the evolution of the market itself towards the products that you guys sell.

00:28:46.640 --> 00:29:04.610

Daka, Anil

There is quite likely I . I don't know how much pure competition you come across in in these businesses there is the branding element of what people recognize. I mean everything on growth just seems green, green, green to me, but currently if I'm wrong with that framework.

00:29:06.660 --> 00:29:29.230

Ramesh Ramadurai

The growth is green and competition is there. I mean, I don't think there is any space where there is no competition. It could be local competition, it could be global competitors playing here in India. So I think I think the first comment I'd like to make is competition is very much there and it's very much factor in all of our operations.

00:29:30.300 --> 00:29:38.330

Ramesh Ramadurai

The other part I would talk about is, you know, just the maturity of certain markets. Because if you look at a lot of our.

00:29:39.520 --> 00:29:51.360

Ramesh Ramadurai

You know a markets that we play and really the question is what? How are we successful in many of the markets there are several factors that go into it. One of course, is technology specifications.

00:29:52.080 --> 00:30:17.820

Ramesh Ramadurai

Jeff, I may just digress for a minute and then you know we have the four businesses right? I talked about safety and industrial etc and they're all the reorganization that happened in 2019 in globally for into these four businesses from the earlier 5 business business verticals was also based on certain go to market models. So I safety and industrial business is pretty much serving end users, but.

00:29:57.580 --> 00:29:57.860

Daka, Anil

Yep.

00:30:19.780 --> 00:30:23.390

Ramesh Ramadurai

Predominantly through distribution channels and distribution partners.

00:30:24.570 --> 00:30:46.380

Ramesh Ramadurai

Our transportation electronics business is more of a specification driven and many times it's a hard specification versus a soft specification, maybe meaning it's in the drawing type of a thing. Specification driven, OEM businesses, transportation and electronics. Then the healthcare business has its own go to market model and consumer is also different.

00:30:47.510 --> 00:31:03.380

Ramesh Ramadurai

So in all of many of these businesses in 3M India, the safety and industrial and transportation and electronics makes up almost 73 or 74% of our sales makes. About 16% is healthcare and like I said earlier, about 12:00 or so is consumer.

00:31:04.730 --> 00:31:33.370

Ramesh Ramadurai

So technology and specifications is important. Regulatory X excellence is critical by regulatory excellence. Also includes things like education, education of different stakeholders, working with them to develop standards, build standards for the long term, and an important aspect of that is also compliance to standards which takes a while to put mechanisms in place to upgrade compliance to these standards.

00:31:34.040 --> 00:32:02.820

Ramesh Ramadurai

And then the other things is establishing strong channels, channels to serve markets, and given the breadth of the country, the geographic breadth of India and also the preponderance of more small and medium types of customers, I think coverage models becomes very important, which could be different in India compared to some other parts of the world. So these are some of the area the how we actually the how of.

00:32:03.760 --> 00:32:07.490

Ramesh Ramadurai

You know operationalizing some of our plans and targets.

00:32:08.290 --> 00:32:21.520

Ramesh Ramadurai

So that is one part of it. The other part of it is the market maturity. Now if you look at, you know a lot of our growth also depends on some of the as the markets mature in terms of whether it's.

00:32:22.180 --> 00:32:26.320

Ramesh Ramadurai

Let's say even you take a business as strong as automotive in India which is.

00:32:27.200 --> 00:32:57.120

Ramesh Ramadurai

Close to passenger vehicles, I think our production numbers say that last fiscal year. Of course COVID impacted was about 3,000,000 vehicles that goes, but if you go back three years in 2017, eighteen India produced about four million vehicles while growth rates right now may seem OK. Quarter on quarter comes may look good, but the reality is compared to three years ago we are still a million vehicles short. So I think yes, there is the opportunity for these markets to grow and evolve and mature.

00:32:57.500 --> 00:33:17.050

Ramesh Ramadurai

In terms of higher grades of high models are different models perhaps a slow transition to EVs, which means the opportunities for 3M remained robust, but the pace of adoption of those always in our experiences being somewhat variable over the past several years.

00:33:20.570 --> 00:33:41.180

Gonzalez Rosell, Esteban

Maybe can you explain a little bit or you discuss your marketing strategy, your customer acquisition strategies? What percentage of your customers are like large corporations, pursues smaller, smaller size businesses and how you approach them.

00:33:20.820 --> 00:33:21.190

Ramesh Ramadurai

Maybe?

00:33:42.620 --> 00:33:44.210

Gonzalez Rosell, Esteban

I think that would be interesting too.

00:33:45.190 --> 00:33:49.970

Gonzalez Rosell, Esteban

To try to understand like how do you operate in the in the marketing area.

00:33:45.470 --> 00:33:45.890

Ramesh Ramadurai

Sure.

00:33:50.670 --> 00:34:20.950

Ramesh Ramadurai

Sure, sure. So if like I said before, businesses have very distinct go to market models, so most of our safety and industrial business customers are served through distribution partners. The customer acquisition to the more the I would say a large part of the customer acquisition is still done by the 3M representatives and some by the channel partners. But all the service fulfillment etc is done by channel. OK in the safety and industrial business.

00:34:21.750 --> 00:34:28.020

Ramesh Ramadurai

Which includes portfolios like Abrasives, Tapes and it eases electrical products safety products.

00:34:28.830 --> 00:34:48.000

Ramesh Ramadurai

I mean the pipis for the industrial customers, so all of these are served through industrial channels because a lot of the businesses still go through go to end users who are kind of the mid medium size enterprises. A large percentage of our business goes to medium.

00:34:48.550 --> 00:34:56.200

Ramesh Ramadurai

Medium what we call not TM is not the micros of the MSME in India. But certainly the medium size organizations.

00:34:56.990 --> 00:35:26.680

Ramesh Ramadurai

On the other hand, the transportation and electronics business is for us in India. The electronics pieces relatively small. I mean you compare with. I often get asked the question about compared to China, your mobile handheld market is supposed to be growing. How? What's it doing? But that still for us at a relatively early stage, but biggest portfolios in our transportation electronics business is really the automotive OEM business. What we sell to OEM manufacturers, whether it's tsuki, whether it's.

00:35:27.100 --> 00:35:29.910

Ramesh Ramadurai

Uh Tata Motors Mahendra and so on.

00:35:31.050 --> 00:35:31.590

Ramesh Ramadurai

Uh.

00:35:32.720 --> 00:35:47.510

Ramesh Ramadurai

And then we also have a significant piece of a road safety business. All of these where we work with our customers for specifications and then then then there is a for different models. And then there is the whole pull through as the production scale up.

00:35:49.480 --> 00:35:55.380

Ramesh Ramadurai

The health care business model is also through channel partners, but it's very in education.

00:35:55.430 --> 00:36:24.980

Ramesh Ramadurai

Uh, you know, training education is a very intensive piece of that of that in that business model. So we do we have what we call professionals professional specialists as part of our health care business group who actually have the more qualified, trained to be able to deliver these kinds of seminars. Training programs you know on the hospital, actual training.

00:36:25.440 --> 00:36:44.310

Ramesh Ramadurai

Working with different institutions like the Infusion Nurses Society of India and others to really establish but training protocols for them. And so I think we do invest quite significantly in training and off of our well. I'll call them customers. But generally the hospitals.

00:36:45.050 --> 00:36:45.830

Ramesh Ramadurai

Uh.

00:36:47.040 --> 00:37:02.960

Ramesh Ramadurai

And the fulfillment and is again done through channel partners. And then we have another piece of the business which is the dental business which is smaller than the hospitals segment. But even there it is mostly catered to by channel partners.

00:37:04.300 --> 00:37:34.550

Ramesh Ramadurai

The consumer business. We have 3/3 typical go to market strategies that one is a general trade. Then we have the modern trade or the large format stores and then the third is e-commerce. Now during the pandemic over the last year and a half because of the pandemic we saw good recovery happening in general trade an E commerce and both and e-commerce actually grew quite sharply in the last several months. Modern trade has been a little slow to.

00:37:34.800 --> 00:37:59.470

Ramesh Ramadurai

Come back to pre pandemic levels primarily because of the lockdown restrictions. Many of them are Co located in malls, shopping malls etc where which were not allowed to open and operate. So there's been some issues there and so they've been a little slower to bounce back. But we're hopeful that will happen and there the businesses are. Also, you know, mostly all of the businesses are the key accounts we handle.

00:38:00.310 --> 00:38:21.570

Ramesh Ramadurai

We all the discussions, business programs, partnership programs are all discussed directly between 3M and the and the key account. If it's a modern trade key account, but the fulfillment may be done by a channel partner, general trade, of course is goes through distribution channels, so I'll stop here and then perhaps if you would like follow up on that.

00:38:25.300 --> 00:38:46.000

Daka, Anil

Actually I was going to go back to the growth question and you know, maybe different fashion apps I when you think about the potential for growth and when you look at the historic growth, I think you know your long term growth is I'm not mistaken has been in the top line. Growth is probably in the low to mid teens if I'm not mistaken.

00:38:47.310 --> 00:39:00.800

Daka, Anil

Is there? Is there any reason that growth can be better than that? Or maybe worse than that over medium term? I, you know, not immediately next year, but or you know, let's say 5 to 7 year time period.

00:39:02.190 --> 00:39:18.440

Ramesh Ramadurai

Yeah, I would say that the medium term growth drivers will be also the emergence and growth of markets which are either at early stage development today or not yet quite there.

00:39:19.250 --> 00:39:29.880

Ramesh Ramadurai

Oh, OK, now that's number 1 #2 is like OK, let me give you a couple of examples. One is of course the much talked about is mobile handheld smartphone manufacturing.

00:39:30.510 --> 00:39:48.800

Ramesh Ramadurai

Uh, I think last year my memory serves me right. I think ship sails in India shipments were about 150 million units, but over 90% of I believe of them were assembled in India. But again the local content was pretty low. As with the with the Make in India.

00:39:48.850 --> 00:40:20.250

Ramesh Ramadurai

Uh, emphasis by the government and the production linked incentives that they offered, and I think which have many companies have signed up for. I think the expectation is if the pandemic had not happened. I think a lot of the localization would have progressed quite significantly by now, but I think they've been. There's been some, you know, I think it's probably got pushed out by a few quarters. The pace of localization of the entire supply chain we come in as material suppliers to that industry.

00:40:20.300 --> 00:40:44.300

Ramesh Ramadurai

So we're not a tier one. We're probably a Tier 2 or Tier 3, depending on how the old. Depending on the structure for a given key account or a given brand globally, we work with all of the key players, whether it's the Korean OEM's where there is a Chinese OEMs, whether it's the US OEMs in the smartphone manufacturing area. So I think we are.

00:40:45.860 --> 00:40:49.940

Ramesh Ramadurai

You know, we're ready optimistic that as the localization.

00:40:51.180 --> 00:41:04.700

Ramesh Ramadurai

Uh, increases in India of the supply chain are opportunities come into play right at that point in time. So that's an example of a market which is probably at an early stage right now, but kind of gathering pace and momentum.

00:41:05.540 --> 00:41:30.560

Ramesh Ramadurai

The similar one is I kind of, I don't. I won't spend too much time on the other sectors for making India, but I'll just call out a few of them. Just to you know to give you a sense. I'm sure you probably tracked some of these. If not, you know. I think the government announced about 13 different sectors where they would offer up to our \$27 billion of incentives. That of course this goes over, I think, between four to six years, depending on the sector.

00:41:32.170 --> 00:41:38.010

Ramesh Ramadurai

But out of the 13, about 4:10 of them, I think most of the details of the programs have already been announced.

00:41:38.850 --> 00:42:10.230

Ramesh Ramadurai

You know things like advanced cell chemistry, batteries, even white goods. You know high efficiency solar modules, food products, pharmaceuticals, drugs and so on. And we've looked at many of this, although the details are not very, you know, I don't think we can say with any degree of certainty at this point, but from our portfolio we have opportunities in all of these or most of these segments. Of course, to varying degrees of intensity. So I think as these programs start to roll out.

00:42:10.290 --> 00:42:31.530

Ramesh Ramadurai

'cause these sectors start to make the investments customers come in make the investments. I think we would see them providing another level of growth for us in the medium term and we continue to stay close to the not only the government but also the customers who may be making investments in this space. So that is some of the new.

00:42:32.600 --> 00:42:40.310

Ramesh Ramadurai

Some of the newer market segments that may become available to us, which are probably not there and then the next one is.

00:42:40.990 --> 00:42:45.920

Ramesh Ramadurai

But what gives us confidence in growth even in the short to medium term, is?

00:42:47.270 --> 00:43:16.770

Ramesh Ramadurai

You know some of the trends that we see in the market, especially, you know. I mean, we've all heard and read about the acceleration of trends as one of the learnings or one of the phenomena coming out

of the pandemic. So we're seeing a lot of that. The whole safety hygiene portfolio is something we see tremendous interest in safety and hygiene as a portfolio. If you look at it really as a platform as a horizontal platform going across more than one industry. Of course it's.

00:43:16.820 --> 00:43:30.070

Ramesh Ramadurai

Very strong and healthcare industrial safety is something which is, you know. It's getting a lot more. It's always important it's getting even more renewed attention right now, especially in the small and medium scale industries.

00:43:30.740 --> 00:43:42.770

Ramesh Ramadurai

And you will also see it in things like home cleaning, home, you know cleanliness, indoor cleanliness, personal mobility, spaces, whether it's automobiles or public transport. This to hold.

00:43:42.820 --> 00:43:43.260

Ramesh Ramadurai

So.

00:43:44.680 --> 00:43:54.810

Ramesh Ramadurai

Safety and hygiene. In those spaces, they throw up a lot of opportunities which probably were not there. I mean, it was always there, but it was not as heightened as it is right now.

00:43:55.660 --> 00:44:19.520

Ramesh Ramadurai

Uh, other areas we're seeing small, smaller levels of growth in India, but globally it's an interesting one is also biopharmaceuticals. As biopharmaceutical manufacturing increases and you know, I think we were three M places with the suite of filtration products we do participate in the manufacturing chain of some of these products by.

00:44:20.680 --> 00:44:38.780

Ramesh Ramadurai

You know by providing filter filtration solutions, so those are also starting to, you know, see good tailwinds there. Although from an overall impact to total company I think it will probably still take some more time to for it to be in India. I'm talking about for it to be a more.

00:44:40.010 --> 00:44:41.900

Ramesh Ramadurai

Material and meaningful impact.

00:44:42.800 --> 00:44:50.050

Ramesh Ramadurai

So there are many opportunities, so I just highlighted a few as examples to kind of answer your question about medium term opportunities.

00:44:53.220 --> 00:44:55.080

Daka, Anil

That's that's very good because.

00:44:55.130 --> 00:44:55.490

Daka, Anil

Yeah.

00:44:57.730 --> 00:45:08.540

Daka, Anil

'cause it is the two things right? 'cause there's the magnitude of the growth. And then there's the duration of growth and I think if I'm not mistaken, I think your comment is about.

00:45:09.410 --> 00:45:25.350

Daka, Anil

Not just the magnitude, but the duration of growth should be good as well because of all the new opportunities, or at least the you know it's not 1 product, one market we're talking about right? With their multiple products under very market with different growth rates.

00:45:25.930 --> 00:45:35.450

Daka, Anil

And thereby that gives you the confidence about sustaining these growth rates over the long run. I correct me if I'm wrong in assuming so.

00:45:36.460 --> 00:45:52.020

Ramesh Ramadurai

Well, you're absolutely right. So if I have to, just, you know, summarize that I gave you, I kind of probably did it backwards. I gave you all the examples 1st and now and now if I have to just summarize it in three or four bullets, you know the way we look at growth is 1, obviously.

00:45:52.170 --> 00:46:21.960

Ramesh Ramadurai

Yeah, we have successful applications. I mean Mike. This example of applications may apply more to the industrial, automotive, electronics types of businesses, but we have successful applications. How do you? How do you rapidly replicate them? How do you, I mean another way of saying? How do you rapidly increase penetration in the existing market segments? So AB application, replication, development of new applications in existing markets? A classic example is.

00:46:22.270 --> 00:46:37.940

Ramesh Ramadurai

In automotive OEM's as you go to a new model as a new more vehicle model comes up. How do you engage with the OEM designers and engineers early enough in the cycle so that you work collaboratively with them to specify products which solves problems for them?

00:46:38.740 --> 00:47:08.910

Ramesh Ramadurai

Whether it's you know acoustics, white noise, vibration, harshness etc. So that's the other one. I've development of new applications. The third one, of course is new products, and then we're talking

about, you know, and in all of these spaces the whole the whole go to market coverage models. How do you make this more efficient? How do you make your market coverage models more efficient, especially when you have multiple market segments that we are addressing?

00:47:09.430 --> 00:47:28.930

Ramesh Ramadurai

And that is done partly structurally through the organization into the four business groups that I talked about before verticals. And the last one, of course, is the emergence of new markets which, like I said, I did it backwards. I talked a lot about that first, so I would summarize it in these four or five bullets as the basis for some of our growth strategies.

00:47:31.840 --> 00:47:41.040

Gonzalez Rosell, Esteban

When you look at your sorry when you look at your EBIT Dom margins, so correct me if I'm wrong, but I believe they are closer to.

00:47:41.660 --> 00:47:43.250

Gonzalez Rosell, Esteban

215%.

00:47:44.580 --> 00:47:46.330

Gonzalez Rosell, Esteban

Let's say before before go eat.

00:47:47.060 --> 00:47:48.480

Gonzalez Rosell, Esteban

And when you look at the.

00:47:49.200 --> 00:48:07.430

Gonzalez Rosell, Esteban

The three M global margins I believe, for closer to 2025%, so that delta in margins is it. Is it a function of the mix of products or is it a function of scale?

00:48:07.930 --> 00:48:11.800

Gonzalez Rosell, Esteban

Uh, what would you say explains that that delta?

00:48:13.320 --> 00:48:22.100

Ramesh Ramadurai

I think a lot of it goes to the scale of operations, so I think you know, obviously on a global basis you see the scale of operations is.

00:48:23.210 --> 00:48:54.750

Ramesh Ramadurai

Multi fold of what we operate in in in a given subsidiary #1 #2 is also some adoption of some of the more newer higher value products is probably a little slower given the market maturity and the development of the market, so I think that would be the second one. And third one is of course we're we are exposed to some of the foreign exchange fluctuations and you know cost of imports because.

00:48:55.060 --> 00:49:13.500

Ramesh Ramadurai

Like I said before, we do make about 58% of sales of manufactured here. The rest, uh, purely imported, and even that 58% has some amount of import content in them. It's not 100% local, so we do have some exposure to import duties and effects fluctuations, yeah?

00:49:16.070 --> 00:49:20.470

Gonzalez Rosell, Esteban

Great and do you have like a long term target in terms of.

00:49:21.570 --> 00:49:22.640

Gonzalez Rosell, Esteban

Margins.

00:49:24.280 --> 00:49:47.770

Ramesh Ramadurai

You know, I've said before. I think my predecessor also said like we 4 from an EBIT test endpoint. I think being in the 1617% range is what we were looking at now. With Covid we probably will have to reset for a year or so couple of years, maybe in the 14 to 1617% range. I know it's a broad range, but given some of the.

00:49:48.760 --> 00:49:59.630

Ramesh Ramadurai

So I'll be fluctuations and volatility that we see. I think that's a range we're getting 2 for the next few years and then longer term. Of course you know.

00:50:00.260 --> 00:50:02.870

Ramesh Ramadurai

We can look at that as the next phase, yeah?

00:50:04.440 --> 00:50:05.630

Gonzalez Rosell, Esteban

OK, got it. Thank you.

00:50:08.260 --> 00:50:12.240

Daka, Anil

I'm can you touch on pricing for a second here.

00:50:13.480 --> 00:50:15.570

Daka, Anil

You mentioned inflation, but.

00:50:15.800 --> 00:50:22.440

Daka, Anil

Uh, is is pricing usually simply linked to inflationary factors, is there?

00:50:23.110 --> 00:50:26.190

Daka, Anil

Is there is a case to be made for?

00:50:27.170 --> 00:50:29.930

Daka, Anil

Value added pricing on the top of inflation.

00:50:31.180 --> 00:50:37.720

Daka, Anil

And how much of that is dictated by competitive forces from any year to year?

00:50:38.620 --> 00:50:43.600

Daka, Anil

Would be, uh, the three aspects of pricing. I'd like to comment on.

00:50:44.600 --> 00:50:50.840

Ramesh Ramadurai

Yeah, all three are you? I mean you hit upon all the three important aspects of it and again, you know it's.

00:50:52.140 --> 00:51:20.010

Ramesh Ramadurai

There is no one answer. I cannot give you one answer which will cover all of our market segments, so it's always different by portfolios and different by segments in certain market segments. We have formula very very limited, but nonetheless there are a couple of areas. We do have formula based pricing where you know there is a high correlation to raw material costs, that is volatility in raw material pricing. So we do have.

00:51:20.930 --> 00:51:50.030

Ramesh Ramadurai

You know formula based pricing with customers. Generally it happens with the lag of perhaps one or two quarters, but nonetheless that's there. But that's a small part of a portfolio. A larger part of the portfolio, which is more channel driven and user. It's a lot of it is. We do have an annual rhythm of a price adjustment cycle, so it's not event based on some kind of inflation happening or you know something going.

00:51:50.090 --> 00:52:07.560

Ramesh Ramadurai

You know there's huge volatility in the effects. Normally there is an annual rhythm. We review pricing and then make decisions. It's rarely it's never an across the board type of an activity, it's always focused and it's always targeted.

00:52:07.860 --> 00:52:15.070

Ramesh Ramadurai

Uh, so so that there is, you know, to goes to your point about value based pricing that you talked about, which is very true.

00:52:16.370 --> 00:52:23.500

Ramesh Ramadurai

And then and then, of course, there are some contracts which are more like linked to government contracts, which way you?

00:52:24.130 --> 00:52:30.300

Ramesh Ramadurai

Do try to bring in many, many options that you can as best as possible to.

00:52:31.510 --> 00:53:00.710

Ramesh Ramadurai

You know minimize downside impact because of longer term. In our case, longer term contracts don't don't run more than two years or three years. We're not talking about five 10-15 year types of contracts, so again, that's also at the other end of the spectrum, which is relatively small, so we have all of these types of situations in play and like, but like I said at the end of the day, we do do this as a as a clear, clear, good rhythm on an annual basis and then.

00:53:00.760 --> 00:53:13.880

Ramesh Ramadurai

Have cycles? Different businesses may have different points in time there adjust prices big based on the market situation and the market. You know industry practices that is suitable for that particular segment.

00:53:15.070 --> 00:53:16.730

Ramesh Ramadurai

So all of the above will apply.

00:53:17.750 --> 00:53:28.210

Ramesh Ramadurai

And finally, you can never ignore the competitive situation. I mean, that's a very important part of it, but then the competitive situation and a value based pricing value based offering. I mean they are also correlated.

00:53:30.460 --> 00:53:30.940

Daka, Anil

Got it.

00:53:32.320 --> 00:53:49.520

Daka, Anil

You know you mentioned, uh, I guess, let's say some other more knew energy related applications from either it be electric vehicles or you know new energy production from like you know, wind or solar or other applications as well.

00:53:50.380 --> 00:53:54.040

Daka, Anil

Or you know, for from lithium ion, battery making etc.

00:53:54.630 --> 00:54:00.840

Daka, Anil

Uh, is there? Is there a way to understand your overall exposure to that specific market today?

00:54:02.150 --> 00:54:05.090

Daka, Anil

And what that may look like or the next many years.

00:54:05.860 --> 00:54:21.120

Ramesh Ramadurai

Yeah, I think at this point in time I can tell you that our exposure to those new and emerging markets is, you know, it's very, very low it. So I think the best exposure the some of the opportunities we have probably would be in.

00:54:21.990 --> 00:54:56.130

Ramesh Ramadurai

You know some things, like in the wind industry, some turbine blade manufacturing. We have some materials that go into it so, but then if you look at it from a total enterprise standpoint it's I would say it's like very very low. It's not material at all at this time, so I we see these as future growth opportunities. Yes Yves, we're starting to have specification wins inivis, but it's still very early days in terms of as you know their focus in India for EVs at this point in time is more. 2 wheel, Three will public transport.

00:54:56.620 --> 00:55:10.980

Ramesh Ramadurai

And passenger wait till not necessarily in that order, sequentially or in a linear fashion. But pretty much you know that's the sequence in which it's going to go. So we are working with all the not only the established.

00:55:12.020 --> 00:55:27.690

Ramesh Ramadurai

Legacy players, but also there is a whole ecosystem of startups and new entrance in the EV space in India. So we have a good connection and on three with all of them. But a lot of the work right now is development or work, so it's hard to say exactly when it will fructify.

00:55:30.570 --> 00:55:46.120

Daka, Anil

Got it, you just run ecommerce I. I think in your remarks about COVID impact. Maybe a minute on e-commerce is percent our sales. Who you know how much of that is going through your own website versus you know other channels that you may be using.

00:55:46.780 --> 00:56:13.370

Ramesh Ramadurai

It's all platform. It's we don't sell through our website. It's all true platforms. They sold on the at the marketplace is whether it's Flipkart, whether it's Amazon or others. So that's how it is sold and most of the Business Today is for a large part of our portfolio goes from a consumer business. Which is, you know things like scouring, cleaning materials, products, Scotch Brite, scouring pads.

00:56:14.060 --> 00:56:35.670

Ramesh Ramadurai

You know other other forms of materials there, so the total our total exposure to sales through e-

commerce channels is again in the single digits. I think that it's growing. It's growing well for us, but it's still relatively speaking only in the single digits, so it's not a large part of the total channel mix at this point in time.

00:56:39.460 --> 00:56:39.950

Daka, Anil
Got it.

00:56:41.020 --> 00:57:00.220

Daka, Anil

So I know he can down almost to the minute here, but the last one for me is on, you know, on cash return, M&A, etc. It's our it's is any acquisition driven off your business here versus more at a corporate level and.

00:57:01.050 --> 00:57:14.710

Daka, Anil

And you know what's an ideal leverage for financial leverage? I mean, for your, for you also an you know any directionality on the use of cash and other activities.

00:57:15.480 --> 00:57:47.130

Ramesh Ramadurai

Yes, at the a lot of the plans is to reinvest cash into our organic growth investments. If you look at our CapEx history over the past 1012 years, CapEx tends to be a little lumpy for us. It's not that we have a steady state X percent to sales on an annual basis. As CapEx, it's kind of a little lumpy, and that's also, you know. Even though we've been here for 30 years in the country, but some of the growth and the maturity of several markets.

00:57:47.180 --> 00:57:53.290

Ramesh Ramadurai

Pigments also informs indirect, so the way we drive that capital CapEx allocations.

00:57:54.200 --> 00:58:11.260

Ramesh Ramadurai

That's number 1 #2 on MA. I think. The before I go to M&A. Right now we're executing CapEx projects so two or three one like investing for putting up a new plant for manufacturing automotive.

00:58:12.230 --> 00:58:24.130

Ramesh Ramadurai

Ceramic materials for emission control somewhere Mission Control materials for the automotive, commercial vehicle industry. So this is been the investment is well underway and I think it should be commercialized early next year.

00:58:25.300 --> 00:58:34.570

Ramesh Ramadurai

And then we continue to make incremental investments in expanding capacities and things like respirator manufacturing, sanitizers, and so on.

00:58:36.520 --> 00:59:06.750

Ramesh Ramadurai

The other part of it is the whole uh Ma piece. I mean we continue to we align closely with the air, the area and global teams so that you know any scouting for targets is done, not just at a local level but also in alignment with the global an area strategies and also what are the primary drivers of MNA, whether it's the acquisition of new technology platforms, whether it's accusation of channels to market, whether it's.

00:59:06.970 --> 00:59:31.890

Ramesh Ramadurai

Adding complementary capabilities, so I think there are, you know, each of the four businesses have certain set criteria and filters which through which they look at acquisitions and you know, we work closely with them, so we just don't do it, or it's a local for local. Typically at this point in time we also look at leveraging how there might be a fit to the global strategy.

00:59:33.160 --> 00:59:41.890

Ramesh Ramadurai

And as you know, I mean the MN is the 3M is made at this point in the recent ones have been large scale, more global footprint type of acquisitions.

00:59:45.640 --> 00:59:54.670

Daka, Anil

Correct, well thank you so much for your time. I hope we can stay in touch and and you know I know the you know.

00:59:56.050 --> 01:00:11.820

Daka, Anil

It's for us like we will take a bit more of time. Kind of getting up to speed on our on our investments, but I do appreciate you taking the time to get us up to speed and we look forward to staying in touch and you know, hopefully when the travel this Humes even see you in India at some point.

01:00:12.560 --> 01:00:39.980

Ramesh Ramadurai

I totally saw Anil and Esteban. We thank you so much for your interest in 3M India and 3M. More broadly, I think it's for us. These conversations are always very instructive because, you know, we talk a lot about market insights in the marketing space, but insights from investors or prospective investors also gives us a very important lens. So thank you. We enjoyed the conversation very much and thanks for your questions and interest.

01:00:41.010 --> 01:00:41.370

Daka, Anil

Great.

01:00:41.850 --> 01:00:42.860

Gonzalez Rosell, Esteban

Thank you so much.

01:00:43.140 --> 01:00:43.640

Ramesh Ramadurai

OK.

01:00:43.210 --> 01:00:44.540

Vidya Sarathy

Yeah, thank you so much.

01:00:43.340 --> 01:00:43.840

Daka, Anil

See well.

01:00:44.210 --> 01:00:45.500

Ramesh Ramadurai

Bye now bye bye.

01:00:45.110 --> 01:00:46.640

Venkataraman Srinivasan

Thank you, thank you, Esteban.

01:00:45.580 --> 01:00:45.870

Vidya Sarathy

I.

01:00:46.840 --> 01:00:48.780

Vidya Sarathy

Thank you, thank you Esteban by.