

Conference Call with White OAK Capital – June 28, 2021

00:00:00.000 --> 00:00:07.690

Manoj Garg

Uh, what is going to happen in next few quarters, but from a long term perspective, we would like to understand the businesses and would like to.

00:00:08.090 --> 00:00:10.490

Manoj Garg

Uh, you know, work with the company.

00:00:11.270 --> 00:00:38.720

Manoj Garg

So as a part of that, so we're happy investors. Uh, in three, for quite some time, and as a part of our coverage universe between Saga II myself, we are responsible to look at this company and that's why we are here and now percentage also joined. So maybe if perchance would like to say a few words, I would introduce the firm. But the entire management team from 3M is here.

00:00:39.740 --> 00:00:39.760

Vidya Sarathy

Uh.

00:00:39.760 --> 00:00:46.510

Prashant Khemka

No, I just want to thank you very much. Mr Ramadurai and the team for taking the time.

00:00:47.480 --> 00:00:49.870

Prashant Khemka

I know it's a.

00:00:50.730 --> 00:01:01.900

Prashant Khemka

Generally considered to be most difficult, meeting to get 3M meeting in amongst investors so we feel really privileged to be able to.

00:01:02.750 --> 00:01:32.760

Prashant Khemka

Uh, interact with you and we would not waste much of the time we are shareholders already, so usually we never invest without meeting the management. But since there was no option, we have about 275 to 300 gross worth of investment through various PMS account, sovereign accounts or institutional accounts as well as our fund accounts. So with that brief, Manoj is already given more of a brief, so I'll make full to make full use of. Your time will start.

00:01:33.090 --> 00:01:36.060

Prashant Khemka

Dial straight into Manoj the discussion.

00:01:36.790 --> 00:01:39.120

Prashant Khemka

Maybe it would be helpful.

00:01:39.770 --> 00:01:52.730

Prashant Khemka

If I miss a A2 year from the management, how they would you know? If you have some prepared comments to describe or give us EY some insight into the business, there will be very helpful.

00:01:41.160 --> 00:01:41.530

Manoj Garg

Yeah.

00:01:55.580 --> 00:01:56.740

Manoj Garg

So you are on mute.

00:01:59.640 --> 00:02:02.780

Ramesh Ramadurai

Yeah, good morning, Prashanth and good morning Manoj, India there's.

00:02:02.830 --> 00:02:18.440

Ramesh Ramadurai

So yeah, I think it's the first thing I got to address. Is that if you tation we seem to be having about difficult to beat that there's like an insured. You definitely not buy or not buy intention or anything we have to we have to correct that.

00:02:10.890 --> 00:02:11.340

Prashant Khemka

Cid.

00:02:15.710 --> 00:02:16.100

Prashant Khemka

No, it's.

00:02:16.150 --> 00:02:18.060

Prashant Khemka

Yeah, I understand.

00:02:19.040 --> 00:02:40.820

Prashant Khemka

Yeah, I don't see with MNC forms in particular. There is a mixed bag like Unilever is very active engagement with investors and so are some of the others. Like you know, Siemens is also fairly decent engagement. Well, on the other extreme is I would say 3M and Nestle armor likes together so very hard to.

00:02:39.910 --> 00:02:40.430

Ramesh Ramadurai

I see.

00:02:42.030 --> 00:02:58.270

Ramesh Ramadurai

What we're yeah, just so that you know what we're doing, how we are trying to approach it is to have some kind of a rhythm so that people are also aware. I mean, you have maybe 2 windows in a year, rather than doing every four four times after every quarterly earnings, perhaps twice once.

00:02:42.110 --> 00:02:42.130

Vidya Sarathy

Uh.

00:02:42.230 --> 00:02:43.990

Prashant Khemka

Blame any one of NC.

00:02:59.000 --> 00:03:13.040

Ramesh Ramadurai

Made it just after the AGM and once some other time so we're just trying to get a what would settle down to some kind of a rhythm so that everybody is aware and it's not ad hoc. I think that's where we want to get to, yeah?

00:03:10.770 --> 00:03:34.330

Prashant Khemka

Yeah no, that makes sense. That makes total sense and you have to balance your time management time with. Otherwise you know we guys can take up any amount of time. If you start interacting with everyone and then you you know have to be judicious in terms of not giving preferential this. That and the other so something that you'll find huge interest in holding twice a year or even once your interaction with investors.

00:03:13.790 --> 00:03:14.010

Ramesh Ramadurai

Yeah.

00:03:28.680 --> 00:03:29.220

Ramesh Ramadurai

Sure.

00:03:34.870 --> 00:03:52.580

Ramesh Ramadurai

Yeah, thank you so so with your all of your indulgence like I was telling Manoj earlier, I'm going to keep my video off. I have some issues here in the you know we added a we were we had a we work location. We just moved uh corporate office to we work effective May 1 but from from in Bangalore.

00:03:44.110 --> 00:03:44.360

Prashant Khemka

So.

00:03:44.770 --> 00:03:45.240

Prashant Khemka

This.

00:03:50.500 --> 00:03:50.930

Prashant Khemka

Sure.

00:03:53.010 --> 00:03:54.140

Prashant Khemka

No, absolutely please.

00:03:53.030 --> 00:03:56.200

Ramesh Ramadurai

Uh, so OK? Thank you, OK?

00:03:56.400 --> 00:04:02.750

Prashant Khemka

Thank you, any particular reason why we're rebuilding the office? Or is it related to the COVID issues?

00:03:58.200 --> 00:03:59.140

Ramesh Ramadurai

So what I would?

00:04:03.600 --> 00:04:36.850

Ramesh Ramadurai

No, I think it's very straightforward, so we've been in a I don't know if you're familiar with UB city. We had in Bangalore, as in that was the old headquarters of the UB Group. So we were there for 14 years. We were the and one of the anchor tenants in UB City. 14 years ago our lease came to an end. In April of this year, and then given all these situation external situation, very poor utilization of the office and also for us to be thinking forward as to how best we should re architect or an office spaces.

00:04:24.020 --> 00:04:24.460

Prashant Khemka

In this.

00:04:37.050 --> 00:04:37.530

Prashant Khemka

Yes.

00:04:37.070 --> 00:04:43.160

Ramesh Ramadurai

He just seemed like an opportune moment to just take a move out and do something on a holding pattern for a couple of years.

00:04:43.290 --> 00:04:44.880

Prashant Khemka

Makes sense, makes sense.

00:04:44.600 --> 00:04:45.170

Ramesh Ramadurai

Yeah, yeah.

00:04:45.960 --> 00:04:52.590

Ramesh Ramadurai

And of course there's some cost saving, of course, but you know that is there, but in the overall scheme of things, every every little bit adds up, yeah?

00:04:53.460 --> 00:04:54.870

Prashant Khemka

Absolutely, absolutely.

00:04:53.760 --> 00:05:06.670

Ramesh Ramadurai

OK, so So what I'll do this morning is, you know, I'll probably take about 7-8 minutes to go through some prepared remarks, which I do have, and then we'll just, you know, open it up for a free Wheeling conversation, OK?

00:05:06.490 --> 00:05:06.940

Prashant Khemka

Yes.

00:05:07.080 --> 00:05:19.130

Ramesh Ramadurai

Uh, so as we've already, so I think we've said that I'm joined in the call today or from our side by our new CFO miss with the Sr Lt Anna Company Secretary Mr Srinivasalu.

00:05:19.910 --> 00:05:29.870

Ramesh Ramadurai

So before we begin a couple of things, one of course, as you know, all of these this entire interaction will be recorded at the transcript, and recordings will be uploaded into our website.

00:05:29.420 --> 00:05:30.910

Prashant Khemka

Yes, set.

00:05:30.490 --> 00:05:43.210

Ramesh Ramadurai

And also disclaimers in terms of any predictive statements that we make about the future comes with risks and uncertainties. And as per company policy we don't provide forward guidance, so I will not cover specific guidance.

00:05:43.730 --> 00:05:44.550

Prashant Khemka

Absolutely.

00:05:44.480 --> 00:05:58.430

Ramesh Ramadurai

What I'd like to cover in my prepared remarks is just our go over a financial results for the last financial year 2021 and also highlight certain aspects of our results, which hopefully will be a good segue into a conversation.

00:05:58.710 --> 00:05:59.400

Prashant Khemka

Yes.

00:05:59.730 --> 00:06:06.880

Ramesh Ramadurai

So as you know, we operate in four business segments, safety and industrial transportation and electronics, health care and consumer.

00:06:07.480 --> 00:06:20.880

Ramesh Ramadurai

For the year ended 2021, safety and industrial contributed 39% of the sales revenue mix. Transportation and electronics contributed about 35% health care 14% and consumer 12%.

00:06:21.850 --> 00:06:30.600

Ramesh Ramadurai

Compared to prior year, there's not been. I mean, there's just being the change the change in mix has been only within one to two percentage points, so nothing very significant.

00:06:31.610 --> 00:06:40.710

Ramesh Ramadurai

All segments delivered negative growth with health care. The most impacted at minus 25% and consumer the least at minus 2%.

00:06:41.960 --> 00:06:55.050

Ramesh Ramadurai

As you all know, the Indian economy was softening 6 sequentially, pretty much from July 2019 with declines in automotive production. Broad based declines in industrial output and also a tightening credit situation at that time.

00:06:56.310 --> 00:07:04.500

Ramesh Ramadurai

You to the pandemic related lockdown. We experienced sharp declines across all of our end user market segments in the last financial year 2021.

00:07:05.650 --> 00:07:18.850

Ramesh Ramadurai

After the strict lockdown in April 2020 and part of May 2020, we saw a gradual reopening of the economy from June last year and dog, so our growth also contracted sharply in the first quarter and then showed.

00:07:19.510 --> 00:07:21.670

Ramesh Ramadurai

Uh, so I'm sequin sequin shall improvement.

00:07:22.790 --> 00:07:38.180

Ramesh Ramadurai

On a consolidated basis or fiscal, Q1 was at minus 57% growth. This improved to minus 9.6 in Q 2% minus .5% in Q3, essentially flat, and a + 22.9% in Q4.

00:07:39.410 --> 00:07:54.360

Ramesh Ramadurai

Under these conditions, we delivered consolidated sales of 2605 crores, the financial year 12.8% lower than prior year. With a bit of 10.8% and PBT of eight point 4%.

00:07:55.450 --> 00:08:01.760

Ramesh Ramadurai

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

00:08:02.670 --> 00:08:09.660

Ramesh Ramadurai

I'd like to just make a few comments on a few topics, specific comments on a few topics. Actually, there are seven topics.

00:08:10.800 --> 00:08:18.640

Ramesh Ramadurai

Then we can get into the Q&A. One is the first one is on the amalgamation of three ME&C private limited with 3M India Limited.

00:08:19.380 --> 00:08:34.260

Ramesh Ramadurai

We, as intimated to the stock exchanges on June 17th of this year, we ran into some unexpected procedural issues in completing this amalgamation. So due to which our application was denied by the regional director, Hyderabad Ministry of Corporate Affairs.

00:08:34.980 --> 00:08:51.460

Ramesh Ramadurai

We will pursue alternate path. Why are the NCLT to move this forward? We do not. We do not anticipate this will have any material impact on operations or business continuity. As you know, 3M ENC sales as a percent of the total is about 7%, so it's not.

00:08:51.850 --> 00:08:59.270

Ramesh Ramadurai

So and we will keep them members and in exchange and the investors updated as we progress.

00:09:00.370 --> 00:09:05.690

Ramesh Ramadurai

The second comment is on the consolidation of our Pimpri factory. With Ranjan gone both in pony.

00:09:06.880 --> 00:09:35.290

Ramesh Ramadurai

The Pimpri site is owned by three ME&C Private Limited. We had earlier announced a plan to

consolidate it, consolidate this smaller site into Ranjan gum for operational efficiencies and better customer support. The timing of this consolidation was earlier indicated as December 2021. We are proceeding with the plan, however, there could be a minor delay of maybe a couple of months or so due to COVID related issues in terms of executing certain parts of the plan.

00:09:37.060 --> 00:09:45.540

Ramesh Ramadurai

And the third is on portfolio management. This is an ongoing effort in our company to ensure we prioritize our efforts to the best product and customer portfolios.

00:09:46.340 --> 00:10:01.890

Ramesh Ramadurai

Last year in June 2020, we had announced our intention to exit the printed graphics, also called the decals business that we sell to the automotive 2 wheel and four wheel automotive OEM's. This was part of our transportation and electronics portfolio.

00:10:02.760 --> 00:10:16.720

Ramesh Ramadurai

This portfolio represented well below 5% of our total company sales, so we just like to update you that the business exit was completed with very good transition support to our customers that we are is scheme was also successfully implemented.

00:10:17.710 --> 00:10:25.680

Ramesh Ramadurai

You know we want to just. I want to recognize again our employees who are part of this business for several years for their contributions, as well as to our customers.

00:10:27.030 --> 00:10:41.330

Ramesh Ramadurai

The 4th one is operations during covert times as a company, we've adapted well to the COVID situation with focus on employee health and safety, factory operations, remote working and also community support as part of a CSR.

00:10:42.860 --> 00:10:56.900

Ramesh Ramadurai

Since April 2020, we've been working mostly remotely with barely 5% of our head office employees accessing the office based on specific need, and that also plays into the conversation we had earlier about we Work etc.

00:10:58.410 --> 00:11:07.630

Ramesh Ramadurai

At the same time we put in place several employee engagement and support programs in the areas of health and Wellness, connectedness, sharing, employees, stories, and learning.

00:11:08.780 --> 00:11:17.400

Ramesh Ramadurai

We've also rolled out a vaccination campaigns for employees and their eligible dependents, and covered about 50% of our employees with the first dose so far.

00:11:18.530 --> 00:11:39.620

Ramesh Ramadurai

More than eight, I think, close to 85% plus or factory employees have been covered and non factory is about 30 ish percent off the balance. Non factory employees, several of them have already got their vaccination on their own. They may. They may not have subscribed to the company program but they've done it on their own and we've also started the second dose campaigns from last week.

00:11:40.200 --> 00:11:41.210

Ramesh Ramadurai

For those eligible.

00:11:42.510 --> 00:12:02.670

Ramesh Ramadurai

The fifth one is going to comment on demand recovery, strong demand recovery and growth in the fourth quarter of last financial year was tempered by supply chain disruptions due to the pandemic winter storms in the US, et cetera. Several of these factors resulted in significant raw material and logistics cost inflation.

00:12:04.820 --> 00:12:22.500

Ramesh Ramadurai

The sixth comment is on just pivoting to growth and talk a little bit about growth opportunities and priorities. So the breadth of technologies and the breadth of product portfolio of 3M parent offers us tremendous opportunities for growth.

00:12:23.800 --> 00:12:41.830

Ramesh Ramadurai

So several of our actions, priorities, actions will deliver outcomes not only in the short term, but also beyond just to highlight a few. Obviously we double down on segments that demonstrate short term recovery potential. This was also evidenced in by a strong growth of 23% in the fourth quarter of last year.

00:12:42.810 --> 00:12:53.900

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.

00:12:54.900 --> 00:13:10.030

Ramesh Ramadurai

Enhanced digital intimacy with customers through programs such as Health Care Academy, infection prevention protocols, Energy Academy in our electrical markets, you know, several webinars and E connects. All of these have been going on successfully.

00:13:11.090 --> 00:13:14.980

Ramesh Ramadurai

We've also been overlaying our design capability to these approaches.

00:13:16.190 --> 00:13:31.090

Ramesh Ramadurai

We continue to closely track the make in India priorities as well as the PL eyes that have been announced. We do see opportunities in practically most of these new sectors, but to varying levels of intensity, we see this as a medium term opportunity.

00:13:32.220 --> 00:13:40.230

Ramesh Ramadurai

New applications and application replication in existing markets continue to be foundational to our short term growth in existing markets.

00:13:41.330 --> 00:13:56.490

Ramesh Ramadurai

New products in the areas of our before with acoustics programs. Various interior cleaning portfolio for the aftermarket Rd safety products and several new multi pack SK. Used in consumer or some of the examples.

00:13:58.130 --> 00:14:10.600

Ramesh Ramadurai

The seventh comment is on margins. You may have observed that a material cost increased by about 330 basis points in FY on a consolidated basis in FY20 21 over prior year.

00:14:11.260 --> 00:14:21.980

Ramesh Ramadurai

Of this increase, we would attribute it. We attribute this increased to the rupee depreciation and the impact of revenue mix and some of the cost inflation that I just touched upon earlier.

00:14:23.430 --> 00:14:27.110

Ramesh Ramadurai

And finally, I think our CSR just wanted to comment on CSR.

00:14:28.900 --> 00:14:44.800

Ramesh Ramadurai

You know, over the years we've we've had several multi year commitments in various areas of education, environment, community support, girls education etc. However, last year we pivoted a lot to for COVID support and COVID interventions.

00:14:45.780 --> 00:15:10.040

Ramesh Ramadurai

In in the areas of food security programs to build resilience, such as critical medical equipment for Cancer Foundation hospitals, mobile health vans and more. We also leverage grants from the parent company from 3M Foundation in the US to build capacity by by supporting hospitals with selected hospitals with oxygen concentrators, HF NCS and others in December 2020.

00:15:11.710 --> 00:15:18.210

Ramesh Ramadurai

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

00:15:19.340 --> 00:15:42.610

Ramesh Ramadurai

So that was that pretty much concludes my prepared remarks. As you know, we will host our AGM this year on August 26th. Again, this will again be true. The virtual mode, so I would certainly invite you to participate in the AGM as well. So let's open it up and then we can just have a dialogue and I'll be happy to respond to your questions or any other observations. Thanks.

00:15:45.080 --> 00:15:46.510

Prashant Khemka

Manoj, you wanna start?

00:15:45.870 --> 00:16:15.100

Manoj Garg

Yeah, sure yeah, so thank you very much Sir. For your prepared remarks so I would just like to start with and since I think you have briefly touched upon a comment of, you know, selfreliance focus of India, particularly in the manufacturing sector and what we have observed in the past that you know if you look at China subsidiary which has seen very very strong growth historically because of the government focus on manufacturing.

00:16:15.840 --> 00:16:38.060

Manoj Garg

Now, what kind of opportunities we see in India at this juncture where you know lot of initiatives have been taken to become self reliance in manufacturing, including public the electronic scheme which com it is running where they would like to become not only self-reliant, but the words largest producer in the smart smartphone manufacturing.

00:16:38.910 --> 00:16:49.650

Manoj Garg

And given I think 3M has a larger part of the good part of the portfolio, particularly on the display and aggressive side, how do we see this opportunity? A merging maybe over the next few years for us?

00:16:51.500 --> 00:17:13.690

Ramesh Ramadurai

Yeah, we we see these as very attractive opportunities for us. No question about it where we're still trying to get a firm handle on is the pace at which some of these will move forward. I think. Unfortunately some of it is been, you know, office skated by the COVID situation, so that is unfortunately added some element of delays etc.

00:17:14.460 --> 00:17:47.340

Ramesh Ramadurai

If you look at the you know you refer to the China situation. No, I've been away from China now for almost more than two years now and things change quite dramatically, so I should be cautious relying in my old experience in China. But definitely if we look at the automotive segment or the electronics segment or automation broadly, or what they call you know the make in made in China are making China 2025, which was going back ten years. Now a lot of those programs where the the high end, higher value added types of industries high speed rail was a big component of that.

00:17:42.300 --> 00:17:42.320

Manoj Garg
Uh.

00:17:48.730 --> 00:18:00.620

Ramesh Ramadurai
So I think all of those afforded very strong opportunities for 3M to grow in China other than the more general mass market service as well as consumer in healthcare.

00:18:01.770 --> 00:18:04.630

Ramesh Ramadurai
Now if we look at the make in India.

00:18:04.680 --> 00:18:31.420

Ramesh Ramadurai
Uh, sectors that have been announced. I think about out of the 13 sectors close up, I think about 10 or 11 already. The details of the PL eyes have been announced. Whether it's you know without getting into the sector wise details broadly, it's 4 to 6% or so of incremental sales coming as incentives over a certain period of time. Details may vary by different sectors, but broadly, that's the principle.

00:18:32.070 --> 00:18:43.980

Ramesh Ramadurai
And we see mobile handheld mobile manufacturing, of course is the most advanced. We're raw material suppliers or materials suppliers in many of these sectors. So which means?

00:18:44.400 --> 00:19:08.640

Ramesh Ramadurai
Uh, the tier one and the Tier 2 is probably have to localize their localization plans have to come to fruition before our local content can become evident. So in the case of mobile manufacturing, over 90% of our products of mobile sets sold in India, let's say last year or two years back when assembled in India with very little local content.

00:19:09.950 --> 00:19:34.850

Ramesh Ramadurai
So that's obviously the intent is to change that with significantly increased local content. Some of that has been slightly delayed, I think because of this, because we also track closely not only the OEMs and the ODM'S, but also some of the Tier 2 suppliers who are strong in this industry regionally and globally. Their local manufacturing and local investment plans. We continue to stay close to them.

00:19:35.940 --> 00:19:42.040

Ramesh Ramadurai
So I we remain very positive on this. This that's why I said all of these are medium term opportunities.

00:19:43.640 --> 00:19:52.940

Ramesh Ramadurai
Whether it's two to three years or three to five years, so it may vary by sector, but without a doubt, I think we see these is strong opportunities for growth.

00:19:54.070 --> 00:20:08.200

Ramesh Ramadurai

Going beyond the mobile manufacturing. I mean I think for the auto components, which is much more that industry has tremendous depth already. I think the pliss details are probably awaited, or if it's been announced, I might have missed it. I'm not sure.

00:20:09.120 --> 00:20:39.450

Ramesh Ramadurai

Oh, but nonetheless, you know whether you look at advance cell chemistry batteries, you look at solar modules etc. Of course, manufacturing of medical devices, so all of these you know there are varying levels of intensity. So we we are still continuing to stay close to these emerging opportunities to be able to even get a view on what could be our, you know, just to ballpark estimate what is the order of magnitude of opportunity that we will have.

00:20:39.600 --> 00:20:43.530

Ramesh Ramadurai

Great, that's still in progress, so I don't have a number that I can share with you today.

00:20:45.390 --> 00:21:11.690

Manoj Garg

So I said, and if you allow and without taking this as a future guidance in terms of numbers and all, but we were just trying to keep it in terms of the kind of opportunity even this mobile manufacturing can happen. If tomorrow the display manufacturing start happening in India. Another sense was that probably for each smartphone handset and take into consideration that display unit probably the per unit.

00:21:11.780 --> 00:21:24.630

Manoj Garg

Uh, realizations for us could be 2 to 3% of the bill of material. Or in other words, maybe anywhere between ₹9200 per piece. Is that calculation or understanding is right?

00:21:25.620 --> 00:21:30.950

Manoj Garg

From the overall, you know, looking at the total addressable market or opportunity for us in India?

00:21:31.920 --> 00:21:34.920

Ramesh Ramadurai

OK, let me answer this with a from a slightly different.

00:21:35.330 --> 00:22:04.620

Ramesh Ramadurai

A different angle based on information that's already in the public domain. OK, that would make it easier for all of us. So if you go to the three m.com website to investors site, there is a there were two. There were two interactions, one by our CEO and one by our CFO. So Global CEO and Global CFO. I think they were dated June 3rd and eight. Now I may be off on the date by a day of this month. OK, so we're talking about something that happened very recently.

00:21:41.000 --> 00:21:41.510

Manoj Garg
Sure.

00:22:02.400 --> 00:22:02.780

Manoj Garg
Right?

00:22:05.090 --> 00:22:08.290

Ramesh Ramadurai
So we go to the CFO's interaction.

00:22:09.650 --> 00:22:19.280

Ramesh Ramadurai
Somewhere in the you know it's kind of a 45 minutes to an hour interaction. I think somewhere in the middle of it, you'll have to find it. I don't recall the exact minute, but I can find out and let you know.

00:22:19.250 --> 00:22:21.040

Manoj Garg
None of you will do that, so we'll do this, yeah?

00:22:20.670 --> 00:22:49.300

Ramesh Ramadurai
Yeah, there was a question specifically asked on 3M's global exposure or to electronics. OK, and I think the question was 3M has approximately a \$4 billion exposure or say revenues in the electronic space. Can you kind of clarify more on that and give some more color on that? I think broadly that was the question and our CFO's response was yes, that's correct and you can look at it roughly. 2 billion in kind of the consumer electronics space and 2 billion in.

00:22:33.720 --> 00:22:33.740

Manoj Garg
Uh.

00:22:49.760 --> 00:23:19.540

Ramesh Ramadurai
Things like semiconductors, factory automation, data centers OK, so and if you look at the 2 billion in the consumer electronics space, it primarily I mean mobile hand handheld is obviously a big part of that and then you have things like tablets and to some extent you know laptops. So I think those that gives you a sense of what the content per unit would be at a global level. Now how because?

00:23:19.770 --> 00:23:20.730

Ramesh Ramadurai
Some of these?

00:23:21.220 --> 00:23:50.710

Ramesh Ramadurai
Uh, you know, content also varies quite a bit by models, type, model, mix and you know these are also relatively short cycle time. You know the design cycle is relatively short for mobile handhelds, so you

could see some amount of volatility in the content. Let's say every 18 months or so. There could be a change unlike automotive which has a much longer life cycle for some of these specifications electronics.

00:23:50.890 --> 00:24:00.700

Ramesh Ramadurai

Really, this cycle times are short design cycle time for mobile handhelds are much shorter, but that what our CFO is talked about gives you some very good grounding on.

00:24:00.870 --> 00:24:11.930

Ramesh Ramadurai

Oh oh, at a global level, which of course, because of the scale and kind of tends to average out some of the short term volatility you may see due to cycles, design cycles, etc.

00:24:13.940 --> 00:24:17.610

Ramesh Ramadurai

So I'd like to leave it there in response to your question, yeah?

00:24:18.840 --> 00:24:25.790

Manoj Garg

Got it, no, that's very helpful, Sir. I said like just you know, touching upon. Maybe you know a bit.

00:24:25.940 --> 00:24:32.660

Manoj Garg

Torical thing and if I see one of your producers summer in 2011, 2012.

00:24:33.290 --> 00:25:04.760

Manoj Garg

Uh, had commented that the focus of the India would be to achieve a billion dollar revenue with high teens. Kind of a bit of margins and that was the time, you know we have seen significant investment in terms of building capabilities. Putting up, you know, upfront CapEx. And during that time we had around 5 to 8% of our revenue being invested in terms of kind of cap ex. But in the last 3-4 years I think you know the investment into cap ex.

00:25:04.960 --> 00:25:29.880

Manoj Garg

At least the Indian entity has been very, very low. Maybe the less than 1%, but now as you are seeing a lot of opportunities coming to you in mid to long term kind of perspective, how are we thinking about the reinvestment in India? And if you can also talk about maybe the parents strategy of building locally local for local or maybe buying out from some of your international subsidiaries.

00:25:30.870 --> 00:25:49.090

Ramesh Ramadurai

Sure, so the first thing is I do have to share with you that I'm still very much in contact with the producer. My predecessor, who made that comment over billion dollars, which is very true. But I just joke with him saying you just forgot to mention what exchange rate you should be using.

00:25:50.360 --> 00:26:02.740

Ramesh Ramadurai

So I see here even now, as recent as last week, I hope you know he's a good friend over the years and to be very candid, he was the one who hired me into 3 M 30 years ago. So for that's for the record.

00:26:04.530 --> 00:26:08.580

Ramesh Ramadurai

But but you know that kind of minor digression aside.

00:26:10.600 --> 00:26:19.170

Ramesh Ramadurai

You're right, the if you look at the cap ex. So I think there are three parts to your question. One was just the investments in the CapEx over the years to fund the growth and drive the growth.

00:26:20.220 --> 00:26:54.820

Ramesh Ramadurai

Two is then how do we see it going forward and our balance between imported products from the parent affiliates parent or affiliates as well as local manufacturing, right? That's broadly or kind of questions, so you're right, if you're on the CapEx are before I respond to the CAP. It's let me talk about local content, so I think if you look at over the last four or five years, the local content or share of local manufacturing in our overall revenue mix is increased by about 550 to 600 base.

00:26:32.720 --> 00:26:33.220

Manoj Garg

Right?

00:26:54.870 --> 00:27:19.390

Ramesh Ramadurai

This points every year. It might not have been exactly XML and X percent every year, but it averages out to somewhere in the 100 and 22140 basis points per year. That's kind of the year on year improvement in local content. Local manufacturing as a share of total revenues for the last financial year it stood at about 59.5% previous year was 56.8 and so on OK.

00:27:19.950 --> 00:27:43.160

Ramesh Ramadurai

Uh, so add intent is to continue to grow. This at this pace, at this point that are part that we see is probably as at the 121 forty 150 maybe plus or minus a few basis points here. If there is any shop changes that we anticipate, we of course will come forward with that, because that will be on the back of some significant CapEx. It's not going to be just.

00:27:44.200 --> 00:28:13.650

Ramesh Ramadurai

Uh, utilizing existing capacities now that is one. So our strategy is to continue to increase the share of local manufacturing so that two for two or three clear objectives. One is of course improved margins. The you know better service in response to customers and three is try to help manage some of our volatility we may see in our margins. So from time to you know, if you look at the last 12 quarters, there's been some volatility we want to address that as well.

00:28:14.210 --> 00:28:35.300

Ramesh Ramadurai

So I think that is that's the overall game plan to support that if you go back over the last 10 years, you're right, the CapEx intensity, like going from 2009 to maybe 2014 or 15, as was significantly higher than the subsequent five years in terms of what we've done in terms of CapEx.

00:28:36.320 --> 00:28:50.120

Ramesh Ramadurai

So I would say the last few years it's been a little more of a lead CapEx period. And now we're in the middle of executing some CapEx of the ballpark 100 crores which I've talked about earlier as well. In the last AGM as well.

00:28:51.820 --> 00:29:15.900

Ramesh Ramadurai

This is the automotive emission control materials. This is enhancing capacities for our for some of our respirator and road safety, as well as power in our in our consumer products. OK so these are all things that are going on some the completely new line of course is our automotive emissions manufacturing line.

00:29:17.060 --> 00:29:46.440

Ramesh Ramadurai

And I think we continue to look at if you look at how we're looking at cap ex. Well is looking at segments like automotive, medical, personal safety and tapes and at ease if's as broadly the categories where we are broadly investing in local manufacturing. I didn't talk much about electrical, but I think, uh, Pimpri factory is dedicated for my manufacturing electrical products that will come in to run Django as we make this shift in addition to.

00:29:46.830 --> 00:29:59.240

Ramesh Ramadurai

Whatever buildings etc infrastructure that we are investing in. There are also some enhancements to capacity that's also happening at the same time, but we're not calling it out as a big one, but that's more incremental in in show.

00:30:00.260 --> 00:30:28.390

Ramesh Ramadurai

So what these are broadly the automotive, medical personal safety tape synergies, if's, and I should say, electrical are some of the areas we continue to focus on for investments for future growth, and that will remain. And this approach and strategy has the support and the alignment with the parent organization. Also from 3M US and the respective business units as well. So the that alignment and support is very much there.

00:30:30.010 --> 00:30:32.910

Ramesh Ramadurai

Was there another part to the question that I missed out please?

00:30:33.750 --> 00:30:59.940

Manoj Garg

Short notice is given that you have spoken a bit on a post unity because of BS 6 Mission Control and you also briefly test about, you know, electrical vehicle and electrical battery. So just would like to understand from, you know 3M India perspective how significant these opportunities could be and if you can also highlight like how we can participate in this.

00:31:00.220 --> 00:31:11.110

Manoj Garg

You know electrical batteries. What kind of segment and kind approach which we have an in terms of? Maybe it was scale and the size and the scale kind of approaching it in this segment.

00:31:12.000 --> 00:31:32.530

Ramesh Ramadurai

Yeah, I think the BS six is here and now. I mean that is it's happening today as we speak right? Even the investment that we're making in Ranjan, gone to manufacture, we're not waiting for that to start commercial production because we are meeting the requirements in the interim through inputs, but because of the nature of these products, imports gets a little.

00:31:17.070 --> 00:31:17.490

Manoj Garg

Yeah.

00:31:33.340 --> 00:31:40.290

Ramesh Ramadurai

You know logistics costs are high. These are bulky materials and so on, so, but we're doing it so it would definitely be a.

00:31:41.090 --> 00:32:10.590

Ramesh Ramadurai

The improvement as we get our local plant up and running. The other thing is of course like I said service, you know, once you have the local capability modifying products reengineering products to specific requirements of customers becomes you get that much more flexibility when you have all the local capabilities. If this of course will be also supported by a dedicated laboratory to you know not only testing but also for product development.

00:32:11.060 --> 00:32:11.660

Ramesh Ramadurai

Fication

00:32:12.360 --> 00:32:36.540

Ramesh Ramadurai

so that's on the BS six site. It's here and now the the one on the electric vehicles is a lot of our product portfolio that goes in is around things like thermal management which you know the other way to look at it is you know it is some form of paper at ease. If it's thermal management, unique materials but the applications are things like thermal management in the battery space we are.

00:32:37.570 --> 00:32:58.840

Ramesh Ramadurai

We are working with the India market. Is is of course different because the initial focus is predominantly

on 2 wheel, three wheel and then perhaps you know public transport or you know point to point services. And then while while the passenger vehicle market will continue to grow in parallel, perhaps at a lower pace than some of the other countries.

00:33:00.240 --> 00:33:10.070

Ramesh Ramadurai

So I think what I would say is we are we already have some wins in the two wheel in the EV space with thermal management because of the.

00:33:10.730 --> 00:33:41.310

Ramesh Ramadurai

Scale of operations. It's still relatively small in terms of sales numbers per say. You look at the players in the market that it's an ecosystem not only comprising of the established players, but also there is a plethora of new entrants who have come into this space and we have a working relationship with practically all of them. It's more engineer to engineer connect right now. Management to management engineer to engineer connect so to try and see how best to products could be.

00:33:41.670 --> 00:34:03.550

Ramesh Ramadurai

Specified in that space. So yes, it is an opportunity. Numbers are kind of small right now. I don't think it's it, but it will increase with the if you look at the projections made for two. We for the eaves in different segments, I think by 2025 and 2030 day pretty aggressive, so I. But we definitely see opportunities there.

00:34:05.170 --> 00:34:08.810

Manoj Garg

Got it and just the last question for my side before I turned to my.

00:34:08.860 --> 00:34:17.660

Manoj Garg

Yeah, yeah, the colleagues so. So like historically, if you see that the 3M growth has been linked with the IP growth of the country.

00:34:18.220 --> 00:34:21.010

Manoj Garg

Uh, until at least 2019.

00:34:21.930 --> 00:34:42.980

Manoj Garg

And when we look forward and given the kind of opportunity is you're seeing in terms of PLIS plus, you know multiple other sectors like we spoke about electric manufacturing automobiles and all. Do you think that we have reason to believe that probably over the next 5-7 years that there will be acceleration in the growth for the for the 3M India?

00:34:45.490 --> 00:35:01.430

Ramesh Ramadurai

So D, so I'll make a comment from 2 perspectives. One is there is an expectation within 3M and amongst ourselves that we should be growing at a premium to emerging market peers. OK, that is there just based on the.

00:35:02.980 --> 00:35:08.430

Ramesh Ramadurai

Foundation that we have set up over the last 30 years. Some of the capabilities that the company has and so on.

00:35:09.410 --> 00:35:39.950

Ramesh Ramadurai

The second part is historically we've grown between 3, two to three X or YPI. Yes, we have businesses which are linked to GDP. Link businesses also like health care and consumer, but predominantly 7374% of our mix is really safety and industrial transportation and electronics, which you can probably more you know, kind of link or two IPI. So globally are our intent, stated objective of 3M globally is to grow above the macros.

00:35:40.580 --> 00:35:50.340

Ramesh Ramadurai

You know we have been our try recorders been growing about between two to three X of IPI based on the year. This goes up to last I think 1920.

00:35:51.950 --> 00:36:06.640

Ramesh Ramadurai

But then if you look at prior years with, I think this 2021 I'm kind of discounting it because it was kind of an audio. But definitely our objective is to grow about the macros and and in this case let's keep the ipis the macro.

00:36:07.630 --> 00:36:24.230

Ramesh Ramadurai

Now how do we do that? I mean, that's the key question right? I mean stating the intent is one thing and then I talked in my prepared comments. I talked about portfolio, how portfolio management prioritisation is an important aspect, and it's an ongoing activity in 3M.

00:36:25.240 --> 00:36:30.150

Ramesh Ramadurai

So when we do that, obviously we look look at segments that offer us the opportunity to grow.

00:36:30.200 --> 00:36:40.540

Ramesh Ramadurai

Or Ida premium to the macro or well above the macro, and that is where I think I spoke about a number of these segments, whether it's automotive, medical, personal safety.

00:36:41.270 --> 00:36:49.970

Ramesh Ramadurai

You know and tapes and eddies is more less. A material where we focus on as portfolios that help us drive this accelerated growth.

00:36:50.610 --> 00:36:50.920

Ramesh Ramadurai

OK.

00:36:53.790 --> 00:37:04.390

Ramesh Ramadurai

Enter a lot of our manufacturing strategies are also linked to some of these key segments, and so we see them as something that we would be able to sustain and continue to grow on.

00:37:06.860 --> 00:37:12.620

Manoj Garg

Sure, so at this point of time, just turning to the call to my colleagues and I will come back soon.

00:37:13.420 --> 00:37:14.490

Manoj Garg

So saga, yeah.

00:37:13.420 --> 00:37:13.980

Ramesh Ramadurai

Sure.

00:37:14.920 --> 00:37:16.600

Sagar Arya

Yeah, am I audible?

00:37:16.990 --> 00:37:17.580

Manoj Garg

You are.

00:37:17.350 --> 00:37:17.860

Ramesh Ramadurai

Yes you are.

00:37:18.100 --> 00:37:27.450

Sagar Arya

Yeah, let me send a message I'm. I'm sure you've heard a lot of investors draw comparison with China rights when it comes to 3M, India's growth within China's.

00:37:27.660 --> 00:37:52.350

Sagar Arya

Uh, Chinas growth over the past two decades an I'll take the liberty to do the same. While I do understand that the government policies and the strategic priorities of these two particular nations played a very important role in the different trajectories of growth that these countries have seen, what we also have observed is that.

00:37:53.330 --> 00:38:22.850

Sagar Arya

The growth was also largely led by the policies of the parent that were implemented in in 3M China Anan. They conducive environment for growth that was created as a as a result. So this includes not only setting up local indigenous manufacturing plants but also using China as an export hub. Also setting up an R&D development center or corporate center there, which is one of the four corporate Satar India corporate centers that you have.

00:38:22.900 --> 00:38:27.480

Sagar Arya

Globally and more importantly, even in terms of, you know.

00:38:27.590 --> 00:38:58.200

Sagar Arya

Uh, the policy of having a longer term 10 year for the managing directors there, which enabled them to take more long term strategic actions or or enabled or give them the freedom to think long term rather than, you know, just thinking of three to five from a three to five year perspective or relatively medium to medium term goals. We haven't seen that sort of commitment yet, at least in India. And given this stage that we are in right now.

00:38:58.250 --> 00:39:07.860

Sagar Arya

Where we might be at an inflection point in terms of manufacturing and probably follow the same trajectory as a China had followed over the past two decades.

00:39:09.010 --> 00:39:13.960

Sagar Arya

What what are we doing to create a similar growth environment in the in the country?

00:39:15.490 --> 00:39:23.570

Ramesh Ramadurai

You know that's an excellent question, so let me let me kind of just make a couple of comments on your other question so.

00:39:24.440 --> 00:39:33.810

Ramesh Ramadurai

I think the big difference whether it's government policies or you know how we 3M may have reacted to certain situations.

00:39:35.030 --> 00:39:47.120

Ramesh Ramadurai

What we want to what we want to. I want to highlight is the scale of the available market opportunities. If you edit, it's the automotive industry. You know you take a look at the automotive industry.

00:39:48.200 --> 00:40:17.530

Ramesh Ramadurai

It's passenger vehicles as you ease etc is what roughly 6-6 hours right we were we were producing about. If you go back to 2017 eighteen production numbers in India where about four million it's over the last four years. Unfortunately it's come down to 3,000,000. Yes, we'll see quarter on quarter growth, but we'll still be catching up till we get back to 4,000,000. This is a SI am data, not sales numbers, but production numbers. But I mean they'll be close enough. Yeah, OK?

00:40:17.580 --> 00:40:44.050

Ramesh Ramadurai

So for a four million base in 2017, eighteen is now, you know, kind of reduced to 3,000,000 last year and hopefully it will be on the upswing this year compared to, I think China used to be about 2627 million

ballpark, so I think we're talking about 6X plus type of a differential in this scale. OK, that is number 1 #2 is the the.

00:40:44.730 --> 00:41:00.190

Ramesh Ramadurai

Presence of a very significant and large electronics market which we've already talked about, which is which is kind of embryonic at this stage in India, and we definitely see the opportunities for growth going forward.

00:41:01.340 --> 00:41:32.060

Ramesh Ramadurai

The third is other industries, such as high speed rail such as you know, such as infrastructure, which is at a very. It was that also at a very different scale. So I think the point is not to really parse it. Market by market and get into what's what is happening in one country versus the other. But really to say at the the opportunities are also a function of some of the scale of the market that we play as 3M to markets that we play in.

00:41:32.480 --> 00:41:37.280

Ramesh Ramadurai

And all of those are, I think, many of those markets.

00:41:38.360 --> 00:42:08.960

Ramesh Ramadurai

As you said, it could potentially be at an inflection point, or perhaps we should be looking at it as an inflection period, because obviously it's not doesn't? You know, it's it may happen over a period of 2-3 years as we talked about earlier, so it we are at an inflection period. And how is the company looking at taking advantage of these? Is the same comments? I said, you know, we have the ability to seed and serve the market with the existing portfolios. Many of these markets can be.

00:42:09.180 --> 00:42:39.650

Ramesh Ramadurai

We can see it and get started with portfolios that we may import from outside, put it manufacturing for converting at the last mile the to do the last mile converting so that we can supply products to the customers in the form factor size, shape that they require and it improves our agility to serve customers OK and backward integrate into full scale manufacturing as we have a better view on the scale of the opportunity. So I think I think our company business model like 3M.

00:42:39.700 --> 00:42:56.760

Ramesh Ramadurai

Allows us to do that well, which is an inherent D. Risking also, so it allows us to do that quite comfort. Ugly and I think we did a lot of that in China, but that's probably forgotten nodes because that happened many, many years ago. Now it happens several years ago.

00:42:57.790 --> 00:43:27.890

Ramesh Ramadurai

We do have the. We do have the the lab. We have about 100 engineers closed between 9200 engineers in our lab in Bangalore and then we look at the two aspects. One is product development for certain

categories and also application engineering to work very closely with customers to for a lot of the application development work that goes on in some many of these product categories so that and it's it's a very solid base. It's been there. We've been building that Cape of those capabilities over the last several years.

00:43:28.190 --> 00:43:36.780

Ramesh Ramadurai

And we have a a springboard on which we can accelerate the investments in those areas as well as we as needed.

00:43:38.510 --> 00:43:46.550

Ramesh Ramadurai

So normally we would go early with the application engineering support because that is customer facing front end. So that is always the investment we make first.

00:43:47.580 --> 00:44:00.880

Sagar Arya

Right, just a couple of follow up questions here. You know, historically, we've mentioned at least that one of her fears for incorporating manufacturing assets in India has been around the IP protection here.

00:44:01.270 --> 00:44:23.920

Sagar Arya

Uh, So what is our view on on that currently? And I find it slightly surprising that you know that we've we've set up manufacturing assets in China where I I'm not sure if the IP protection rights are are better as compared to India would would love to know your thoughts there, but at least from India's perspective at least, is there any any change in view there?

00:44:25.290 --> 00:44:52.810

Ramesh Ramadurai

Yeah, I can say that the IP issues. It's not a. It's not an issue on the you know on the decision making process because I think the company is fairly it's comfortable with the IP situation that we have in the country. In fact, the latest investment that we have in for these emission control materials we would call them as a. It is one of our what we would call more like a.

00:44:53.990 --> 00:45:23.530

Ramesh Ramadurai

TRA or T array trade secrets and IP around that. So this is fairly advanced. Technology is only made in one or two other locations right now around the world. Couple of locations, so I think we might have don't know exactly, but I think we're probably the third location to be making it so I don't think that is the primary concern. It's it. It comes down to scale, availability of domestic market, the size of the domestic market, the scale of operations.

00:45:23.680 --> 00:45:26.720

Ramesh Ramadurai

End of product fit? I mean, it's really that it comes down to that.

00:45:28.280 --> 00:45:41.690

Sagar Arya

OK, OK, and do correct us, correct me if I'm wrong, but but you know as per my understanding there has been a change in reporting structure where the same.

00:45:42.470 --> 00:45:49.140

Sagar Arya

The Managing director in say in India would be reporting to Regional Head in Singapore.

00:45:49.690 --> 00:45:57.390

Sagar Arya

Uh, and as a result of which the capital allocation decisions and investment decisions or more influenced by the regional office.

00:45:57.550 --> 00:46:08.820

Sagar Arya

Uh, which is present in in Singapore compared to compared to earlier? So has there been any change in this structure of reporting or capital allocation and what kind of implications could it have?

00:46:09.610 --> 00:46:11.780

Sagar Arya

Uh, at least 4:00 PM India.

00:46:12.580 --> 00:46:39.000

Ramesh Ramadurai

Yeah, they India operations along with Japan, Korea, Southeast Asia and Newy Australia, New Zealand have always been part of the Asia structure. OK, so we have Europe, Middle East and Africa. We have broadly the Americas that is divided states Canada and then you have Latin America right? And Asia Pacific was split into like the Greater China area that's.

00:46:24.560 --> 00:46:24.890

Sagar Arya

Right?

00:46:39.470 --> 00:46:51.080

Ramesh Ramadurai

Of course, Asia, which is the countries that I just mentioned and India is always been part of the Asia structure for, you know, as long as I can remember so. So that's very much there. The matrix is always being there.

00:46:52.920 --> 00:46:54.860

Ramesh Ramadurai

So, but I think the.

00:46:56.900 --> 00:47:27.190

Ramesh Ramadurai

The capital allocation. The businesses were actively involved. When I say business is, we have the four global business groups that is safety and industrial transportation, electronics, health care, and consumer. So the businesses have always been actively involved in working with the local countries to agree upon to agree upon the investment strategy and that continues. In fact, I don't. There's no change

in that, so there is a strong collaboration. It is never been that you know we were doing anything independently in the past.

00:47:27.650 --> 00:47:42.820

Ramesh Ramadurai

The collaboration and the commitment is always being there because we do. We do have need to we. We do rely on the parent for a number of factors like technology. You know whether it's even manufacturing technology. Whether it's product, construction.

00:47:44.200 --> 00:47:52.460

Ramesh Ramadurai

The you know the whole bill of materials, everything you know there is a fair amount of exchange of intellectual property.

00:47:53.650 --> 00:48:03.250

Ramesh Ramadurai

Trade secrets production processes. Information's all of those are there, so I think it were. It was always a very strong collaborative process and that continues here.

00:48:02.280 --> 00:48:02.650

Sagar Arya

Right?

00:48:04.210 --> 00:48:07.610

Sagar Arya

Understood I have a few more questions, but I'll let other team members.

00:48:07.840 --> 00:48:09.460

Sagar Arya

Uh, ask if.

00:48:10.440 --> 00:48:11.130

Sagar Arya

Any questions?

00:48:11.910 --> 00:48:12.410

Ramesh Ramadurai

Sure.

00:48:13.200 --> 00:48:17.360

Manoj Garg

Yes, sure, thanks target, so I suggest.

00:48:18.540 --> 00:48:46.500

Manoj Garg

Like given the fact that we understand 3M, you know apparent has been very, very ROI kind of focus company. But many time you have to maybe invest upfront to build long term kind of brand equity and the verify that 3M has probably one of the most innovative portfolio. But in many segments we have seen that three image node invested enough.

00:48:47.100 --> 00:49:04.430

Manoj Garg

To create and build a large brands, particular segments like aggressive where maybe a local Indian company has been able to build a large brands because of their investment in terms of brand building and all. So how three and thinking about building some of those consumer brand.

00:49:05.000 --> 00:49:14.720

Manoj Garg

As we understand that per capita income of the country will grow, probably the your consumer segment and your healthcare segment would also have higher growth potential even in India as well.

00:49:15.900 --> 00:49:17.760

Ramesh Ramadurai

Sure they.

00:49:18.830 --> 00:49:36.400

Ramesh Ramadurai

The contribution of a consumer business to the total revenue mix is about 12% last year I think was 11% of prior was 12% last year. If you look at the parent on a global basis, it's about 15, maybe 15 or 16. I I think it's about 15%. So even within the.

00:49:38.170 --> 00:50:06.740

Ramesh Ramadurai

3M world, so to speak. We got we got some catching up to do, which we recognize and there are plans to do that now. What have we been focusing on in India over the last several years? We've been focusing on a lot of the home cleaning's covering types of categories, which is being the predominant part of our consumer business. That discussion is under discussion, right brand OK and, but there are several other categories, adjacent categories or other categories that are available. If you look at the global mix.

00:50:07.100 --> 00:50:22.220

Ramesh Ramadurai

You know there is a big portfolio around construction and home improvement, which is where brands like filtrete etc play and then come on. Daddy serves and so on. So there is a whole construction and home improvement category that's available which is not a big player right now in India.

00:50:23.810 --> 00:50:55.850

Ramesh Ramadurai

Consumer Healthcare is another portfolio that 3M is being now. You know building globally which we are not particularly. We don't have a presence right now, so these are all I think these are. You bring up a great point so these are can you categories in the consumer area is something that the company is actively looking at and to expand the our own portfolio in consumer. So if I if I look at our portfolio at 12% of our sales makes I mean.

00:50:56.040 --> 00:51:08.270

Ramesh Ramadurai

Personal sales makes is not exactly necessarily the best benchmark. You gotta. You know. You got to

benchmark it with external indices, not necessarily with our own sales mix, but you know, even if we do that as a first point.

00:51:08.700 --> 00:51:40.670

Ramesh Ramadurai

Uh, to get to a 12% makes without participating in at least a couple of different categories, which the global parent organization does. I think I think there is good penetration in the areas we work. We are participating in, but the point is, how do we expand into new categories which will allow us the growth, which is where which plays into the comment you made about you know what are we doing to invest in adverse invest in brand building etc that would go with the port for the category expansion as well.

00:51:42.900 --> 00:51:44.430

Manoj Garg

Sure, sure.

00:51:45.290 --> 00:51:54.570

Manoj Garg

I just told you know again, benchmarking the operating efficiency and the margins an in one of the global call.

00:51:55.490 --> 00:52:09.150

Manoj Garg

The global IR team has indicated that the beta margins in the Sea Pacific region being the highest and somewhere in the range of you know, late 20s, early 30s, kind of range.

00:52:10.140 --> 00:52:39.640

Manoj Garg

Well, if we look at the global parent arbiter, margins are in the range of anywhere between 20 to 24% kind of range. When we look at 3M India while gross margins are more or less in line with the with the global parent. But in terms of our operating margins, I think they still there is significant room both compared to other peers in the Sea, Pacific region or 3M own entities as well as the global pad margin. So how do we see the trajectory going forward?

00:52:40.120 --> 00:52:49.080

Manoj Garg

And can we see the margin expansion were seen between 12 to 18 kind of time frame where margins have gone from high single digit to high teens?

00:52:50.540 --> 00:52:53.080

Manoj Garg

What could be the trajectory maybe over the next three to five years?

00:52:54.180 --> 00:53:25.410

Ramesh Ramadurai

Yeah, so I I have said this before. I think even in last year's meetings that we're looking at probably. I think last year we had said 16 to 18% is kind of the range we'd like to be in right now due to COVID, we've dropped down quite a bit, but again, coming back with some of the raw material cost inflation,

other inflation that we're seeing to get be in the 14. Probably we're broadening the range a little bit to 14 to 18% is what we.

00:53:25.470 --> 00:53:55.040

Ramesh Ramadurai

Looking at OK, that's what we had talked about earlier, and that's what I continue to stay with. The other other factors also that go in to the EBIT da Mergence in other countries could be various other factors. Like you know the OEM, the geographical spread, the efficiencies in go to market models because of the nature of the distribution channels, and the nature of end customer coverage are quite different. To go to market models are quite different in.

00:53:55.540 --> 00:54:03.590

Ramesh Ramadurai

If you like, take a Japan or you know if you look at Asia, it's predominantly. If you look at Asia to include China, Japan, Korea, the models.

00:54:04.620 --> 00:54:20.460

Ramesh Ramadurai

Quite different, so I think I think there are opportunities. There are opportunities for efficiencies there which we are also evaluating. We have. We have a breath. We have the tier two Tier 3 penetration as a you know which which gets to be a little more resource intensive.

00:54:22.180 --> 00:54:39.740

Ramesh Ramadurai

So I think those are all some of the differences and then the OEM sales versus B to B OEM sales versus more generally industrial type of a mix also kind of plays into the cost efficiencies of the models, though for the go to market models are quite different with different cost to self.

00:54:42.520 --> 00:54:43.170

Manoj Garg

Sure.

00:54:43.220 --> 00:54:44.190

Manoj Garg

Sagar OT.

00:54:47.580 --> 00:55:00.210

Sagar Arya

Yep, so you know, historically, we've mentioned that we target to achieve approximately 30% of our revenues from new product. So how do we internally define new products in terms of their their vintage?

00:55:00.470 --> 00:55:10.080

Sagar Arya

Uh, and what are the key para meters that we look at while introducing new products into into into the country?

00:55:12.570 --> 00:55:13.010

Ramesh Ramadurai
Read.

00:55:14.240 --> 00:55:20.720

Ramesh Ramadurai
So that the new products have two parts to it. One is which are absolutely incremental to growth, OK?

00:55:22.070 --> 00:55:49.400

Ramesh Ramadurai
So I mean if I can use the word new, new absolute and the other is there is some amount of cannibalization of existing products, because to keep the port photo, refresh the portfolio to keep it, you know to take into account, change customer dynamics, value proposition, competition, etc. So it's there's two parts to this now in terms of you know, how do we go about it in terms of how do we make selections?

00:55:49.920 --> 00:56:16.670

Ramesh Ramadurai
It is the product portfolio launches, new product portfolio, launches everything, drive some market segments. You know the portfolio prioritization. Market segments that we are operating in and how do we expand the portfolio to serve that market. I think there is a very clear path that we follow for selection of new products and introduction of new products and and from a tech you asked a question about how do you really track it?

00:56:17.680 --> 00:56:21.090

Ramesh Ramadurai
The easiest way for us to track it quite honestly, is that this KU level.

00:56:21.700 --> 00:56:23.640

Ramesh Ramadurai
So it is a very. It's a. It's a very.

00:56:24.800 --> 00:56:27.480

Ramesh Ramadurai
You know it's really down into the details, yeah?

00:56:28.350 --> 00:56:57.970

Ramesh Ramadurai
There's from up from an from an information system standpoint. I think that's where it's easiest to generate information at the at the at the lowest, most granular level. If I may put it and then you can always aggregate it any which way we want. Yeah, we have different slice and dice to view it by segment by end customer market segments, product portfolio categories etc. Which categories drive more new product vitality versus which other products are?

00:56:58.990 --> 00:57:01.010

Ramesh Ramadurai
So let's so.

00:57:02.100 --> 00:57:17.290

Ramesh Ramadurai

We do that for more. For internal reviews. You know we don't get into those discussions, but at that you're right at the aggregate. Well, that's what we're tracking to and that's we keep that as kind of a guidepost to make sure that the vitality of the portfolio is never compromised.

00:57:19.390 --> 00:57:50.540

Sagar Arya

OK, OK and you know just on the cash that you have on books. It's about 1000 crores and I mean it's even given your at least near term or medium term CapEx plans. It seems like you still have a lot of extra cash on the balance sheet available for disposal to shareholders or to say any other Alton purposes that you may see fit. So what are the plans here of on use of use of cash, at least over the next three to five years?

00:57:51.430 --> 00:57:57.370

Ramesh Ramadurai

At this point in time, we can. We will review this, of course with the board as well on a regular basis.

00:57:58.440 --> 00:58:13.590

Ramesh Ramadurai

At this point in time the our viewers to retain the cash for our, you know, investments. Like you said the last I think, like Manoj pointed out the last three or four years the CapEx has been light relative to the prior for four or five years.

00:58:14.520 --> 00:58:33.030

Ramesh Ramadurai

So I think the from a CapEx cycle standpoint I we would see more CapEx coming in. We are prioritizing CapEx in those four or five areas that I already called out. That's automotive, personal safety, tape synergies, electrical and medical and those are the plans we are working on now.

00:58:34.190 --> 00:58:43.950

Ramesh Ramadurai

So I think we do. We do see opportunities to invest and kick up our CapEx cycle here so that that is pretty much a capital allocation plan at this point in time.

00:58:46.020 --> 00:58:46.440

Sagar Arya

OK.

00:58:48.050 --> 00:58:50.330

Manoj Garg

She just last question.

00:58:48.150 --> 00:58:48.980

Sagar Arya

Or do you want to?

00:58:49.630 --> 00:58:54.050

Prashant Khemka

I think just in the interest of time, make this last question, I think.

00:58:50.550 --> 00:58:51.040

Sagar Arya

Yeah.

00:58:51.920 --> 00:58:52.210

Sagar Arya

Yep.

00:58:52.750 --> 00:58:54.140

Manoj Garg

Yeah, absolutely.

00:58:54.750 --> 00:59:20.010

Manoj Garg

Uh, so said, just as I think in your previous comment, you alluded that maybe over the next three to five years we will definitely see a lot of opportunities in terms of investment in India. And given that lot of multinational companies like you have or are looking to make India as a global manufacturing hub.

00:59:20.610 --> 00:59:30.930

Manoj Garg

Uh, do you see at some point of time, uh, even 3M India becoming a global manufacturing kind of outfit?

00:59:31.500 --> 00:59:36.090

Manoj Garg

And what needs to fall in place for us to achieve that milestones?

00:59:37.630 --> 00:59:48.190

Ramesh Ramadurai

Yeah, 3M is generally for the most part they had a has a very clear and consistent approach to identifying.

00:59:48.790 --> 01:00:19.080

Ramesh Ramadurai

Note architecting the global manufacturing and supply strategy. In most cases, the first requirement is the availability of a domestic market at scale in which the primary manufacturing is happening. So if you go back in time historically and look at our sources of supply, whether it's Japan, whether it's Korea, of course, leaving the USA side, which was of course the parent, how Japan, Korea, etc. Or even out of Europe, whether it's Germany.

01:00:19.420 --> 01:00:31.170

Ramesh Ramadurai

How some of these locations developed as global sources of supply or regional sources of supply. A lot of variables based on the building scale in their domestic markets.

01:00:31.870 --> 01:00:54.960

Ramesh Ramadurai

In some cases, in the case of more B2B OEM type businesses, the specifications where that they developed in those countries started to migrate to other countries is their customers. As our customers started to move. Whether it's automotive, whether it's electronics, whether it's you know automation, etc. You can pick any segment.

01:00:55.390 --> 01:01:25.800

Ramesh Ramadurai

Uh, appliances and so on. You look at segments as customers migrate with their specifications. So some of these started to pop up in many parts of the world, and then we may have followed it up with a door manufacturing there, or we may have as their domestic market size increase. We continue to put in manufacturing. OK, so of course you may look at me and say hey, how come you have a manufacturing footprint in Singapore? OK, you could potentially ask me that question, so I'm just preempting that. Even if you go back.

01:01:25.960 --> 01:01:57.330

Ramesh Ramadurai

Several years so Singapore facilities were predicated on certain types of electronics manufacturing for which one of our largest key account was based in Singapore. OK, so that was how the whole footprint started, and then we continue to build from there. So I think that is so, given that given that approach or the strategy that the company follows, I think what I based on what I know today. What I can share with you is a lot of the investments that we see happening in India would be to develop the local market to drive and build the local market.

01:01:57.770 --> 01:01:58.920

Ramesh Ramadurai

Uh, so.

01:01:59.920 --> 01:02:15.470

Ramesh Ramadurai

Consequences of one of these markets growing to scale. You know there could be some opportunities that come up for exports and even there let me be very specific. It's not that it's just a high level statement. The company is also looking at.

01:02:15.520 --> 01:02:35.940

Ramesh Ramadurai

So I mean, we've been looking at it in the past and we with renewed emphasis on portfolios for emerging markets. OK, so obviously value propositions differ in some markets developed markets versus emerging markets. So when you look at portfolios or emerging markets, there are some areas where obviously we have strengths in India.

01:02:38.690 --> 01:03:06.360

Ramesh Ramadurai

See that if something were to happen in the show in the medium term, it would be emerging market portfolios where we've been kind of leading some product modifications or development and which could potentially become a source of supply. But that is more from a thinking standpoint which is

happening, but is there something definite if to share? No, not at this point. So at this point I would like to say that it is a lot of the investments we're making here to build the domestic market.

01:03:08.520 --> 01:03:09.780

Manoj Garg

Got it, got it.

01:03:09.500 --> 01:03:25.770

Prashant Khemka

Thank you, thank you so damn dry and Anne Miss Vidya. Much appreciate the time you've taken today to to discuss with us and we look forward to more interactions in the future.

01:03:10.020 --> 01:03:10.910

Ramesh Ramadurai

OK, yeah.

01:03:26.180 --> 01:03:35.570

Prashant Khemka

Uh, and also during what you end up deciding on this semiannual interaction with investor set lash.

Thank you so much, much appreciated.

01:03:32.060 --> 01:03:33.460

Ramesh Ramadurai

Yeah, sure.

01:03:32.800 --> 01:03:32.820

Vidya Sarathy

Uh.

01:03:35.110 --> 01:03:39.390

Ramesh Ramadurai

Thank you so much. Yeah, we we appreciate the opportunity as well. Thank you, bye.

01:03:38.010 --> 01:03:38.270

Prashant Khemka

OK.

01:03:38.620 --> 01:03:44.130

Venkataraman Srinivasan

Thank you very much. Thanks to all of you. Thank you. Thank you, thank you everybody. Thank you.

01:03:38.940 --> 01:03:42.270

Vidya Sarathy

Thank you, thank you so much for the call. Yeah, thank you.

01:03:40.500 --> 01:03:41.290

Darshak Lodhiya

Thanks bye.

01:03:40.810 --> 01:03:41.210

Manoj Garg

Thank you.

01:03:42.660 --> 01:03:44.620

Manoj Garg

Thanks, thank you Sir. Thank you very much.

01:03:43.660 --> 01:03:45.480

Vidya Sarathy

Thank you all for the call.

01:03:46.460 --> 01:03:47.020

Manoj Garg

Thank you Sir.