MANAGEMENT: Ramesh Ramadurai - Managing Director
Prasad Balakrishnan - Interim Chief Financial Officer
Pratap Rudra Bhuvanagiri - Company Secretary

ANALYSTS: Anshuman Atri
Deepesh Agarwal
Hitesh Zaveri
Mahesh Bendre
Udit
Bhavin Vithlani
Ankur Sharma

Presentation

Jaideep Goswami: [Starts Abruptly] to investor only webinar of 3M India Limited. We have with us today senior management represented by Mr. Ramesh Ramadurai, Managing Director; Mr. Prasad Balakrishnan, Interim CFO; and Mr. Pratap Bhuvanagiri, Company Secretary.

I shall quickly introduce Mr. Ramesh. He is a 30 plus year veteran with 3M with a uniquely global business and cross cultural leadership perspective. He has lived and worked in the U.S., the Philippines, and China for close to 15 years. During his assignment in China, between 2014 and 2019, he had responsibility for 3M's industrial business across all of Asia-Pacific.

He currently serves as the Managing Director of 3M India. Prior to joining 3M, he worked at an offshore oil production platform and at a leading automotive parts and two wheeler manufacturer in India. He holds a Bachelor's degree in Chemical Engineering from IIT Kanpur and an MBA from IIM Calcutta. He is currently a member of CII Southern Region State Council. He previously served as Chairman of the CII Karnataka State Council for 2021-'22. He also served as a member of the Indian Advisory Council of U.S.-India Business Council.

I shall hand over to Mr. Ramesh now for his initial comments, and then we'll open the floor for question-and-answer session. Thanks, and over to you, Mr. Ramesh. Welcome.

Ramesh Ramadurai: Yeah. Thank you very much, Mr. Goswami. Good afternoon, everyone. Thanks for the very generous introduction as well. To all of you on the line, thank you for joining today's meeting. As Mr. Goswami already pointed out, at my end, I'm joined by our Interim

CFO, Prasad Balakrishnan; and our Company Secretary, Pratap Bhuvanagiri.

So before we begin, I'd like to just reinforce our Safe Harbour statement, which is standard. In today's call, there may be some predictive statements that reflect our current views about 3M India's future performance, but these are subject to risks and uncertainties. And as per company's policy, we 3M India Limited does not provide forward guidance, and therefore, I will not cover that.

What I will do is, just as a structure for this interaction, I'll make a few opening remarks, maybe five to seven minutes. I'll keep it relatively short, and then after which we can move directly to the Q&A. In my remarks, I'll cover two areas. One is operational performance, and two is growth.

First, I will talk about operational performance. And under that, I'll cover revenues first, and then we'll talk about margins. In this financial year 2024-'25 through year-to-date quarter three, that is April through December, we delivered revenues of ₹3,247 crores with about a 5% growth.

Our quarter wise, we had essentially zero growth in the first quarter. That is the April, May, June quarter. About 7% in the second quarter and about 8% in the third quarter. So after a soft first quarter, we saw a steady uptick in Q2 and Q3. This uptick was driven by growth in health care, automotive OEM, and aftermarket business, our infrastructure business, and consumer businesses.

The segment mix for us has remained relatively within the same range over the last couple of years. Year-to-date Q3, our segment mix across our four businesses is safety and industrial contributed about 32% of our sales. Our transportation and electronics business contributed about 37% of the mix, our health care business about 19%, and consumer 11%.

If we go back to 2019-'20, with that year as a base, we have delivered a compounded growth rate of just under 8% over the five years. I'll make a few comments about our margins. Our profit before tax margins were at about 16.6% year-to-date Q3, that is '24-'25 versus 17.5% for the same period YTD Q3 in the prior year. That is an erosion of approximately 90 basis points in PBT margins.

On a year-to-date basis, the margin erosion was due to increased marketing and promotions expenses and staff costs. While material cost was about 20 basis points lower year-to-date Q3 versus prior year, I should point out that on a standalone Q3, material cost was actually about 200 basis points higher than prior quarter standalone. This was due to higher commodity costs, adverse impact for FX, and also some headwinds we are seeing in logistics costs.

In terms of growth, the external macro environment remains somewhat volatile. GDP growth and IIP growth have been range bound with some bias towards softness. Growth in automotive production is expected to be in the low-single digits. I think year-to-date, December production was about up 2.7% approximately, versus prior year that is April to December. So it's expected to be in the low-single digits. In this environment, we are focused on controlling what we can and investing in segments we believe will contribute to our growth. We are striving to do this with agility.

We stay focused on commercial execution and innovation to propel our growth. Globally, 3M has identified 11 priority verticals, which have a potential for higher growth and also opportunity for differentiation via innovation. I think six of those 11 verticals have aligned well for us in India, and they do have immediate and medium term opportunities for us.

I'll give you a few examples of, where we are focused on to drive our growth. We continue to work closely with the automotive value chain to increase our relevance and penetration with tiered supplier customers, the automotive OEMs, as well as the aftermarket. We are executing what I call quick localisation programmes to broaden our portfolio and also to improve service levels to our customers.

We're expanding our coverage in consumer retail, and we are supporting our sales team and channel partners with improved pipeline management tools and data analytics. Our business and lab teams have held several hundred customer engagement programmes at the customer innovation centres in Bangalore and Gurgaon, which have helped forge deeper partnerships with customers and also understand some of their requirements better.

In our Tapes and Adhesives business, we're expanding our bonding solutions for advanced designs in different segments. So with all of these, we continue to remain positive on the growth opportunities even though we will face some volatility quarter-on-quarter.

In closing, I just want to reiterate what I've said earlier in the past as well, that 3M India benefit substantially by being part of the global 3M network and having access to various capabilities. The breadth of technologies, the breadth of product portfolio, and an engaged and committed team of 3Mers, they give us the recipe for resilience and growth. We are leveraging these to position ourselves for sustainable growth.

With these, I'll conclude my opening remarks, and I'll turn it over to the moderator to handle the Q&A. Thank you.

Question-and-Answer Session

Aniruddha Joshi: Thank you, Ramesh. That was a very comprehensive initial comment. Now we will open the floor for question-and-answer session. Those participants who have questions, you can please raise your hand. Then we will unmute your line, and you can go ahead with your questions. While asking questions, just indicate your full name followed by your company name as well. We will wait for the question queue to assemble.

We have first question from Mr. Anshuman Atri. Please go ahead, with your question.

Anshuman Atri: Yeah. Hi, thank you for taking out taking my question. So my question is regarding, if I compare and say the way China had a stupendous growth over say '15 to '20 year period, they became 10% of overall contribution for 3M. And we are start off a cycle in different manufacturing, setups across India in terms of say, electronics, health care, devices, and a lot of other segments, EVs which consume, say a large part of 3M's products, which are produced globally. So do you see some kind of a similar growth trajectory in India coming if the manufacturing picks up in India, and we see a decade of maybe 15% compounding on revenue shares?

Ramesh Ramadurai: Sure. Thank you for that question. I think, yeah, you've highlighted both the China growth trajectory, which 3M experienced for a number of years, as well as the comparison with what might be possible here in India. There are two segments which make a huge difference between the scale of operations in India versus China. One is automotive, and the other is clearly electronics.

I think the scale of manufacturing is roughly 5x to 6x in China compared to India in terms of the value, I mean, the units produced. And also electronics as, it doesn't need repetition from my part to say that they have a very, very strong supply chain and serving a significant part of the production of in electronics.

Now clearly, the opportunities for us remain very robust in these areas. Automotive is something we are already engaged in very closely with our customers here in India, as I mentioned in my opening remarks, all three parts of the chain, the tier suppliers, the OEMs, and also the aftermarket. And they continue to be a very important growth avenue for us.

Despite the market growing at low-single digits like I mentioned, we've been successful in growing significantly faster than that, primarily due to working closely with customers to design in products which may go in new models as they launch. And then once the content is built into the vehicle, then it becomes a function of how many units of those models are produced.

In the case of electronics, we are at very early stages of manufacturing in India in terms of localisation of the value chain, especially for smart phones I'm talking about, and then subsequently for other parts of the consumer electronics. We are at the early stages, but we continue to be in very close contact with the brand owners, as well as the ODMs and other manufacturers and the converters who constitute the value chain for electronics.

So it's difficult for me to predict exactly when the when the uptake or the dramatic growth will happen, it's a function of localisation and the pace of localisation of the entire vertical value chain. But we stay very closely connected with our customers, and we think we can react very quickly as it grows. And when it does grow and when it happens, I think it will be a step change, but it's kind of hard to predict the exact timing at this time. Thank you.

Anshuman Atri: Sure. So another question is regarding localisation. So on what percentage, do we import from say our other sister concerns across Asia or other regions? And how do you see the increase in localisation content impacting the margin profile at the time?

Ramesh Ramadurai: Sure. So 3M has a very broad product portfolio as you know. And therefore, given the breadth of product portfolio, in many cases, we do take a global source of supply planning approach to take advantages of economies of scale, domestic market opportunities being close to customers, etc. So there are many considerations that go into it to build this global supply plan that we have in the location of factories around the world, etc.

So what we have been doing is steadily increasing the local value addition content in our sales portfolio over the last seven, eight years. So if you really look at the total value of our sales where which has had some domestic value addition and local manufacturing, it is roughly at about 60% to 61%. Right now, 61%. And it has been in that increasing about a 100 to 125 basis points, year-on-year over the last I would say seven years or so. I mean, every year might not have been an exact 100 to 125, there might have been some jumps in a couple of years.

So now we are at a stage where, we have invested in for some of the automotive portfolios, which has a very high local content right now. And then we are preparing to understand how best to manufacture for some of the electronics customers, as they ramp up their production. And in addition to that, like I mentioned in my opening remarks, we do a lot of local converting here, which is like kind of quick localisation, as I call it, because we may not manufacture here from ground up with all the raw materials, but it allows us some local value addition for a number of things.

One is service, two is cost, and three is, ability to meet some modifications that customers may require to meet specific requirements in India. So that's how it's been progressing for us. And, localisation is also one of the areas by which we try to, one of the levers that we use to mitigate our exposure to effects. And definitely, therefore we continue to keep doing that.

Anshuman Atri: Sure. Thank you.

Aniruddha Joshi: Yeah. Thanks, Mr. Anshuman. Next, we have question from Mr. Deepesh Agarwal. Kind request to unmute your line and please go ahead with your question. Just state your company name before you go ahead with the question. Thanks.

Deepesh Agarwal: Yeah. Hi, sir. This is Deepesh Agarwal here from UTI Mutual Fund. So my first question is, historically, you have mentioned that as we start making camera modules, display modules in the country, we will see a demand uptick for the adhesives and tapes for mobile. But it seems some of the players have started making display modules in the country, and they are actually using imports as a way to procure the tapes and adhesives.

So how do you think the trajectory will go from here on? Would your localisation incentivise them to start procuring from 3M or would there be a government push out there?

Ramesh Ramadurai: Yeah. Thanks. Thank you, Deepesh for the question. So it is really a function of how we customers will manage their supply chains. And in some cases you're right. In many cases, some of the early, what is going on right now would be import of several of these products in a kit form or combined with some of the other products they might be importing from other sources of supply. But over a period of time, which is exact timing of that period of time is to be determined, we do expect there will be a push to have them locally manufactured, sourced.

When I say manufactured, I mean locally sourced in India. Not 100%. I mean, there will be a timetable that they will follow. There will be a bill of materials. There'll be a priority list in which they might go with the localisation plan. And at this point in time, like I said we are in close contact with all of the key players, and we can react as required from them, when they require us to step up.

And so we are just in that mode right now. I know this has been the situation for a few quarters now, but I think we really are, it'll be at the pace at which some of this localisation happens.

Deepesh Agarwal: Sure. Sure. And also in the past, you have highlighted that, while in the history, we see the Forex volatility impacting the margins a lot. But as you said that over time, 3M has done localisation, which will help you to offset this Forex impact. How strong do you think 3M is prepared given the currency depreciation, which is started showing your margin depth?

Ramesh Ramadurai: We've always used several levers. Just one lever may not be enough to offset some of these headwinds that we face. It's been a combination of price. It's been a combination of new products with accretive margins. It's been a combination of localisation to improve some margins in certain areas. So it's been a function of many things, and then it's also been the product mix management and portfolio management.

And last but not least is the productivity and efficiencies. So, I mean, there are multiple things that we look at to try and manage. The volatility in the recent past has been quite extraordinary. And I think unlike maybe three years ago or so where we also the pricing capability was probably higher because of market situation and market conditions.

I think at this point in time, we also have to be judicious about price and volume mix. So we're being a little careful about how we are approaching pricing. And then that also leaves us with the other levers such as managing our mix management, new products as well as localisation. I mean, cost efficiencies and prudently managing our cost profiles in the factories is a very important part of our initiative.

And we do that through a number of continuous improvement programs as we call them. It's an ongoing effort which we drive in the factories.

Deepesh Agarwal: Sure. Lastly, if I can squeeze one more. So if you see your segments, ex of health care and consumer, the growth has been relatively weak over last one and a half, two years. So, while the overall macros has not been that weak, it's only last six, eight months we have seen the macros weakening for the relevant sectors. What has meant slower than industry growth for us?

Ramesh Ramadurai: So a couple of areas. One, in the safety and industrial business, we have a portfolio which goes towards pipe coating, which is our corrosion protection products that we manufacture in our Ahmedabad factory. And that has had some cyclical swings in that, extended cyclical swings. And so we've had some significant erosion in that business. It's not a loss of business. It's just erosion in terms of the business is not there. Customers are either delaying it or, they currently don't have the order book to go with these products, number one.

But in the case of transportation electronics, it's been mostly a question of some timing issues and base effects and year-on-year comparisons. So I think right now as we speak now, coming into this quarter, automotive continues to do well for us, like I mentioned in the opening remarks as well. And we're confident getting into the new year again, the new fiscal year. Some of our infrastructure projects will also gain momentum.

Deepesh Agarwal: Thank you and all the best.

Ramesh Ramadurai: Thank you. Thank you very much.

Aniruddha Joshi: Yeah. Thanks, Deepesh. Next, we have question from Mr. Hitesh Zaveri. Please unmute your line and announce your company name and go ahead with the question. Thanks.

Hitesh Zaveri: Yeah. Hi, this is Hitesh Zaveri from Axis MF. I hope you can hear me well. Yeah, thanks for being on the call today and I'm sorry, in case this question has already been asked, I just joined. My question is based on what you heard so far, any views about what can happen in the new tariff scenarios, in case India were for example to reduce tariffs on the U.S. manufactured items substantially in India, will it help you in any way for the India business?

Ramesh Ramadurai: We've been looking at scenarios, and every week, we can come up with a different scenario. But it's hard to predict exactly what was going to happen. I think we'll have to wait and see how that develops. To answer your question, I think we only have, we do have some exposure where our customers export, but a high percentage of a business is domestically focused. When I say our business, I mean our customer's business, the customers whom we serve are domestically focused.

There is of course some portions, like in the automotive business. We do supply to tier suppliers, who both serve the domestic market as well as export markets. So I mean, there are a few areas like that. We have certain businesses in our personal safety, etc that goes into pharmaceutical customers who obviously will have some domestic as well as export profiles in their businesses.

So I think it's so that's why we've been trying to do some analysis to see what might be the impact. But I think it's too fluid right now, but I think the thing is we don't have a very large exposure to customers who are big exporters, at least usage of our products in their portfolios.

Hitesh Zaveri: Sure. So what percentage of your revenue will be from the products that you'll be importing from U.S.?

Ramesh Ramadurai: What we say is, like I mentioned, we have roughly of our total sales, approximately 60% of our sales have some local value addition content. Your question specifically is what percent of our sales might be sourced out of the U.S.? I don't have that number off the top of my head, but we can get that for you.

Hitesh Zaveri: So if you were to work with a number which is plus or minus, say, one 5% plus, 10%, what might that be?

Ramesh Ramadurai: No, let me not hazard a guess, Hitesh. If you don't mind, we'll get back.

Hitesh Zaveri: Okay. Secondly, for a number of managements, number of MNCs, U.S. based MNCs and for that matter, even European. Management always talk about how India is a priority for them and they want to really grow and if I were to take, for example, examples of ABB versus India versus parent, Siemens versus Siemens parent and so on. How important is India for 3M U.S.?

Ramesh Ramadurai: India is a very important market and it's based on the growth opportunities that we have here. It's based on, although it's not part of 3M India, we do have another global capability centre that 3M has established here. Currently, I mean it's out of scope for 3M India, but I thought it would be good to mention that in any case that we have approximately [indiscernible] [0:26:01] or so people at this point in time in the last couple of years.

And there is a plan to scale that up as well. So there is a talent, interest also in India in addition to the market opportunities. So I think these are the things. And then recently in the Investor Conference that was held in the U.S. by our global leadership, I think there was also a reference to potentially sourcing from countries such as India for global operations, which may be another level they may look at.

So I think, which is also in the public domain, what the comment that I just repeated. So I think, therefore, the importance is from multiple angles, not just any unidimensional. Hitesh, if you may our Interim, our CFO is here. And so he was okay, I think we misunderstood your question on how much of the products come from U.S., so we will get back to you on that so we won't workshop it online.

Hitesh Zaveri: No, not a problem. So Mr. Ramadurai in this context, the question is for a giant and extraordinary and fantastic company such as 3M, why is the India revenue just $500 million through the subsidiary?

Ramesh Ramadurai: So I think in one of the earlier questions I had commented, I think there was a question about, comparison of the size of India versus

China. So China contributes about 10% or so to the global revenues, whereas we are at about two-ish percent to the global revenues.

Hitesh Zaveri: Sorry to have missed that. I'm sorry. I missed that.

Ramesh Ramadurai: No, no, that's all right. I'll just repeat it well but very briefly. When you compare our operations with China at the two biggest segments that make a huge difference is one is automotive, and the other is electronics. So the scale of operations of the automotive business, the number of units produced etc is 5x to 6x in China versus India. And similarly, electronics is obviously a very large part of China's profile. For us, it's practically we are at the embryonic stage. So I think these also make a big difference in terms of our overall revenue mix.

Hitesh Zaveri: Okay. So, which is fine. So in my world, I'm not necessarily comparing 3M India with 3M China. Of course, that's one angle to look at. I'm also looking at, what the relevance that all of the 3M products will have for India, the platform that 3M has for India. So, whether there's any brief from 3M that what else can we do? Because, it just seems remarkably under penetrated, just to repeat myself for a great and very large 3M, just to do $500 million in India despite having decades and decades of presence.

Ramesh Ramadurai: Sure, the way we look at it is looking at the segments which are attractive for us to grow in India. And also we are increasingly looking at what portfolios may be unique and different for India, which may not be as applicable, let's say in certain other markets of the world. So those are all initiatives very much in progress and we can share more as they fructify.

Hitesh Zaveri: All right. One last question, if I may, is that, I mean how long will it take for 3M to double itself in India? How many years, you think?

Ramesh Ramadurai: I would only say that we continue to grow our business at a rate which is higher than what the markets that we serve. That is our goal. And we continue to go down that path. I would not want to go out there and provide a timeline in which we'll achieve a certain number.

Hitesh Zaveri: Sure. So in all this, the number of industries more than a dozen, which has gotten some PLI money or and especially AMS. Do you have some play in this PLI recipient companies?

Ramesh Ramadurai: So we do business, like if you look at the major sectors, whether it's pharma or electronics or auto parts, we have opportunities there. So the PLIs have been operational in electronics, which is probably the one which could have the most tailwind for us once the manufacturing, the localisation starts. It comes down to the products that we supply. When that localisation starts, it will provide us some tailwinds for our business as an additional growth opportunity.

Hitesh Zaveri: Right. I'm happy to get back into queue, and then, hopefully, if your CFO can provide the number of what percentage of your revenue of the products are imported from the U.S. into India and give it to ISEC. I'm happy to take it from there. Thank you.

Ramesh Ramadurai: Okay. Thank you very much.

Aniruddha Joshi: Thank you, Mr. Hitesh. Just a kind request to all the participants to raise your [Technical Difficulty] [0:31:26] and then we will unmute your line. Next, we have question from Mr. Mahesh Bendre. Please introduce your company name, and then go ahead with your question. Thanks. Mr. Mahesh, please unmute your line and go ahead with your question.

Mahesh Bendre: Thank you. This is Mahesh from LIC Mutual Fund. We are a shareholder of your company. In the beginning of your remark, you mentioned that from 2019 days, we have grown by 8% CAGR. I mean, looking at the company like 3M, which is a such a strong brand product profile, pedigree, we have grown below actually, the nominal GDP of India. So if I look at for next five years, we think we will able to grow faster at least the normal growth rate of Indian GDP?

Ramesh Ramadurai: Roughly about. It's a fair question, Mahesh. Thank you for the question. If you look at our mix of businesses that I talked about, our Safety and Industrial business and our Transportation and Electronics business, they make up roughly, I would say 70 plus percent of our total portfolio. Health care is probably about 19 and 11 comes from our consumer business. So 70%, 71% is from the industrial types of businesses.

So those businesses tend to correlate a little better with the IIP or IPI, whichever way you call it. So we kind of benchmark those against more like IIP. But IIP is also a very macro number, and then you really want to correlate it with the segments that we serve. The health care business and the consumer business are more aligned with more like a GDP type of a construct, where I think we've been growing. Health care has grown quite well. I think, like a previous question was asked about health care and consumer have had good growth, whereas safety and industrial and transportation, the industrial types of businesses have had a little more volatility in the annual growth rates.

So I think that's how we track it. And like I mentioned even in my opening remarks, the objective is to raise the growth profile of the company from where we are right now, and we are doing that through a number of things. But very simply, the two big ones are of on commercial execution, where we have several opportunities to grow to your point about improving our penetration with the portfolio, either current portfolio or with some improvements to the portfolio, bringing in newer products, etc.

And the other part is, of course, continue to have a strong emphasis on innovation and new product pipelines. And new product pipelines would include not only what is available to us from the global portfolios, but use the global technologies that are available and modify and create new products here to meet our customers. A good example of that, of course, being the acoustics portfolio that we supply to our automotive OEM customers.

Mahesh Bendre: I'm not looking for any guidance as such, but at least we'll able to grow faster than GDP or even what we have done in last five years in terms of growth. We'll able to grow faster than that. Any broad, I mean, qualitative aspect will help us.

Ramesh Ramadurai: Yeah. I'll repeat, like I said before, our objective is to step up our growth rates from where we are currently. And that is what we are striving towards to do through, now multiple aspects. Like, I talked about two commercial execution and innovation and new products. And the third one is, of course, localisation, which I've already commented on earlier. So net-net taken together, yes, we do aspire to improve our growth rates from where we are.

Mahesh Bendre: Sure. Last question from my end. I think we haven't announced any major CapEx. I think previously, a few, I mean back, we had an announcement CapEx and cancelled. So any plan of CapEx for next two, three years?

Ramesh Ramadurai: The CapEx that we have is essentially, we are not a very high CapEx intense company. It does not require a very intense CapEx high levels. So we've been continuing to make these small localisations with small investments, which have been pretty much in line with what we've been doing for the last two, three years. So beyond that, there is no big ticket CapEx there, which if it is there, of course, we would announce it.

Mahesh Bendre: Sure. Thank you so much.

Ramesh Ramadurai: Welcome.

Aniruddha Joshi: Yeah. Thanks Mr. Mahesh. Just kind request, reminder to the participants to raise your hand to ask the questions. Next, we have question from Mr. Krushi Parekh. Please unmute your line and go ahead with your question. Mr. Krushi, you can please unmute your line and go ahead with the question.

As there is no response, we will go to next question from Mr. Suraj Malu. Please unmute your line and ask your question.

Udit: Yeah. Hello. Hi. This is Udit from Catamaran. Just wanted to understand if you can talk about, like, what is the content that we get per mobile phone produced in China, and why is that that the companies are currently importing and not asking you to locally manufacture? Like, is procuring from China going to be much more cheaper versus if the product is manufactured in India and sold?

Ramesh Ramadurai: No. Thank you for that question. No, no, no. It's not to do with whether our products have come more competitive or less competitive than what we make in China. It's really that our customers have not started operating here. We don't sell directly to the brand owner. We don't sell directly to like the ODM.

We are further down in that tier, okay, for which our customers whom we bill to and ship to, they need to have their operations established here in India, which is it's going on right now. They're not yet commercially in operation. So it's really for them, they have to be up and running, and really, that's when we also come into play. So that is really the issue. The issue is not whether we are more competitive here in India versus in China. That's not the reason. And the other one is on the value per device, etc. I'm really afraid that we don't get into that level of detail.

Udit: Got it. And let's say if the customer ask you to set up manufacturing here and start supplying, usually, how long will it take to get the facility ready?

Ramesh Ramadurai: We have the ability to turn it on in a very, very short period of time, let's say as quickly as a couple of months, because we have two to three months, because we would really start with the given 3M's source of supply footprint around the world, we can import what we call in large formats, the same product in large formats and do the final finishing here in India, for which I think there is always some, we always build in some excess capacity, and that's available as we speak right now.

So it's really the question of ability to bring some of those products in large formats, provide the level of service, because these customers require tremendous service. I mean, delivery commitments, delivery discipline, you have to be there practically multiple times a day to make those deliveries etc. So I think that that is where we are focused on. And then the product assortment, etc. would depend on the models they're producing right now and also what 3M content goes into that.

So a lot of that information is available. Now the question is, when will they start those operations in India?

Udit: Got it. And similarly, on the auto side, if you can just help us understand, like you were mentioning, is it just that because of the volume difference that we see such a like revenue potential difference between India and China or even the penetration in each car is very different?

Ramesh Ramadurai: The penetration profile in China and India are not dramatically different. We're somewhat similar. But, of course, you must keep in mind the small car segment is a much smaller piece in China. Compared to India, it's the larger vehicles from the bigger bulk of China's production, and EVs is also an increasing part of their portfolio.

But I would say that the volume, the scale of production is the biggest differentiator, the first biggest differentiator. A little bit of content difference will be there. Yeah. But it's not as dramatic as the scale of production.

Udit: Thanks a lot. This is from my side.

Ramesh Ramadurai: Sure. You're welcome.

Aniruddha Joshi: Thank you. We have next question from line of Mr. Bhavin Vithlani. Please unmute your line and go ahead with your question.

Bhavin Vithlani: Yep. Good evening. Thank you so much for taking time out. My question is on the safety and industrials piece. If you could qualitatively talk about the subsegments that you report, where you don't have the data. But, qualitatively, if you could report, like abrasives, it's a segment. Couple of your peer sets that are listed, talking about slowing growth, because of the Chinese competition? That's one.

The second piece is, many of the companies not necessarily your peer set, but are talking about issues in the imports, be it components or some of the products that they were importing, given the BIS related standards that the government is now getting really stringent to enforce indigenisation, along with the comments on the subsegment levels, if you could also answer these two questions, please?

Ramesh Ramadurai: Sure. So the subsegments are, within the safety and industrial business, our largest piece of our business is the automotive aftermarket. So we put that under the safety and industrial business. And by the way, if you look at, so I'll make a few more comments, and then I'll come back to it. Then the tapes and adhesives, abrasives are electrical products, electric products that we supply for the electrical utilities, distribution etc. They are part of the safety and industrial business, and the last one is, of course, the personal safety piece, okay.

So these are broadly the product categories that go make up the safety and industrial business. Specifically, in terms of and each of these have a very they're all aligned with very different market segments. And then because they have different market segments, also the external competitors for these, the index, would be quite different. The automotive aftermarket could be dependent more on new car sales and how is the market growing through new car sales.

Whereas, tapes and adhesives, abrasives are more generally, it's more like general manufacturing of how is the tendency for general manufacturing in the country, the growth rates. Electrical is quite different again, and personal safety is really I think there's a lot more opportunity for us in the medium term to drive our personal safety business in line with increasing awareness of safety requirements, regulations, and companies embracing some of those requirements, more, we're seeing that that happening more. And then, of course, there are safety regulations, etc. play an important role in that.

Now that is on the makeup of the business. The other part of your question was related to, what was that again? Sorry.

Bhavin Vithlani: The imports from China?

Ramesh Ramadurai: Yeah. So, yes, the BIS qualification is, it's an issue. But periodically, we run into that. But at this point in time, based on the differentiated product portfolio and the specifications, there's been let me put it this way. Yes. It's something we are working through. But at the same time, it's not been a reason for any decline in growth or a showstopper or anything like that.

There are certain portfolios we are seeing how best we can locally manufacture certain products, because, I think importing those may become more complicated, more difficult. And already plans are underway to do that either in-house or through some contract manufacturing arrangements. So that is something using 3M's formulations and specifications, etc. So I think that's going on. So in the short term for us, yes, there are some disturbances or from time-to-time with import of certain products, because we import such a broad variety of products.

We also have a team working on really navigating and understanding the impact for us in different products because it's just not the product by itself. Sometimes it could be, it has a little raw material in that which may be not allowed etc or which may need a BIS approval. So I think we are working through that. And like I said before, I would not attribute that to any slowdown in our business at this point in time.

Bhavin Vithlani: So within these sub-four segments that you spoke about, automotive after electrical, adhesives and abrasives, could you talk about the competitive landscape that you have seen, let's say over the past couple of years? And are we seeing any of your competition behaving irrationally?

Ramesh Ramadurai: Behaving, what did you say? Sorry, irrationally?

Bhavin Vithlani: Yes.

Ramesh Ramadurai: No, not really. I mean nothing irrational about any of our competitors' behaviour, no. I think our automotive aftermarket has always been, it's a portfolio includes products that we sell into the vehicle repair and also into the car care segments. The car care segment has always been, there's always been an abundance of players because it's a very fragmented market. There are a lot of players offering services. So, I mean, that's always been there, and I wouldn't say there's anything new that's coming up, which is irrational behaviour on anybody's part.

Tapes and adhesives, we've always had competition both from a lot of global competition is also operates in India either through their own companies here or through distribution arrangements. And we see those very much in play. Likewise, with abrasives of course we have strong local players in the abrasives area.

And our portfolio in abrasives is relatively differentiated niche segments. Those are the only ones we play in, and so we have a good value proposition in those areas. So yes, and in electrical, we do a lot of our products that we sell here especially for the cable accessories. We manufacture it locally in our Ranjangaon factory in Pune.

Bhavin Vithlani: Sure. Yeah, those are my questions. Thank you so much.

Ramesh Ramadurai: You're welcome.

Aniruddha Joshi: Thank you. Next, we have question from Mr. Ankur Sharma. Please unmute your line and go ahead with the question.

Ankur Sharma: Yeah. Hi, good evening, sir. Thanks for your time as always. First question was on the health care segment and clearly we've seen very strong growth over there in the last few quarters. So one, if you could help us what's driving that growth and more importantly, do you think that will sustain in the coming two years, quarters as well?

Ramesh Ramadurai: Sure. So the health care business is basically I would say it's a very well it's oiled machine with a clear formula which is working for us, which includes a lot of work, doing a lot of work on education, training, helping hospitals and dental practitioners with quality standards. In quality standards in I mean, I don't want to be presumptuous here, I mean quality standards in the portfolios that we operate in, okay? Please don't take it any more broadly than that. So I think we do this and then of course, the sales becomes a pull through.

So I think this has been something which has been going on, with a solid rhythm for the last, I would say definitely, we kind of rejigged some of this about three or four years ago. And we are seeing the benefits of that flow through. And we continue to, we know the formula that works and we continue to invest in that and continue to do all of these engagement programs.

So I do believe, yes, we got into some, we did have some very, very solid growth rates. Will it moderate a little bit? It could, because your base effects also come into play. But we will have a strong growth momentum in our health care business.

Ankur Sharma: Okay. Fair. Second, on the consumer piece, and if I understand right, this is also the most localised. Well, growth rates are in mid-single, but the margins are good there. Or this used to be good, but then we see this fall in margins even here, last two quarters despite it being the most localised relative to other segments. So is there again higher marketing spend? I'm just trying to understand the sharp fall in margins, especially in the last quarter. What was driving that? Can we expect margins to better bounce back? How do you see that?

Ramesh Ramadurai: Yeah. I think the margin in the third quarter, which dropped to about 12-ish percent, I think if I recall. I think that was just, timing of some of our marketing and advertising spends. So I don't think that is indicative of the margin profile of the business.

Ankur Sharma: Fair, understood. Thirdly, you did talk about automobile growth as a segment being in the low-single-digits. This is what we also understand. If you could also talk about, how do you see intra-demand really given of course, '25 as we've seen the government CapEx and as we get to next year, maybe grows, I don't know high-single-digits maybe. But what are you seeing? How do you see your intra portfolio kind of shaping up? What kind of growth rates are you looking at there?

Ramesh Ramadurai: Yeah. The automotive was, low-single-digits in terms of production. Yeah. We've covered that. So infrastructure, a lot of our play is in two or three areas. One is roads, of course, for road safety. The second would be in rail. We see opportunities in rail both, metro rail as well as in the Vande Bharats and just the upgradation of the rail infrastructure there, or expanding the rail infrastructure. And then airports is another area we see some opportunities for some of our commercial solutions portfolios.

So all of these, I think there is enough breadth in the end markets that we remain quite confident that this will continue to have good growth. The issue is, of course, sometimes the funds flow etc may get delayed by a few months or something. So you do see some impact on the funding payment cycles and so on. So there may be some temporary slowdowns, but on the whole, I think it's kind of hard to predict what might happen in this business quarter-on-quarter, although we are required to do that. But sometimes we do have some surprises there as well.

But having said that, the prognosis as far we are concerned for this business is very strong. We got the road safety portfolio, which includes not just national highways, but state highways. We have rural roads coming up, city roads, upgradations coming up in different parts of the country. Then you have like I talked about the rail both metro and the other, plus the port -- the airports, etc. So all in all, many avenues for growth there.

Ankur Sharma: Okay. Fair. And just one last one from my side, would be on the overall company level margins. You've spoken in the past of margins being in the mid to high teens, at a EBITDA level. So where do you see that? Do you kind of stick to that? Do you believe that is where broadly the range would be going forward?

Ramesh Ramadurai: Broadly, that would be the range, and I think we are normally kind of at the lower end of that range right now. Like I mentioned earlier in the call, we do have certain headwinds which cause this margin situation. But it'll be our effort to play in the range and obviously make improvements.

Ankur Sharma: Yeah, perfect. That is great, sir. Thank you so much and appreciate you taking time.

Ramesh Ramadurai: Thank you. So, Aniruddha may I just jump in? Aniruddha, if you are okay with it, can I respond to that one open question about from earlier on about the percentage of imports from U.S., etc?

Aniruddha Joshi: No, sir. Please go ahead.

Ramesh Ramadurai: I'm not sure if the gentleman who asked the question is on the line, but maybe you can check. But anyway, roughly a third of what we import comes from, sourced from the United States. But I do want to say that, that is we do have U.S. dollar denominated imports probably 2x of that. Okay. While physically, products that come from the United States may be roughly a third, which is what I think will also be the data that will be there in our annual report. But U.S. dollar denominated imports are higher, almost 2x.

Aniruddha Joshi: Sure, sir. That was helpful. We are at almost at the end of the session, but just two questions from my side as well. One, we have seen 3M

USA plans to sell its stake in Wendt India. So, means how should we think about the India operations? Because if 3M is selling stake in one business, how should we think about that? Secondly, should we see more flow of products coming through 3M India now? Will that be a fair assumption to make? That is one question.

Question number two is on the health care portfolio. So what is the portfolio divide, how is the portfolio getting divided between 3M versus Solventum now? I mean, almost all the products were there in 3M USA health care portfolio are coming to 3M India or in a way, how it is getting divided between the two entities? Yeah, that is the question.

Ramesh Ramadurai: Sure, I'll take both of those questions. I'll go with your Wendt question first. I just have to say that, look, 3M India is not a party at all to that transaction number one. And number two, 3M had I think a stake in Wendt through the acquisition that 3M made of Winterthur some years ago, and that's a decision 3M has made. So it does not have any impact on 3M India's operations, nor does it reflect anything in 3M's interest in 3M India, okay? And that's all I can say on that because we are not really related to that transaction. That is number one. Number two is your question on the health care portfolio.

The health care has three parts to it. The biggest portions of our business are in the Hospital segment. We call the medical and surgical business, which is the Hospital segment. And we have the dental portfolio, and we have a small portion in the filtration area. So today, we represent, let me put it this way. We represent Solventum's portfolio. Practically, everything that we were selling not practically, everything that we were selling before the spin off. Okay.

There are certain parts of the portfolio that we were not at all participating in India prior to the sale. So those, I think Solventum will try to build that business independently. But at this point in time, I think, I do not know where it stands. They had a portion of the med-surg business, which was called wound care and wound management, which was handled anyway by a separate entity independent of 3M India, which was through one of the global acquisitions.

And that was a very small part of the business, but nonetheless, that was handled separately and Solventum continues to handle that independently. But I can say that we continue to sell almost like, I would say, practically 100% of the portfolio that we were selling prior to this bill.

Aniruddha Joshi: Sure, sir. That's helpful. Last question from my side. How should we think about royalty now? Because some of the brand which we sell are not belonging to 3M. And anyway, that belongs to the health care entity, which is separately there in USA now. Also, there are some fees we pay as corporate management fees too. So, in totality, how should we think about the total payment that goes to the [indiscernible] [0:59:25] group companies?

Ramesh Ramadurai: So the royalty fee that we pay to 3M remains unchanged. Okay. It is, at 3.25% of the value of net sales of only the manufactured products. Okay, and like I said roughly 60%, we have some manufacturing content. So we're talking about somewhere in the neighbourhood of 1.9% to 2% would be the royalty that we pay on total sales of the company. And I only give you a range because based on the product mix, etc, it may change a little bit. And, there is no change in that, and that remains where it is.

And the corporate management fee that we pay is really for a number of other support that we get, whether it's IT, the infrastructure, whether it's all the various systems that we use, engineering, engineering talent that we use for coming up with our own -- supporting our local investments, manufacturing upgrade to our factories. So while we do have local talent on the ground here, we also leverage the global resources quite extensively.

In addition to that, a lot of the customer, access to global customers, access to specifications, access to new product that may get specified in these customers. So we get access to all of those. So there are a number of benefits we get through, this being a part of the overall 3M global operations and the global network. So there is a fee that we pay towards that and one minute, it's running at what 3%, 3.2%, 3.4%, no, corporate management fee for 3M India? About 3% is a corporate management fee. So between 3% and then 1.9%. So we're talking about 4.9% to 5%. It may go up and down a little bit, but that is the range in which we are.

Aniruddha Joshi: Sure, sir. That's very helpful. Now I hand over the call to Mr. Rushad Kapadia for the closing comments. Rushad, over to you?

Rushad Kapadia: Thank you, Aniruddha. Thank you very much, Ramesh sir for your patiently answering all the queries and giving your comments on 3M India. I would also like to thank Mr. Prasad Balakrishnan and Mr. Pratap Bhuvanagiri. Thank you very much for the entire management, and thank you to the investors for making this an interactive session. We would now end the session. Thank you very much.

Ramesh Ramadurai: Yep, thank you very much to everyone who participated and thank you for this opportunity for us. Thank you.

Rushad Kapadia: Okay. Thank you.