



3M INDIA LIMITED

– SCIENCE WITH PURPOSE

CMP: INR 22,752

JULY 31, 2022



HIGHLIGHTS

- This year marks 3M India Ltd.'s 35th year of incorporation.
- 27% revenue growth in FY 21-22.
- 78% profit growth for the year, with an operating margin of 13% compared to 11% for the prior financial year.



ABOUT THE COMPANY

3M India Limited is the flagship listed company of 3M Company, the USA, in India. The science-based company operates via four key segments as given below -

- The **Safety and Industrial** segment cater to the electrical and industrial segment. Its essential products include polyester, specialty industrial tapes, foil, industry grade adhesives, packaging tapes, and related specialty materials.
- The **Health Care** segment caters to the food and health industry. Its product profile includes supplies of medical/ surgery products, devices, skin care, and related solutions.
- The **Transportation and Electronics** segment deals with personal protection products, brand protection solutions and industry grade passive fire protection products. These products have many usages in cleaning and hygiene works in the hospitality industry.
- The **Consumer** segment caters to domestic and export markets, providing stationery, office supplies, and health care products. The portfolio includes retail auto care product lines, DIY home products, protective materials, and consumer healthcare products.

With the astute intent of leveraging its scientific and research capabilities, the company is primed for sustainable organic growth. Such a vast product portfolio gives the company and its investors much desired diversification to tackle any uncertainty or risk.

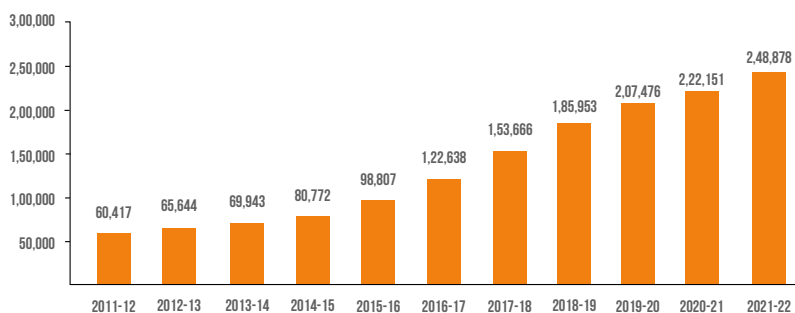


FINANCIAL ANALYSIS

A quick sneak peek into the financial performance of 3M India over the last 5 years is given on the right-hand side.

The profitability of the company has been satisfactory and above the industrial benchmark. During Covid, the same came under pressure, but the company has ensured to continue in green. The position is improving in the ensuing year though it may take another financial year to return to the pre-covid levels. The company's liquidity position, as judged from the current and quick ratio, is quite comfortable. Both the ratios are well above the benchmark levels indicating a strong liquid position even during the Covid pandemic period. The gearing has been well within the comfort level, and interest coverage is significantly high. Overall, the company continues to be fundamentally strong.

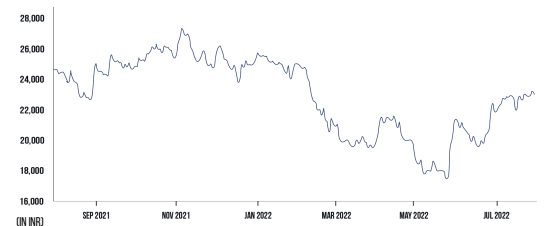
NET WORTH (₹ IN LAKHS)



SOURCE: ANNUAL REPORT

STOCK QUOTE AND CHART (CURRENCY: INR)

52 WK HIGH/LOW	27,800/17,273	MARKET CAP	25.63T CR.
VOLUME (MM)	0.0001	SHARES OUT. (MM)	11.3
BETA 5Y	0.39	FLOAT %	23.2%
P/DILUTED EPS BEFORE EXTRA	94.76X	DILUTED EPS EXCL. EXTRA ITEMS	241.43



NSE: 3MINDIA SHARE PRICE

RATIOS

FOR THE FISCAL PERIOD ENDING	2018	2019	2020	2021	2022
PROFITABILITY					
RETURN ON ASSETS %	13.4%	14.3%	11.3%	5.0%	7.4%
RETURN ON EQUITY %	28.2%	27.5%	20.2%	8.9%	13.3%
MARGIN ANALYSIS					
GROSS MARGIN %	47.7%	46.5%	41.4%	38.1%	37.3%
EBITDA MARGIN %	18.4%	18.3%	14.8%	9.2%	11.7%
EBITA MARGIN %	16.8%	16.8%	13.6%	7.7%	10.0%
ASSET TURNOVER					
TOTAL ASSET TURNOVER	1.3X	1.4X	1.3X	1.0X	1.2X
FIXED ASSET TURNOVER	8.7X	9.9X	9.8X	8.7X	10.8X
SHORT TERM LIQUIDITY					
CURRENT RATIO	1.5X	2.6X	3.3X	3.1X	3.2X
QUICK RATIO	1.2X	1.8X	2.3X	2.3X	2.5X
AVG. CASH CONVERSION CYCLE	63.2	83.5	91.5	93.9	57.0
LONG TERM SOLVENCY					
TOTAL DEBT/EQUITY	0.9%	1.0%	2.4%	1.2%	1.1%
EBIT/INTEREST EXP.	224.3X	NM	111.0X	81.8X	89.8X
ALTMAN Z SCORE	11.18	25.06	27.16	21.67	NA

SOURCE: ANNUAL REPORT



COMPANY OUTLOOK

- The diversified nature of the company's operation has classified it as an Industrial Conglomerate and makes its sturdy to be impacted by just one sector. On the right-hand side, is the revenue contribution from different sectors in the last few years.

- Fundamentally the performance has improved significantly in the last quarter with **ROE of 13.3%**, being the highest within the **Consumer Goods** Conglomerate Industry group. With a current ratio of 3.2 and low receivable days, the liquidity position is also improving along with profitability. Looking at the expected high growth, the Company does not pay a dividend and thereby reducing the overall WACC of the Company.

- The company reported a Consolidated Total Income of Rs 934.81 Crore in Q4FY22, up 12.09 % from its last quarter. Further, it delivered about **12% growth** in the fourth quarter and **28%** for the entire year vis-à-vis the previous year's performance. All business segments had growth in the fourth quarter, with the healthcare segment leading the pack.

- There have been cost headwinds and supply chain challenges on account of rising inflation as well as sparse cases of Covid and related restrictions. However, the company has been able to mitigate the impact. The company has also come up with new products in its portfolio including acoustics portfolio, road furniture solutions, medical products, and car interior hygiene solutions. As the demand for electronic vehicles has been increasing by leaps and bounds, the accompanying requirement for component manufacturing for EVs as well as hybrid vehicles has been increasing. With Government's focus on making the futuristic technology safe and more environment friendly, the vehicle's Noise, Vibration, and Harshness (NVH Levels) are also being inspected. Sensing this future, 3M's team started working on its indigenous product called **MuPhony** way back in 2017 and the company is in the advanced stage of discussions with some of the leading hatchback manufacturers in India to cross-sell this product. This shows growth prospects in the near future.

- 3M India is poised to perform well in the ensuing few years. The company has established itself well in some of the key domains which are futuristic and are of special importance to Government initiatives as well. For example, the product for Electronic Vehicle will help the company to serve the growing demand from the environment-conscious population of the country. Financially speaking, as against the EPS of Rs. 144.14 in FY2021 and EPS of Rs. 241.43 in FY2022, the market consensus is that the Company will achieve an EPS of Rs.319.90 in FY2023 (Refinitiv Estimates). The Company is scheduled for its Q1FY23 earnings release on 10th August 2022 which is expected to help push the prices in the expected event of the company surpassing its previous year's Q-o-Q results.

- The performance of the Company strongly correlates with the performance of the economy. Hence, it is crucial to analyze the macro factors to understand the performance of 3M India. The government's capital spending share is going up even as it is cutting down revenue expenses. The tax buoyancy, the simplified tax regime with low rates, comprehensive review and rationalization of the tariff structure, and digitization of tax filing is likely to support further capital spending in the future. This should result in higher capital spending on infrastructure and asset-building projects, and act as a growth multiplier for 3M.

- Production Linked Incentive Scheme is beneficial for segments under 3M Portfolio. For instance, India is poised to become the second-largest smartphone manufacturer in the upcoming five years. The Government initiatives around clearance of proposals from domestic and international companies investing under the PLI scheme to manufacture mobile phones have had an optimistic impact on the manufacturing ecosystem. The company has been a material supplier to this segment worldwide and will continue to smoothen supply chain undertaking to the tier suppliers to permit more local content.

SEGMENTAL REVENUE SHARE

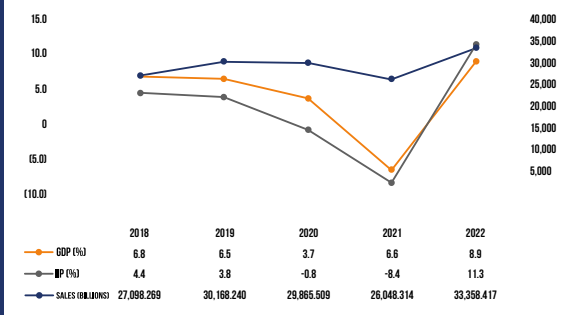
PERIOD ENDING	2019(%)	2020(%)	2021(%)	2022(%)
REVENUES				
SAFETY & INDUSTRIAL	39%	38%	39%	36%
TRANSPORTATION & ELECTRONICS	34%	35%	34%	35%
HEALTH CARE	16%	16%	14%	17%
CONSUMER	10%	11%	12%	12%
OTHERS	1%	1%	1%	1%
TOTAL REVENUES	100%	100%	100%	100%



27%
Revenue growth
in FY 21-22.



78%
Profit growth
for the year.



INDIA'S ECONOMIC GROWTH VS REVENUE GROWTH OF 3M INDIA

PLI SCHEME

IS ABOUT REDUCTION OF IMPORT BILLS
& DOMESTIC PRODUCTION BOOST.

- The Gati Shakti Multi Modal Infra will lead to capacity expansion in Roadways and Railways transport capacity. The Government has undertaken to increase the renewable energy capacity to 225GW by 2025. These factors are directly in favour of the product profile at 3M India, especially in the transport segment.

- On 26th July 2022, the parent company of 3M India i.e. 3M Company, USA announced to spin off the Health Care Business into a separate listed entity. The Spin-Off is expected to create two world-class global companies with each of the companies targeting to grow in their respective domain. This Health care business of the parent company will have net leverage of 3x – 3.5x EBITDA and the business will be positive for rapid deleveraging. The New 3M company will continue to hold a stake of 19.9% in this Healthcare Business which will be monetized in subsequent future. Thereby, the process will create values for the stakeholders while ensuring long-term sustainable growth for both businesses. The impact of this on the Indian company is yet to be seen but if 3M India Ltd follows a similar suit then it may result in some price gains at least in the short run.

Multiple MF houses has been bullish on the stock and latest bulk purchases reported by Nippon India AMC which recently bought 1 Lakh shares for a total of INR 278 crores. The shares are currently trading at a premium of 9.5% over & above the 50-day moving average of INR 20,929.71 & 1.6% above their 200-day moving average of INR 22,553.65. Overall, with strong financials, favourable technical, robust business model and amplification by strong government initiatives, 3M India is poised for a significant growth momentum over the course of next year or so. In short, 3M India is committed to create long term value to shareholders.

On a special note, the company focuses on driving long-term growth and value creation by applying science to improve lives. This can be seen from the awards & recognition achieved.

**ONE OF THE****100****BEST COMPANIES FOR
WOMEN IN INDIA****ONE OF THE****TOP 10****COMPANIES FOR
COVID SUPPORT****STATE LEVEL****SAFETY
AWARD**