

3M India

Rs 22,451
Continuously innovating for growth

BSE Sensex: 40,359

Nifty-50: 11,914

3m India: Consolidated Financials

	SALES	OPM%	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	EO	PBT AFTER EO	TAX	PAT	EPS (RS)*
1803 (12)	2734.2	18.2	498.61	44.79	543.4	2.03	541.37	43.51	497.86	0	497.86	174.56	323.3	287
1903 (12)	3016.8	17.8	535.59	36.83	572.42	1.12	571.3	43.76	527.54	0	527.54	184.39	343.15	304.6
2003 (12P)	3184.7	17.8	565.78	35.64	601.42	3.26	598.16	56.17	541.99	0	541.99	140.92	401.08	356
2103 (12P)	3467.5	18	625.47	39.21	664.68	3.55	661.13	60.66	600.46	0	600.46	156.12	444.34	394.4

*Annualised on Standalone equity of Rs 34.81 crore of face value of Rs 10 each. & CY 16 and CY 17 financials and CY 18 and CY 19 Projections are as per New Ind AS.
(P): Projection. Figures in Rs crore. Source: Capitaline Database

3M India, is the subsidiary of USA based 3M Company, where the latter holds 74.99% equity stake. 3M is a diversified technology and science company with a global presence in the following businesses: Industrial; Health, Care; Consumer; Safety and Graphics; and Energy and is among the leading manufacturers of products for many of the markets it serves. Most of its products involve expertise in technology, product development, manufacturing and marketing with emphasis on innovation.

3M India is the flagship company for its parent in India and has manufacturing facilities at Ahmedabad, Bengaluru and Pune and has the Corporate Office and Customer Innovation Center (R&D Center) in Bengaluru. During FY 2018-19, the company completed the acquisition of 3M Electro & Communication, a private company adding to its capabilities and product portfolio, differentiated solutions covering electrical accessories, electronics materials and filtration.

With research, manufacturing and warehousing facilities in Pimpri, Pune the acquisition enabled the company to participate in sectors such as power, utilities, electronics manufacturing and the burgeoning auto-electrification market. However on June 30, 2018, the 3M E&C sold its Communications Markets Division for a total consideration of Rs 37.71 crore.

3M India's products are sold through numerous distribution channels, including directly to users via wholesalers, retailers, converters, distributors and dealers in a wide variety of trades.

Strong parent with global presence to rely on for technology as well as marketing leverage

3M priorities organic growth and thus invests in R&D and capacity. 3M globally known for innovations, have 51 technology platforms and nearly spends 6% of its revenue on research. It operates across the globe through 73 operating entities.

Being part of 3M Group, the company has access to all the 3M's 51 global technology platforms that offer the depth of expertise to enable it to solve customer problems with innovative solutions. More specifically it gives the company access to intellectual property, gives access to differentiated product portfolio derived from such intellectual property and even specifications with global or regional customers. The local R&D team is part of the global scientific community with free flowing exchange of ideas and innovations. Considering parent's global presence, the company could leverage on its existing relationship with global players who sets up operations in India or relocates



STOCK DATA

BSE Code	:	523395
BSE Group	:	A
NSE Code	:	3MINDIA
Bloomberg	:	3M IN
Reuters	:	TMIN.BO
Par Value	:	10
52-week High/Low (Rs)	:	25361 /18200
Sector	:	Trading

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 7.34
Institutions	: 3.18
Govt Holding	: 0
Corporate Holding	: 2.99
Promoters	: 75
Public & Others	: 11.49

* as on 30-09-2019
Source: Capitaline Databases

its manufacturing operations for competitive reasons or local regulations. Some of the other benefits are wide management bandwidth to source manpower, global and regional capabilities in digital infrastructure resources, digital marketing capabilities, common platform for sales management, data analytics, etc.

Diversified products portfolio catering to industrial, healthcare and Homecare

Currently, 3M India manages its operations in four business groups i.e. Safety & Industrial; Transportation & Electronics; Healthcare and Consumer. In FY2019 Safety & Industrial (S&I) business accounted for about 39% of the revenue and Transportation & Electronics (T&E) business accounted for 34% of the total sales. Healthcare and Consumer accounted for about 16% and 10% respectively.

Roughly about ¼ of the revenue comes from S&I and T&E combined with balance from Consumer and Healthcare. The Company's four business segments bring together common or related 3M technologies, enhancing the development of innovative products and services and providing for efficient sharing of business resources.

Transportation and infrastructure including industries are two key focus sectors for the company. Transportation covers the entire value chain of automotive such as the OEMs themselves, the tier suppliers and the aftermarket. In addition the company also caters to opportunities in railways and aerospace. In infrastructure it provides solutions for oil, gas and water pipelines, highway safety and solutions for smart cities to name a few. The company offers appropriate products with localisation leveraging its parent's wide differentiated technology platforms with its understanding regulatory trends.

The Consumer business group serves markets that include consumer retail, modern trade, office retail and other emerging retail channels. The products in this segment include office supply products, stationery products, home care products and protective material products. Major consumer products include Scotch® brand products, such as Scotch® Magic Tape and Scotch® GlueStick; Post-it® Products, such as Post-it® Flags, Post-it® Note Pads and Dispensers; home care products, including Scotch-Brite® Scour Pads, Scotch-Brite® Scrub Sponges, Scotch-Brite Microfiber Cloth products.

The Health Care business group of the company serves markets that include large multi-specialty hospitals and small clinics, dental and orthodontic practitioners, processed food manufacturers and pharmaceutical companies.

Its offerings include medical and surgical supplies, medical devices, skin & wound care and infection prevention products & solutions, drug delivery systems, dental and orthodontic products and food safety products.

The Safety business now part of S&I business group serves a broad range of markets that serve to increase the safety, security & productivity of people & improve facility design, aesthetics, hygiene, etc. Major product offerings include personal protection products; traffic safety & security products, border security solutions; public safety & identity management solutions; commercial graphics sheeting & systems; architectural surface & lighting solutions; cleaning & protection products for commercial establishments, etc.

Personal protection products include maintenance-free & reusable respirators, personal protective equipment, head & face protection, body protection, hearing protection & protective eyewear.

In traffic safety & security, 3M provides reflective sheeting used on highway signs,

3M prioritises organic growth and thus invests in R&D and capacity. 3M globally known for innovations, has 51 technology platforms

Being part of 3M Group, the company has access to all the 3M's 51 global technology platforms that offer the depth of expertise to enable it to solve customer problems with innovative solutions

vehicle license plates, construction work-zone devices, pavement marking systems, electronic surveillance products, films that protect against counterfeiting & reflective materials that are widely used on apparel, footwear & accessories, enhancing visibility in low-light situations.

Traffic safety & security also provides remote people-monitoring technologies used for offender-monitoring applications. The portfolio also includes RFID tracking technologies & Automatic Number Plate Recognition (ANPR).

Major commercial graphics products include films, inks, digital signage systems & related products used to produce graphics for vehicles, signs & interior surfaces. Other products include spill-control sorbents; nonwoven abrasive materials for floor maintenance & commercial cleaning; floor matting, housekeeping chemicals, etc.

The Industrial segment serves a broad range of markets, such as automotive original equipment manufacturer (OEM) and automotive aftermarket (auto body shops and retail), electronics, appliance, paper and printing, packaging, food and beverage, and construction.

Industrial products include tapes, a wide variety of coated, non-woven and bonded abrasives, adhesives, advanced ceramics, sealants, specialty materials, closure systems for personal hygiene products, acoustic systems products, and components and products that are used in the manufacture, repair and maintenance of automotive, marine, aircraft and specialty vehicles.

Major industrial products include vinyl, polyester, foil and specialty industrial tapes and adhesives; Scotch® Masking Tape, Scotch® Filament Tape and Scotch® Packaging Tape; packaging equipment; 3M VHB Bonding Tapes; conductive, low surface energy, sealants, hot melt, spray and structural adhesives; reclosable fasteners; label materials for durable goods; and coated, nonwoven and microstructured surface finishing and grinding abrasives for the industrial market. Other industrial products include fluoroelastomers for seals, tubes and gaskets in engines.

While the Industrial Adhesive and Tapes Division focus on Passive Fire Portfolio, driving relevance in Construction and strengthened Converter Business Model, increasing penetration in Transportation & Metal working market, the Abrasive Systems Division reaches out to more end customers with their productivity improvement solutions which has reduced lead times, improved output quality, controlled cost per component etc., spanning sectors like Automotive, Auto Comp., Metal Fabrication, Cutting tools, Gear grinding, Aerospace, Windmill segments etc.

Infrastructure Protection Products Division of 3M offers a comprehensive array of products that ensure effective protection against corrosion for a variety of installations and structures. While 3M Scotch-kote Fusion Bonded Epoxy Powders and Scotch-kote Liquid Epoxy Coatings offer protection for steel pipelines, associated fittings and structures used in the oil, gas, water, industrial and construction markets, the range of 3M Scotchcast Powder Resins are ideal for OEM electrical insulation applications.

3M Dynatel Locators combine simple interfaces, large backlit high-resolution graphics, excellent balance and ergonomics with precision locating capabilities to quickly and accurately identify underground assets.

In Renewable Energy 3M is helping to transform the fields of Generation & Conservation of Energy.

3M supports solar & wind energy initiatives through product solutions such as

Currently, 3M India manages its operations in four business groups i.e. Safety & Industrial; Transportation & Electronics; Healthcare and Consumer

Major consumer products include Scotch® brand products, such as Scotch® Magic Tape and Scotch® GlueStick; Post-it® Products, such as Post-it® Flags, Post-it® Note Pads and Dispensers; home care products, including Scotch-Brite® Scour Pads, Scotch-Brite® Scrub Sponges, Scotch-Brite Microfiber Cloth products

films, tapes, coatings, encapsulants and adhesives that help reduce the cost of energy generation. For energy conservation and management needs of customers we provide affordable window film technology that ensures effective health and environment protection.

Major transportation products include insulation components, including Thinsulate[®] Acoustic Insulation and components for catalytic converters; functional and decorative graphics; abrasion-resistant films; adhesives; sealants; masking tapes; fasteners and tapes for attaching nameplates, trim, moldings, interior panels and carpeting; coated, nonwoven and microstructured finishing and grinding abrasives; structural adhesives; and other specialty materials.

In addition, 3M provides paint finishing and detailing products, including a complete system of cleaners, dressings, polishes, waxes and other products.

Steady H1FY20 performance despite challenging market conditions

Consolidated sales for the half year ended Sep 2019 was up by 6% to Rs 1568.02 crore driven by growth in revenue of all the four core business segments of the company. The segment revenue of S&I was up by 4% to Rs 593.30 crore and that of T&E was up by 5% to Rs 529.89 crore.

The segment revenue of healthcare and consumer was up by 8% and 11% respectively to Rs 261.28 crore and Rs 171.19 crore. But with OPM contracting by 30 bps to 17.6%, the operating profit was up by 4% to Rs 276.24 crore facilitated largely by higher sales. The EBIT was up by 2% to Rs 247.55 crore as the two large segments of the company i.e. S&I and T&E registered lower segment profit for the period. S&I registered 3% fall in segment profit to Rs 104.45 crore and the T&E registered 10% fall in segment profit to Rs 53.88 crore.

Despite higher sales the fall in segment profit for both S&I and T&E business of the company is largely due to 120 bps and 170 bps erosion in their segment margin respectively to 17.6% and 10.2%.

The segment profit of healthcare was up by 5% to Rs 48.58 crore riding largely on higher sales as its segment margin eroded by 70 bps to 18.6%. However riding on higher sales as well as 560 bps expansion in segment margin to 22.3%, the segment profit of consumer was up by 48% to Rs 38.21 crore.

The PBT was flat at Rs 264.19 crore after accounting for higher interest cost. Eventually the PAT was up by 10% to Rs 190.14 crore gained by 19% fall in taxation to Rs 74.05 crore.

Consolidated sales of the company for the quarter ended Sep 2019 was up by 4% to Rs 763.53 crore driven largely by early double digit growth in revenue of healthcare and consumer business. The safety & Industrial (S&I) business of the company registered flat growth in revenue to Rs 285.87 crore (or 37% of total sales).

The segment revenue of Transportation & Electronics (T&E), other major contributor to revenue, has registered a marginal 2% growth in revenue to Rs 245.61 crore (or 32% of sales). However the segment revenue of Healthcare and Consumer was up by 10% (to Rs 131.65 crore or 17% of total sales) and 14% (to Rs 92.74 crore or 12% of total sales).

Higher sales together with 310 bps expansion in operating profit margin powered the operating profit up by 27% to Rs 129.54 crore in Q2FY20.

The EBIT was up by 27% to Rs 115.76 crore and the upside is largely due to strong growth in profitability of both healthcare and consumer. The S&I segment despite

Personal protection products include maintenance-free & reusable respirators, personal protective equipment, head & face protection, body protection, hearing protection & protective eyewear. In traffic safety & security

Industrial products include tapes, a wide variety of coated, non-woven and bonded abrasives, adhesives, advanced ceramics, sealants, specialty materials, closure systems for personal hygiene

flat growth in revenue has reported early double digit growth in segment profit, which grew by 12% to Rs 47.21 crore.

This was largely due to 180 bps expansion in segment margin of S&I business to 16.5%. On the other hand despite margin rise in sales, hit by 60 bps drop in margin to 7.3%, the segment profit of T&E business was down by 6% to Rs 17.93 crore. Riding on strong early double digit growth in revenue backed by strong 680 bps expansion in segment margin, the segment profit of healthcare was up by sharp 66% to Rs 26.28 crore.

Similarly facilitated by higher sales and 950 bps expansion in segment margin to 23.9%, the segment profit of consumer jumped up by 89% to Rs 22.16 crore.

The growth at PBT moderated to stand at 17% to Rs 125.64 crore hit by lower other income, higher interest and higher depreciation.

But a 31% fall in tax provision to RS 25.63 crore, as the company availed lower corporate tax as per the recent ordinance, the PAT (of continuing operations) jumped up by 42% to Rs 100.01 crore.

The company has strong balance sheet with zero debt. The company sits on a cash balance of Rs 685.76 crore as end of Sep 30, 2019.

Valuation

The company's EPS is likely to go up from Rs 304.6 in FY19 to Rs 356 in FY20 and RS 394.4 in FY21. The scrip is trading around Rs 22,451, which discounts the projected FY21 EPS by 56 times.

Consolidated sales for the half year ended Sep 2019 was up by 6% to Rs 1568.02 crore driven by growth in revenue of all the four core business segments of the company

3M India: Consolidated Results									
	1909 (3)	1809 (3)	VAR. (%)	1909 (6)	1809 (6)	VAR. (%)	1903 (12)	1803 (12)	VAR. (%)
Sales	763.53	736.42	4	1568.02	1482.43	6	3016.82	2734.19	10
OPM (%)	17.0	13.9		17.6	17.9		17.8	18.2	
OP	129.54	102.06	27	276.24	265.35	4	535.59	498.61	7
Other inc.	10.67	16.93	-37	18.28	21.77	-16	36.83	44.79	-18
PBIDT	140.21	119.00	18	294.52	287.13	3	572.42	543.40	5
Interest	0.79	0.15	445	1.64	0.34	377	1.12	2.03	-45
PBDT	139.42	118.85	17	292.88	286.78	2	571.30	541.37	6
Dep.	13.78	11.19	23	28.69	22.21	29	43.76	43.51	1
PBT before EO	125.64	107.67	17	264.19	264.58	0	527.54	497.86	6
EO Income	0.00	0.00		0.00	0.00		0.00	0.00	
PBT after EO	125.64	107.67	17	264.19	264.58	0	527.54	497.86	6
Taxation	25.63	37.38	-31	74.05	91.94	-19	184.39	174.56	6
PAT	100.01	70.29	42	190.14	172.64	10	343.15	323.30	6
Share of profit/Loss from Associates	0.00	0.00		0.00	0.00		0.00	0.00	
Net profit (continuing operations)	100.01	70.29	42	190.14	172.64	10	343.15	323.30	6
EPS (Rs)*	#	#		#	#		304.6	287.0	

* EPS is on current equity of Rs 11.2651 crore, Face value of Rs 10. # EPS is not annualised due to seasonality of business. Figures in Rs crore
Source: Capitaline Corporate Database

3M India : Consolidated Segment results

SALES	1909 (3)	1809 (3)	VAR. (%)	% TO TOTAL	1909 (6)	1809 (6)	VAR. (%)	% TO TOTAL	1903 (12)	% TO TOTAL
Safety & Industrial	285.87	286.29	0	37	593.30	570.21	4	38	1176.84	39
Transportation & Electronics	245.61	241.10	2	32	529.89	504.49	5	34	1030.55	34
Healthcare	131.65	120.01	10	17	261.28	240.85	8	17	475.27	16
Consumer	92.74	81.51	14	12	171.19	154.14	11	11	303.49	10
Others	7.66	7.52	2	1	12.36	12.74	-3	1	30.67	1
Total Reportable Segment	763.53	736.42	4	100	1568.02	1482.43	6	100	3016.82	100
Less: Inter segment revenues										
Net sales	763.53	736.42	4		1568.02	1482.43	6		3016.82	
PBIT										
Safety & Industrial	47.21	42.23	12	41	104.45	107.31	-3	42	243.13	49
Transportation & Electronics	17.93	19.11	-6	15	53.88	59.62	-10	22	106.98	22
Healthcare	26.28	15.79	66	23	48.58	46.40	5	20	79.43	16
Consumer	22.16	11.70	89	19	38.21	25.80	48	15	54.88	11
Others	2.19	2.04	7	2	2.44	4.02	-39	1	7.41	2
Total	115.76	90.88	27	100	247.55	243.15	2	100	491.83	100
Less: Interest	0.79	0.15	445		1.64	0.34	377		1.12	
Add: Interest Income										
Add: Other un-allocable	10.67	16.93	-37		18.28	21.77	-16		36.83	
PBT before Share of profit from JV	125.64	107.67	17		264.19	264.58	0		527.54	
Add EO Income. Add: Profit from JV. PBT after Share of profit from JV. Figures in Rs crore. Source: Capitaline Corporate Database										