

India...an opportunity for sustained growth

Ajay Nanavati, Managing Director, 3M India



March 17, 2011

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Agenda

- The India opportunity
- 3M in India
- Way forward



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India: Countries...within a country

		
GDP (USD B)	3,319	11,650
Area (sq.km)	3.3 M	3.9 M
Population	1.08 B	0.46 B
Languages	22	20
Per capita income (USD)	3,072	25,494



A SNAPSHOT OF
India...

- Republic, representative democracy
- Legal system based on British law
- 29 states & 6 union territories
- 6 main religions



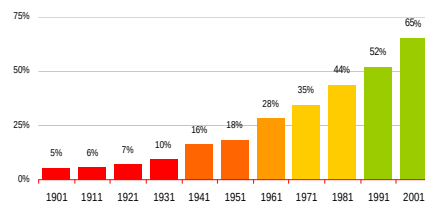
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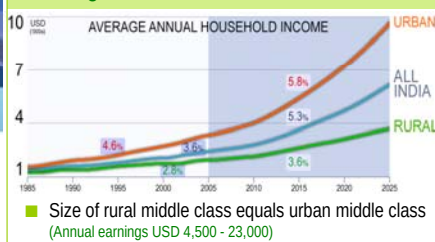
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Pace of prosperity accelerating...

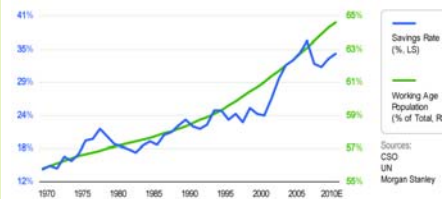
Growing literacy



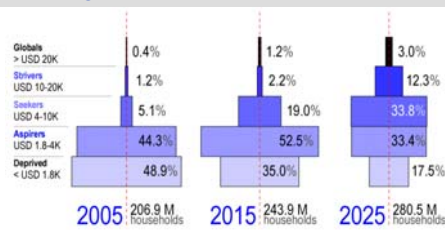
Growing rural incomes



Growing savings rate & working population



Growing middle class



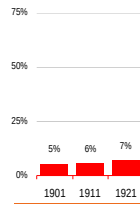
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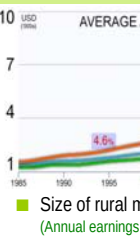
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Pace of prosperity accelerating...

Growing literacy



Growing rural



Size of rural middle class equals urban middle class
(Annual earnings USD 4,500 - 23,000)

Growing savings rate & working population

- ✓ Growing literacy (over 70%)
- ✓ Increasing household savings (32%)
- ✓ Population becoming younger (Median age: 26)
- ✓ Urbanizing rapidly (30% to 40%)
- ✓ Rural incomes up 5x in 15 years (HH income > USD2/day)
- ✓ 240M people enter middle-class in 10 years



Sources:
CSO
UN
Morgan Stanley

2005 206.9 M Households 2015 243.9 M Households 2025 280.5 M Households

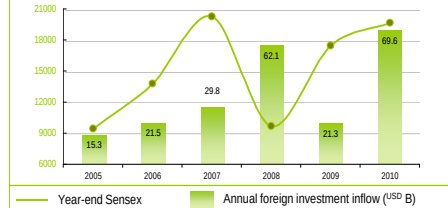
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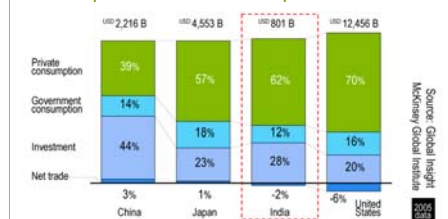
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Economy firing on all cylinders...

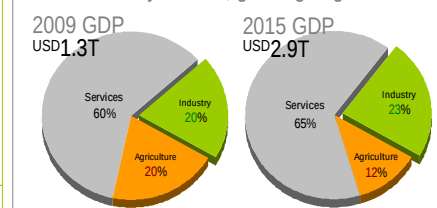
Booming stock market & foreign inflows



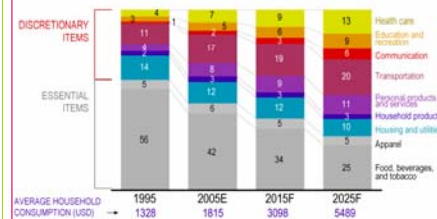
Consumption similar to developed economies



Predominantly service; growing mfg.



Rising discretionary spending beyond basic necessities

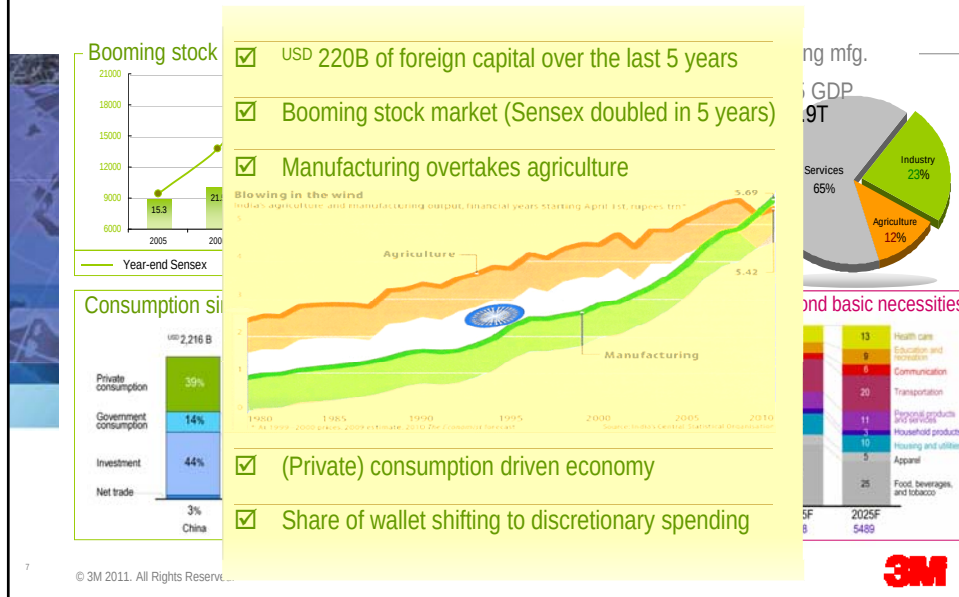


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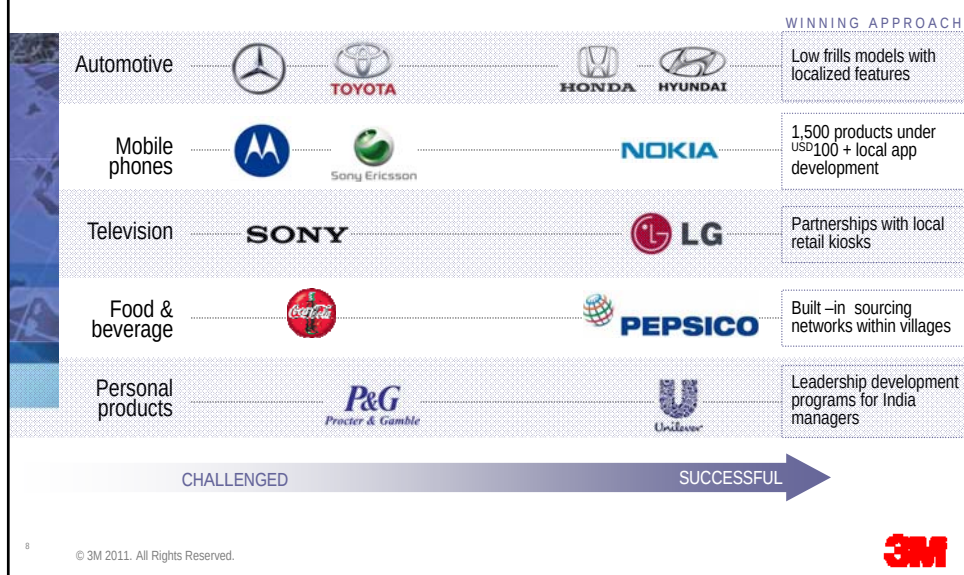
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Economy firing on all cylinders...



...MNC's active but successful ones have adopted "in-India, for-India"



...while Indian companies have gone global too!



Reliance

MARKET CAP	SALES
USD 77B	USD 45B

Exploration

- 29 domestic, 15 intr. blocks
- \$3.4B in 3 US shale gas assets

Refining

- Owns 2 of 3 worlds largest, complex refineries
- New businesses in Retail, Broadband, power generation



TATA

MARKET CAP	SALES
USD 100B	USD 67B

Salt to steel

Key acquisitions

- Tetley, Corus
- Brunner Mond
- Jaguar – Land Rover
- Daewoo CV
- Nat Steel
- Tyco Global
- General Chemical



Mahindra

MARKET CAP	SALES
USD 15B	USD 7B

#1 Tractor manufacturer in the world (by volume)

Automotive, financial services, Infra., hospitality, IT, defense

Key acquisitions

- Ssangyong
- Stokes (UK)
- Jeco
- Schoeneweiss (Germany)
- Metalcastello (Italy)
- Satyam



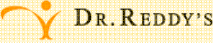
COLOUR WORLD



ESSEL PROPAC



BHARAT FORGE



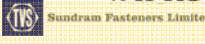
DR. REDDY'S



Infosys



WIPRO



Sundram Fasteners Limited

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...leveraging their frugal innovation to succeed

Voracious markets

New mobile-phone subscriptions
Year ending March 2009, m

Country	Subscriptions (m)	% Increase on a year earlier
India	52	22
Africa	32	
China	16	
Indonesia	46	
Vietnam	86	
Brazil	22	

Source: Informa Telecoms & Media

India is not just world's fastest growing telephony market – but also enjoys the lowest tariffs

Long distances charges as low as... **USD 0.0001 PER SECOND**



TATA swachh

NANOTECH WATER PURIFIER



TATA SWACHH: The mass-market water purifier at...

Model	Price (USD)
SWACHH	22
SWACHH Max	11

Soon to be exported to African countries with similar climatic conditions, and even the US and UK.



Narayana Hrudayalaya

Operation Cut Costs

India's Narayana Hrudayalaya Hospital uses high volumes to lower health-care costs.

Average price charged for coronary artery bypass graft surgery*

Country	Price (USD)
Narayana Hrudayalaya	60,000
Indian private hospitals	45,000
U.S. Medicare	120,000 to 140,000

Coronary artery bypass graft surgeries performed in 2008

Hospital	Surgeries
Narayana Hrudayalaya	3,374
Cleveland Clinic	1,167
Massachusetts General Hospital	516

Narayana Hrudayalaya (Bangalore) does 10x cardiac surgeries as Cleveland & Massachusetts at a tenth of the costs

STARTING USD 2000



TATA NANO

Low-cost 4 passenger rear-engined car for Indian families commuting on scooters, motorcycles

STARTING... USD 2500

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Competitors are not standing still...



PIDILITE
emerging local
competitor
excelling
globally

Consumer & Retail
Adhesives, sealants & tapes
Home, schools & offices •
Woodworking • Construction








Automotive aftermarkets
Sealants, cleaners & chemicals



Industrial markets
Adhesives, tapes & coatings



Sales USD 450M

5-yr CAGR 18%

Investments (last 5 years) USD 125M

INDIAN OPERATIONS

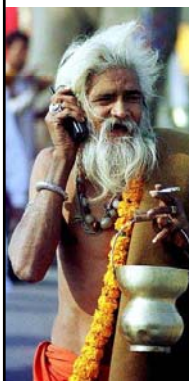
- Established 1959
- FEVICOL - #1 household care brand
- 9 branches, 19 plants, 26 depots
- 4,000+ customers, 4,000+ employees, 60,000 dealers

GLOBAL OPERATIONS

- Exports to more than 80 countries, including Middle-east, Africa, USA & Europe
- 4 Subs and 9 Rep offices
- Manufacturing & sales in US, Brazil, Egypt, Thailand, Singapore, Dubai and Bangladesh

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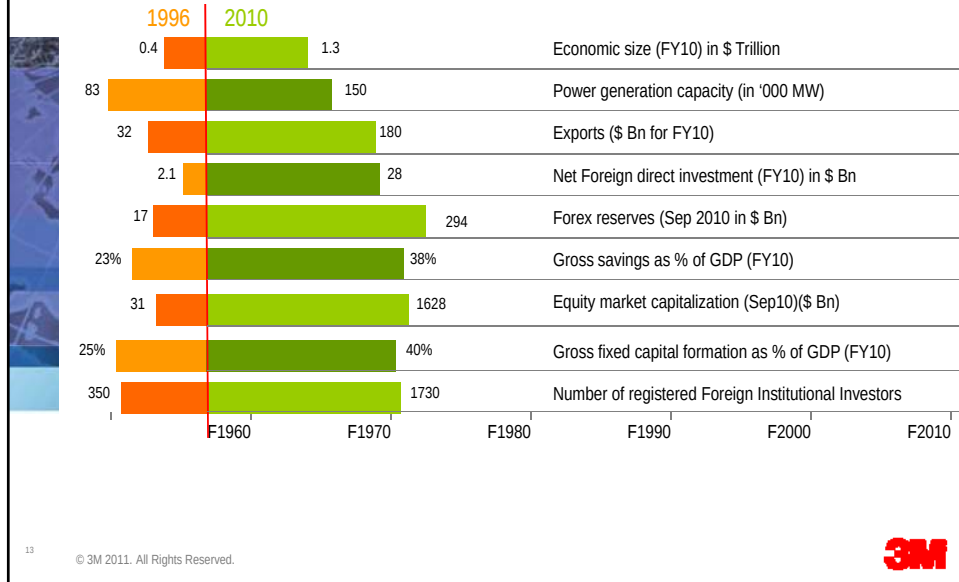
India is however, still a land of contradictions...



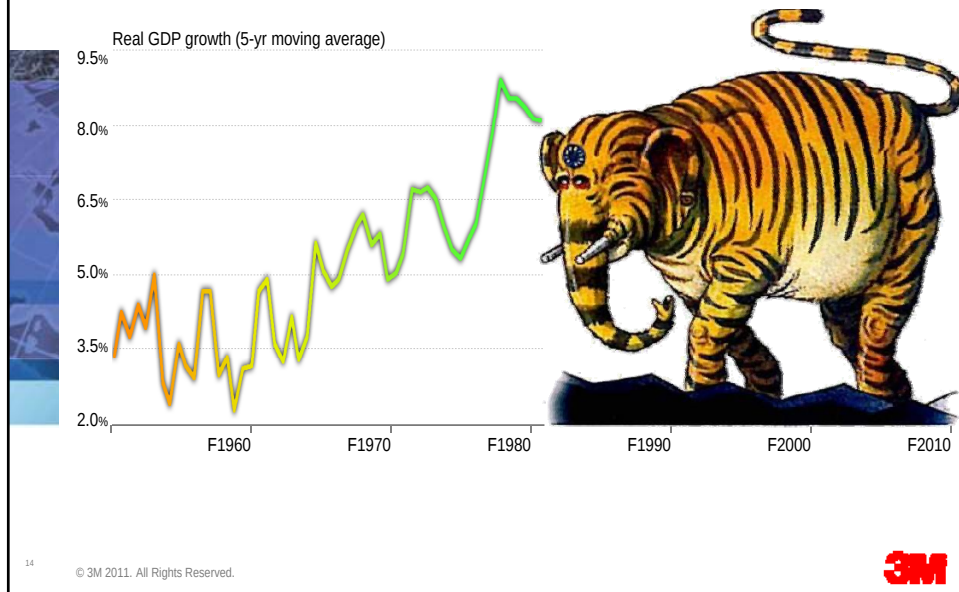
- ✓ 23 billionaires on the Forbes list
- ✗ ...and 350M poor who earn less than USD1 a day
- ✓ best schools, producing 350,000 engineers & 800,000 MBAs annually
- ✗ ...while 35% of her population is illiterate
- ✓ 17,000 colleges and universities
- ✗ ...13M children who do not attend schools
- ✓ Largest producer of wheat and rice in the world
- ✗ ...47% of children are malnourished
- ✓ GDP per capita of top 3 states is USD1500
- ✗ ...and bottom 3 is USD260

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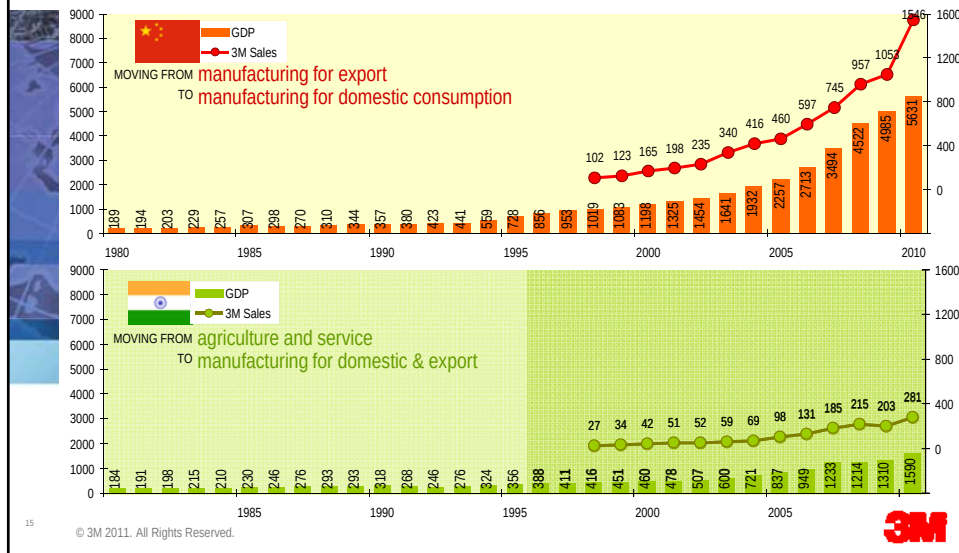
...an elephant turning into a tiger !



...an elephant turning into a tiger !



...now tracking China's growth, becoming more similar

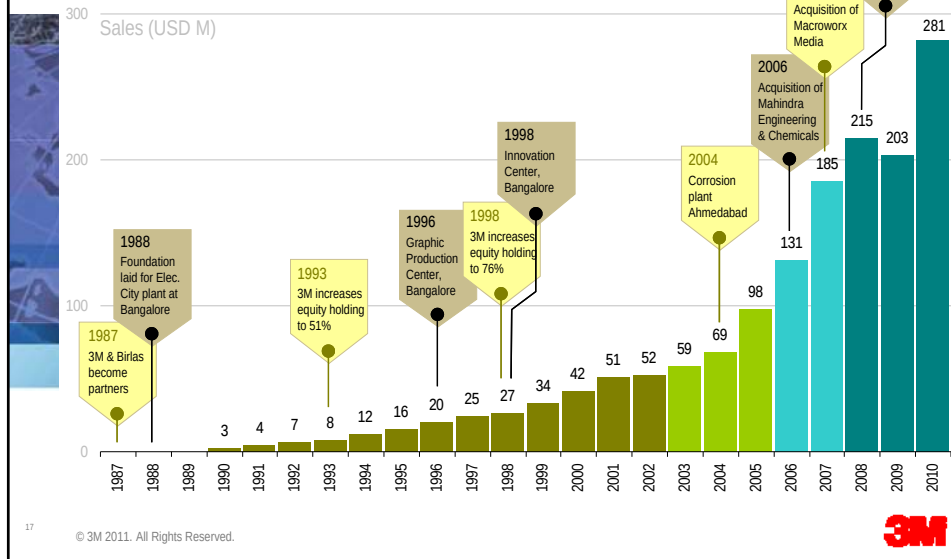


Agenda

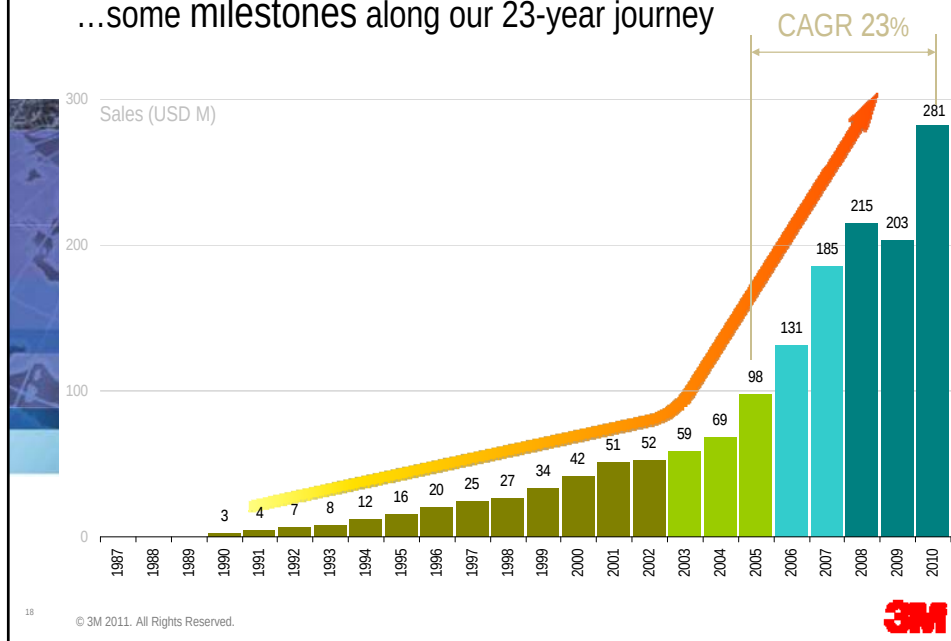
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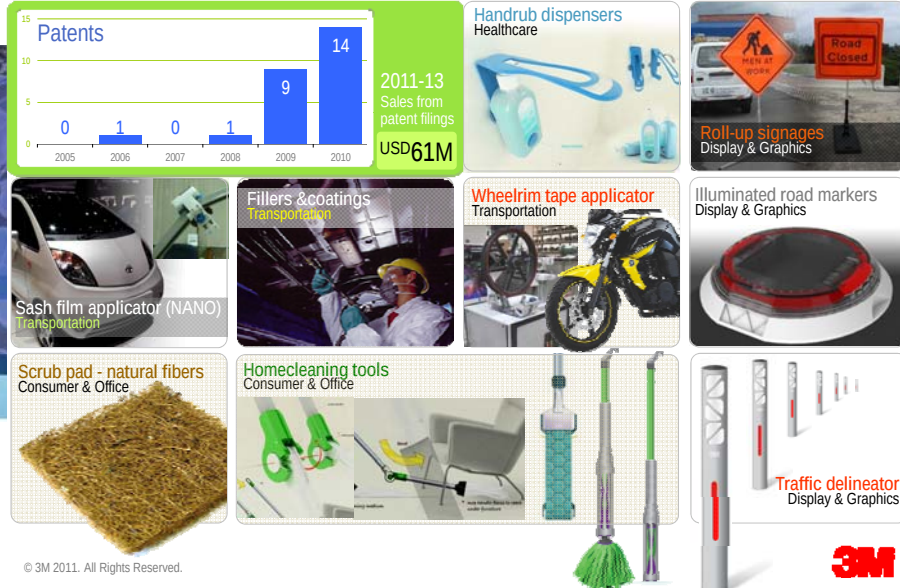
...some milestones along our 23-year journey



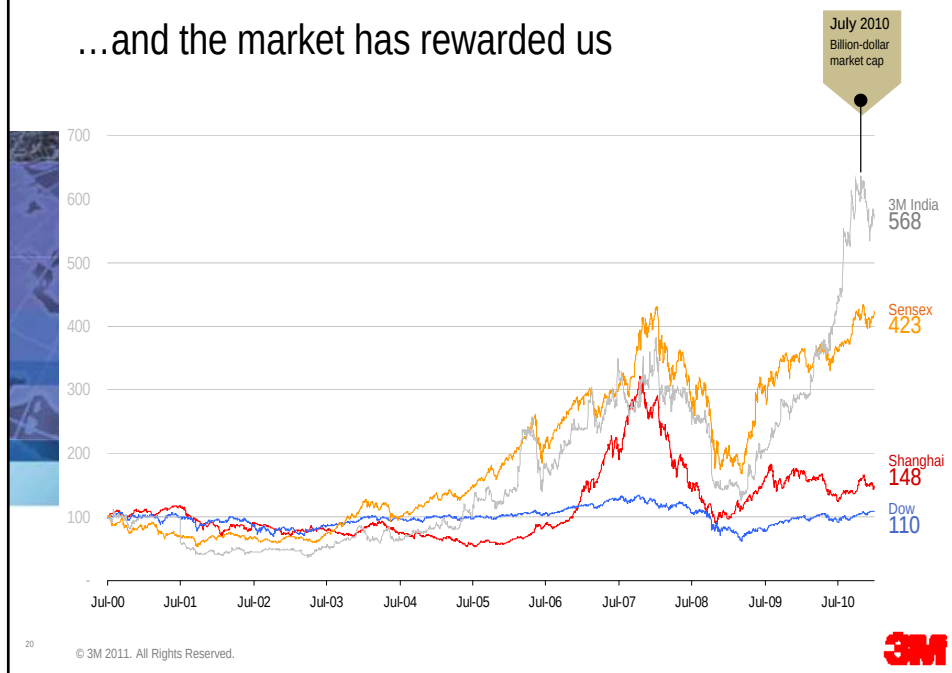
...some milestones along our 23-year journey



...relevant & differentiated product development



...and the market has rewarded us



Pan-national footprint...

- Plant
- Office / Warehouse
- Sales location

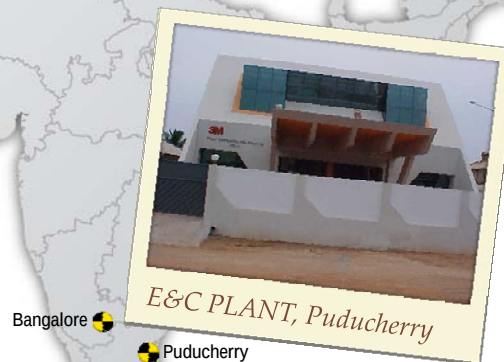


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Pan-national footprint...

- Plant
- Office / Warehouse
- Sales location



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Pan-national footprint...

- Plant
- Office / Warehouse
- Sales location



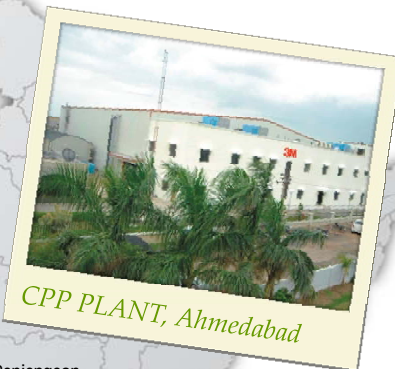
Ranjangaon Pimpri
Bangalore
Puducherry

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Pan-national footprint...

- Plant
- Office / Warehouse
- Sales location



Ahmedabad
Ranjangaon Pimpri
Bangalore
Puducherry

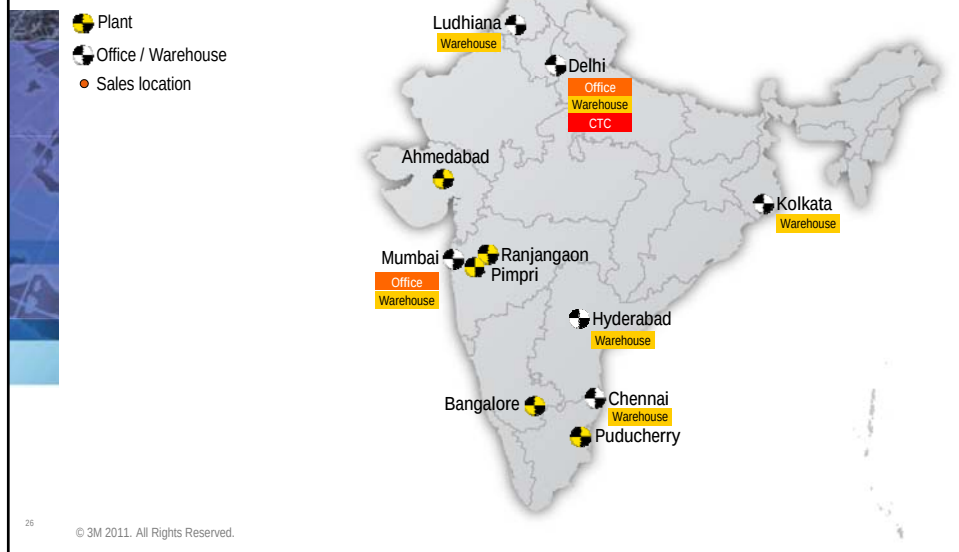
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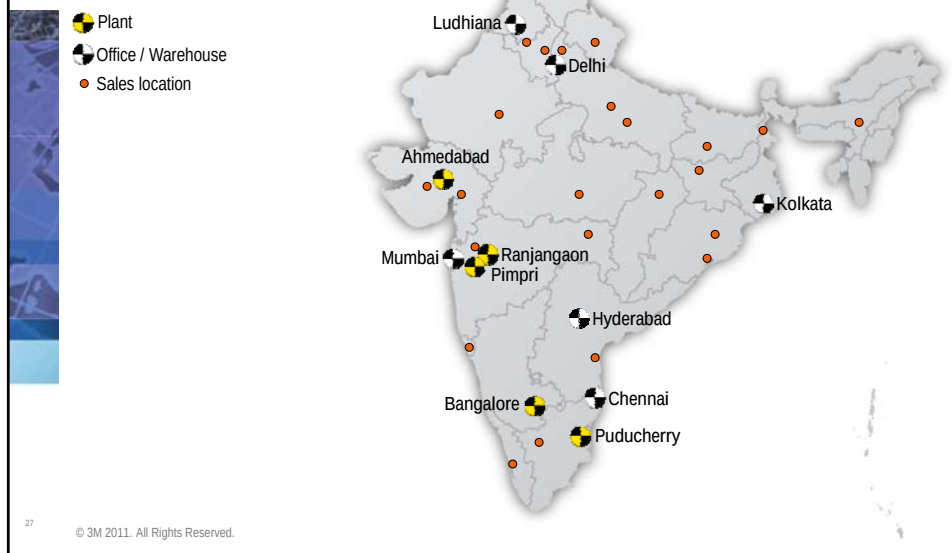
Pan-national footprint...



Pan-national footprint...



Pan-national footprint...

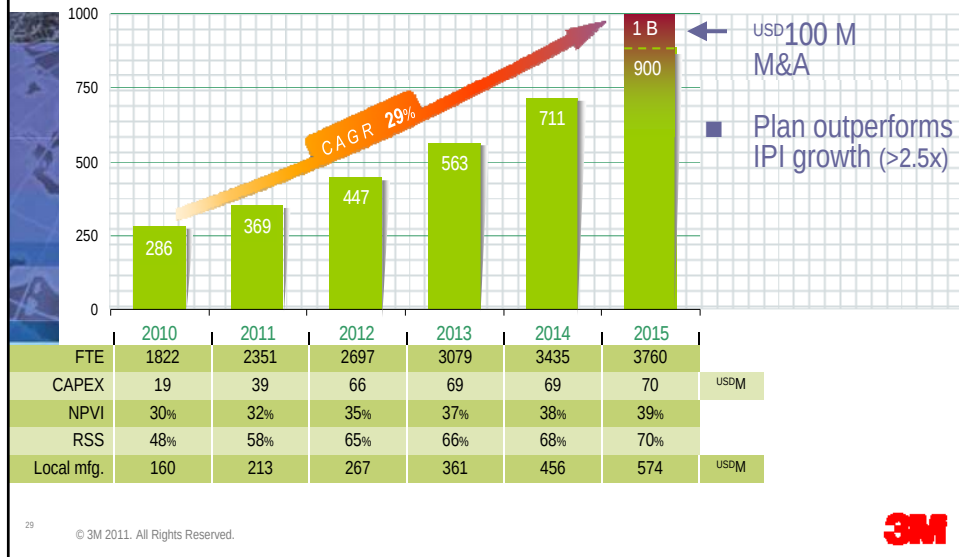


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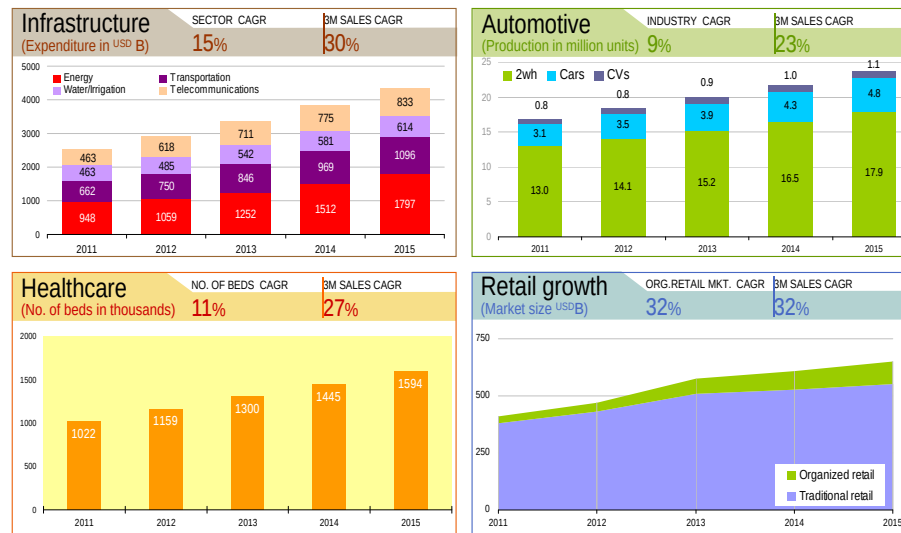
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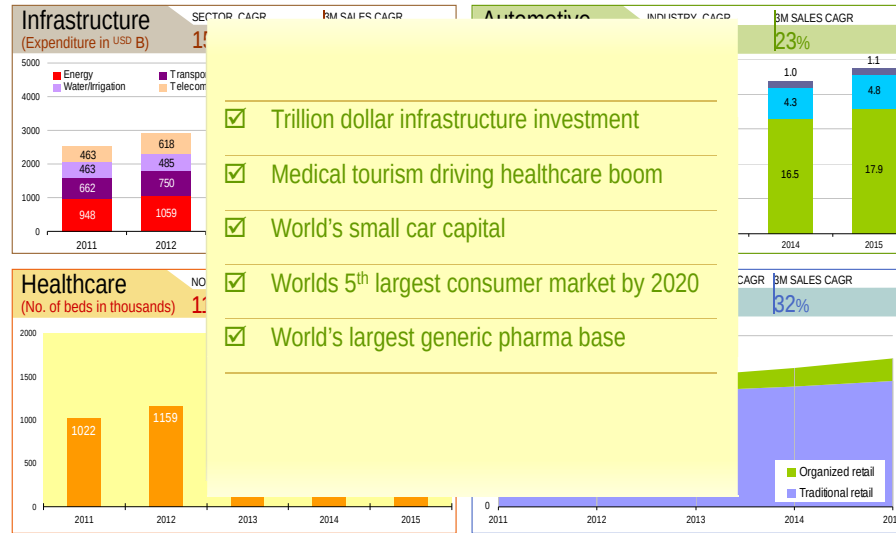
The billion dollar dream...



Focused on key market opportunities...



Focused on key market opportunities...

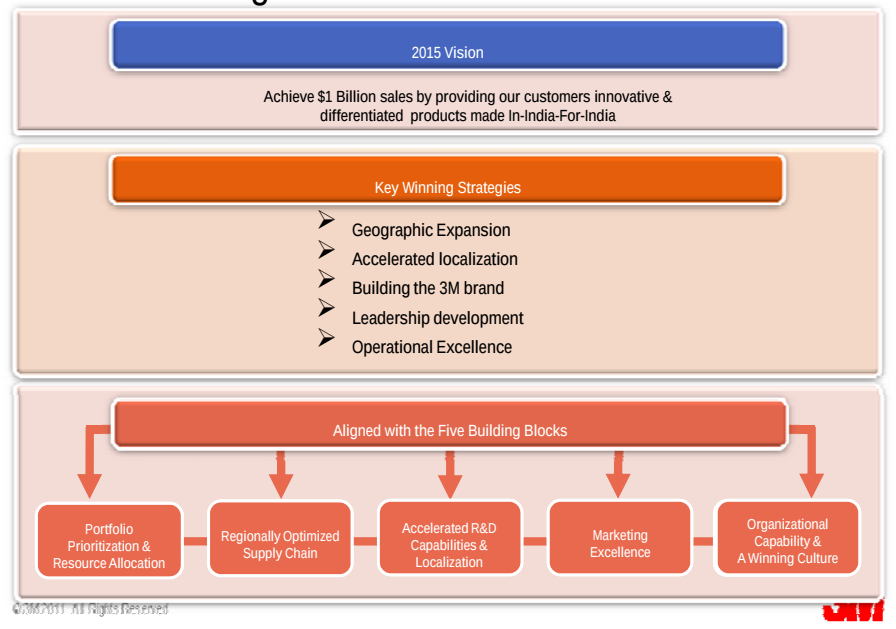


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3M India Strategic Framework

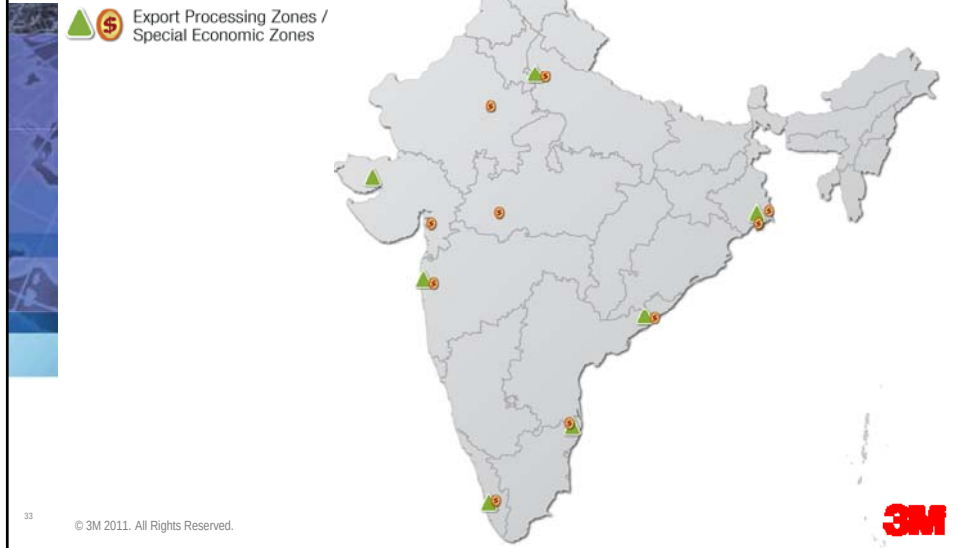


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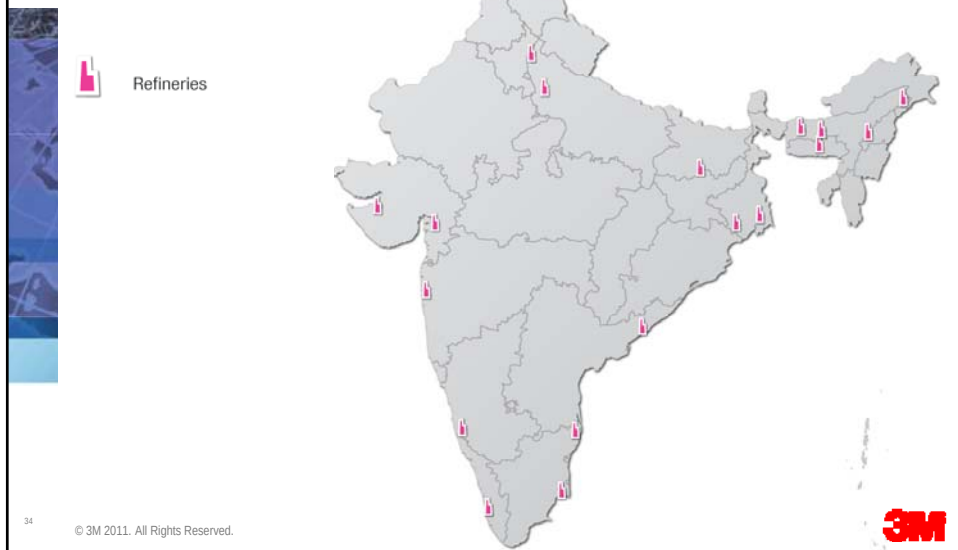
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Geographic expansion
Geographically dispersed industrial spread

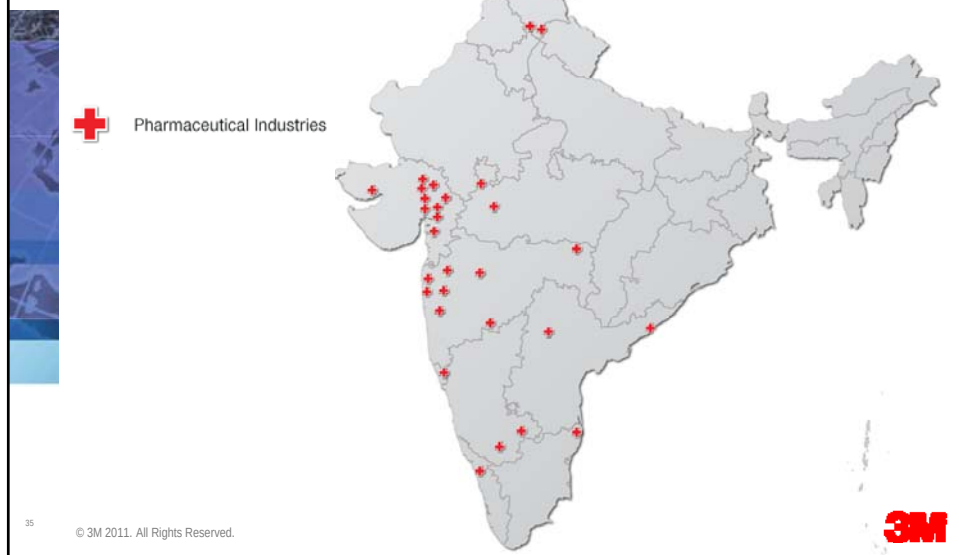


Geographic expansion
Geographically dispersed industrial spread



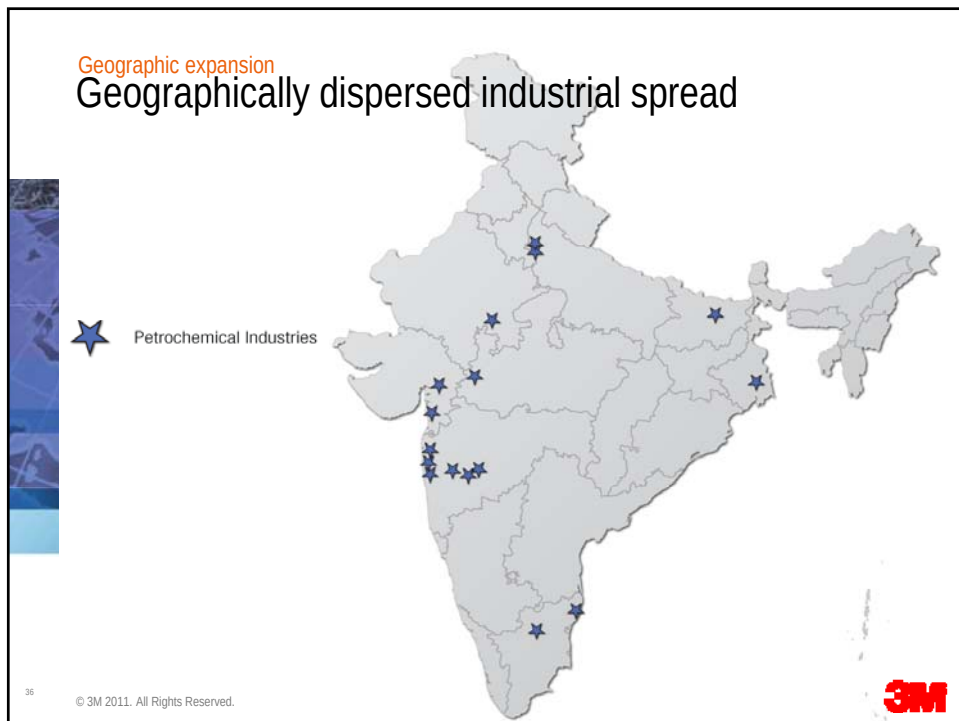
Geographic expansion

Geographically dispersed industrial spread



Geographic expansion

Geographically dispersed industrial spread



Geographic expansion

Geographically dispersed industrial spread



Major Car Manufacturers



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Geographic expansion

Geographically dispersed industrial spread



Major Two Wheelers
Manufacturers



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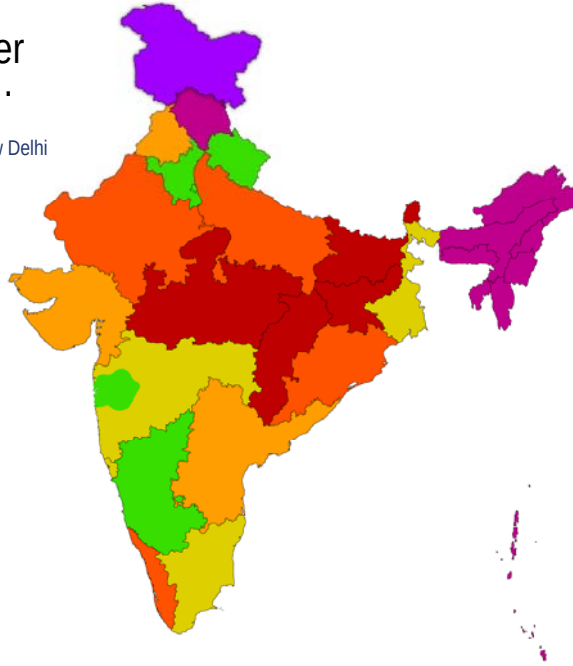
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Geographic expansion

3M branches closer to our customers...

- 2009 Bangalore, Mumbai & New Delhi
- 2010 Kolkata, Chennai, Pune
- 2011 Hyderabad, Ahmedabad Chandigarh
- 2012 Kochi, Jaipur, Lucknow, Bhubaneshwar
- 2013 Ranchi, Indore
- 2014 Guwahati, Simla
- 2015 Srinagar ?



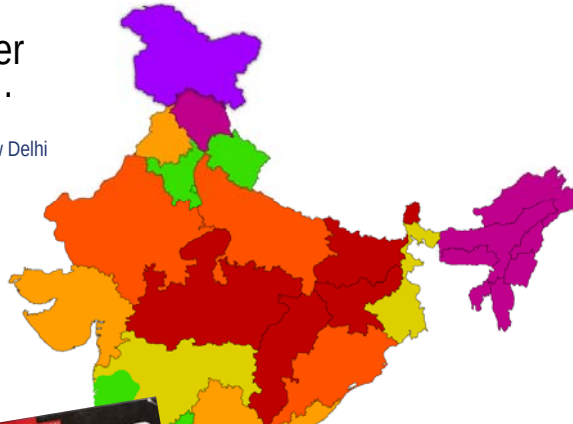
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Geographic expansion

3M branches closer to our customers...

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- 2013 Ranchi, Indore

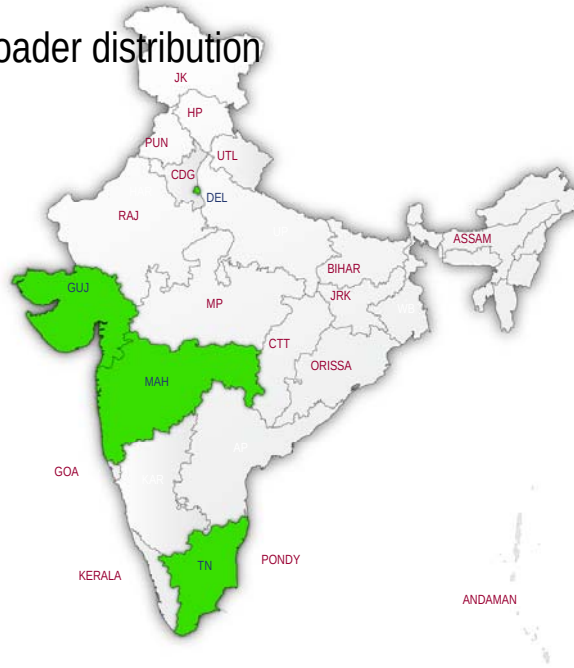
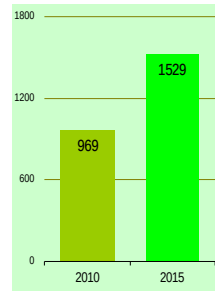


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Geographic expansion
... aligned with broader distribution

Tier I Up 58%



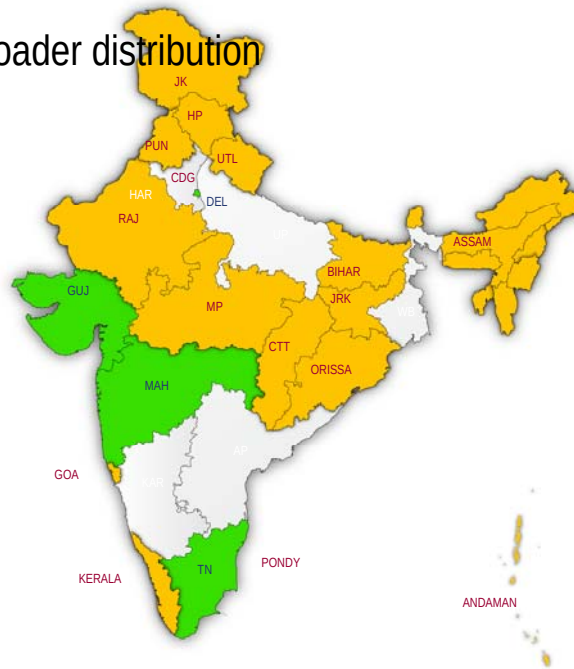
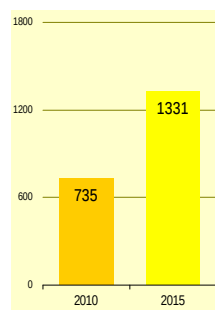
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Geographic expansion
... aligned with broader distribution

Tier I Up 58%

Tier II Up 81%



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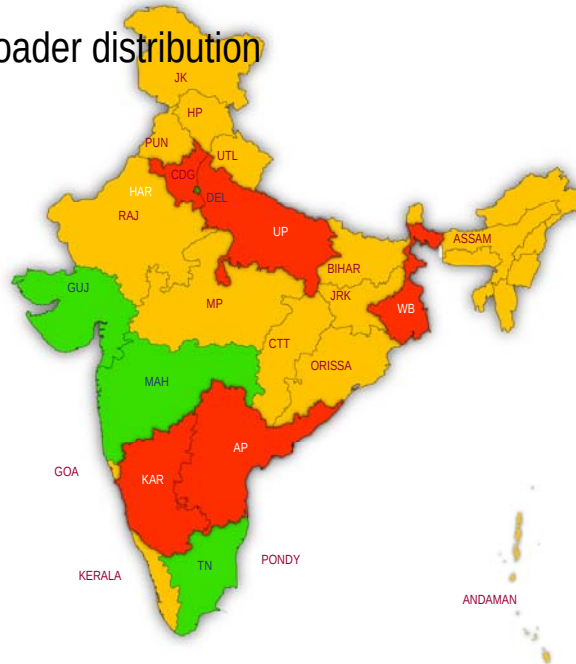
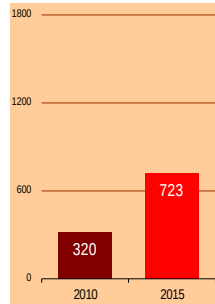
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Geographic expansion
... aligned with broader distribution

Tier I Up 58%

Tier II Up 81%

Tier III Up 126%



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Geographic expansion
And unique “go-to-market” models...

3M Car Care
AAD



- 1st center launched in 2010 at Bangalore
- 4 pilot centers this year; 175 centers by 2015
- Cross-selling other 3M products – sun film, graphics & DIY detailing products

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Accelerated localization

Cost, local competition & supply chain drive need to localize..

Central taxes & levies					State taxes & levies		
Customs duty	Excise duty	Service tax	Cess & SAD	Central sales tax	VAT Value-added tax	Additional tax	Octroi
Applicable on all imported goods	Applicable on all mfd goods	Applicable on service billings	Applicable on imported goods	Applicable on inter-state sales	Applicable on sales within a geographic area	Additional tax over VAT only in a few states	Levy on goods entering Mumbai & Pune
RATE 10% on most products	RATE 10%	RATE 10%	CESS 3% SAD 4%	RATE 2%	RATES 12.5%, 14.5% & 4% - 5%	RATE 1% - 2.5%	RATES Mumbai 5.5% Pune 4%

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Accelerated localization

Cost, local competition & supply chain drive need to localize..

Importing into India - cost build-up (USD)			
	RATES		
Inter-company price		100.0	
Sea freight	11%	11.0	
Basic customs duty	10%	11.1	
Countervailing Duty	10%	12.2	
Customs Cess1		0.4	
Customs Cess2		0.7	
Additional CVD	4%	5.4	
Landed cost		140.8	
Duty rebate		(5.4)	
Net Landed Cost		135.4	
Selling price at 50% margin		270.8	

LANDING FACTOR :
135%

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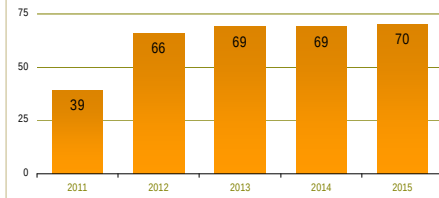
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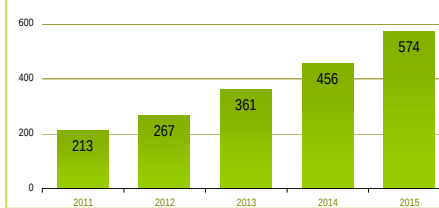
Accelerated localization

We are at a crucial juncture to scale up...

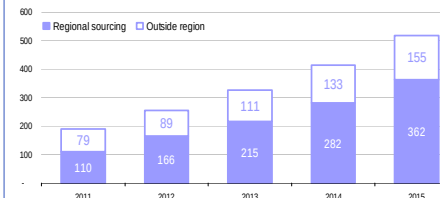
CAPEX (USD M)



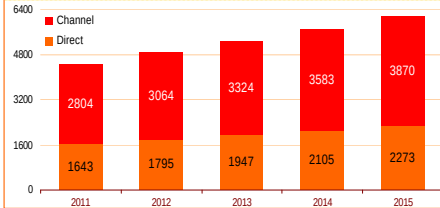
Local manufacturing (USD M)



RSS up from 58% to 69.5% (2015) (USD M)



Growing customer base



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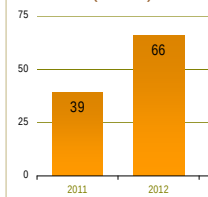
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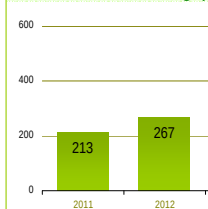
Accelerated localization

We are at a crucial juncture to scale up...

CAPEX (USD M)



Local manufacturing (USD M)



✓ CAPEX investment underway...

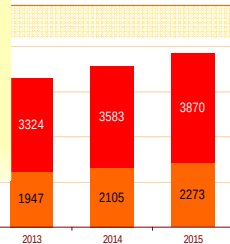
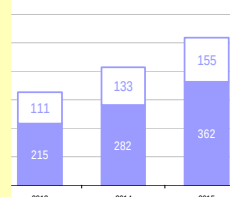
01. Nonwoven maker & converting	USD 15M
02. Production tape coater & converting	USD 10M
03. SB wheels, radial flap disc, IMFF	USD 2M
04. New IC lab, facilities, pilot lines	USD 14M
05. Distr. center infrastructure	USD 2M

✓ Increased regional source of supply

✓ Portfolio expansion

✓ Broadening of customer base

RSS up from 58% to 69.5% (2015) (USD M)



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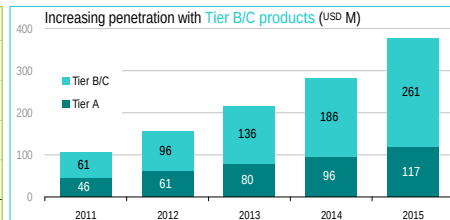
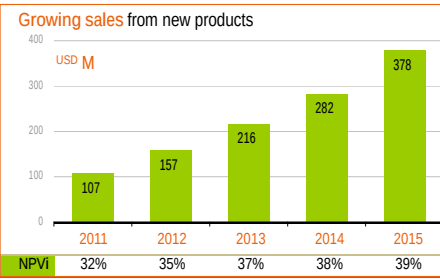
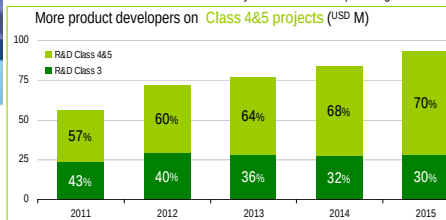
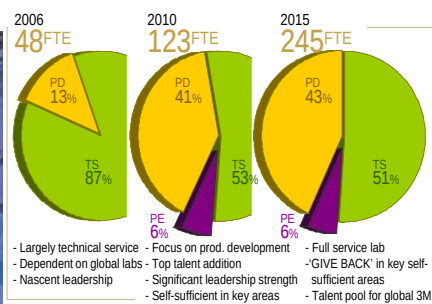
Accelerated localization

World-class R&D capabilities...



Accelerated localization

Increasingly capable lab – a game changer



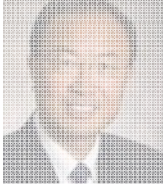
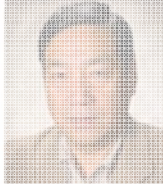
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Accelerated localization

Leveraging US experience and local knowledge...

China APAC	India	Japan	China
			
Born China Ph.D Mechanics Univ. of Minnesota USA Ph.D Thermal Energy Xilan Jiaotong Univ. China	Born India Ph.D Chemical Engg. Univ. of Minnesota USA BS – Chemical Engg. IIT Delhi, India	Born Japan Ph.D Engineering Kyoto University, Japan BS – Engineering Kyoto IT, Japan	Born China Ph.D Polymer Science Cornell University USA BS – Chemistry Beijing University, China
With 3M – 15 years - Corporate labs – 10 yrs - Business labs – 5 yrs	With 3M – 15 years - Corporate labs – 8 yrs - Business labs – 7 yrs	With 3M – 32 years - Corporate labs – 2 yrs - Business labs – 30 yrs	With 3M – 10 years - Corporate labs – 6 yrs - Business labs – 4 yrs

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Marketing Excellence

Diversity creates marketing challenges...



Why have Indian marketers seldom tried to take advantage of India's diversity with tailored products? Brand equity explores

The Consumer Has Many Faces



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Marketing Excellence

Diversity creates marketing challenges...



**The Consumer
Has Many Faces**

Scotchbrite Hindi

Scotchbrite Bengali

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Ajay V Nanavati
Managing Director

Leadership development

A seasoned Leadership Team



Consumer & Office



Display & Graphics



Elec. & Comm.



Healthcare



Industrial



Transportation



SSPS



Mfg. & Engg.



Supply Chain



Finance



HR, Admin.



Legal



Mkt. Center, CMPA



Technical



M&A, Strategy IT

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Ajay V Nanavati
Managing Director

Leadership development



Consumer & Office



Display & Graphics



Transportation



SSPS



Mfg. & Engg.



Supply Chain



Technical



M&A, Strategy IT

- ✓ First time ever...an entirely INDIAN team
- ✓ A mix of 3M veterans & external talent
- ✓ Even beyond the leadership level...

6 senior external hires
6 transfers back to India
4 expatriates return
9 "exports"

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Leadership development

Hiring and retention present challenges ...



Leadership development

...and we are taking steps to address that

ENGAGEMENT
3M India Engagement Umbrella

- Sustainability**
 - Waste on Wheels
 - World Environment Day
- Healthier You**
 - Specific health programs
 - Healthy Day
- 3M Club**
 - Platform to connect with employees and their families
- Employee Connect**
 - Hourly 3M
 - Health Club
 - Life & Career portal
 - Referral to 3M
 - 3M Career Measurement
 - Annual Self Meeting with 3M
 - 3M Career Meetings
- Plant Engagement**
 - 3M Activities
 - 3M Engagement
 - 3M 3M
- Performance & capability**
 - 3M 3M

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Leadership development

...and we are taking steps to address that

Calendar - 2010 3M Club - 2010

Month	Activity	Location	Activity	Location
January	New 3M Club members off party	3M India	Family meeting	3M India
February	3M Club members off party	3M India	Family meeting	3M India
March	3M Club members off party	3M India	Family meeting	3M India
April	3M Club members off party	3M India	Family meeting	3M India
May	3M Club members off party	3M India	Family meeting	3M India
June	3M Club members off party	3M India	Family meeting	3M India
July	3M Club members off party	3M India	Family meeting	3M India
August	3M Club members off party	3M India	Family meeting	3M India
September	3M Club members off party	3M India	Family meeting	3M India
October	3M Club members off party	3M India	Family meeting	3M India
November	3M Club members off party	3M India	Family meeting	3M India
December	3M Club members off party	3M India	Family meeting	3M India

3M Club Update - Continued

July 2010 - 980 Members

Sep 2009 - 736 Members

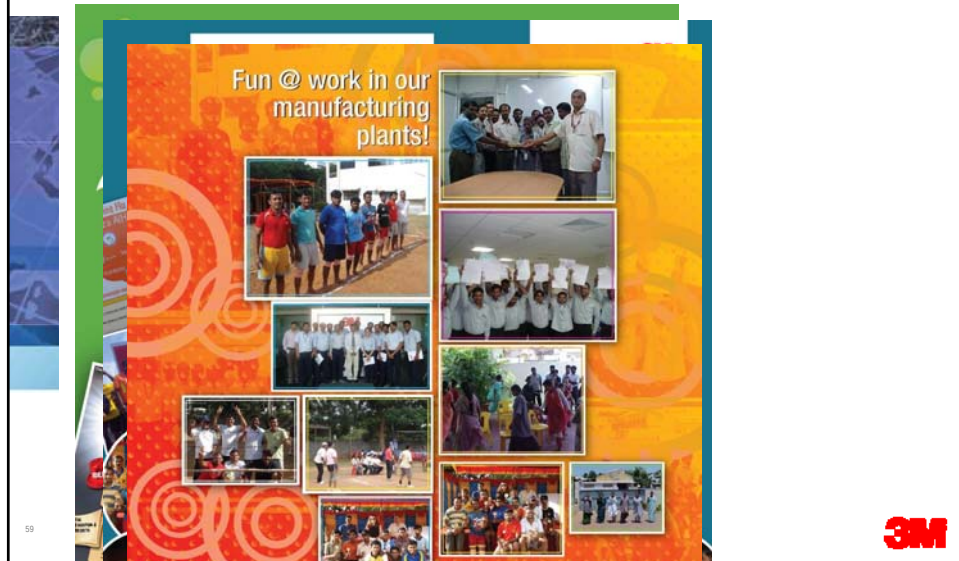
Sep 2008 - 376 Members

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3M

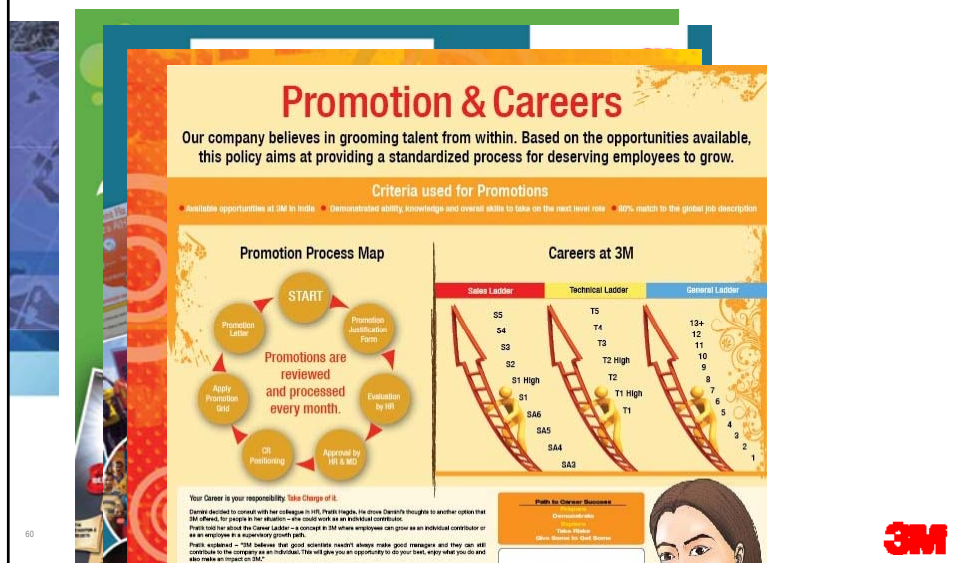
Leadership development

...and we are taking steps to address that



Leadership development

...and we are taking steps to address that



Leadership development

...and we are taking steps to address that



Leadership development

...and we are taking steps to address that



..and this is why we will win

- 
- Established local manufacturing capability
 - World class R&D capability to drive local product development
 - Broad geographic presence across the country
 - Depth of leadership talent & bench strength
 - Broad portfolio of products
 - Growing awareness of 3M brand
 - Strong key account relationships

...at an inflexion point, poised to leapfrog into the future

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