

Annual Report
2013 - 2014



solutions
greener opportunities...
Growing in challenging times



3M



Reaching out, forging bonds

bridging diverse markets
with innovation that touches more lives

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Market

Possibilities that lie beyond just products, innovation and reaching customers have been the motivation that drives 3M in these demanding times.

DIVERSITY

Innov

Securing growth in a challenging business climate meant reaching out to uncharted markets with a confidence that our expertise would make a positive impact. 3M's approach of creating diverse markets is vindicated by the variety of customers we have touched this past year, with solutions relevant to their unique needs — from metal fabrication workers, to healthcare professionals, including home makers. This diverse customer profile has given impetus to fuel our growth in the days ahead.

Our focus on leveraging customer experiences by creating new market categories, solutions that delight and bring out smiles has resulted in a performance that belies market expectations.

ation

Serving the growing demands of diverse markets needs a special kind of magic – the magic 3M calls Innovation. In this case, uniquely Indian innovation and localisation brought about by listening to market inputs, technical expertise and our ability to weld together technologies. Armed with patents for technologies developed in India and deep insight into creating solutions for peculiarly Indian needs, today, our innovation is a power tool that complements growth.

Growth, even during demanding times does not mean compromises. This is where our strong sustainable foundation helped us in identifying areas where we could leverage eco-sensibility to tie into our growth plan. We started at the source, with our manufacturing plants, by adopting measures that helped us conserve and save vital resources and energy. 3M's green branch was even extended to customer experiences, literally bringing light into lives and developing green products that used benchmark innovation to enable our customers to reduce their car

Sensibility

While wound care is a well articulated concern in India, preventing wounds and maintaining skin integrity is not and this meant creating a market category by leveraging our strengths in professional education, sales and marketing. The result – 3M has become the first mover in the skin integrity space in the Indian healthcare sector with 3M™ Cavilon™ No Sting Barrier Film, a versatile skin damage protection film. Winning customer confidence through scientific intervention, educating the market, generating evidences and establishing protocols has helped move skin integrity from a latent need to one that demands attention in Indian hospitals.

***Healing touch
minus the sting***

Market DIVERSITY

Our promise of a people focused growth is enabled by the unique customer bonds we forge and our relentless pursuit of answers to the needs of diverse markets.

***Steeling the market,
In style***

3M's "Styling Steel" program used low awareness about the latest finishing techniques to achieve superior finishes on stainless steel as a step to create a product niche. Live demonstrations, operator training sessions and engagement with industry stakeholders, backed by the strong product portfolios like Cubitron™ II, Trizact™ and Scotch-Brite® has resulted in customer process refinement and 3M being accepted as the preferred partner to achieve desired finishes.

Where a new generation drives India forward, we saw a market that demanded healthier, cleaner car interiors. The 3M™ Germiclen treatment for car interiors took the automotive aftermarkets route to market a 'workshop solution' and create a new category in car care. Promising a 99.9% germ-free car interior cleaning, the Germiclen mascot and campaign sure drove away harmful germs. But certainly not customers, who craved a healthy and hygienic drive.

***Hygienic cars,
healthier drives***

***Stronger bonds,
in a jiffy***

What do you do in a market that has not seen any product differentiation in over 60 years? Innovate and create new inroads – this is what our research helped us do for the woodworking segment.

Our 3M™ Heavy Duty 20 Spray Adhesive impacted the woodworking market by demonstrating shaving away up to 15% of a carpenter's time required to finish small area bonding jobs. Local language communication created the much needed bonding at the customer level.

Social responsibility motivated us to pro-actively engage with government agencies and contractors to increase road safety through safety and visibility solutions. This partnership has fostered a range of unique end-to-end visibility solutions tailored for Indian road conditions and paved the way for 3M to bag signage contracts for major National Highway projects with a 92% success rate in 2013.

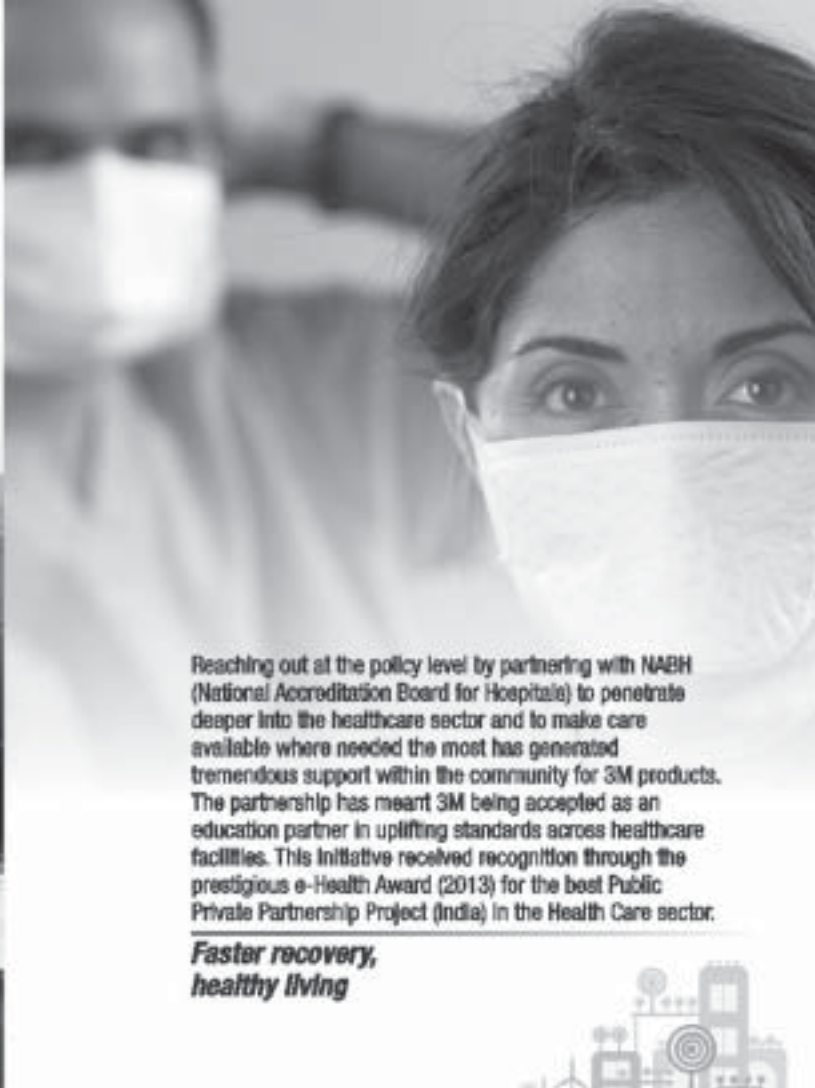
***Safer roads,
easier motoring***



Creating new markets and happier customers...

***Increased touch points,
more eyeball***

The move to showcase 3M as a comprehensive solutions provider and not just a product seller or signage partner, meant partnering with key industry decision makers and bringing to them our entire basket of communication tools. This has resulted in 3M bagging the lucrative premium end of the market and nearly a 50% increase in the reach to brand owners.



Reaching out at the policy level by partnering with NABH (National Accreditation Board for Hospitals) to penetrate deeper into the healthcare sector and to make care available where needed the most has generated tremendous support within the community for 3M products. The partnership has meant 3M being accepted as an education partner in uplifting standards across healthcare facilities. This initiative received recognition through the prestigious e-Health Award (2013) for the best Public Private Partnership Project (India) in the Health Care sector.

***Faster recovery,
healthy living***

***Cleaner homes,
joyous family times***

Increased income and an aspiration for quality living has led to demand for hygiene at a convenience. This opportunity meant providing tools that made homes cleaner and living easier. The Scotch-Brite® portfolio continued to provide a helping hand by offering homemakers cleaning tools in the scouring, mops and wipes segment.





Innovation that addresses diverse needs

Innovation

Using innovation as a tool to tap diverse markets is leveraged by 3M's expertise in blending disparate technologies to create products that have helped create new markets, re-define existing categories and delight customers.

Protect to preserve

A long-term corrosion protection solution for the power and fertilizer industry is being facilitated by the application of ScotchKote™ Surface Tolerant Coatings reducing maintenance and replacement costs of high value assets.



A stick in time

Improved healthcare delivery with a range of specially developed high adhesion dressings that factor in Indian skin types and weather conditions to deliver faster recovery.



Silence that pays

Reducing in-cabin noise without huge weight addition was feasible due to a unique multi-layer, light-weight noise reduction treatment developed by 3M India R&D. A global patent has been applied for this solution that is 35% lighter than conventional offerings.



Glassy solution

An innovative Trizact™-based glass repair polish and finishing solution was developed for an auto glass major. What it helped achieve was an economical and effective way to repair glass, eliminating the need to replace at a high cost and reducing customer rejection by 50%.



Weaving markets with non-wovens

Taking non-woven technology to reach out to vastly different markets - industrial and homes - was made feasible by the localisation process at the Ranjaneon non-woven maker. Non-woven hand pads enabled inroads into the industrial and retail markets while homemakers were delighted when a "thicker" scrub pad - based on customer insight - was launched to counter inferior alternatives.





Water consumption reduced by 62%



Wind power meets 75% of the Bengaluru plant's energy needs



3M™ Tubular Daylighting Devices light up some of our plants

Greener footprints charting a responsible growth



E-waste collection systems have been introduced at all our plants



Less hazardous chemicals have been introduced in the screen cleaning operations for graphic production at our Bengaluru plant



Treated waste water is used for gardening and as make-up water in chillers and restroom flushes



Plastic waste sent to cement plants for co-processing is partially meeting their energy needs



3M as a green organisation has witnessed consolidation and setting of new standards within the industry for cleaner and sustainable manufacturing practices. Our manufacturing plants have adopted the best-in-class methods to reduce carbon footprint, manage water resources and recycle waste. Other initiatives include partnerships with industry bodies and NGOs to drive across the eco-message.

Leading the positive impact are our green solutions that cater to an emerging breed of customers increasingly demanding cleaner ways to live by.

Preserving life, conserving water



The need to improve cleanliness and hygiene while conserving precious resources, in this case, water, has resulted in a product for 3M called 3M™ Avagard™ waterless surgical hand scrub.

This product destroys over 99% of microbes within 15 seconds of application delivering clean hands to the surgeon prior to surgery which helps prevent healthcare associated infections while eliminating the use of large quantities of water typically used for pre-surgical hand scrubbing in hospitals.



Breathe safer as you drive



Driving a greener future is the Mechanical Solutions Portfolio for the Automotive sector.

Engineered with less than 2% Volatile Organic Compounds, this environmentally safe range has found wide acceptance in the market and approvals by major OEMs.



Stronger, cleaner bonds



Caring for the end-user meant innovation that resulted in a phthalate-free White Adhesive using nano technology for the wood working market.

This product reduces adverse health impact and delivers heat and water resistant bonds.



Chairman's Message

We are at the threshold of witnessing a time of change with the new Central Government committing to bring India's economic growth back on track, restore investor confidence and address the long-term policy inaction that had paralysed decision-making in this country. During the most part of 2013, India struggled with the pressures of the external environment, inflation concerns and the sharp depreciation of the rupee, ending the current fiscal year with a GDP growth rate of 4.7 percent. Recent World Bank estimates put India's GDP growth forecast for 2014 at 5.5 percent. There is huge expectation from the new Government to stabilise the economy with reforms, restart the investment cycle and revive growth in the manufacturing sector.

Under such macro-economic conditions, your Company has reported a healthy performance of 11.2 percent top line growth, adopting a cautious approach for most of the year, mindful of the volatility of the external environment. The operating margin was at 7.42 percent compared to 7.64 percent for the last year as a result of higher input costs combined with higher depreciation, interest and the performance of the rupee. During the year, the Company also rationalised its product mix as well as its manpower in order to control cost and stabilise its expanded capacity. You would have also observed that your Company also kept its capital expenditure at a minimum level and utilised the cash accrual to reduce a part of its bank borrowing.

Your Company has also seen a change in top leadership with Mr. Amit Laroya taking over as the new Managing Director of 3M India Limited. Mr. Laroya has been in service with 3M for more than 24 years in various India leadership and Global leadership and strategic roles. Your Company will continue to stay focused on the strategy to deliver long term sustainable productivity-led profitable growth under his able leadership.

I am very pleased to share that during the period 2013-14, your Company stayed true to its commitment of building the local manufacturing pipeline with the commissioning of its strategic manufacturing processes as well as establishing infrastructure to develop future leaders in the organization. Your Company was also able to penetrate into new market opportunities

building manufacturing and research & development infrastructure. I hand over the responsibility to Mr. B.S. Iyer and wish him the very best in providing direction and vision for your Company's future growth. I congratulate the entire 3M India team on delivering a consistent performance despite the prevailing macro-economic situation and wish the team continues to pursue the path of

excellence in taking your Company through to the next phase of growth.

D. J. Balaji Rao
Chairman



witnessing
a time of

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while also getting recognition from customers and 3M Corporate alike for excellence in domain expertise, customer service, marketing, sustainability, manufacturing excellence and quality.

This would be the last time I would be presiding as the Chairman of the Company at the ensuing AGM since I would be laying down my office at the conclusion of this meeting. As I come to the close of my tenure as Chairman, I am grateful for the opportunity given to me to guide and help the 3M India Leadership team through your Company's organic growth over the last six years. I am extremely proud to have been able to support your Company's journey in steadily gaining a strong foothold across diverse markets and

MD's Message

I am pleased to share that your Company has registered a sales growth of 11.2 percent for the year ended March 31, 2014, despite the challenging economic situation in India in the year under review. Higher input costs combined with higher depreciation, interest and the volatile performance of the rupee adversely affected our profit after tax. Nevertheless, I'm happy to share with you that your Company posted a record performance in the period January to March 2014 with close to 50 percent of the profits in the year under review coming from Q1 2014 itself. Steps and initiatives taken across your Company around product portfolio prioritization, reduction and management of cost of goods sold and an overall cost consciousness to achieve productivity helped your Company register this commendable performance. I would like to credit this all-round performance to the 3M India team across business groups and functions that collaborated together with a strong desire to deliver Q1 results.

The reality of our economic situation has prompted us to change our strategy for growth in order to sustain and be profitable. Towards the end of 2013, we began initiating steps to focus on productivity improvement, improve our operational efficiency and adopt a portfolio approach in the way we sell to our customers. In the year under review, your Company focused on driving sales growth in areas that optimize our existing manufacturing capacity that we have invested in over the last few years. I would like to summarize the year's performance around a few key themes:

Expanding relevance to our customers

We had some great successes in driving key portfolios in Industrial, safety & graphics, health care, consumer and transportation. Your Company has been able to offer differentiated product solutions with excellent customer service to a diverse customer-base from carpenters in hardware shops to large concessioners of national road & highway projects, including specialty hospitals.

Building the innovation engine

During the year under review, our new manufacturing processes at our Ranjangaon facility, namely, the non-woven plant & the dedicated medical factory were commissioned to manufacture indigenous products for the Indian market. Our local innovation pipeline continued to grow with the launch of over 25 new products

change our
strategy for



that catered to diverse customer needs such as infection prevention, automotive manufacturing & graphics, commercial graphics, safety, corrosion protection, manufacturing efficiency and household cleaning.

Driving operational excellence

Across the organization, we put in place various initiatives such as centralizing some of our key customer-facing activities through the formation of the Business Services Group, productivity-led projects and driving compliance to strengthen processes which enabled us to service our customers better. We re-invigorated the Lean Six Sigma initiative and strengthened the team to drive growth, cost and cash projects and improve the overall efficiency in our core processes.

Developing a high performance culture

Your Company launched the 3M Learning Center and the 3M Leadership Academy

program to develop the leadership pipeline in the organization. Gender diversity was also a key theme with the launch of the Women's Leadership Network to inspire and invigorate our women employees to take on challenging leadership roles to contribute to the organization.

Through the year under review, your

Company received numerous awards and accolades from customers, peers, Corporate & international 3M alike which included recognition for our health care practices & leadership, Best-in-Class supplier recognition from our automotive customers, recognition for our contribution to road safety standards, national recognition for our sustainability

practices as well as Corporate 3M certification and recognition for excellence in quality, manufacturing and team & individual achievements in marketing and technical to name a few.

All of these initiatives and successes are an affirmation of your Company's clear focus towards achieving a productivity-led growth in an eco-system of high performance and excellence.

To conclude, I'd like to acknowledge and thank my predecessor, Mr. Ajay Nanavati, for his leadership in doubling 3M India sales during his tenure and laying the foundation in both R&D and plant manufacturing that will serve us well into the future. I am committed to build on this legacy and look forward to leading your Company through the next phase of growth. Mr. D. J. Balaji Rao retires as Chairman of the Board this year. I'd like to thank him for guiding 3M India to growth and progress over the last 6 years. I welcome Mr. B. S. Iyer, a member of the Board, as our new Chairman and we look forward to his leadership and continued support to take your Company forward.

Amit Laroya
Managing Director

The year in REVIEW

**Milestones reached,
new benchmarks established,
the future beckons...**

2013 witnessed change right from the top at 3M India. Our focus on diverse segments witnessed setting up of manufacturing processes, inauguration of a world-class learning center, garnering accolades and generating customers across markets. While we regale in our 25 year history, we stand resolute as we strive to a brighter tomorrow.

Manufacture

3M India inaugurated the medical manufacturing unit at the Ranjangaon facility in Pune. This state-of-the-art facility manufactures a wide range of liquid medical products, tapes and dressings enabling us to churn out healthcare products & solutions that are customised to the needs of the Indian market.

The non-woven plant, targeting the home care and industrial markets was also commissioned at the Ranjangaon facility.



Learn & Lead

3M Learning Center was established to build employee capability and the leadership pipeline at 3M India. Equipped with sophisticated technology, in addition to Virtual-led Instruction Training facility, the Center is the hub for training and development for India, as well as the Asia Pacific region in 3M.



3M Leadership Academy has a portfolio of programs addressing critical competencies and skills to groom a new generation of leaders.

The Women's Leadership Forum was established to promote diversity & inclusiveness and also build the women's leadership pipeline in 3M India.



Awards

Sustainability

'Best Corporate Sustainability Endeavor Award 2013' from FICCI



Automotive

'Best Cost Cooperation' recognition by Honda Cars India Limited
'Top Vendor' recognition by Tata Motors



Healthcare

Recognition by Frost & Sullivan as the 'Sterilisation Services Company of the Year'



eIndia Award for partnership with NABH and the Government of India



Corporate Social Responsibility

Education

Partnership with Foundation for Excellence - scholarship programme for engineering students from underprivileged communities.



Disability

3M's support to the Diya Foundation has enabled over 60 differently-abled young adults with vocational training and employment.



Contributions

Various medical and healthcare products were donated by 3M India Healthcare towards Cyclone Phailin rehabilitation efforts. Generous contribution was also made towards Uttarakhand flood rehabilitation efforts.



Ten Year Financial Highlights

(₹ in Lakhs)

Particulars	12 months ended (January to December)					15 months ended (Jan to March)	12 months ended (April to March)			
	2004	2005	2006	2007	2008	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Sales*	27,123	40,295	54,049	64,670	78,008	1,11,740	1,23,489	1,47,123	1,65,250	1,81,809
Total Income	25,874	38,306	51,058	61,905	75,240	1,10,679	1,20,241	1,41,037	1,58,463	1,76,229
Profit Before Depreciation, Interest & Tax (PBITDA)	4,653	6,746	8,471	11,280	9,882	15,825	16,844	12,632	12,101	13,084
Profit Before Tax (PBT)	4,104	6,058	7,797	10,883	9,102	14,087	14,806	9,611	7,520	6,907
Profit After Tax (PAT)	2,554	3,842	5,042	6,768	5,745	9,284	9,881	6,477	5,227	4,299
Net Fixed Assets	3,213	2,933	4,432	9,742	14,332	18,102	25,952	31,067	42,040	42,530
Share Capital	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127
Reserves & Surplus	12,372	16,214	21,256	27,904	33,649	42,933	52,813	59,291	64,517	68,816
Net Worth	13,499	17,341	22,383	29,030	34,778	44,059	53,940	60,417	65,644	69,943
Retained Earnings	2,554	3,842	5,042	6,768	5,745	9,284	9,881	6,477	5,227	4,299
Employee cost to sales	12.65	12.03	12.13	12.38	12.74	11.75	12.68	13.16	13.52	13.79
Net Deferred Tax Asset	(29)	125	304	433	512	827	640	440	906	1,289
Capital Investment	1,131	393	2,145	5,957	5,416	5,473	10,293	9,668	12,899	4,759
Ratio Analysis										
PBT to Total Income (%)	16	16	15	17	12	13	12	7	5	4
PAT to Total Income (%)	10	10	10	11	8	8	8	5	3	2
Return on Networth (RONW)(%)	19	22	23	23	17	21	18	11	8	6
Return on Capital Employed (%)	30	35	35	37	26	32	27	16	11	10
Return on Equity (%)	19	22	23	23	17	21	18	11	8	6
EPS	22.67	34.10	44.76	60.08	51.00	82.41	87.71	57.50	46.40	38.16
No. of shareholders	8,772	8,636	8,375	8,548	8,710	9,171	9,145	9,490	9,432	9,225

Notes/Glossary:

* Sales before Excise duty charged.

Previous year/period's figures have been regrouped/ reclassified wherever necessary to ensure uniformity.

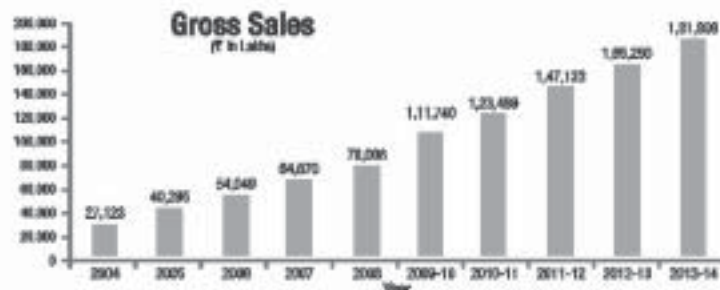
Net worth=Share Capital+ Reserves & Surplus

RONW=PAT/ Networth

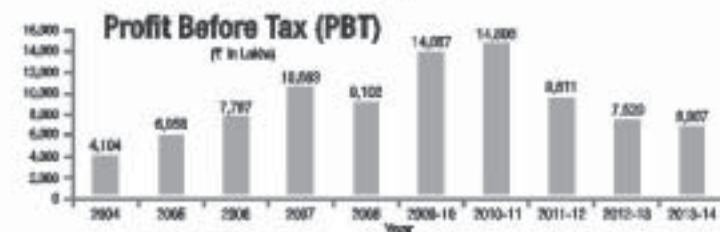
Return on Capital Employed(%)=PBT/Capital employed

Return on Equity=PAT/Networth

Profit Before Depreciation, Interest & Tax (PBITDA)



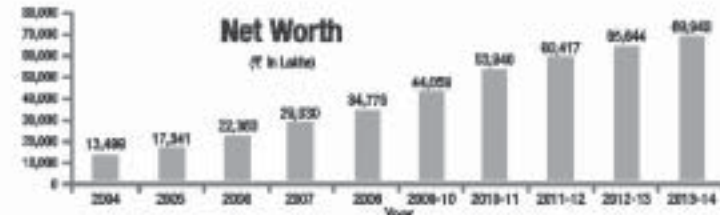
Profit Before Tax (PBT)



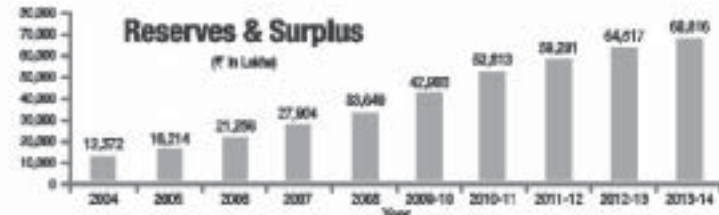
Profit After Tax (PAT)



Net Worth



Reserves & Surplus



Board of Directors

Chief Financial Officer

Mr. Zinan Wadood (up to March 31, 2014)
Mr. Sameer Agarwal (from April 1, 2014)

Company Secretary

Mr. V. Srinivasan

Audit Committee

Mr. B. S. Iyer	Chairman
Mr. D.J. Balaji Rao	Member
Mr. B.C. Prabhakar	Member
Mr. Ippocratis Vrohidis	Member (from April 18, 2014)

Shareholders'/Investors'

Grievance Committee (up to May 29, 2014)

Mr. D.J. Balaji Rao	Chairman
Mr. B. S. Iyer	Member
Mr. B.C. Prabhakar	Member
Mr. Ajay Nanavati	Member (up to September 30, 2013)
Mr. Amit Laroya	Member (from November 1, 2013)

Stakeholders Relationship Committee (constituted from May 30, 2014)

Mr. D.J. Balaji Rao	Member
Mr. B. S. Iyer	Member
Mr. B.C. Prabhakar	Member
Mr. Amit Laroya	Member

Corporate Social Responsibility Committee (constituted on April 18, 2014)

Mr. B.C. Prabhakar	Member
Mr. Amit Laroya	Member
Mr. B.V. Shankaranarayana Rao	Member

Nomination and Remuneration Committee (constituted on May 29, 2014)

Mr. B.C. Prabhakar	Member
Mr. D.J. Balaji Rao	Member
Mr. Albert C Wang	Member
Mr. Ippocratis Vrohidis	Member

Bankers

BNP Paribas
Citibank N.A.
Deutsche Bank AG
HDFC Bank Limited
ICICI Bank Limited
JPMorgan Chase Bank, N.A.
State Bank of India
The Hong Kong and Shanghai
Banking Corporation Limited

Auditors

M/s. Lovelock & Lewes
Chartered Accountants
5th Floor, Tower "D", The Millenia,
1 & 2 Murphy Road, Ulsoor,
Bangalore- 560 008

Registrar & Transfer Agent

Karvy Computershare Private Limited
Plot No.17-24, Vitthal Rao Nagar,
Madhapur, Hyderabad - 500 034

Listing on Stock Exchanges:

National Stock Exchange of India Limited (Code - 3MINDIA)
BSE Limited (Code - 523395)

International Securities Identification Number (ISIN): INE470A01017

Corporate Identification Number (CIN): L31300KA1987PLC013543

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Bangalore - 560 001



D. J. Balaji Rao
Chairman, Non-Executive and
Independent Director



B. S. Iyer
Non-Executive and
Independent Director



B. C. Prabhakar
Non-Executive and
Independent Director



Albert C. Wang
Non-Executive Director



Frank R. Little
(up to February 10, 2014)
Non-Executive Director



John R. Houle
(up to February 10, 2014)
Non-Executive Director



Ajay Nanavati
(up to September 30, 2013)
Managing Director



Amit Laroya
(from October 1, 2013)
Managing Director



Ippocratis Vrohidis
(from February 10, 2014)
Non-executive Director



Ashish Khandpur
(from February 10, 2014)
Non-executive Director



Sedhana Kaul
(up to October 31, 2013)
Whole-time Director
(from February 10, 2014)
Non-Executive Director



B. V. Shankaranarayana Rao
Whole-time Director



VALUES

that touch lives

- Act with uncompromising honesty and integrity in everything we do.
- Satisfy our customers with innovative technology and superior quality, value and service.
- Provide our investors an attractive return through sustainable, global growth.
- Respect our social and physical environment around the world.
- Value and develop our employees' diverse talents, initiative and leadership.
- Earn the admiration of all those associated with 3M worldwide.



REPORT OF THE DIRECTORS

To the Members of 3M India Limited

Your Directors have pleasure in presenting to you their 27th Annual Report of the Company with the Audited Accounts for the year ended March 31, 2014. As notified by Ministry of Corporate Affairs (MCA) Circular No. 1/19/2013-CL-V dated April 4, 2014, the Company has followed the Companies Act, 1956, in respect of the report.

FINANCIAL RESULTS

The following are the working results:

Particulars	(Rs. in Lakhs)	
	For the year ended March 31, 2014 (12 Months) (Audited)	For the year ended March 31, 2013 (12 Months) (Audited)
Total Income (excluding excise duty)	176,228.57	158,463.46
Of which - Export Sales	2,902.31	2,257.80
- Other Income	1,994.29	1,050.34
Less : Expenditure	163,144.31	146,362.30
Profit before Interest and Depreciation	13,084.26	12,101.16
Less : Interest	1,417.17	951.35
Less : Depreciation	4,760.40	3,630.00
Profit before Taxation	6,906.69	7,519.81
Less : Provision for Taxation	2,607.67	2,293.28
Profit after Taxation	4,299.02	5,226.53

COMPANY PERFORMANCE

The Company started the year under review with caution as it expected the volatility to continue through 2013-14. The environment continued to remain challenging during the year. Despite a good monsoon, the manufacturing indices went down; commodity prices were at the peak resulting in high inflation, rupee depreciated significantly before reviving a little. The Government and the Central Bank managed to control to some extent appropriate monetary and fiscal policies. The Management believes that this is going to be a temporary phase though there is a possibility that acceleration in growth may take longer than anticipated earlier. The new Government likely to be in power shortly is expected to address many of the corporate challenges and to infuse significant amount of efforts to revive the economy.

Your Directors are satisfied that in the current economic environment which continues to be weak and uncertain, your Company has kept its sight on strategy to deliver long term sustainable productivity led profitable growth. Your Company has a strong leadership team which will continue to focus on reinforcing the growth drivers and further improving operational efficiencies.

Your Company achieved the following impactful business wins during the year under reference:

INDUSTRIAL- Automotive After-Market Division increased its presence to 1400+ body shops in India, Wash products of the AAD being approved by leading Automobile Companies for their service centers,

HEALTHCARE – Launched first of its kind online portal for dental clinics, Food Safety solutions helped FMCG Companies to enhance their food safety standards,

CONSUMER – Home care division launched India's first foot lock products, entered consumer health market with Nexcare™ products,

SAFETY & GRAPHICS – The Radio Frequency Identification tags on vehicles to aid nationwide electronic tolling, introduced products for Indian Navy and car personalisation wrap films, and

ENERGY – For the first time Indian nuclear & thermal power sector used our Scotchkote™ products.

Despite high volatility and uncertainty, the Supply Chain team of your Company has ensured supply of quality materials and services at competitive prices. The process to localise raw materials has continued successfully delivering savings and shorter procurement lead times. Your Company continues to benefit from its access to the 3M Group research and development, and technical expertise, as well as the best practices available from the global network.

REPORT OF THE DIRECTORS

The Company registered an overall turnover growth of 11.21% at Rs. 176,228.57 Lakhs for the financial year ended March 31, 2014 compared to Rs.158,463.46 Lakhs in the previous year. The Profit before Interest and Depreciation was at Rs. 13,084.26 Lakhs compared to Rs. 12,101.16 Lakhs for the previous year. The operating margin for the current year was at 7.42% compared to 7.64% for the last year. Profit before Tax was at Rs.6,906.69 Lakhs compared to Rs. 7,519.81 Lakhs for the previous year. Profit after taxation was at Rs.4,299.02 Lakhs compared to Rs.5,226.53 Lakhs for the previous year. Higher input costs combined with higher depreciation, interest, depreciation of the rupee against all currencies impacted our profit after tax.

Export Sales was at Rs.2,902.31 Lakhs for the year ended March 31, 2014 compared to Rs. 2,257.80 Lakhs in the previous year.

The Industrial business grew by 0.35%; Health Care business grew by 5.29%; Safety and Graphics business grew by 29.14%; Consumer business grew by 15.29% and Energy business grew by 27.77%.

The EPS (Basic and Diluted) of the Company for the year 2013-14 was Rs. 38.16 per share as compared to Rs. 46.40 per share in the previous year 2012-13. Detailed analysis of the performance has been discussed in the Management's Discussion and Analysis Section of the Annual Report.

CAPITAL INVESTMENTS

Capital Investments during the year 2013-14 was at Rs. 4,758.98 Lakhs (Net of capital work-in-progress and capital advances) (2012-13: Rs. 12,898.84 Lakhs).

DIVIDEND

Significant investments have been made in driving our manufacturing and localisation initiatives such as non-woven maker, tape coater and on medical plant. These Investments are yet to be productive in this slow economic downtrend. As a result it has been decided to conserve and retain our earnings.

DIRECTORS

- Mr. Ajay Nanavati relinquished his office as Managing Director of the Company with effect from September 30, 2013 consequent upon completion of his term and appointed as Director-Business Development-Asia Pacific and Greater China based out of Singapore.
- Your Directors through a circular resolution dated October 4, 2013 appointed Mr. Amit Laroya as the Managing Director of the Company with effect from October 1, 2013 for a period of five years in place of Mr. Ajay Nanavati subject to the approvals from members and from the Central Government.
- Consequent upon her appointment as General Counsel for South East Asia (SEA) Region, Singapore, Mrs. Sadhana Kaul ceased to be Whole-time Director of the Company with effect from October 31, 2013.
- Mr. Frank R Little and Mr. John R Houle resigned with effect from February 10, 2014 as Non- Executive Director's consequent upon taking up higher responsibilities within 3M in USA.
- The Board of Directors at its meeting held on February 10, 2014 appointed Mr. Ippocratis Vrohidis, Mr. Ashish Khandpur and Mrs. Sadhana Kaul as Additional Directors and Non-Executive Directors of the Company effective from February 10, 2014 and they hold office up to the date of the ensuing Annual General Meeting of the Company and are eligible for re-appointment.

The Board expresses its appreciation for the contributions and services rendered by Mr. Ajay Nanavati, Mr. Frank R Little and Mr. John R Houle during their tenure as Directors of the Company.

The Board of Directors welcomes Mr. Ippocratis Vrohidis, Mr. Ashish Khandpur and Mrs. Sadhana Kaul to the Board.

With effect from April 01, 2014, inter-alia, provisions of section 149 of Companies Act, 2013, has been brought into force. In terms of the said section read with section 152(6) of the Act, the provisions of retirement by rotation are not applicable to Independent Directors. Therefore, the directors to retire by rotation have been re-ascertained on the date of this notice. Accordingly, Mr. Albert C Wang, Non-Independent Non-Executive Director will retire at the ensuing annual general meeting and being eligible offers himself for re-appointment. The Board of Directors recommends his re-appointment.

The Companies Act, 2013 provides for appointment of Independent Directors. Section 149 (10) of the Companies Act, 2013 provides that Independent Directors shall hold office for a term of up to 5 consecutive years on the Board of Directors of a Company. In terms of the said section read with section 152(6) of the Companies Act, 2013, the provisions relating to retirement of Directors by rotation are not applicable to Independent Directors. However, as our Non-Executive Independent Directors, Mr. Balaji Rao, Mr. B.S. Iyer and Mr. B.C. Prabhakar were appointed as Directors liable to retire by rotation under the applicable provisions of the Companies Act, 1956, the Board has been advised that the Non-Executive Independent Directors so appointed would continue to serve the term for which they were appointed in terms of the resolution by which they were appointed. Therefore, only those Non-Executive Independent

REPORT OF THE DIRECTORS

Directors who will complete their present term at the ensuing Annual General Meeting of the Company, and who, being eligible for re-appointment, have consented to be re-appointed, can be considered by the members for re-appointment for a term of up to 5 consecutive years.

The other Non-Executive Independent Directors (Mr. B.S. Iyer and Mr. B.C. Prabhakar) who are not liable by rotation at the ensuing Annual General Meeting will continue to hold office till the expiry of their term based on the calculation of their retirement period in terms of the resolution by which they were appointed, and thereafter would be eligible for re-appointment in accordance with the Companies Act, 2013.

Mr. D.J. Balaji Rao is a Non-Executive, Independent Director of the Company. He joined the Board of Directors of the Company in December 26, 2001 and was appointed as Chairman of the Board from September 10, 2008. He retires by rotation at the ensuing AGM under the applicable provisions of the Companies Act, 1956, and he has conveyed his intention not to seek re-appointment owing to his other commitments. Accordingly, and the Board has decided not to fill, for the time being, the vacancy caused due to his retirement.

The Board expresses its deep appreciation for the valuable contributions and services made by Mr. Balaji Rao during his tenure as Director from December 2001 and as Chairman of the Company from September 2008 to the progress of the Company.

The Board at its meeting held on May 29, 2014 elected Mr. B.S. Iyer, Non-Executive Independent Director as Chairman of the Board with effect from the conclusion of the ensuing Annual General Meeting of the Company to be held on August 4, 2014.

The Board of Directors welcomes Mr. Iyer as new Chairman of the Board.

CHANGE IN BUSINESS SEGMENTS

Consistent with 3M's global strategy of building relevance and presence in the marketplace, the Company aligned resources and management towards a new revised structure comprised of five business groups: Consumer; Industrial; Health Care; Safety and Graphics; and Energy from April 1, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis Report accompany this report.

CORPORATE GOVERNANCE

A separate report on Corporate Governance along with a Certificate from a Practising Company Secretary regarding compliance to the Conditions stipulated under Clause 49 of the Listing Agreement is set out in the Annexure to the Directors' Report.

PARTICULARS OF EMPLOYEES

The Company had 1,623 employees as of March 31, 2014. During the year, 31 employees employed throughout the year and 4 employees employed for part of the year were in receipt of remuneration of Rs. 60 Lakhs or more per annum / Rs. 5 Lakhs or more per month.

In accordance with the provisions of Section 217(2A) read with Companies (Particulars of Employees), Rules, 1975, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all members of the Company excluding the aforesaid information about the employees. Any Member interested in obtaining such particulars may write to the Company Secretary at the Registered / Corporate Office of the Company and the same shall be provided by the Company.

There was no complaint lodged by any woman employee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, with the Company during the period under report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is set out in the Annexure to the Directors' Report.

SAFETY, HEALTH AND ENVIRONMENT

The Company accords high priority to health, safety and environment. The Company has three Manufacturing Plants in operation in India. All these plants are certified ISO 14001: 2004 for their Environmental Management Systems. The initiative of obtaining this certification is in strict adherence to 3M's Environmental Policy. The Company emphasizes maintaining a healthy and safe environment in and around its facilities as well as contract sites where ongoing projects are under execution. Safety awareness is inculcated through regular Safety awareness programs; basic fire safety training, mock drills etc. There has been no incidence of any accidents reported during the year under review.

REPORT OF THE DIRECTORS

AWARDS AND RECOGNITION

- The Company was recognised by Honda Cars India Ltd. (HCIL) for Outstanding Performance in the category of "Best Cost Cooperation". Staying true to our promise of helping our customers succeed, the Automotive Division team's efforts contributed to Honda's achievement as the best performing car manufacturer in India in 2013.
- 3M India's journey in sustainability has followed a 360 degree approach from green practices in manufacturing to innovating green products that are helping our customers reduce their carbon footprint. The Company was recognised for its sustainability practices by FICCI and our sustainable products were also recognised and showcased at the prestigious GreenCo Summit 2013 in Pune which had India's former President, His Excellency Dr. APJ Kalam in attendance.
- The Health Care division in collaboration with NABH was honoured with the eINDIA Award for promoting Best Practices in Health Care in association with the government. This is the third national award in succession for the business which has previously won the prestigious Wound Management Company of the Year Award (Frost & Sullivan) & QCI – DL Shah National Award for excellence in Health Care Services.
- The Company's sustainability efforts got national recognition with the first runner up award from FICCI in the Best Corporate Sustainability Endeavour (2013) - Large Corporates category. Selected from over 100 hundred companies, 3M India is among the top three Corporates to receive what is also India's highest recognition in the area of sustainability. This is also valued recognition for our life-cycle management process that incorporates green into product development right from the idea stage.
- The Company continued to get recognised for Quality Excellence initiatives. FICCI Quality Systems Excellence Awards have been instituted to recognise the robustness of quality systems in organisations across India. Companies that display high performance quality systems contributing to systematic improvement in performance are felicitated. 3M India's entry was evaluated at multiple levels which included joint scrutiny by FICCI and QCI followed by a visit to the Electronics City plant by auditors from Quality Council of India and Maruti Suzuki (representing Industry) to interact with our corporate quality leadership teams as well as plant teams. This recognition comes in the wake of the six Corporate Quality Achievement awards and another National Quality Award by the Quality Council of India for our manufacturing facilities in last two years.
- 3M Corporation awarded 3M India's Ranjangaon facility with the CEO Safety and Health Award. This award recognises facilities, groups or business units for achieving sustained periods of zero lost time injury and/or illness cases. The Ranjangaon plant qualified for the CEO Safety and Health Award for achieving 731 days consecutively without a lost time injury or illness incident.
- 3M India's Ranjangaon facility was awarded the 3M Manufacturing and Process Technology Excellence Award by 3M Corporation in recognition of the successful start-up of the first non-woven maker at the facility.

MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments that occurred affecting the financial position of the Company between March 31, 2014 and the date on which this report has been signed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors Responsibility Statement, the Directors state that:

- in the preparation of the annual accounts for the year ended March 31, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and of its profits for the year ended March 31, 2014;
- they have taken proper and sufficient care towards the maintenance of adequate accounting records in accordance with the provisions of this Act, to safeguard the Assets of the Company and to prevent and detect fraud and other irregularities;
- they have prepared the financial statements for the year ended March 31, 2014 on a going concern basis.

COST AUDIT

The Cost Audit Branch, Ministry of Corporate Affairs, Government of India has issued order No. F. No. 52/26/CAB-2010 dated November 6, 2012 to have the cost accounting records audited by a Cost Accountant or a firm of Cost Accountants effective April 1, 2013 for the Companies:

- which are engaged in the production, processing, manufacturing or mining of the products/activities included in the product/activity groups,

REPORT OF THE DIRECTORS

- b. wherein the aggregate value of the turnover made by the company from sale or supply of all its products/activities during the immediately preceding financial year exceeds Rs. 100 crores,
- c. wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.

The following Company product/s mentioned as per Table-II of the above order (i.e., based on central excise tariff Act chapter headings covered in the product or activity group) are covered under the compulsory cost audit, viz.,

<i>Product or activity group code</i>	<i>Name of the product or activity group</i>	<i>Central Excise Tariff Act chapter headings covered in the product or activity group</i>
2013	Albuminoidal substances, starches, glues and enzymes	3506
2014	Miscellaneous chemical products	3811, 3814, 3824
2023	paints and varnishes	3208
2025	plasters and fillers	3214
2028	soaps, detergents and cleaning agents	3402
2029	lubricating preparations	3403
2030	waxes and wax products	3405
2035	chemicals-plastics and polymers	3901, 3904, 3907, 3910
2036	articles of plastics and polymers	3919, 3920, 3926
3009	paper and paperboard	4811
3010	articles of paper and paperboard	4820, 4821, 4823
3024	synthetic yarns or fibers	5601, 5602, 5603
3027	other textile fabrics or products	6307
3036	articles of stones, plaster, cement, asbestos and mica	6805
4008	aluminum and aluminum products	7607
4017	machinery and mechanical appliances	8466
4020	electrical and electronic equipments or appliances	8528
4048	miscellaneous manufactured articles	9603

Accordingly, the Board of Directors at its meeting held on May 29, 2014 had on the recommendation of the Audit Committee of Directors appointed Messrs. Rao, Murthy & Associates, Cost Accountants, Bangalore (holding Registration No. 000065) being eligible and having sought re-appointment, as Cost Auditors to conduct audit of cost accounting records maintained by the Company for the above products covered under MCA cost Audit Order ref. no. 52/26/CAB-2010 dated 06.11.2012, for the financial year ending March 31, 2015.

For the financial year ending March 31, 2014, the due date for filing the Cost Audit Report is September 27, 2014.

AUDITORS

Messrs. Lovelock & Lewes, Chartered Accountants, Auditors of the Company, Bangalore having Registration No. 301056E retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed.

REPORT OF THE DIRECTORS

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The Board at its meeting held on April 18, 2014 constituted a CSR Committee with Mr. B.C. Prabhakar, Independent Director, Mr. Amit Laroya, Managing Director and Mr. B.V. Shankaranarayana Rao, Whole-time Director as members of the Committee. In line with the Company's core values, CSR strategy will focus on three areas: Education, Innovation and Women Empowerment.

VOLUNTARY DELISTING FROM THE CALCUTTA STOCK EXCHANGE LIMITED

The Company has received approval from The Calcutta Stock Exchange Limited regarding voluntary de-listing of the Company's equity shares from their stock exchange with effect from April 25, 2014.

FIXED DEPOSITS

During the year under review, the Company has neither accepted nor renewed any deposits from public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation to all employees in the Company, for their sustained efforts and immense contributions to the good levels of performance and growth that your Company has achieved during the year. The Board also acknowledges the continued support and co-operation received from 3M Company, USA.

The Directors express their gratitude to the Central Government and the State Governments of Karnataka, Maharashtra and Gujarat for the support given to the Company. The Directors also thank all customers, dealers, suppliers, banks, members and others connected with the business of the Company for their co-operation.

On behalf of the Board of Directors

Place : Bangalore
Date : May 29, 2014

Amit Laroya
Managing Director

B.V. Shankaranarayana Rao
Whole-time Director

ANNEXURE TO THE DIRECTORS' REPORT

[Particulars required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988].

1. CONSERVATION OF ENERGY

The Company's Plant Engineering team periodically reviews and monitors energy consumption and significant savings have been made during the previous year under review through small team activities and improved productivity.

2. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT

A. RESEARCH & DEVELOPMENT

1. Specific areas in which Research & Development were carried out by the Company	<u>Industrial Business:</u> - Pressure sensitive adhesives development for tape and label products. - Liquid adhesives for various industrial needs. - Abrasive materials based on non woven and other coating technologies. - Non woven material development for acoustic insulation applications. - Development of liquid formulations for aftermarket applications. <u>Health Care Business:</u> - Liquid formulations for Infection prevention range of products. - Advanced wound care and dressing products. <u>Safety and Graphics:</u> - Personal protection systems for industrial usage such as eyewear, helmets etc. - Design and development capabilities for molded plastic products for road furniture. - Design, development and commercialisation of signage systems for the India market. <u>Consumer Business:</u> - Floor, kitchen & bathroom cleaning solutions - wipes, scrubbers, mops, and cleaning tools. - Non woven abrasives for home cleaning applications. - Adhesives for home and office use.
2. Benefits derived as a result of the above Research & Development	- New products and applications developed to serve specific needs of the Indian market. - New Technologies developed relevant to Indian market needs to aid product development. - Improved system cost solutions for our customers and end users. - Supporting growth of business through solutions for Indian customers.
3. Future plan of action	- Build capabilities in technology and product development to serve the needs of Indian customers. - Development of products specific for Indian market, especially in the areas of Corrosion Protection, Automotive, Adhesives and Tapes, Abrasive products for industrial and consumer markets, healthcare products, traffic and personal safety and graphics. - Further localisation of manufacturing of products to meet Indian market needs.
4. Expenditure on Research & Development a) Capital b) Revenue c) Total d) Total Research & Development expenditure as a percentage of total turnover	(Rs.in Lakhs) 730.75 4,009.27 4,740.02 2.69%

ANNEXURE TO THE DIRECTORS' REPORT

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts made :

The Company continues to focus on innovating in the local market. The Company's technical team has been continuously working on adoption and modification of certain parent company products for local market requirements and redesigning products to create new market opportunities. The technical team is also focused on developing products that meet the needs of the Indian customers. Technology development capabilities relevant to local market needs are being developed in the R&D center to support long term growth. Technology absorption from the parent company continues. Internal practices and procedures are in place for adoption of new technologies.

2. Benefits derived:

New products have been introduced in several market segments such as: Industrial business, Health Care business, Safety and Graphics business and Consumer business. Several products which were launched used the technical knowledge and expertise in the India laboratory while leveraging global knowledge base in 3M helped to create intellectual property protection for the Company. Several local and global patents were filed from technology developed in India. The focus on local market innovation also led to creation of unique technical skills and laboratory capabilities relevant to the market.

3. Technology imported during the last 5 years :

Technologies and knowhow from parent company include those in the areas of pressure sensitive adhesives and coatings, corrosion protection coatings, automotive products, healthcare products, especially in the area of infection prevention, and nonwovens for consumer and industrial needs. No technology was imported from other companies other than from parent company.

The Company had entered into Intellectual Property agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for the payment of license fees in the form of royalties. Payments were waived off for a period of 3 years effective from July 1, 2006 to June 30, 2009. These payments have been reinstated with effect from July 1, 2009. The Intellectual Property Agreement with 3M Innovative Properties Company and 3M Company, USA has been revised effective July 1, 2013. Accordingly, the Company has incurred an expenditure of Rs.1,375.71 Lakhs for the financial year 2013-14 (PY: Rs.1,051.96 Lakhs).

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relative to exports; initiatives taken to increase exports; development of new export markets for products and services; export plans:

Continuous focus, strategies, increased sourcing of products and services from 3M India by the 3M group Companies will increase export of products and services.

The Company had entered into a contract research agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for carrying out contract research activities. During the period under review, Company received an amount of Rs. 2,424.62 Lakhs (PY: Rs. 1,725.45 Lakhs) for contract research and Rs. 1,019.89 Lakhs (PY: Rs. 702.98 Lakhs) for support Services /Corporate Management Fees.

2. Foreign exchange earnings and outgo:

During the period under review, Foreign Exchange earnings were Rs. 6,542.69 Lakhs (PY: Rs. 4,535.31 Lakhs) and Foreign Exchange outgo was Rs. 83,094.64 Lakhs (PY: Rs. 78,941.44 Lakhs).

On behalf of the Board of Directors

Place : Bangalore
Date : May 29, 2014

Amit Laroya
Managing Director

B.V. Shankaranarayana Rao
Whole-time Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Cautionary Statement:

Investors are cautioned that the discussion in this section of the Annual Report may contain statements that involve risks and uncertainties. Forward-looking statements mentioned may involve risks and uncertainties that could cause results to differ materially from those projected. Consequently, actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no obligation to update or revise any forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those reflected in any such forward-looking statements depending on a variety of factors.

THE COMPANY

3M India Limited is a subsidiary of 3M Company, USA, and is a diversified technology company with a global presence in the following businesses: Industrial; Health Care; Consumer; Safety and Graphics; and Energy. It is among the leading manufacturers of products for many of the markets it serves. Most of its products involve expertise in product development, manufacturing and marketing, and are subject to competition from products manufactured and sold by other technologically oriented companies. In India, the company has manufacturing facilities at Ahmedabad, Bangalore, Pune and has a R&D Center in Bangalore. As at March 31, 2014, the Company employed 1623 people.

The Company completed a realignment of its business segments effective from April 1, 2013 to better serve markets and customers. The Company managed its operations in five (5) operating business segments: Industrial; Safety and Graphics; Energy; Health Care; and Consumer. The Company's five 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. These segments have worldwide responsibility for virtually all 3M product lines.

3M products are sold through numerous distribution channels, including directly to users and through numerous wholesalers, retailers, converters, distributors and dealers in a wide variety of trades in many countries around the world. The Management of the Company believes that the confidence of wholesalers, retailers, converters, distributors and dealers in 3M and its products – a confidence developed through long association with skilled marketing and sales representatives has contributed significantly to 3M India's growth and its position in the marketplace.

GLOBAL ECONOMIC OVERVIEW

International Monetary Fund (IMF) forecasts the world growth to be at 3.6% in 2014 and 3.90% next year up from 3.3% in 2013. In advance economies, it forecasts growth rate at 2.2% in 2014, again up from 1.3% in 2013. Fiscal consolidation is slowing and investors are clearly less worried about debt sustainability in most of the advanced economies. Stronger growth in advanced economies implies increased demand for their exports, and that is clearly very good for them. But the normalisation of monetary policy in the United States, however, implies tighter financial conditions and what can be described as a tougher financial environment.

IMF predicts that the emerging and developing economies will continue to have strong growth, lower than the pre-crisis, but high nevertheless and forecasts the growth to be 4.9% this year, slightly up from 4.7% in 2013. For a long time emerging markets were the stars of the global economy, experiencing robust growth, offering better return prospects. What has changed recently is that, better return prospects in advanced economies, better growth but also prospects of monetary policy normalisation. This is a more difficult environment, in the sense that investors have become less tolerant to emerging market risk. But many emerging markets are in a stronger position to withstand capital flow reversals as they have more flexible exchange rates and have greater buffers in terms of foreign exchange reserves.

INDIA ECONOMIC OVERVIEW

With the opening up of the economy, the growth rates showed promise but in recent past it has not been able to sustain the momentum. In recent years, the economic and business environment has become much more challenging. The Global economic slowdown that started a few years ago increased the complexity and volatility in the environment. Various factors, both internal and external have contributed to the stress on the economy including the political environment, high fiscal deficit, high inflation and volatility in currency.

The slowdown manifested in the decline in the growth of Gross Domestic Product (GDP) at factor cost at constant 2004-05 prices from 8.9 % in 2010-11 to 6.7 % in 2011-12 and 4.5% in 2012-13. With the economy projected to have registered a growth rate of 4.9 % in 2013-14, the declining trend in growth seems to have reversed. The growth slowdown in India is broadly in sync with trends in similar emerging economies. The growth of real GDP has generally shown a declining trend since the first quarter of 2011-12, and is characterised by a moderation in services growth and a protracted slowdown in industry. The revival in agriculture on the back of a steady monsoon and robust growth in financial and business services led to a modest uptick in growth in 2013-14.

However, continuing global economic uncertainty and negative outlook at domestic level led to phase of sub optimal economic

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

growth. Sustained inflationary pressure further added to the negative outlook in the macro-economic scenario in the country. Further the current financial year also witnessed pressure on Rupee valuation vis-a-vis Dollars as early warning signal of US tapering of quantitative easing emanated in the second quarter. While Reserve Bank of India (RBI) intervened to control sliding Rupee value with swift monetary policy actions, Government initiated steps to contain the widening trade gap. Both actions yielded result by end of the calendar year with Current Account Deficit (CAD) improving substantially. However, inflationary pressures and RBI's action to contain rupee slide resulted in tightening of interest rates both in the short-term and long-term. Rising cost of funding impacted investments as well as profitability; impacting the investment scenario. Moderation in economic growth also posed fiscal challenges through sluggish tax collections.

INDIAN INDUSTRY'S PERFORMANCE

Industry continues to be the primary laggard, with 3rd quarter output contracting by 0.7% compared to a year ago. Despite the drag from industry, services surprised on the upside boosted by higher government spending and robust export growth. Agriculture disappointed with growth slowing to 3.6% despite the lift from normal monsoons. India's industrial production (IP) surprised on the downside in February 2014, contracting by 1.9% year on year. The January 2014 number was revised up to 0.8% year on year from 0.1% year on year reported earlier. Despite the negative outturn, IP momentum improved to 1.8% in February 2014, from 0.6% in January 2014. Among broad categories, manufacturing sector growth declined 3.7% year on year in February (vs. 0.0% in Jan) while mining sector growth deteriorated to 1.4% from 1.9% in the previous month. In contrast, electricity production growth accelerated further in February vs. January (11.5% vs. 6.5%).

A disappointing IP outturn in February does not bode well for 1st quarter 2014 industrial sector GDP growth. The widely followed trade deficit widened to USD10.5bn in March from USD8.1bn in February, as imports declined at a slower rate compared to the previous month (-2.1% yoy vs. -17.1% yoy). Exports continued to decline, albeit at a slower pace of -3.2% yoy (vs. -3.7% yoy in February). Cumulatively, India's trade deficit stood at USD138.6bn in FY14, about 27.2% lower than the FY13 outturn (USD190.3bn).

RESULTS OF THE OPERATIONS OF THE COMPANY

The Company registered an overall turnover growth of 11.21% at Rs. 176,228.57 Lakhs for the financial year ended March 31, 2014 compared to Rs.158,463.46 Lakhs in the previous year. The Profit before Interest and Depreciation was at Rs. 13,084.26 Lakhs compared to Rs. 12,101.16 Lakhs for the previous year. The operating margin for the current year was at 7.42% compared to 7.64% for the last year. Profit before Tax was at Rs.6,906.69 Lakhs compared to Rs. 7,519.81 Lakhs for the previous year. Profit after taxation was at Rs.4,299.02 Lakhs compared to Rs.5,226.53 Lakhs for the previous year. Higher input costs combined with higher depreciation, interest, depreciation of the rupee against all currencies impacted our profit after tax. Export Sales was at Rs. 2,902.31 Lakhs for the year ended March 31, 2014 compared to Rs. 2,257.80 Lakhs in the previous year.

Other Operating Income:

The other income was at Rs. 1,994.29 Lakhs for the year 2013-14 when compared to Rs. 1,050.34 Lakhs for the previous year 2012-13.

Cost of Goods sold:

The % of cost of raw material consumed as against sales for the year 2013-14 was lower at 62.16% as against 62.72% for the previous year 2012-13 due to better product mix.

Employee Benefits Expense:

Employee cost as a % of sales for the year 2013-14 stood at 13.95% (previous year 13.52%) at Rs. 24,305.86 Lakhs (previous year : Rs. 21,282.17 Lakhs), higher by 3.18% . Sales per employee have improved by 22.14% to Rs.107.35 Lakhs (no. of employees 1,623) in the current year 2013-14 from Rs. 87.89 Lakhs (no. of employees 1,791) for the previous year 2012-13.

Depreciation:

The depreciation charge for the current year is higher at Rs. 4,760.40 Lakhs as against a charge of Rs. 3,630 Lakhs of previous year 2012-13 due to additional capital investment during the year 2013-14 at Ranjangaon Plant.

Finance Cost:

The interest cost for the year 2013-14 was at Rs.1,417.17 Lakhs compared to Rs. 951.35 Lakhs in the previous year 2012-13. The increase is mainly on account of increase in borrowings for working capital and capital expenditure borrowed at high rates.

Earnings per Share (EPS):

The EPS (Basic and Diluted) of the Company for the year 2013-14 was Rs. 38.16 per share as compared to Rs. 46.40 per share in the previous year 2012-13.

Share Capital:

The Company has only one class of share, i.e. equity share with a face value of Rs. 10 each. The Authorized/Issued/Subscribed and fully paid-up Capital as at March 31, 2014 was Rs. 11,26,50,700 (divided into 1,12,65,070 equity shares of Rs. 10 each).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Reserves & Surplus:

Entire profit of Rs.4,299.02 Lakhs is retained in profit and loss account for the year ended March 31, 2014. The Reserves & surplus was at Rs. 68,816.15 Lakhs including the current year retained profit.

Shareholder's Fund:

The total shareholder funds increased to Rs. 69,942.66 Lakhs as at March 31, 2014 from Rs. 65,643.64 Lakhs as of the previous financial year 2012-13 end, representing a growth of 6.55% mainly on account of retained profits of the current year.

Fixed Assets-Capital Expenditure:

The gross Fixed Assets as at March 31, 2014 was Rs.58,798.31 Lakhs as compared to Rs. 43,893.49 Lakhs of previous financial year 2012-13. The Company has incurred a capital expenditure of Rs. 4,758.98 Lakhs (Net of capital work-in progress and capital advances) during the year 2013-14 (previous year : Rs. 12,898.84 Lakhs) , a decrease of 63.11% year on year.

Inventories:

Inventory as at March 31, 2014 amounted to Rs. 25,823.79 Lakhs as against Rs. 22,521.10 Lakhs of previous financial year 2012-13. The inventory ratio has increased to 86 days as at March 31, 2014 from 83 days of previous year 2012-13.

Trade Receivables:

Trade Receivables as at March 31, 2014 amounted to Rs.26,517.73 Lakhs as against Rs. 26,637.18 Lakhs of previous year 2012-13. The debtor's turnover ratio was at 56 days (previous year: 62 days).

Cash and Bank balances:

The total balance of cash and bank balances as at March 31, 2014 was Rs. 5,970.18 Lakhs as compared to Rs. 5,958.34 Lakhs for the previous year 2012-13.

Overall analysis of the financial statements:

Particulars	Year Ended March 31, 2014		Year Ended March 31, 2013	
	Rs. in Lakhs	%	Rs. in Lakhs	%
Revenue(Net)	174,234.28	98.87	157,413.12	99.33
Other income	1,994.29	1.13	1,050.34	0.67
Total Revenue	176,228.57	100.00	158,463.46	100.00
Cost of Materials consumed	62,964.19	35.73	61,661.73	38.91
Purchases of stock-in-trade	47,082.37	26.72	38,134.60	24.06
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(505.85)	(0.29)	(406.78)	(0.25)
Employee Costs	24,305.86	13.79	21,282.17	13.43
Other Expenses	29,297.74	16.62	25,690.58	16.21
Profit before Finance Costs and Depreciation	13,084.26	7.42	12,101.16	7.64
Finance Costs	1,417.17	0.80	951.35	0.60
Depreciation	4,760.40	2.70	3,630.00	2.29
Total Expenditure	169,321.88	96.08	150,943.65	95.25
Profit before Tax	6,906.69	3.92	7,519.81	4.74
Tax	2,607.67	1.48	2,293.28	1.44
Profit After Tax	4,299.02	2.45	5,226.53	3.31

Segment wise performance:

The Industrial business grew by 0.35%; Health Care business grew by 5.29%; Safety and Graphics business grew by 29.14%; Consumer business grew by 15.29% and Energy business grew by 27.77%.

(A) INDUSTRIAL BUSINESS:

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,

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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.

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.

Rs. in Lakhs

		12 Months Ended 31.03.14	12 Months Ended 31.03.13
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	74,988.95 4,441.46 30,124.35	74,729.86 5,390.68 32,531.43
Highlights	- Continuing slow down in Industrial growth in the country and in manufacturing, specifically slow growth in Auto, Auto Parts, Consumer Durable production, Metal Fabrication production sectors had an impact of reducing the growth rate of the business. - Devaluation of the Indian rupee vis-a-vis foreign currencies like the US Dollar and Euro had the effect of increasing the cost of imported raw material and finished goods. While the business responded with aggressive price increases, the whole impact of cost increase was not neutralized. - Expansion of the 3M Car Care Center initiative helped in enhancing visibility for the 3M brand and reinforced 3M as the leading name in this new business segment. - The Advanced Materials Division made an impactful entry into the growing Paints & Coating segment with the qualification of three specialty products by India's leading decorative paints Company.		

(B) HEALTH CARE BUSINESS

Our Health Care business segment serves markets that include large multi-specialty hospitals and small clinics, dental and orthodontic practitioners, processed food manufacturers and pharmaceutical companies. Our 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.

Rs. in Lakhs

		12 Months Ended 31.03.14	12 Months Ended 31.03.13
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	23,325.25 564.37 10,959.35	22,152.67 1,155.77 7,220.65
Highlights	- The Healthcare Business received many awards including the "eINDIA" award for working with the Govt. and NABH – July 2013. It is a successful example of how the government objective of high quality standards of healthcare can be achieved by leveraging private expertise. 3M Healthcare was awarded the "Sterilization Services Company of the Year" in the Frost & Sullivan 5th Annual Health Excellence awards in 2013. This award bears testimony to 3M Healthcare's continuous efforts in partnering with hospitals in ensuring high quality sterilization assurance and monitoring. 3M Health Care expanded its footprint in India with the establishment of its second manufacturing unit at Ranjangaon, Pune. The Healthcare Manufacturing facility is equipped with state-of-the-art technology and capability to manufacture a wide range of Liquid Medical Products, Tapes and Dressings and was inaugurated in Aug 2013. - The business has initiated specific Go-to-Market strategy to expand reach into smaller cities. 3M Healthcare continues its focus on strong customer relationships and had launched a number of customer education initiatives. Several new products were launched which created significant impact in the market and ensured continued leadership.		

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(C) SAFETY AND GRAPHICS BUSINESS :

The Safety & Graphics business serves a broad range of markets that serve to increase the safety, security & productivity of people & improves 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, 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 & Automated Fingerprint Identification systems for law enforcement. 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.

		Rs. in Lakhs	
		12 Months Ended 31.03.14	12 Months Ended 31.03.13
Financial Highlights	Segment Revenue	41,726.59	32,311.59
	Profit before Interest & Tax	639.44	1,543.75
	Capital Employed	10,786.19	14,046.33
Highlights	3M Radio Frequency Identification (RFID) Tags started to feature on branded 4 wheelers to aid nationwide electronic tolling. 3M is the market leader in this field & supplies tags to almost all the major Automotive OEMs. 3M Traffic Safety systems division(TSSD) launched the Contractor Contact Program to reach out to large contractors/freelancers, thereby increasing penetration & expanding channel presence. - Commercial Graphics Business has executed: a Turnkey Interior Graphics program for SBI ATM Branding covering over 130 locations, bagged the second order for Custom Sign Design for Mahindra & Mahindra's identity change program for exterior signages at more than 200 outlets, completed execution of more than 800 locations of White Label ATMs under the Government's policy of financial inclusion. - Architectural Markets Business completed large installations of its decorative surfaces products at landmark projects such as the Bangalore & Delhi International airports. - Personal Safety Business focused on enhancing penetration into focus segments & increasing safety awareness & penetration into Small Medium Enterprises (SMEs). 3M takes pride in protecting our soldiers by way of supply of Extreme Cold Weather (ECW) High Altitude garments at high altitude war zones like Siachen.		

(D) CONSUMER BUSINESS:

The Consumer segment serves markets that include consumer retail, modern trade, office retail, and the pharmacy channel. The products in this segment include office supply products, stationery products, home care products, protective material products, and consumer health care products. Major consumer products include Scotch® brand products, such as Scotch® Magic™ Tape and Scotch® Glue Stick; Post-it® Products, such as Post-it® Flags, Post-it® Note Pads and Dispensers; home care products, including Scotch-Brite® Scour Pads, Scotch-Brite®

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Scrub Sponges, Scotch-Brite™ Microfiber Cloth products; for the pharmacy channel - Nexcare™ Adhesive Bandages; and Nexcare® branded first aid product lines.

Rs. in Lakhs

		12 Months Ended 31.03.14	12 Months Ended 31.03.13
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	17,355.75 (245.70) 10,821.13	15,054.56 (622.84) 4,571.49
Highlights	- During the year, the Home Care manufacturing facility came on stream at our Ranjangoan facility to manufacture local products for the utensil category. - The first 'designed in India' product in the floor care range – based on consumer insight was launched in Dec Qtr 2013. - Distribution expansion programs to increase the availability of Home care range was undertaken for town class B & C. - Continuing investments in the 'Scotch-brite'® brand to build consumer pull on television & trade. 'Nexcare' brand was introduced, with Over the Counter (OTC) products in the chemist segment. - India's first truly water proof bandage & Tattoo bandages was launched in wound care portfolio. - In addition for the chemist channel - differentiated products such as Fever Patch, Coban athletic wrap were new introductions for the India market. - In the stationary business, both the Post-it brand & Scotch brand introduced new & exciting products as line extensions, mainly targeted to the student segments.		

(E) ENERGY BUSINESS:

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™ Scotchkote™ Fusion Bonded Epoxy Powders and Scotchkote™ 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 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.

Rs. in Lakhs

		12 Months Ended 31.03.14	12 Months Ended 31.03.13
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	13,935.43 309.15 8,826.40	10,906.64 (347.55) 7,885.68
Highlights	- Even though policy delays affected some sectors, towards the end of the year, new pipeline projects for overseas markets coupled with some domestic requirements helped reverse the trend for infrastructure protection products. - For Renewable energy business, the usage of Energy Management and safety films showed positive trends due to increased focus on energy efficiency & green buildings, higher security concerns and the shift to increased usage of glass in commercial and residential complexes. - For the first time Indian Nuclear & Thermal Power sector used our Scotchkote Products.		

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Following are some of the action plans initiated by the Company in driving productivity led growth plan:

Growth

- Follow a portfolio driven approach – repurpose resources to deliver profitable growth
- Understand our competitors and take actions to gain market share
- Enhance channel understanding to drive effectiveness
- Focus on growth at top key accounts through R&D driven collaboration

Profitability

- Improve profitability at all factory locations
- Add rigor to Lean Six Sigma in Plants for significant improvement in Factory Cost
- Drive product mix and align sales incentive structure
- Create a centralised business services group

Innovation effectiveness

- Innovation through deep customer insight
- Prioritise projects and align lab resources
- Improve commercialisation process to deliver more profitable new products

Operational excellence

- Drive Business Execution Plan(BEP) culture for execution discipline
- Improve compliance culture in the organisation

OPPORTUNITIES AND THREATS

3M's globally competitive cost positions and well crafted business strategies have enabled it to retain its leading market positions. Your Company strongly believes in the 3M™ brand equity and its ability to provide its customers with innovative solutions.

The company is operating in a highly competitive market which may exert pressure both on the top line as well as the bottom line of the company. As the Company's products involve expertise in product development, manufacturing and marketing, are subject to competition from products manufactured and sold by other technologically oriented companies both within India and outside India. In addition, Inflation, rupee depreciation, high commodity prices and hardening interest rates remain key challenges needing focused attention.

RISKS AND CONCERNS

Provided below are cautionary statements of what we believe to be the most important risk factors applicable to the Company.

- The impact of increase in duties on the products of the Company and consequent increase in the cost of goods sold.
- The Company's results are affected by competitive conditions and customer preferences.
- The Company's growth objectives are largely dependent on the timing and market acceptance of its new product offerings, including its ability to continually renew its pipeline of new products and to bring those products to market.
- Prices of inputs are expected to rise significantly. Whilst the Company continues to pursue cost reduction initiatives, increase in price of input materials and rupee depreciation could impact the Company's profitability to the extent that the same are not absorbed by the market through price increases and/or could have a negative impact on the demand in the domestic market.
- The operations are subject to risk arising from fluctuations in exchange rates with reference to currencies in which the company transacts. These risks primarily relate to fluctuations of USD and EUR to INR.
- The Company's future results may be affected if the Company generates fewer productivity improvements than estimated.
- The outcome of contingencies, such as legal and regulatory proceedings.
- The effects of changes in tax, and other laws and regulations.

OUTLOOK

The Management believes that the volatility in the economy is going to be a temporary phase though there is a possibility that acceleration in growth may take longer than anticipated earlier. The new Government likely to be in power shortly is expected to address many of the corporate challenges and to infuse significant amount of efforts to revive the economy in the coming months. Certain Businesses of your Company is dependent on the GDP and IPI growth, nevertheless it has kept its sight on strategy to deliver long term sustainable profitable growth by prioritising the growth opportunities. We expect faster recovery in construction, real estate, transportation, & manufacturing which are key sector for growth in the Company. Higher discretionary spending, growing aspirations of the Indian middle class, and growth of retail credit will drive the consumer retail and healthcare businesses in India.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

All key functions and divisions of the Company are independently responsible to monitor risks associated with in their respective areas of operations such as production, supply chain, marketing, treasury, legal and others areas like health, safety and environment. The

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Company has identified various risks through an internal self assessment compliance checklist and has laid out necessary procedures to mitigate the same.

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorisation and ensuring compliance of corporate policies. The Company, through its own Corporate Internal Audit Department, carries out periodic audits to cover all the offices, factories and key areas of business segments based on the plan approved by the Audit Committee and bring out any deviation to internal control procedures. The Internal Auditor functionality reports to the Audit Committee and administratively to the Managing Director. The observations arising out of audit are periodically reviewed and compliance ensured. The summary of the Internal Audit observations and status of the implementation is submitted to the Audit Committee of the Board of Directors. The status of implementation of the recommendations is reviewed by the Committee on a regular basis and concerns, if any, are reported to the Board.

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company focused on attracting, engaging and retaining talent has continued through several initiatives through the year. The year has been challenging in view of the challenging economy. However the caliber of the leaders was evident from inspiring and motivating the employees.

The year saw the launch of the 3M Leadership Academy along with a world class learning centre, which quickly became one of the most talked about across the 3M world. The Learning centre with its best in class technology lent itself to several programs across all subsidiaries in Asia Pacific. It also brought all training from Businesses and functions, including Learning and Organisational Development, Sales Excellence, Marketing Excellence, Lean Six Sigma, Commercialisation etc under one roof for the first time. The Leadership Academy has also been a matter of prestige for employees to participate and get trained. It has four different levels of leadership programs – Young Leaders, Emerging Leaders, Senior Leaders and the Top leadership team.

The Hi-potential identification process has also experienced more robustness in its selection resulting in a stronger pipeline and replacement candidates. Several programs and projects have enabled the high potential's realise their potential, broaden their learning perspectives and ensure faster growth.

In keeping with the philosophy to provide career development, employees have been provided career broadening experiences across levels, businesses and functions. The Individual development plan has also helped the employees to plan their careers with the support of their Supervisors and HR. On the job projects and mentoring has helped them to bridge the competency gaps and achieve their goals.

The importance of gender Diversity received a shot in the arm with the formal launch of the Women's leadership forum. Women employees from all across the country have become members, and the forum has led to the creation of three Committees with strategies built around Education, Diversity & Inclusion and Leadership Development of women leaders.

Greater focus on Portfolio prioritisation and Organisation structure has led to increased productivity and optimisation of resources. The new Sales incentive policy also provides the opportunity to sales employees to focus on high margin products and drive the bottom line. Continued focus on Operational excellence has also given an impetus to discipline, collaboration and team work. The rigor around performance management system and compliance has been strengthened, thereby raising the stakes and resulting in higher consequence management.

The Company has been continuously focusing on people and processes to encourage and realise their full potential. In that direction Communication initiatives launched was sustained right thru the year with the quarterly newsletter 'Hruday' covering critical topics like 'Diversity & Inclusion', 'Culture & The Spirit of 3M', 'Career & Development', 'Rewards & Recognition' etc. Other Communication forums which may be highlighted includes, the revamped 'Between Us' Open House sessions which re energised employees to engage more with the leadership resulting in very interactive sessions across all locations. The 'Between Us' feedback boxes reinforced the spirit of transparency and candour in responses from the leadership team, thereby encouraging employees to raise grievances and issues without any hesitation, resulting in a positive and progressive dialogue.

Plant engagement initiatives and programs have also supported in sustaining and proactively improving cordial and harmonious relations with employees in the Manufacturing Plants. Last but not the least, there has been a focused drive to build the image of the Company through a planned participation in external forums including Campuses, CII, FICCI and other government bodies, functional forums like NHRD, AIMA etc. This has provided 3M leadership an opportunity to share Best practices and build the 3M brand.

On behalf of the Board of Directors

Place : Bangalore
Date : May 29, 2014

Amit Laroya
Managing Director

B.V. Shankaranarayana Rao
Whole-time Director

REPORT ON CORPORATE GOVERNANCE

THE COMPANY'S GOVERNANCE PHILOSOPHY

3M's corporate governance principles govern how the Company does business on a daily basis, enabling the Company to outperform and lead the way to sustainable growth. The governance principles provide a framework that defines the roles, rights, and responsibilities of different groups within the organisation. The Board of Directors oversees the Managing Director and senior management and ensures that appropriate procedures and controls are in place covering managements' activities in operating the company on ethical grounds on a day-to-day basis.

BOARD OF DIRECTORS

Composition:

The Board comprises of Executive and Non-Executive Directors, who are persons of vast and varied experience, in depth knowledge and with professional background and experience in Business, Industry, Finance and Law. The Board of Directors of the Company is headed by a Non-Executive and Independent Director.

Brief Profile of the Directors of the Company:

[Mr. D.J. Balaji Rao \(DIN-00025254\)](#): Mr. D.J. Balaji Rao, 75, holds a B.E Degree in Mechanical Engineering from the University of Madras and is an Associate Member of Indian Institution of Industrial Engineering (AMIIIE). He attended the Advanced Management Program at European Institute of Business Administration (INSEAD) at Fontainebleu, France, in 1990. He pursued his career as an Industrial Engineer for about 8 years before joining erstwhile ICICI Ltd. (since merged with ICICI Bank Ltd) in 1970. After wide ranging responsibilities in different locations, he reached the position of Deputy Managing Director. He subsequently took over as the Vice Chairman and Managing Director of SCICI Ltd. in August 1996. With the merger of SCICI Ltd. with ICICI Ltd. he moved to Infrastructure Development Finance Co. Ltd. (IDFC), as its first Managing Director, which he served till his superannuation in January 2000. He has served on the Boards of many leading companies including Bosch Ltd (formerly MICO Ltd) , Wipro Ltd. and Bharat Forge Ltd., etc. He was appointed as a Director of the Company from December 26, 2001 and as Chairman of the Company from September 10, 2008.

[Mr. B.S. Iyer \(DIN-00138425\)](#): Mr. B.S. Iyer, 64, is a Post Graduate in Commerce and Law from the University of Bombay, holds a Diploma in Management Accounting, Member of the All India Management Association and is a Fellow Member of the Institute of Company Secretaries of India. Mr. Iyer held senior positions, responsible for Corporate Legal affairs for over 30 years. He retired as Vice President –Legal and Company Secretary of Bosch Limited. He is a Corporate Legal Resource person for several MNCs and Indian Companies. He was appointed as a Director of the Company from December 26, 2001.

[Mr. B. C. Prabhakar \(DIN- 00040052\)](#): Mr. B.C. Prabhakar, 71, has been on the Board since December 11, 2006. He has been a practicing lawyer since April 1970 and Management Consultant on Labour Laws and Service matters. He is the President of Karnataka Employer's Association, which is the leading and oldest Employers' Association in the State of Karnataka. He is an employer's Nominee of Employees State Insurance Corporation, New Delhi. He has attended Indian Labour Conference for the past ten years which is the highest Tripartite Forum consisting of Representatives of Employers, workers and Government. He holds Bachelor's Degree in Political Science & Sociology and a Bachelor's Degree in Law from Mysore University.

[Mr. Albert C Wang \(DIN- 05234667\)](#): Mr. Albert Wang, 46, joined 3M Company in January 2012 as General Counsel, Asia Pacific and is based out of Shanghai, China. Prior to joining 3M, Albert was Legal Director for Dell Inc. from 2001-2012 leading their legal affairs efforts for Greater China as well as regionally (Asia Pacific) for their Public & Large Enterprise business unit. He began practicing law with the New York-based international law firm of Coudert Brothers, with postings in Hong Kong (1993-1998) and Shanghai (1998-2001). There, his practice was focused on foreign direct investment and mergers and acquisitions, representing a wide array of multinational corporations and global financial institutions across a broad range of industry sectors. Mr. Albert Wang graduated in 1990 from Colgate University with a Bachelor of Arts degree in Political Science. He earned his Juris Doctor degree from The George Washington University National Law Center in 1993. He is a member of the New York State Bar, the American Chamber of Commerce in Shanghai and the U.S. China Business Council. He was appointed as a Non-Executive Director of the Company from March 12, 2012.

[Mr. Ippocratis Vrohidis \(DIN-06808056\)](#): Mr. Ippocratis Vrohidis, 47, holds a Bachelor Degree in Economics and Business, Mathematics and Computer Science from Mascalester College and a Master's in Business Administration from University of Minnesota. He has also completed an Executive Education program for emerging CFOs at Stanford University. A 24 years veteran of 3M, served as Vice President 3M International Operations and Corporate Staff services since April 2011 after having served as Finance Director for Industrial & Transportation Business since 2006. He joined 3M, Company, USA in 1990, working in business finance, gaining levels of greater responsibility in the Electronics, Communications and Health Care Business. He has worked with various 3M Divisions and has held positions based in Europe, Middle-East, Africa and Latin America. He is a certified Six Sigma Master Black Belt and also a Certified Management Accountant. Presently, he is the Vice-President-Finance for Asia Pacific from April 2013. He was appointed as a Non-Executive Director of the Company from February 10, 2014.

[Mr. Ashish Kumar Khandpur \(DIN- 06808091\)](#): Mr. Ashish Khandpur, 46, has been with 3M for the past 19 years, of which he has spent 14 years in the company's US operations and the other 5 years in the India & Asia Pacific regions. He started his career with 3M as a Senior

REPORT ON CORPORATE GOVERNANCE

Research Engineer in 1995. Since then he has held various technical and leadership positions in 3M's corporate research, business unit and country level labs. He has successfully led teams in the area of new products & technologies development as well as core product engineering & technical service support for the industrial, consumer, automotive, healthcare, oil & gas, and electro & telecommunication markets. Most recently, he has begun leading one of 3M's largest businesses, having been appointed Vice President & General Manager of the Personal Safety Division effective January 1, 2014. He has completed his B.Tech in Chemical Engineering from Indian Institute of Technology (IIT) Delhi, and holds a Ph.D. from University of Minnesota, Minneapolis, USA in Chemical Engineering with specialisation in the field of polymers. Mr. Ashish Khandpur is an inventor on 10 issued patents and has additional 6 patents pending. His strengths include building strong and innovative R&D organisations to develop technology and product solutions for accelerated business growth. He was appointed as a Non-Executive Director of the Company from February 10, 2014.

Mr. Amit Laroya (DIN-00098933): Mr. Amit Laroya, 49, started his career at Asian Paints and moved to 3M India in 1990 as the division head of Traffic, Safety and Security. He has held positions in 3M India as the Country Business Leader in Safety & Graphics, Industrial, Electro & Telecommunication in addition to being the first Master Black Belt for India region. He has also held positions as the M&A Manager for India region and General Manager of 3M Lanka. His assignment as the Managing Director of 3M Indonesia makes him well suited to understanding emerging market needs. He also has a good understanding of global corporate strategies at 3M having recently worked in St Paul USA as the Global Director-for 3M Strategy & Corporate Development & the Director of International Strategic Planning & M&A. Mr. Amit Laroya is an Economics Honors graduate from the University of Delhi with an MBA in marketing and finance from XLRI in India. He was appointed as a Director and Managing Director of the Company from October 1, 2013.

Mr. B.V. Shankaranarayana Rao (DIN-00044840): Mr. B.V. Shankaranarayana Rao, 54, holds a Bachelor Degree in Commerce and a Master's Degree in Business Administration from Bangalore University. He has been with the Company since 1990. He has over 30 years of experience in Finance and Corporate Management. He has held various positions during his tenure in 3M India. He has also worked in 3M Asia Pacific, Singapore, prior to heading the Finance Department in 3M India Limited. He was appointed as a Whole-time Director of the Company from July 24, 2002. Mr. Shankar Rao heads the Business Services Group, Information Technology and SAP implementation.

Mrs. Sadhana Kaul (DIN- 02589934): Mrs. Sadhana Kaul, 50, joined the Company in 2005 and has over 21 years of experience in the legal field, having worked in different capacities in law firms in the US and in India. Prior to joining the Company, she was with GE Medical Systems as Senior Legal Counsel based in Bangalore. She holds a Bachelor's Degree in Law from Trinity College Cambridge, UK and a Masters Degree in International and Comparative Law from Georgetown University Law Center, Washington D.C. She was appointed as a Whole-time Director of the Company from October 09, 2009 and was the General Counsel of the Company till November 1, 2013. She resigned as Director and Whole-time Director with effect from November 1, 2013 consequent upon her appointment as General Counsel for South East Asia Region, Singapore. In addition to her current role, she also acts as Asia Pacific Area Counsel for the Industrial and Transportation Business. She leads the planning, development and execution of strategic legal initiatives whilst managing the legal risks. She was appointed as a Non-Executive Director of the Company from February 10, 2014.

Names of other companies/firms in which Directors of the Company hold/held office as Director/Partner are given below:

Mr. D.J. Balaji Rao

- Bajaj Auto Limited, Director
- Ashok Leyland Limited, Director
- Graphite India Limited, Director
- Hinduja Foundries Limited, Director
- JSW Energy Limited, Director
- Bajaj Finserv Limited, Director
- Bajaj Holdings and Investments Limited, Director
- Bajaj Finance Limited, Director
- CMI-FPE Limited, Director

Mr. B. S. Iyer

- Harman International (India) Private Limited, Alternate Director

Mr. B.C. Prabhakar

- WIPRO Limited, Director
- Automotive Axles Limited, Director
- PAGE Industries Limited, Director

Mr. Albert C Wang

- Nil

REPORT ON CORPORATE GOVERNANCE

Mr. Frank R Little (up to February 10, 2014)

- Nil

Mr. John R Houle (up to February 10, 2014)

- Nil

Mr. Ajay Nanavati (up to September 30, 2013)

- 3M Lanka (Private)Limited, Sri Lanka, Managing Director

Mr. B.V. Shankaranarayana Rao

- 3M Lanka (Private)Limited, Sri Lanka, Director

Mrs. Sadhana Kaul

- 3M Lanka (Private) Limited, Sri Lanka, Director

Mr. Amit Laroya (from October 1, 2013)

- 3M Lanka (Private)Limited, Sri Lanka, Managing Director

Mr. Ippocratis Vrohidis (from February 10, 2014)

- Nil

Mr. Ashish Khandpur (from February 10, 2014)

- 3M Foundation Board, USA, Board Member

As on March 31, 2014, the strength of the Board is nine (9), of which two (2) are Whole-time Directors, three (3) are Independent Directors and four (4) Non-Executive Directors. As on March 31, 2014, the composition of the Board is in conformity with Clause 49 (I) (A) (ii) of the Listing Agreement. None of the Directors of the Company is related to each other.

Meetings:

The meetings of the Board of Directors are normally held at the Company's Corporate Office in Bangalore. Meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director. The Board meets at least once a quarter to review the quarterly performance and financial results of the Company. The Board is provided with the relevant information as stipulated in Clause 49 of the Listing Agreement. The Meetings are governed by a structured agenda. The Board papers, agenda and other explanatory notes are circulated to the Directors well in advance.

Details of Board Meetings during the financial year:

During the financial year April 01, 2013 to March 31, 2014, five (5) Meetings of the Board were held; on April 26, 2013, May 30, 2013, July 23, 2013, October 31, 2013 and February 10, 2014. The last Annual General Meeting (AGM) was held on July 23, 2013.

Particulars of the directorship of Board, membership and office of the Chairman of Board Committees across all Companies as on March 31, 2014 and attendance at the Board Meetings of the Company are given below:

Name & Designation of the Director	Category	No. of Meetings		No.of Directorships and Committee Memberships/Chairmanships			Whether Attended Last AGM
		Held	Attended	Directorships held @	Committee Memberships#	Committee Chairmanships#	
Mr. D.J. Balaji Rao (Chairman)	Non-Executive & Independent Director	5	5	10	10	4	Yes
Mr. B.S. Iyer (Director)	Non-Executive & Independent Director	5	5	2@@	2	1	Yes
Mr. B. C. Prabhakar (Director)	Non-Executive & Independent Director	5	5	4	7	1	Yes
Mr. Albert C Wang (Director)	Non-Executive Director (Promoter Group)	5	1	Nil	Nil	Nil	No
Mr. Frank R Little (Director) (up to February 10, 2014)	Non-Executive Director (Promoter Group)	5	2	Nil	Nil	Nil	No
Mr. John R Houle (Director) (up to February 10, 2014)	Non-Executive Director (Promoter Group)	5	1	Nil	Nil	Nil	No
Mr. Ajay Nanavati (Managing Director) (up to September 30, 2013)	Executive Director (Promoter Group)	5	3	2@@@	1	Nil	Yes

REPORT ON CORPORATE GOVERNANCE

Name & Designation of the Director	Category	No. of Meetings		No. of Directorships and Committee Memberships/Chairmanships			Whether Attended Last AGM
		Held	Attended	Directorships held @	Committee Memberships#	Committee Chairmanships#	
Mr. B. V. Shankaranarayana Rao (Whole-time Director)	Executive Director (Promoter Group)	5	5	2@@@	Nil	Nil	Yes
Mrs. Sadhana Kaul (Whole-time Director) (up to October 31, 2013)	Executive Director (Promoter Group)	5	4	2@@@	Nil	Nil	Yes
Mr. Amit Laroya (Managing Director) (from October 1, 2013)	Executive Director (Promoter Group)	5	2	2@@@	1	Nil	NA
Mr. Ippocratis Vrohidis (from February 10, 2014)	Non-Executive Director (Promoter Group)	5	Nil	Nil	Nil	Nil	NA
Mrs. Sadhana Kaul (from February 10, 2014)	Non-Executive Director (Promoter Group)	5	Nil	2@@@	Nil	Nil	NA
Mr. Ashish Khandpur (from February 10, 2014)	Non-Executive Director (Promoter Group)	5	Nil	Nil	Nil	Nil	NA

@ excludes directorship in private companies,

@@ includes one alternate directorship

@@@ includes directorship in one foreign Body Corporate

excludes committees other than Audit Committee and Shareholders'/Investors Grievance Committee

CODE OF CONDUCT

The Company's Board has laid down a code of conduct for all Board Members and Senior Management of the Company. The code of conduct is available on the website of the Company: www.3m.com/in. Requisite annual affirmations of compliance with respective codes have been made by the Directors and Senior Management of the Company for the period April 01, 2013 to March 31, 2014.

The Certificate by the CEO of the Company concerning compliance with the Code of Conduct for Directors and Senior Management is given below:

*Code of Conduct for Directors and Senior Management
CEO Confirmation*

I hereby confirm that:

the Company has obtained from the Directors and Senior Management personnel affirmation that they have complied with the above code for and in respect of the year ended March 31, 2014.

Place: Bangalore

Date : May 16, 2014

(Amit Laroya)

Managing Director

AUDIT COMMITTEE

The Audit Committee of the Company functions in accordance with the requirements of Section 292A of the Companies Act, 1956 and the Listing Agreement.

Terms of Reference of Audit Committee:

The terms of reference of the Audit Committee as per guidelines set out under Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956, is set out below:

- Chairman of the Audit Committee shall be an Independent Director.
- The Audit Committee may invite such executives of the Company as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any of the executives of the Company. The Finance Director, Head of Internal Audit and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee.
- The Company Secretary shall act as Secretary of the Audit Committee.
- The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.
- The quorum shall be either two members or one-third of the members of the Audit Committee, whichever is higher but there shall be a minimum of two independent members present.

REPORT ON CORPORATE GOVERNANCE

Role of Audit Committee:

The role of the Audit Committee shall include the following:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
- Approval of payment to Statutory Auditors for any other services rendered by them.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by Management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications, if any, in the draft limited review audit report and audit report.
- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with Internal Auditors any significant findings and follow-up there on.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, members (in case of non-payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Powers of the Audit Committee:

The Audit Committee has the following powers:

- to investigate any activity within its terms of reference.
- to seek information from any employee.
- to obtain outside legal or other professional advice.
- to secure the attendance of outsiders with relevant expertise, if it considers necessary.

Review of information by Audit Committee:

The Audit Committee reviews the following information:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee) submitted by Management.
- Management letters / letters of internal control weaknesses issued by the Statutory Auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment and removal of the Internal Auditor.

REPORT ON CORPORATE GOVERNANCE

Constitution of Audit Committee:

As on March 31, 2014, the Audit Committee of the Company consists of three (3) Non-Executive cum Independent Directors and all of them have financial and accounting knowledge. The members of the Committee are Mr. B. S. Iyer, Mr. D.J. Balaji Rao Mr. B. C. Prabhakar. With effect from April 18, 2014, Mr. Ippocratis Vrohidis, Non-Executive Director has been appointed as a fourth member of the Committee.

Mr. B. S. Iyer is the Chairman of the Audit Committee. The Company Secretary is the Secretary to the Committee. At the invitation of the Committee the Managing Director, the Internal Auditor, the Head of Finance, Head of Legal Department and Statutory Auditors attend the Audit Committee meetings.

Composition and details of Audit Committee Meetings during the financial year:

During the financial year April 01, 2013 to March 31, 2014, four (4) Meetings of the Audit Committee were held; on May 30, 2013, July 23, 2013, October 31, 2013 and February 10, 2014. The numbers of meetings attended during the year under review are as under:

Name of the Committee Member	No. of Meetings held during the year under review	No. of Meetings attended
Mr. .B.S. Iyer (Chairman)	4	4
Mr. D.J. Balaji Rao	4	4
Mr. B. C. Prabhakar	4	4

The Board at its meeting held on April 18, 2014 has also noted the requirements of the new terms of reference as per Section 177 of the Companies Act, 2013 notified with effect from April 1, 2014 and the revised clause 49 of the Listing Agreement notified with effect from October 1, 2014. These will be incorporated in the Reports of 2014-15 onwards.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

As on March 31, 2014, the Shareholders'/Investors' Grievance Committee of the Company consists of four (4) Directors, of which three (3) are Non-Executive cum Independent Directors and one (1) is a Executive Director. The Members of the Committee are Mr. D.J. Balaji Rao, Mr. B. S. Iyer, Mr. B. C. Prabhakar and Mr. Ajay Nanavati (up to September 30, 2013) and Mr. Amit Laroya (from October 1, 2013).

During the financial year April 01, 2013 to March 31, 2014, four (4) Meetings of the Shareholders' Grievance Committee were held; on May 30, 2013, July 23, 2013, October 31, 2013 and February 10, 2014. The attendance of the members at the Shareholders' Grievance Committee Meeting held during the year are as under :

Name of the Committee Member	No. of Meetings held during the year under review	No. of Meetings attended
Mr. D.J. Balaji Rao (Chairman)	4	4
Mr. B.S. Iyer	4	4
Mr. B. C. Prabhakar	4	4
Mr. Ajay Nanavati (up to September 30, 2013)	4	2
Mr. Amit Laroya (from October 1, 2013)	4	1

Mr. D. J. Balaji Rao, Non-Executive and Independent Director, is the Chairman of the Committee and the Company Secretary is the Compliance Officer of the Company.

The Shareholders' Grievance Committee is authorised to:

1. Monitor the system of share transfer, transmission, sub-division, consolidation of share certificates and issue of duplicate certificates.
2. Deal with all investor related issues including redressal of complaints from shareholders relating to transfer of shares, non-receipt of annual report, etc.
3. Delegate such powers to Company's officers, as may be necessary including powers to approve transfers, transmissions, authenticate share certificates and to take other actions in relation to Shareholders' related matters.

The Company through its Registrar and Share Transfer Agents has addressed / resolved most of the investor grievances / correspondence

REPORT ON CORPORATE GOVERNANCE

within a period of 7 days from the date of their receipt except in cases that are constrained by disputes or legal impediments. The statistics of Members complaints received / redressed, during the period under review are as under:

No. of Shareholders complaints pending as at April 01, 2013.	Nil
No. of Complaints relating to Non-receipt of dividend warrants, Redemption / Interest warrants, Annual Reports, Share certificates, endorsement stickers, change of address, deletion of name and others received during the period April 01, 2013 to March 31, 2014.	27
No. of Shareholders complaints resolved during the period April 01, 2013 to March 31, 2014.	27
No. of Shareholders complaints pending as on March 31, 2014.	Nil

Secretarial Audit for Reconciliation of Capital

A Secretarial Audit was carried out by a qualified Practicing Company Secretary for reconciling the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares held in physical form and the total number of dematerialised shares held with NSDL and CDSL. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors.

SUBSIDIARY COMPANIES

The Company does not have any subsidiaries.

DISCLOSURES

Related party transactions:

The Company follows the following policy in disclosing the related party transactions to the Audit Committee:

- A statement in summary form of transactions with related parties at arm's length price in the normal course of business.
- All material individual transactions with related parties, which are not in the normal course of business and which are not on an arm's length basis.
- All material financial and commercial transactions relating to senior management where they have personal interest that may have a potential conflict with the interest of the Company at large.

Accounting Treatment:

The guidelines/accounting standards notified under Section 211(3C) of the Companies Act, 1956 and relevant provisions of the Companies Act, 1956 have been followed in preparation of the financial statements of the Company.

Risk Management:

The Company as part of its regular operating review has identified certain risks and put in place procedures to mitigate the same. When new risks are identified, the same would be then assessed, controls designed, put in place and enforced within a fixed time frame, as set.

Capital Issues: The Company has not made any capital issues during the financial year 2013-14.

Remuneration to Directors:

As on March 31, 2014, the Company has two (2) Executive Directors, Mr. Amit Laroya, Managing Director (from October 1, 2013) and Mr. B. V. Shankaranarayana Rao, Whole-time Director.

The Managing/Whole-time Directors of the Company have been appointed on contractual basis and their terms of appointment were fixed by the Board and the appointments pertaining to Mr. Ajay Nanavati, Managing Director (up to September 30, 2013), Mr. B. V. Shankaranarayana Rao, Whole-time Director and Mrs. Sadhana Kaul, Whole-time Director (up to October 31, 2013) were approved by the Members at the Annual General Meetings for tenures up to five (5) years.

Mr. Amit Laroya, Managing Director's appointment will be subject to the approval by the members at the ensuing Annual General Meeting and thereafter by the Ministry of Corporate Affairs. The elements of the remuneration package of Executive Directors comprise Salaries & Allowances, Perquisites, Company Leased Accommodation, Company Car and driver, Telephone at home, club fees, Gratuity, Personal Accident Insurance and contribution to provident funds and other funds. The contract of employment of Executive Directors is terminable by serving a notice of ninety days. The Company has no stock option/equity-based awards or any other Stock Linked Incentive Plans. However, senior executives of the Company including Managing Director and Whole-time Directors of the Company are entitled to the

REPORT ON CORPORATE GOVERNANCE

Restricted Stock options/Stock Appreciation Unit Plans declared by the Parent Company, 3M Company USA, from time to time. And as per 3M International Policy, the Company which employs the respective employees is required to bear the cost of the options.

Details of remuneration for the year ended March 31, 2014:

(a) Executive Directors.

Name and Designation	No. of Shares Held	Salaries & Allowances (Rs.)	Contribution to Provident Fund & Other Funds (Rs.)	Estimated Value of Benefits (Rs.)	Total (Rs.)	Present term expires on
Mr. Ajay Nanavati (Managing Director) (up to September 30, 2013)	70*	50,65,333	11,88,534	64,83,637	1,27,37,504	September 30, 2013
Mr. B.V. Shankaranaryana Rao (Whole-time Director)	Nil	92,55,132	6,21,564	45,89,641	1,44,66,337	March 31, 2017
Mrs. Sadhana Kaul (Whole-time Director) (up to October 31, 2013)	Nil	53,77,337	3,61,298	11,76,674	69,15,309	October 08, 2014
Mr. Amit Laroya (Managing Director) (From October 01, 2013)	Nil	88,00,072	5,90,312	1,10,28,128	2,04,18,512	September 30, 2018

* includes joint share holding

(b) Non-Executive Directors.

Name of the Director	No. of Share held	Sitting Fees for Board Meeting (Rs.)	Sitting Fees for Committee Meetings (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. D.J. Balaji Rao	Nil	1,00,000	1,60,000	7,50,000**	10,10,000
Mr. B.S. Iyer	20*	1,00,000	1,60,000	7,50,000**	10,10,000
Mr. B.C. Prabhakar	20	1,00,000	1,60,000	7,50,000**	10,10,000

* Jointly as a 2nd shareholder with his wife

** Remuneration by way of Commission for the year 2013-14 will be paid to the Independent Directors after the accounts for the year 2013-14 have been adopted and approved by the members at the ensuing AGM.

The remuneration by way of commission to Independent Directors is commensurate with the activities of the Company, the responsibilities of the Independent Directors under the listing agreement with the stock exchanges and under the Companies Act, 1956/2013, and the responsibilities as member/chairman of the Board and member/chairman of committee/s of Board and all other relevant factors.

Mr. Albert C Wang, Mr. Frank R Little (up to February 10, 2014), Mr. John R Houle (up to February 10, 2014), Mr. Ippocratis Vrohidis (from February 10, 2014), Mrs. Sadhana Kaul (from February 10, 2014) and Mr. Ashish Khandpur (from February 10, 2014) do not receive Sitting Fees and Commission. None of the Non-Executive Directors has any pecuniary relationship with the Company.

GENERAL BODY MEETING:

Details of Annual General Meetings (AGM) of the Company held for the last three years:

Date	Meeting	Location	Time
July 28, 2011	AGM	The Chancery Pavilion, 135, Residency Road, Bangalore - 560 025	10.30 a.m.
July 26, 2012	AGM	The Chancery Pavilion, 135, Residency Road, Bangalore - 560 025	10.30 a.m.
July 23, 2013	AGM	The Chancery Pavilion, 135, Residency Road, Bangalore - 560 025	10.30 a.m.

Particulars of Special Resolutions passed in the last three AGMs are given below:

July 28, 2011	Nil.
July 26, 2012	Nil.
July 23, 2013	Nil.

REPORT ON CORPORATE GOVERNANCE

There are no items requiring the passing of special resolution or resolution by postal ballot at the ensuing Annual General Meeting (AGM) to be held on August 4, 2014.

Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:

There have been no instances of non-compliance by the Company on any matter related to listing agreement with the stock exchanges.

Compliance with Mandatory Requirements:

The Company has complied with all the mandatory requirements of clause 49 of the listing agreement. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

Management Discussion and Analysis:

The Management Discussion and Analysis report on the Company's activities during the year is published as part of the Company's Annual Report. This report has been placed before the Company's Audit Committee.

Insider Trading:

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has prescribed a Code of Conduct for Prevention of Insider Trading and a Code of Corporate Disclosure Practices.

The Company observes a closed period for trading in securities of the Company by the Directors/Officers and Designated Employees of the Company for a period of seven days prior to the close of the quarter/half year/year and up to 24 hours after the date on which the results for the respective quarter/half year/year and is notified to the stock exchanges.

MEANS OF COMMUNICATION

Quarterly/half yearly/annual financial results are published in Business Standard/The Business Line (All India Edition) and Udaya Vani (Bangalore Edition). The Company's financial results and shareholding pattern are also displayed in the Company's website: www.3m.com/in and are also notified to the Stock Exchanges as required under the Listing Agreement. From the quarter ending September 30, 2011, shareholding pattern and the Corporate Governance details are uploaded in the NSE Electronic Application Processing System (NEAPS). The Company does not make any presentations to the Institutional Investors or to the Analysts.

SHAREHOLDERS

Details of the Directors seeking appointment/re-appointment at the ensuing AGM are provided in the Notice convening the AGM.

NON-MANDATORY REQUIREMENTS

The Company has a Non-Executive Chairman. However, no separate Chairman's office is maintained at the Company's expense.

Remuneration Committee:

The Board has not set up a Remuneration Committee.

Shareholders' Rights:

Quarterly/half yearly/annual financial results are published in English Newspaper having a circulation all over India and in Kannada newspaper (having circulation in Bangalore). Significant events of the Company are being disclosed to the Stock Exchanges from time to time. The Company's financial results and shareholding pattern are also displayed in the Company's website: www.3m.com/in and are also notified to the Stock Exchanges as required under the Listing Agreement. The Company also displays in their website, the quarterly report sent to the Stock Exchanges on the Compliance on Corporate Governance under Clause 49 of the Listing agreement. From the quarter ending September 30, 2011, shareholding pattern and the Corporate Governance details are uploaded in the NSE Electronic Application Processing System (NEAPS).

Audit qualifications:

There were no qualifications by the Auditors in their report forming part of this financials for the year ended March 31, 2014.

Training of Board Members:

The Company does not have any training program for the Board members.

Mechanism for evaluating Non-Executive Board Members:

There is no specific mechanism for evaluating the performance of non-executive Board members of the Company.

REPORT ON CORPORATE GOVERNANCE

Whistle-Blower policy:

The Company does not have a Whistle Blower policy. However, 3M has a Global Policy on Business Conduct and guidelines on Ethical Behavior which encourages employees to raise and report concerns in a transparent way. No personnel of the Company have been denied access to any of the Directors of the Company. As a part of this global policy, no retaliatory action can be taken against any whistle blower.

GENERAL SHAREHOLDER INFORMATION :

Annual General Meeting	August 4, 2014, (Monday) The Grand Ball Room The Chancery Pavilion 135, Residency Road, Bangalore - 560 025 Time 10.30 a.m.
Date of Book Closure	July 28, 2014 (Monday) - August 4, 2014 (Monday) (both days inclusive)
Dividend payment date	N. A.
Financial Results Calendar	<i>First week of August, 2014</i> – Unaudited Results for the quarter and three months ended June 30, 2014. <i>First week of November, 2014</i> – Unaudited Results for the quarter and six months ended September 30, 2014. <i>Fourth week of January, 2015</i> – Unaudited Results for the quarter and nine months ended December 31, 2014. <i>Fourth week of May, 2015</i> – Audited Results for the year ended March 31, 2015.
Listing on Stock Exchanges	National Stock Exchange of India Limited (Code –3MINDIA) BSE Limited (Code - 523395)
International Securities Identification Number (ISIN)	INE470A01017
Corporate Identification Number (CIN)	L31300KA1987PLC013543

The Company has paid annual listing fees, as prescribed, to the National Stock Exchange of India Limited and Bombay Stock Exchange Limited for the financial year 2014-2015.

Custodial Fee

Pursuant to the Securities and Exchange Board of India (SEBI) Circular No. MRD/DoP/SE/DEP/CIR-2/2009 dated February 10, 2009 and CIR/MRD/DP/05/2011 dated 27th April, 2011, Issuer Companies are required to pay custodial fees to the depositories on the basis of average number of folios (ISIN position) during the previous financial year or the minimum amount as specified. Accordingly, the Company has paid custodial fee for the year 2014-15 to NSDL and CDSL.

Registrar & Share Transfer Agents:

Share registration and other investor related activities are carried out by our Registrar and Transfer Agents, Karvy Computershare Private Limited for both Physical and Demat securities. Their address is furnished below:

Karvy Computershare Private Limited

Plot No.17-24, Vithal Rao Nagar, Madhapur; Hyderabad - 500 034

Tel: 040-4465 5178-828 Fax: 040-23440814

E-mail: mailmanager@karvy.com. Contact person: Mr. K.S. Reddy / Mr. Rajeev Kumar

Share Transfer System:

Shares sent for transfer in physical form are registered and dispatched within 15 days of receipt of the documents, if documents are found to be in order. Shares under objection are returned within 15 days.

Monitoring of Share Transfers and other investor related matters are dealt with by the Shareholders' Grievances Committee. The Company's Registrars, Karvy Computershare Private Limited process the share transfers in respect of physical securities on a fortnightly basis and the processed transfers are approved by the authorised Executives of the Company also on a fortnightly basis.

All requests for dematerialisation of shares, which are in order, are processed within 15 days and the confirmation is given to the respective depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

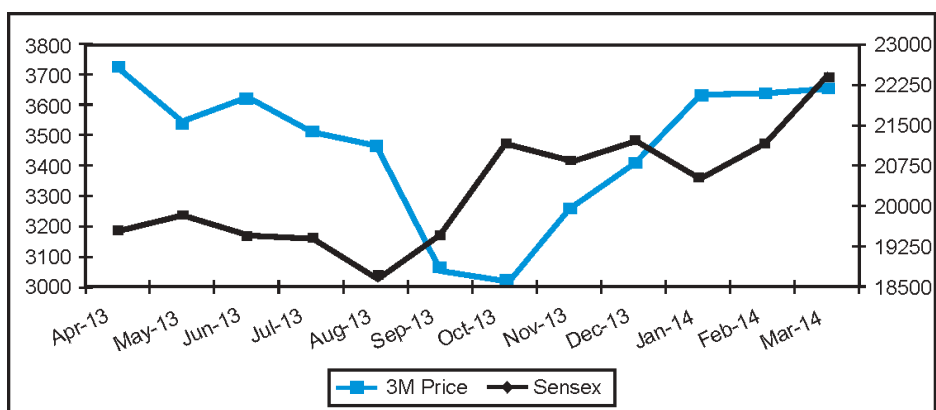
REPORT ON CORPORATE GOVERNANCE

Stock Price Data :

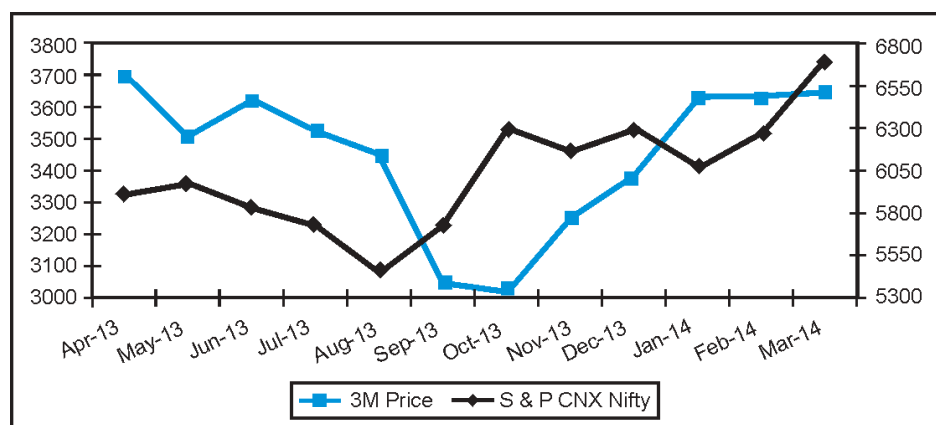
Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	No. of shares traded	High (Rs.)	Low (Rs.)	No. of shares traded
April 2013	3,779	3,325	3,891	3,750	3,352	8,116
May 2013	3,774	3,501	2,510	3,900	3,500	10,947
June 2013	3,651	3,361	72,495	3,739	3,352	35,249
July 2013	3,599	3,401	4,589	3,656	3,401	97,465
August 2013	3,589	2,880	42,302	3,500	2,940	58,093
September 2013	3,190	2,970	37,721	3,219	2,965	20,823
October 2013	3,340	3,000	4,306	3,495	3,001	6,062
November 2013	3,350	3,099	2,510	3,420	3,090	7,044
December 2013	3,750	3,301	3,179	3,700	3,300	54,046
January 2014	3,794	3,575	2,834	3,775	3,515	7,805
February 2014	3,773	3,550	1,733	4,400	3,601	5,317
March 2014	3,780	3,500	3,806	3,799	3,506	7,072

Stock Performance:

BSE Sensex Vs. 3M Share Price
(Monthly Closing Price)



NSE-S&P CNX Nifty Vs 3M Share price
(Monthly Closing Price)



REPORT ON CORPORATE GOVERNANCE

Consolidated Shareholding Pattern as on March 31, 2014:

Category	No. of Members	Shares held in Physical form	Shares held in dematerialised Form	Total No. of shares held	% to capital
Foreign Promoter(FPR)*	1	-	84,48,802	84,48,802	75.00
Foreign Institutional Investors(FII)	16	-	10,46,892	10,46,892	9.29
Resident Individuals (PUB)	8,469	1,01,047	8,67,872	9,68,919	8.60
Bodies Corporate(LTD)	254	5,020	29,9,162	3,04,182	2.70
Mutual Funds(MUT)	9	440	4,24,208	4,24,648	3.77
Hindu Undivided Family HUF)	250	-	30,666	30,666	0.27
Non-Resident Indians(NRI)	200	-	38,990	38,990	0.35
Clearing Members(CM)	18	-	607	607	0.01
Other Banks	2	-	713	713	0.01
Trust	3	-	511	511	0.00
Nationalised Banks	2	20	60	80	0.00
Insurance Companies(IFI)	1	60	0	60	0.00
Total	9,225	1,06,587	1,11,58,483	1,12,65,070	100.00

* None of Foreign promoter shares been pledged as on March 31, 2014

Pursuant to SEBI Circular No. Cir/ISD/3/2011 dated June 17, 2011, the Company has achieved 100% of Promoters' shareholding in dematerialised Form

Summary of Shareholding as on March 31, 2014:

Category	No. of Holders	Total Shares	% To Equity
PHYSICAL	1,460	1,06,587	0.95
N S D L	6,028	1,08,12,180	95.98
C D S L	1,737	3,46,303	3.07
TOTAL	9,225	1,12,65,070	100.00

Top Ten (10) Members of the Company as on March 31, 2014:

Client id	Name of the Members	No. of shares held	% to paid-up capital	Category
10716469	3M Company, USA	84,48,802	75.00	FPR
10013042	Acacia Partners, LP	3,99,127	3.54	FII
10013034	Acacia Institutional Partners, LP	2,43,100	2.16	FII
10022345	Acacia Conservation Fund LP	2,29,278	2.04	FII
10001099	SBI Emerging Businesses Fund	2,25,486	2.00	MUT
1301240000121844	Bright Star Investments Private Limited	1,66,700	1.48	LTD
10024287	Acacia Banyan Partners	1,26,045	1.12	FII
10049887	IDFC Premier Equity Fund	1,09,744	0.97	MUT
10000916	SBI Magnum Global Fund	50,000	0.44	MUT
22502222	Govindlal M Parikh Chinmay G Parikh	38,115	0.34	PUB
	Total	1,00,36,397	89.09	

REPORT ON CORPORATE GOVERNANCE

Distribution of Shareholding as on March 31, 2014:

Range of Shares	No. of Shareholders	% to total Shareholders	No of Shares held	Amount (Rs.)	% to Total Shares
Up to 50	5,317	57.64	98,006	9,80,060	0.87
51 to 100	2,697	29.23	2,21,546	22,15,460	1.97
101 to 200	541	5.86	87,411	8,74,110	0.78
201 to 500	366	3.97	1,29,331	12,93,310	1.15
501 to 1000	145	1.57	1,08,411	10,84,110	0.96
1001 to 2000	70	0.76	98,816	9,88,160	0.88
2001 to 5000	50	0.54	1,46,790	14,67,900	1.30
5001 to 10000	20	0.22	1,45,768	14,57,680	1.29
10001 and above	19	0.21	1,02,28,991	10,22,89,910	90.80
TOTAL	9,225	100.00	1,12,65,070	11,26,50,700	100.00

Dematerialisation of Shares and Liquidity

99.05% of the total equity capital was held in dematerialised form as on March 31, 2014.

Outstanding GDRs / Warrants, Convertible Bonds, conversion date and likely impact on equity: Not Applicable

Plant Locations:

1. Plot No. 48-51, Electronics City, Hosur Road, Bangalore-560 100
2. Plot No.8, Moraiya Industrial Area; Tal Sanand, Sarkhej Bavla Highway, Ahmedabad – 382 213
3. Plot No.B-20, MIDC; Ranjangaon Industrial Area Tal: Shirur, Dist : Pune - 412 210

Branch Locations:

1. No.60-61, Udyog Vihar, Phase IV, Gurgaon, Haryana.
2. Nos.1-10-39 to 44, Gumidelli Towers, 8th Floor, Begumpet, Hyderabad.
3. No.636/1, Seshachalam Centre, 11th Floor, Anna Salai, Nandanam, Chennai.
4. No. 2, Upper Wood Street, Kolkata.
5. No. 196, Makhija Chambers, 3rd Floor, Turner Road, Bandra(W), Mumbai.
6. No. B-101, ICC Trade Towers, Senapathy Bapat Road, Pune.

Address for correspondence:

Corporate Office: Concorde Block, UB City, 24, Vittal Mallya Road, Bangalore – 560 001

Designated e-mail id for redressal of investor complaints in terms of Clause 47(f) of the Listing Agreement is: 3mindia.investorshelpdesk@mmm.com/vsrinivasan@mmm.com

Compliance Officer: Mr. V.Srinivasan, Company Secretary. Inquiries, if any, may be addressed to the Compliance Officer.

CEO / CFO CERTIFICATION

The Managing Director and the Whole-time Director heading the Finance function of the Company/CFO have given annual certification to the Board in terms of Clause 49 of the Listing Agreement. They also give quarterly certification on the financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement.

CERTIFICATE OF COMPLIANCE

Certificate from Mr. Vijayakrishna K T, Practising Company Secretary, Bangalore confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to the Directors' report forming part of the annual report. This Certificate shall be forwarded to the Stock Exchanges where the securities of the Company are listed.

On behalf of the Board of Directors

Place : Bangalore
Date : May 29, 2014

Amit Laroya
Managing Director

B.V. Shankaranarayana Rao
Whole-time Director

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS

To
The Members of
3M India Limited
Bangalore

I have examined the compliance of the conditions of Corporate Governance by 3M India Limited for the year ended 31st March, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that in respect of investor grievances received during the year ended 31st March, 2014, no investor grievances are pending against the Company as on 31st March, 2014, as per the records maintained by the Company and presented to the Transfer/Shareholders' Grievances Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place : Bangalore
Date : May 29, 2014

Vijayakrishna K T
Practising Company Secretary
FCS-1788
CP-980

INDEPENDENT AUDITORS' REPORT

To the Members of 3M India Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of 3M India Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No. : 057687

Place : Bangalore
Date : May 29, 2014

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of 3M India Limited on the financial statements as of and for the year ended March 31, 2014.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory excluding stocks with third parties has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(b),(c) and (d) of the said Order are not applicable to the Company.
- (b) The Company has not taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii) (f) and (g) of the said Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that, except for certain items of fixed assets which are of special/ proprietary nature for which suitable alternative sources do not exist, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. (a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- (b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of professional tax, service tax, and income tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, sales tax, wealth tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth-tax which have not been deposited on account of any dispute. The particulars of dues of income tax, sales

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

tax, service tax, excise duty and customs duty as at March 31, 2014 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Demand Amount (Rs. in Lakhs)	Payment under protest (Rs. in Lakhs)	Net Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax and Interest	242.42	83.71	158.71	Assessment Year 2006 – 07	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax and Interest	386.59	-	386.59	Assessment Year 2007 – 08	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax and Interest	94.26	-	94.26	Assessment Year 2008 – 09	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax and Interest	776.88	-	776.88	Assessment Year 2009 – 10	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax and Interest	133.40	-	133.40	Assessment Year 2012 – 13	Commissioner of Income Tax (Appeals)
Customs Act, 1962	Customs Duty, Interest and penalty	1,961.51	-	1,961.51	Financial Years 2005 – 06 2006 – 07 2007 – 08 2008 – 09 2009 – 10	Customs, Excise & Service Tax Appellate Tribunal
The West Bengal Value Added Tax Rules, 2005	Value Added Tax (VAT)	18.82 0.63 9.86	- - -	18.82 0.63 9.86	Financial Years 2008 – 09 2009 – 10 2010 – 11	The Senior Jt. Commissioner, Commercial Tax
The Central Sales Tax (West Bengal) Rules, 1958	Central Sales Tax (CST)	16.25 20.04 25.56	- - -	16.25 20.04 25.56	Financial Years 2008 – 09 2009 – 10 2010 – 11	The Senior Jt. Commissioner, Commercial Tax
The Bombay Sales Tax Act, 1959	Bombay Sales Tax (BST)	65.31 59.07	20.00 20.00	45.31 39.07	Financial Years 2003 – 04 2004 – 05	Jt. Commissioner of Sales Tax (Appeal) III, Mumbai
The Central Sales Tax (Bombay) Rules, 1957	Central Sales Tax (CST)	0.50 36.78	0.20 12.00	0.30 24.78	Financial Years 2003 – 04 2004 – 05	Jt. Commissioner of Sales Tax (Appeal) III, Mumbai
Maharashtra Value Added Tax Act, 2002	Value Added Tax (VAT), interest and penalty	539.50 1,406.66 3,565.54 1,709.87	16.08 48.04 47.81 16.78	523.42 1,358.62 3,517.73 1,693.09	Financial Years 2005 – 06 2006 – 07 2008 – 09 2009 – 10	Deputy Commissioner of Sales Tax, Mumbai
Central Sales Tax Act, 1956 (Central Sales Tax (Bombay) Rules, 1957)	Central Sales Tax (CST)	101.11 61.31 677.71 870.57	- - - -	101.11 61.31 677.71 870.57	Financial Years 2005 – 06 2006 – 07 2008 – 09 2009 – 10	Deputy Commissioner of Sales Tax, Mumbai
Central Sales Tax Act, 1956	Central Sales Tax (CST)	12.36	-	12.36	Financial Year 2006 – 07	Deputy Commissioner of Sales Tax, Delhi
Central Sales Tax Act, 1956	Central Sales Tax (CST)	420.06	-	420.06	Financial Year 2011 – 12	Excise and Taxation Officer-cum-Assessing Authority, Gurgaon
Central Sales Tax Act, 1956	Central Sales Tax (CST)	8.47	-	8.47	Financial Year 2010 – 11	Assistant Commissioner (CT), LTU, Hyderabad
Central Sales Tax Act, 1956	Central Sales Tax (CST)	3.68	-	3.68	Financial Year 2010 – 11	Deputy Commissioner, Commercial Tax, Lucknow
Uttar Pradesh Value Added Tax Act, 2008	Value Added Tax (VAT)	51.00	-	51.00	Financial Year 2010 – 11	Deputy Commissioner, Commercial Tax, Lucknow

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Name of the statute	Nature of dues	Demand Amount (Rs. in Lakhs)	Payment under protest (Rs. in Lakhs)	Net Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act, 1956	Central Sales Tax (CST)	28.34	-	28.34	Financial Year 2011 – 12	Assistant Commissioner (Commercial Taxes), Chennai
Finance Act, 1994	Service tax, interest and penalty	26.55	26.55	-	Financial Year 2010 – 11	Customs, Excise and Service Tax Appellate Tribunal, Bangalore
Central Excise Act, 1944 (Cenvat Credit Rules, 2004)	Penalty	64.28	-	64.28	Financial Years 2007 – 08 2008 – 09 2009 – 10 2010 – 11	Customs, Excise and Service Tax Appellate Tribunal, Bangalore
Central Excise Act, 1944 (Cenvat Credit Rules, 2004)	Cenvat Credit, interest and penalty	674.22	-	674.22	Financial Years 2009 – 10 2010 – 11	Customs, Excise and Service Tax Appellate Tribunal, Bangalore
Central Excise Act, 1944 (Cenvat Credit Rules, 2004)	Cenvat Credit, interest and penalty	190.11	95.06	95.05	Financial Years 2006 – 07 2007 – 08	Customs, Excise and Service Tax Appellate Tribunal, Bangalore

- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants
Dibyendu Majumder
Partner
Membership No. : 057687

Place : Bangalore
Date : May 29, 2014

BALANCE SHEET AS AT MARCH 31, 2014

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	3	1,126.51	1,126.51
Reserves and Surplus	4	68,816.15	64,517.13
NON-CURRENT LIABILITIES			
Long-term Borrowings	5	674.28	769.13
Long-term Provisions	6	1,096.28	1,286.45
CURRENT LIABILITIES			
Short-term Borrowings	7	10,845.40	16,040.43
Trade Payables	8	12,943.23	12,796.67
Other Current Liabilities	9	12,995.39	9,695.72
Short-term Provisions	10	276.42	40.98
TOTAL		108,773.66	106,273.02
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets	11		
Tangible Assets		41,287.76	29,398.42
Intangible Assets		539.77	557.07
Capital Work-in-Progress		702.49	12,084.96
Deferred Tax Assets (Net)	12	1,288.55	906.47
Long-term Loans and Advances	13	1,607.50	2,226.80
Other Non-Current Assets	14	606.50	409.78
CURRENT ASSETS			
Inventories	15	25,823.79	22,521.10
Trade Receivables	16	26,517.73	26,637.18
Cash and cash equivalents	17	5,970.18	5,958.34
Short-term Loans and Advances	18	4,429.39	5,572.90
TOTAL		108,773.66	106,273.02

The notes are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No: 057687

Place : Bangalore
Date : May 29, 2014

Place : Bangalore
Date : May 29, 2014

For and on behalf of the Board

Amit Laroya
Managing Director

Sameer Agarwal
Chief Financial Officer

B V Shankaranarayana Rao
Whole-time Director

V.Srinivasan
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	Year ended March 31, 2014	Year ended March 31, 2013
INCOME			
Revenue from Operations (Gross)		181,808.91	165,250.30
Less: Excise Duty		7,574.63	7,837.18
Revenue from Operations (Net)	19	174,234.28	157,413.12
Other income	20	1,994.29	1,050.34
Total Revenue		176,228.57	158,463.46
EXPENSES			
Cost of Materials Consumed	21	62,964.19	61,661.73
Purchases of Stock-in-Trade	22	47,082.37	38,134.60
Changes in inventories of Finished Goods, Work-in-progress and Stock-in-Trade	23	(505.85)	(406.78)
Employee Benefits Expense	24	24,305.86	21,282.17
Finance Costs	25	1,417.17	951.35
Depreciation and Amortisation Expense	26	4,760.40	3,630.00
Other Expenses	27	29,297.74	25,690.58
Total Expenses		169,321.88	150,943.65
Profit Before Tax		6,906.69	7,519.81
Tax Expenses:			
Current Tax		2,274.88	2,759.27
Tax adjustments relating to previous year		714.87	-
Deferred Tax		(382.08)	(465.99)
Profit for the year		4,299.02	5,226.53
Earnings per equity share: [Nominal Value per share Rs.10 (2013: Rs.10)]			
-Basic (Computed on the basis of total profit for the year)		38.16	46.40
-Diluted (Computed on the basis of total profit for the year)		38.16	46.40

The notes are an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No: 057687

Place : Bangalore
Date : May 29, 2014

Place : Bangalore
Date : May 29, 2014

For and on behalf of the Board

Amit Laroya
Managing Director

Sameer Agarwal
Chief Financial Officer

B V Shankaranarayana Rao
Whole-time Director

V.Srinivasan
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended March 31, 2014	Year ended March 31, 2013
A. Cash Flow from Operating Activities		
Profit Before Taxation	6,906.69	7,519.81
Adjustment for:		
Depreciation and Amortisation Expense	4,760.40	3,630.00
Advances Written off	647.06	-
Provision for Doubtful Debts	1,125.57	460.19
Provision for Doubtful Debts written back	(148.05)	(249.92)
Bad debts Written off	148.05	249.92
Provision for Doubtful Advances (net)	810.56	460.00
Liabilities/Provisions no longer required written back	(1,073.35)	(471.40)
Unrealised Foreign Exchange Loss (net)	37.25	21.18
Loss on sale of Fixed Assets (net)	57.86	34.82
Interest Income	(0.26)	(1.07)
Interest Expense	1,417.17	951.35
Operating Profit before Working Capital changes	14,688.95	12,604.88
Changes in Working Capital:		
Increase/ (Decrease) in Trade payables	495.40	(1,738.45)
Increase/ (Decrease) in Long-term Provisions	(33.83)	2.85
Increase/ (Decrease) in Short-term Provisions	(328.38)	221.63
Increase/ (Decrease) in Other Current Liabilities	3,311.65	1,056.91
Increase / (Decrease) in Other Non-Current Assets	(196.72)	(330.98)
(Increase)/ Decrease in Trade Receivables	(975.95)	(3,780.28)
(Increase)/ Decrease in Inventories	(3,302.69)	(1,149.44)
(Increase)/ Decrease in Long-Term Loans and Advances	619.28	1,861.03
(Increase)/ Decrease in Short-Term Loans and Advances	186.61	15.74
Cash generated from Operations	14,464.32	8,763.89
Taxes paid (net of refunds)	(2,425.93)	(2,386.03)
Net Cash Flow from Operating Activities	12,038.39	6,377.86
B. Cash Flow from Investing Activities		
Purchase of Tangible/Intangible Assets	(4,727.57)	(14,108.25)
Sale of Tangible Assets	5.47	12.47
Interest Received	0.26	1.07
Net cash used in investing activities	(4,721.84)	(14,094.71)
C. Cash Flow from Financing Activities		
Repayment of Loan Fund (Finance Lease)	(692.51)	(683.91)
Repayment/ proceeds from Short-Term Borrowings	(5,195.03)	9,921.47
Interest paid	(1,417.17)	(951.35)
Net Cash from Financing Activities	(7,304.71)	8,286.21
Net Increase/ (Decrease) in Cash in hand and Cash equivalents (A+B+C)	11.84	569.36
Cash and Cash equivalents as at 1st April (Opening balance)	5,958.34	5,388.98
Cash and Cash equivalents as at the 31st March (Closing balance)	5,970.18	5,958.34
Cash and Cash equivalents comprises of (refer note 17):		
Cash on hand	-	0.91
Cheques, drafts on hand	-	57.27
Balances with banks:		
Current accounts	5,970.18	5,900.16
	5,970.18	5,958.34

Notes:

- The above Cash Flow Statement has been prepared under indirect method in accordance with the Accounting Standard 3 as notified u/s 211(3C) of the Companies Act, 1956.
- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at 31st March, 2014 and the related Statement of Profit and Loss for the year ended 31st March, 2014.
- Previous year's figures have been regrouped wherever necessary to conform to current year's presentation.

This is the Cash Flow Statement referred to in our report of even date

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No: 057687

Place : Bangalore
Date : May 29, 2014

Place : Bangalore
Date : May 29, 2014

For and on behalf of the Board

Amit Laroya
Managing Director

Sameer Agarwal
Chief Financial Officer

B V Shankaranarayana Rao
Whole-time Director

V.Srinivasan
Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

3M India Limited ('the Company') is the subsidiary of 3M Company, USA. The Company manages its operations in five operating segments: Industrial, Health Care, Safety and Graphics, Consumer and Energy. In India, the Company has manufacturing facilities at Ahmedabad, Bangalore, Pune and has a R&D Center in Bangalore.

With effect from April 1, 2013, the Company internally aligned its operating divisions to new segments viz., Industrial, Health Care, Safety and Graphics, Consumer and Energy from its old segments viz., Industrial and Transportation Business, Health Care Business, Safety, Security and Protection Services Business, Consumer and Office Business, Display and Graphics Business. 3M India's five business segments bring together common or related 3M technologies that enhance the development of innovative products and services and provide efficient sharing of business resources. The Company is a public limited Company and is listed on the Bombay Stock Exchange Ltd (BSE) and the National Stock Exchange Ltd (NSE).

2. Summary of significant accounting policies

a) Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. Pursuant to circular 15/2013 dated 13.09.2013 read with circular 08/2014 dated 04.04.2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 1956.

All Assets and Liabilities have been classified as Current or Non-Current as per the Company's operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of Current and Non-Current classification of Assets and Liabilities.

b) Fixed Assets

Tangible Assets

Tangible Assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures related to an item of Fixed Asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of Fixed Assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Losses arising from the retirement of, and gains or losses arising from disposal of Fixed Assets which are carried at cost are recognised in the Statement of Profit and Loss.

Depreciation on Fixed Assets other than leasehold improvements is provided on straight line method at the following rates specified which are equal to or higher than the principal rates specified in Schedule XIV to the Companies Act, 1956:

Asset	Rates per annum
Buildings	3.34% / 5.00% / 10.00%
Plant and Machinery	6.67% / 10.00% / 14.14%
Data Processing Equipments	20.00% to 33.33%
Office Equipment	20.00%
Furniture and Fixtures	6.67% / 10.00%
Vehicles	20.00%

Assets individually costing less than Rs.5,000 are fully depreciated in the year of addition.

Leasehold improvements are amortised over the period of lease or the estimated useful life whichever is lower.

Assets taken on finance leases are depreciated over the estimated useful life or the lease term, whichever is lower.

Intangible Assets

Intangible Assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible Assets are amortised on a straight line basis over their estimated useful lives.

Gains or losses arising from the retirement or disposal of an Intangible Asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss. The amortisation rates used are:

Asset	Rates per annum
Computer Software	33.33% / 20.00%

Goodwill is amortised over the period of 5 years.

Cost of Leasehold land (including stamp duty) is amortised over the period of lease.

NOTES TO THE FINANCIAL STATEMENTS

c) Impairment

At the Balance Sheet date, the Company assesses whether there is any indication that an asset may be materially impaired. If such an indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent carrying amount exceeds the recoverable amount.

d) Inventories

Inventories are valued at the lower of cost and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. The costs of raw materials and traded goods are ascertained on First In First Out basis, whereas manufactured work-in-progress and finished goods are ascertained on weighted average method.

Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

e) Foreign Currency Transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. At the period end all monetary foreign assets and liabilities are restated at the rates ruling at the period end and all exchange gains / losses arising there from are adjusted to the Statement of Profit and Loss.

f) Revenue Recognition

Sales are recognised when goods are despatched in accordance with the terms of sale when significant risks and rewards of ownership in the goods are transferred to the buyer and are recorded net of sales returns, trade discount, rebates and sales tax collected but includes excise duty, where applicable.

Income from services rendered is booked based on agreements/ arrangements with concerned parties net of service tax.

Income from duty drawback, scrap sales, contract research and management support services etc., is recognised on an accrual basis.

g) Other Income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Income from sub-lease is recognised on an accrual basis.

h) Employee Benefits

Provident Fund

Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The Company has an Employees Gratuity Fund where the investments are administered by a Fund Manager. The Company accounts for the liability of Gratuity Benefits payable in future based on an independent actuarial valuation (using the Projected Unit Credit method). Actuarial losses/ gains are recognised in Statement of Profit and Loss in the year in which they arise.

Superannuation

The Company makes contribution to the Superannuation Scheme for certain employees participating in the scheme, a defined contribution scheme, administered by fund manager, based on a specified percentage of eligible employee's salary. The Company's obligation to the scheme is restricted to the contributions to the scheme.

Leave Encashment/Compensated Absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment/ availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation (using the Projected Unit Credit method).

i) Current tax and Deferred tax

Taxes on income for the current year are determined on the basis of provisions of Income Tax Act, 1961.

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date,

NOTES TO THE FINANCIAL STATEMENTS

the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

j) Provisions and Contingent Liabilities

Provisions

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain.

Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

k) Leases

Finance Leases:

The Company leases certain tangible assets and such leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The outstanding liability is included in long-term borrowings and other current liabilities as appropriate. The finance charge is charged to the Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight line basis over the period of the lease.

l) Segment Reporting

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. Revenue and Expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and Expenses, which relate to the Company as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated income/ expenses".

m) Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks with original maturities of three months or less.

n) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

o) Expenditure

Expenses are accounted for, on accrual basis and provision is made for all known losses and liabilities.

Excise duty and customs duty are accrued on the goods lying at the factory premises.

Revenue Expenditure on Research and Development is charged against the profit for the period in which it is incurred. Capital expenditure on Research and Development is shown as an addition to fixed assets.

p) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates; a revision to accounting estimates is recognised prospectively in the current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
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3. SHARE CAPITAL

AUTHORISED

11,265,070 (2013:11,265,070) Equity Shares of Rs. 10 each	1,126.51	1,126.51
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ISSUED, SUBSCRIBED & PAID UP:

11,265,070 (2013:11,265,070) Equity Shares of Rs. 10 each	1,126.51	1,126.51
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Total	1,126.51	1,126.51
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a) Reconciliation of the number of shares outstanding:

	31-Mar-14		31-Mar-13	
Equity Shares	Number	Rs.	Number	Rs.
Shares outstanding at the beginning of the year	11,265,070	1,126.51	11,265,070	1,126.51
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	11,265,070	1,126.51	11,265,070	1,126.51

b) Rights, preferences and restrictions attached to shares

The Company has only one class of shares referred to as equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c) Shares held by Holding Company

	31-Mar-14		31-Mar-13	
	Number	Rs.	Number	Rs.
3M Company, USA	8,448,802	844.88	8,448,802	844.88

d) Shares held by each shareholder holding more than 5 per cent shares

	31-Mar-14		31-Mar-13	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
3M Company, USA, the Holding Company	8,448,802	75.00%	8,448,802	75.00%

4. RESERVES AND SURPLUS

Securities Premium Account

Balance as at the beginning of the year	949.90	949.90
Add: Additions during the year	-	-
Less: Amount utilised during the year	-	-
Balance as at the end of the year	949.90	949.90

General Reserve

Balance as at the beginning of the year	32.25	32.25
Add: Transferred from Surplus in Statement of Profit and Loss during the year	-	-
Balance as at the end of the year	32.25	32.25

Surplus in the statement of profit and loss

Balance as at the beginning of the year	63,534.98	58,308.45
Add: Net Profit for the current year	4,299.02	5,226.53
Balance as at the end of the year	67,834.00	63,534.98
Total	68,816.15	64,517.13

5. LONG-TERM BORROWINGS

Secured

Finance Lease obligations	674.28	769.13
Total	674.28	769.13

Finance Lease obligations are Secured by hypothecation of assets underlying the leases. Finance Lease obligations are payable on monthly/quarterly payment of Equated Monthly Installments beginning from the month subsequent to taking the lease.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

March 31, 2014

March 31, 2013

6. LONG-TERM PROVISIONS

Provision for employee benefits

Provision for Gratuity (refer note 33)	107.21	374.16
Provision for Leave Encashment / Compensated Absences	279.83	269.65

Others

Provision for Warranty	334.73	279.59
Provision for Sales Tax	374.51	363.05

Total	1,096.28	1,286.45
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Particulars	31-Mar-13	Additions	Reversals	31-Mar-14
a) Warranty	279.59	55.14	-	334.73
b) Sales Tax	363.05	163.67	152.21	374.51
Total	642.64	218.81	152.21	709.24

Notes:

- a) Warranty provisions (net of reimbursements) relates to the estimated outflow in respect of products sold by the company which are generally covered under a warranty of one to five years.
- b) Provision for sales tax represents mainly the differential sales tax liability on account of non-collection of declaration forms. It also represents estimates made for probable liabilities arising out of pending disputes/ litigations with sales tax and other regulatory authorities. It is not practicable for the Company to estimate the timing of cash outflows, if any, in respect of the above pending resolution of respective proceedings.

Contingent Liabilities not provided for:

- a) Guarantees:
- Issued by Company's Bankers 688.92 849.65
- b) Claims against the Company not acknowledged as debts:
- Income Tax matters [net of amount paid under protest Rs. 83.71 lakhs(2013: Rs. 83.71 lakhs)] 2,825.48 2,015.58
 - Custom Duty (refer note (i) below) 1,961.51 1,961.51
 - Sales Tax matters [net of amount paid under protest Rs. 180.91 lakhs (2013 : Rs. 52.20 lakhs)] (refer note (ii) below) 9,516.08 165.19
 - Service Tax matters [net of amount paid under protest Rs. 121.60 lakhs] 833.55 113.42
 - Others (refer note 11) 181.77 181.77
- c) Letter of Credit - 5.08
- d) Certain Industrial/ customer disputes are pending before various judicial authorities – amounts not ascertainable.

Notes:

- (i) The Company during the previous year had received an order from The Commissioner of Customs demanding differential duty, interest and penalty of Rs.1,961.51 lakhs, contending the availment of concessional import duty in respect of some of its products for which a demand notice was served on the Company for payment of the above amount. The Company filed an appeal against the order including for obtaining a stay against any recovery proceedings that may be initiated and accordingly no liability has been recognised in the books.
- (ii) The Company during the year received orders from Assistant Commissioner of Sales Tax, Mumbai under the Maharashtra Value Added Tax Act, 2002 and Central Sales Tax Act, 1956 for the years 2005-06, 2006-07, 2008-09 and 2009-10 demanding differential tax, interest and penalty of Rs. 8,932.28 lakhs contending the applicable rate of tax for various products and matters pertaining to declaration forms. The Company has filed appeal against the orders for 2005-06 and 2008-09 based on legal opinion received and is in the process of filing the appeal against orders for 2006-07 and 2009-10. Accordingly, no liability has been recognised in the books.
- (iii) During February 2014, the Directorate of Revenue Intelligence (DRI) conducted a search under section 17 and 28 of the Customs Act 1962 in relation to levy of custom duty on inter-company transactions for import of goods and services. With a view to co-operate with the authorities and to secure the release of the detained goods, the Company, under protest, and without prejudice to its rights and remedies under law, in February of 2014 made a deposit of Rs. 50.00 lakhs. The DRI has requested for additional information, which is being complied for submission and the Company is co-operating with the authorities by submitting the information sought from time to time. Accordingly, no liability has been recognised in the books.
- (iv) Future cash outflow in respect of b) above are determinable only on receipt of judgements/ decisions pending with various forums/authorities.

Capital Commitments:

Estimated value of contracts in capital account remaining to be executed	190.17	1,711.61
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NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
7. SHORT-TERM BORROWINGS		
UNSECURED		
Term Loan from Bank (refer note (a) below)	1,000.00	3,440.78
Working Capital Loans repayable on demand from banks	9,845.40	12,599.65
Total	10,845.40	16,040.43
(a) Term Loan from Bank is repayable after one year from the date of drawing along with the interest of 10% p.a.		
8. TRADE PAYABLES		
Dues to Micro, Small and Medium Enterprises		
(refer note 34 for details of Dues to Micro, Small and Medium Enterprises)	54.33	87.97
Others	12,888.90	12,708.70
Total	12,943.23	12,796.67
9. OTHER CURRENT LIABILITIES		
Current maturities of finance lease obligations (refer note 5)	574.30	562.38
Deposits from Customers	1,314.94	1,190.47
Statutory Liabilities	1,672.12	1,208.57
Other Liabilities	9,434.03	6,734.30
Total	12,995.39	9,695.72
Notes		
a) Deposits from customers are towards sale of goods and services repayable on completion of contractual obligation with interest.		
b) There are no amounts due for payment to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.		
10. SHORT-TERM PROVISIONS		
Provision for Employee Benefits		
Provision for Leave Encashment	43.75	40.98
Others		
Provision for tax (net of advance tax Rs. 31,436.96 lakhs)	232.67	-
Total	276.42	40.98

NOTES TO THE FINANCIAL STATEMENTS

11. FIXED ASSETS

(All amounts in Rs. Lakhs, unless otherwise stated)

Particulars	GROSS BLOCK AT COST			DEPRECIATION / AMORTISATION				NETBLOCK	
	As at April 1, 2013	Additions	Disposals	As at March 31, 2014	As at April 1, 2013	Additions	Disposals/ Adjustments	As at March 31, 2014	As at March 31, 2013
TANGIBLE ASSETS									
<u>Owned Assets</u>									
Land	227.95	-	-	227.95	-	-	-	227.95	227.95
Buildings	12,332.12	5,345.66	7.34	17,670.44	1,310.43	575.84	354	15,787.71	11,021.69
Plant and Machinery	20,751.24	9,630.92	555.77	29,826.39	7,168.38	2,461.52	513.96	20,710.45	13,582.86
Furniture and Fixtures	1,582.46	402.08	85.94	1,898.60	445.81	144.36	74.88	1,383.31	1,136.65
Vehicles	20.89	9.50	7.96	22.43	13.68	8.66	7.96	8.05	7.21
Office Equipments	2,266.88	291.19	265.98	2,292.09	1,197.00	408.58	264.25	950.76	1,069.88
Data Processing Equipments	712.23	-	436.76	275.47	496.54	56.73	436.76	158.96	215.69
Leasehold Improvements	1,921.48	340.03	19.26	2,242.25	1,109.50	267.91	14.33	879.17	811.98
<u>Leased Assets</u>									
Data Processing Equipments	1,049.27	250.58	370.89	928.96	645.66	293.53	370.89	360.66	403.61
Leasehold Improvements	410.00	-	-	410.00	184.50	82.00	-	143.50	225.50
Furniture and Fixtures	36.37	-	-	36.37	26.50	9.62	-	0.25	9.87
Vehicles	1,147.41	353.76	47.62	1,453.55	461.88	343.69	29.01	676.99	685.53
Total - A	42,458.30	16,623.72	1,797.52	57,284.50	13,059.88	4,652.44	1,715.58	41,287.76	29,398.42
INTANGIBLE ASSETS									
Goodwill	600.17	-	-	600.17	600.17	-	-	-	-
Computer software	376.93	90.66	12.04	455.55	217.11	102.92	12.04	147.56	159.82
Land-Leasehold (Refer Note below)	458.09	-	-	458.09	60.84	5.04	-	392.21	397.25
Total - B	1,435.19	90.66	12.04	1,513.81	878.12	107.96	12.04	539.77	557.07
Total A + B	43,893.49	16,714.38	1,809.56	58,798.31	13,938.00	4,760.40	1,727.62	41,827.53	29,955.49
31 March 2013	39,540.33	4,683.46	330.27	43,893.49	10,552.95	3,630.00	244.95	29,955.49	28,987.35

Note: Leasehold Land represents amounts paid to Maharashtra Industrial Development Corporation (MIDC) for land including premium, paid towards fulfillment of compliance of certain conditions as mentioned in the agreement. The Company is in the process of registration of the lease agreement. In this regard, the Company has received a demand of Rs. 181.77 Lakhs from MIDC. The said demand is with respect to the differential premium for seeking change of Company's name from Birla 3M Limited to 3M India Limited in the records of MIDC. The Company has filed a Civil writ petition in the High Court at Bombay.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

March 31, 2014

March 31, 2013

12. DEFERRED TAX ASSETS (NET)

Accounting for taxes on Income disclosure as per Accounting Standard 22. Major components of Deferred tax assets and liabilities on account of timing differences as at March 31, 2014 are:

Particulars	Asset		Liability	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Depreciation	-	-	1,894.37	1,100.16
Provision for doubtful debts / advances	1,022.41	359.93	-	-
Provision allowed on payments, write off	2,160.51	1,646.70	-	-
	3,182.92	2,006.63	1,894.37	1,100.16
Net Deferred Tax Asset	1,288.55	906.47	-	-
Net Deferred Tax (Credit)/ Debit for the year	(382.08)	(465.99)	-	-

The tax impact for the above purpose has been arrived by applying a tax rate of 33.99% (2013: 33.99%) being the tax rate under the tax laws that have been enacted or substantively enacted by the Balance Sheet date and applicable for Indian Companies under the Income Tax Act, 1961.

Current tax for the previous year includes an amount of Rs. 58.94 lakhs towards tax on voluntary Transfer Pricing adjustments made by the Company relating to the financial year ended March 31, 2012 for Consumer and Office Business segment (refer note 35).

Deferred Tax income for the year includes an amount of Rs. 252.75 lakhs pertaining to tax adjustments relating to previous years.

Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

13. LONG-TERM LOANS AND ADVANCES

Capital Advances

Unsecured, considered good	158.45	731.38
	158.45	731.38

Security Deposits

Unsecured, considered good	1,415.25	1,464.44
	1,415.25	1,464.44

Other Loans and Advances

Advances recoverable in cash or kind or for value to be received

Unsecured, considered good	33.80	30.26
Prepaid Expenses	-	0.72
Unsecured, considered good	33.80	30.98
Total	1,607.50	2,226.80

14. OTHER NON-CURRENT ASSETS

Long term trade receivables

Unsecured, considered good	606.50	409.78
Total	606.50	409.78

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
15. INVENTORIES		
Raw Materials		
[including in-transit Rs. 1,536.38 lakhs (2013: Rs. 2,024.69 lakhs)]	7,674.55	5,304.58
Work-in-progress	1,026.22	687.38
Finished goods	8,217.15	6,000.96
Stock-in-trade [including in-transit Rs. 3,954.62 lakhs (2013 : Rs.2,391.17 lakhs)]	8,438.35	10,057.45
Stores and Spares	-	64.62
Packing Materials	467.52	406.11
Total	25,823.79	22,521.10
a) Details of Inventory of Stock-in-trade		
Abrasive	888.17	1,569.26
Fusion bonded epoxy coating	101.09	178.14
Medical surgical & dental products	1,246.67	1,536.99
Self adhesive films	1,662.07	2,542.85
Others	4,540.35	4,230.21
Total	8,438.35	10,057.45
b) Details of Inventory of Work-in-progress		
Abrasive	5.15	2.80
Fusion bonded epoxy coating	27.06	46.63
Medical surgical & dental products	156.57	24.24
Self adhesive films	463.05	329.68
Others	374.39	284.03
Total	1,026.22	687.38
c) Details of Inventory of Finished Goods		
Abrasive	200.77	99.19
Fusion bonded epoxy coating	233.76	268.53
Medical surgical & dental products	779.24	466.48
Self adhesive films	1,609.84	1,467.01
Others	5,393.54	3,699.75
Total	8,217.15	6,000.96
16. TRADE RECEIVABLES		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	201.96	123.14
Others	640.07	638.44
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	593.32	1,406.45
Others	25,082.38	24,469.15
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	1,570.73	593.21
Less: Provision for doubtful debts	(1,570.73)	(593.21)
Total	26,517.73	26,637.18

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
17. CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents		
Cash on hand	-	0.91
Cheques, drafts on hand	-	57.27
Balances with banks		
Current Accounts	5,970.18	5,900.16
Total	5,970.18	5,958.34
18. SHORT-TERM LOANS AND ADVANCES		
Security Deposits		
Unsecured, considered good	198.49	231.16
Unsecured, considered doubtful	61.76	61.76
	260.25	292.92
Less: Provision for doubtful deposits	(61.76)	(61.76)
	198.49	231.16
Other Loans and Advances		
Advances recoverable in cash or kind or for value to be received		
Unsecured, considered good	216.79	783.73
Unsecured, considered doubtful	769.83	460.00
Advance income-tax [net of provision for taxation Rs. 28,679.87 lakhs]		
Unsecured, considered good	-	331.15
Prepaid expenses		
Unsecured, considered good	365.01	351.48
Balance with Statutory/ Government Authorities		
Unsecured, considered good	3,649.10	3,875.38
	5,000.73	5,801.74
Less: Provision for doubtful advances	(769.83)	(460.00)
	4,230.90	5,341.74
Total	4,429.39	5,572.90

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

March 31, 2014

March 31, 2013

19. REVENUE FROM OPERATIONS

Revenue from Operations

Sale of Products

Finished Goods	94,409.07	89,132.55
Traded Goods	84,008.73	73,806.32

Other operating revenue

Income from Contract Research [refer note 42 (c)]	2,424.62	1,725.45
Income from Management Support Services [refer note 42 (b)(iii)]	665.83	444.48
Income from Duty Drawback	255.46	90.36
Scrap sales	45.20	51.14

Revenue from Operations (Gross)	181,808.91	165,250.30
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Less: Excise duty	7,574.63	7,837.18
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Revenue from Operations (Net)	174,234.28	157,413.12
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Details of Product Sold

a) Finished Goods (net of excise duty)

Abrasive	2,584.79	2,806.25
Fusion bonded epoxy coating	7,088.30	5,096.49
Medical surgical & dental products	10,148.64	7,818.17
Self adhesive films	27,078.45	32,423.07
Others	39,934.26	33,151.39
Total	86,834.44	81,295.37

b) Traded Goods

Abrasive	10,421.70	11,313.63
Fusion bonded epoxy coating	4,567.87	3,681.35
Medical surgical & dental products	19,822.33	19,774.23
Self adhesive films	24,151.62	17,958.55
Others	25,045.21	21,078.56
Total	84,008.73	73,806.32

20. OTHER INCOME

Interest income	0.26	1.07
Provision for doubtful debts written back	148.05	249.92
Income from sub-lease	-	103.69
Liabilities/ Provision no longer required written back	1,073.35	471.40
Net Gain on foreign currency transactions and translation	41.84	224.26
Miscellaneous income	730.79	-
Total	1,994.29	1,050.34

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
21. COST OF MATERIALS CONSUMED		
Raw Materials		
Opening Inventory	5,304.58	4,349.57
Add: Purchases	60,479.62	58,147.97
Less: Inventory at the end of the year	7,674.55	5,304.58
Cost of Raw Materials Consumed	58,109.65	57,192.96
Packing Materials		
Opening Inventory	406.11	361.18
Add: Purchases	2,529.87	2,562.22
Less: Inventory at the end of the year	467.52	406.11
Cost of Packing Materials Consumed	2,468.46	2,517.29
Sub Contracting Charges	2,386.08	1,951.48
	62,964.19	61,661.73
Details of Raw Material Consumed		
Abrasive	3,004.61	3,071.46
Fusion bonded epoxy coating	2,494.53	2,085.53
Medical surgical & dental products	4,106.34	2,428.74
Self adhesive films	12,020.16	12,985.53
Others	36,484.01	36,621.70
Total	58,109.65	57,192.96
22. PURCHASES OF STOCK-IN-TRADE		
Traded Goods Purchased	47,082.37	38,134.60
Details of Purchases of Stock-in-trade		
Abrasive	5,689.92	8,633.00
Fusion bonded epoxy coating	3,273.66	3,127.36
Medical surgical & dental products	10,890.01	11,989.61
Self adhesive films	18,424.58	13,153.68
Others	8,804.20	1,230.95
Total	47,082.37	38,134.60

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
23. CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS & STOCK-IN-TRADE		
Stock at the beginning of the year		
- Work-in-progress	687.38	578.26
- Finished Goods	6,000.96	5,971.02
- Traded Goods	10,057.45	9,980.43
	<u>16,745.79</u>	<u>16,529.71</u>
Less : Stock at the end of the year		
- Work-in-progress	1,026.22	687.38
- Finished Goods	8,217.15	6,000.96
- Traded Goods	8,438.35	10,057.45
	<u>17,681.72</u>	<u>16,745.79</u>
(Increase)/ Decrease in stocks	(935.93)	(216.08)
Increase/(Decrease) in Excise Duty	430.08	(190.70)
Total	<u>(505.85)</u>	<u>(406.78)</u>
24. EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus [refer note 27 (b)]*	21,484.17	17,879.25
[including provision for/ (write back of) Leave encashment Rs.29.14 lakhs (2013:Rs.88.02 lakhs)]		
Contribution to Provident and other funds (refer note 33)	1,256.69	2,020.83
[including provision for/ (write back of) gratuity Rs. (16.95) lakhs (2013: Rs. 470.77 lakhs)]		
Staff Welfare Expenses	1,565.00	1,382.09
Total	<u>24,305.86</u>	<u>21,282.17</u>
* Net of recoveries/ amount paid amounting to Rs. 195.02 lakhs/ Rs. 111.10 lakhs recovered from/ paid to 3M Electro & Communication India Private Limited, a subsidiary of 3M Company, USA.		
25. FINANCE COSTS		
Interest expense	1,417.17	951.35
Total	<u>1,417.17</u>	<u>951.35</u>
26. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation on Tangible Assets	4,652.44	3,544.01
Amortisation on Intangible Assets	107.96	85.99
Total	<u>4,760.40</u>	<u>3,630.00</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
27. OTHER EXPENSES		
Consumption of stores and spare parts	887.50	793.08
Power and Fuel*	1,187.46	1,048.67
Water charges*	34.19	28.43
Lease rental (refer note 37)*	2,456.33	2,195.62
Repairs and maintenance		
- Building*	339.40	416.77
- Plant and Machinery	682.61	656.71
- Others *	283.73	281.28
Insurance	619.18	520.22
Rates and taxes	55.96	201.18
Communication *	458.71	422.33
Travel and conveyance	2,415.52	2,896.61
Legal and professional charges [refer note (a) below]	1,036.68	929.90
Selling, distribution and advertisement Expenses	5,330.81	5,847.15
Warranty (refer note 6)	55.14	-
Commission on sales	496.60	69.29
Freight outward (net)	506.50	675.07
Royalty [refer note 42 (a)]	1,503.32	1,051.96
Corporate Management Fees (Net) [refer note 42 (b)(i)]	6,295.33	5,268.02
Directors' sitting fees	7.27	7.27
Bad debts written off	148.05	249.92
Provision for doubtful debts (net of write back)	1,125.57	460.19
Advances written off	647.06	-
Provision for doubtful advances and deposits	810.56	460.00
Loss on sale of Fixed assets (net)	57.86	34.82
Bank charges	57.63	72.66
Miscellaneous expenses *	1,798.77	1,103.43
Total	29,297.74	25,690.58
* Net of recoveries amounting to Rs. 191.68 lakhs (2013: Rs. 191.68 lakhs) recovered from 3M Electro & Communication India Private Limited, a subsidiary of 3M Company, USA.		
(a) Payment to Auditors (excluding service tax)		
As a auditor		
- Audit Fees	49.16	40.09
- Tax Audit Fees	7.00	6.00
In other Capacity		
- Certification and other services	24.30	19.50
Reimbursement of expenses	0.82	0.52
Total	81.28	66.11
(b) Research & Development Expenses (refer note 32)		
Salaries & Wages (refer note 24)	2,106.08	1,712.09
Other Expenses (refer note 27)	1,903.19	1,713.24
Total	4,009.27	3,425.33

March 31, 2014

March 31, 2013

Raw Materials	28,265.86	29,269.53
Traded goods	45,747.61	39,625.56
Stores and spares	61.14	67.90
Capital goods	1,168.18	3,203.73
Total	75,242.79	72,166.72

Travelling expenses	206.62	139.53
Corporate Management Fee	5,828.32	5,268.02
Royalty	1,375.71	1,093.01
Foreign Services Employees expense	287.47	158.73
Others (net of tax)	153.73	115.43
Total	7,851.85	6,774.72

(As certified by the Management)

	March 31, 2014		March 31, 2013	
	%	Rs.	%	Rs.
Raw Materials				
- Imported	76%	44,163.33	80%	45,754.37
- Indigenous	24%	13,946.32	20%	11,438.59
	100%	58,109.65	100%	57,192.96
Stores and Spares				
- Imported	25%	221.88	25%	198.27
- Indigenous	75%	665.62	75%	594.81
	100%	887.50	100%	793.08
Packing Material				
- Imported	-	-	-	-
- Indigenous	100%	2,468.46	100%	2,517.29
	100%	2,468.46	100%	2,517.29
	March 31, 2014		March 31, 2013	

Export of goods	3,431.09	2,319.91
Freight and insurance on exports	21.15	45.47
Contract Research	2,424.62	1,725.45
Re-charge of Other Services	665.83	444.48
Total	6,542.69	4,535.31

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

March 31, 2014

March 31, 2013

32. RESEARCH AND DEVELOPMENT

In the year 2012-13, the Company has received approval under section 35 (2AB) of the Income Tax Act 1961 for its recognised In-House Research and Development Center at Bangalore with effect from July 20, 2012 to March 31, 2015. Accordingly, total revenue expenditure (net of recoveries) on Research and Development for the year 2013-14 is proposed to be considered for certain Income Tax benefits.

33. EMPLOYEE BENEFITS

- a) The Company has recognised, in the Statement of Profit and Loss account for the period ended March 31, 2014 an amount of Rs. 1,273.64 lakhs (2013: Rs. 1,550.06 lakhs) expenses under defined contribution plans.

Benefits (Contribution to)

Provident Fund	978.70	812.39
Superannuation Fund	288.64	725.92
Employee State Insurance Corporation	6.30	11.75
Total	1,273.64	1,550.06

- b) The Company operates post retirement defined benefit plan for retirement gratuity which is funded.

- c) Details of the post retirement gratuity plan are as follows:

I. Reconciliation of opening and closing balances of obligation

Obligation as at the beginning of the year	1,744.56	1,271.74
Current service cost	252.53	191.13
Interest cost	137.61	104.43
Actuarial (Gain)/ Loss	(277.78)	292.21
Benefits paid	(91.44)	(114.95)
Obligation as at the end of the year	1,765.48	1,744.56

II. Change in Plan Assets (Reconciliation of opening and closing balances)

Fair value of Plan Assets as at the beginning of the year	1,370.40	1,018.35
Expected return on Plan Assets	108.73	85.19
Actuarial Gain/ (Loss)	20.58	31.81
Contributions	250.00	350.00
Benefits paid	(91.44)	(114.95)
Fair value of Plan Assets as at the end of the year	1,658.27	1,370.40

III. Reconciliation of fair value of assets and obligations

Present value of obligation as at end of the year	1,765.48	1,744.56
Fair value of Plan Assets as at the end of the year	(1,658.27)	(1,370.40)
Unfunded amount recognised in the Balance Sheet	107.21	374.16

Recognised under:

Long Term Provision (refer note 6)	107.21	374.16
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IV. Expense recognised during the year

Current service cost	252.53	191.13
Interest cost	137.61	104.43
Expected return on Plan Assets	(108.73)	(85.19)
Actuarial (Gain)/ Loss	(298.36)	260.40
Expense/ (Income) recognised during the year	(16.95)	470.77

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
V. Investment Details of Plan Assets		
Insurer Managed Fund	100%	100%
VI. Assumptions		
Discount Rate (per annum)	9.25%	8.10%
Interest Rate (per annum)	8.00%	7.50%
Estimated Rate of return on Plan Assets (per annum)	8.00%	7.50%
Rate of Escalation in Salary (per annum)	6.00%	6.00%

	2014 (12 Months)	2013 (12 Months)	2012 (12 Months)	2011 (12 Months)	2010 (15 Months)
VII.Experience History					
Defined Benefit Obligation at the end of the year	(1,765.48)	(1,744.56)	(1,271.74)	(983.10)	(646.37)
Plan Assets at end of the year	1,658.27	1,370.40	1,018.35	739.56	610.60
Fund Status	(107.21)	(374.16)	(253.39)	(243.54)	(35.78)
Experience Gain / (Loss) adjustments on plan liabilities	76.43	(208.43)	(194.95)	(198.78)	(9.68)
Experience Gain / (Loss) adjustments on plan assets	20.58	31.81	8.11	1.32	19.00
Actuarial Gain / (Loss) due to change on assumptions	201.35	(83.78)	52.14	(56.43)	186.53

Notes:

- The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- As per management estimate, contribution of Rs. 200 lakhs (2013: Rs. 200 lakhs) is expected to be paid to the plan during the year ending March 31, 2015.
- Pursuant to 3M India Limited Employees Superannuation Fund Trust (trust) variation deed dated June 01, 2013, an offer was made to the members of the trust to withdraw 100% of their balance in lieu of contribution to the scheme. An approval has been obtained by the trust from Commissioner of Income tax under rule 2(1) of Part B of IV Schedule to the Income Tax Act, 1961 vide letter dated November 29, 2013. During February 2014, for the members who opted for the scheme of 100% withdrawal an amount of Rs. 2,246.36 lakhs has been brought into the Company and the disbursement has been routed through Company.

	March 31, 2014	March 31, 2013
34. DISCLOSURE OF DUES / PAYMENTS TO MICRO, SMALL AND MEDIUM ENTERPRISES TO THE EXTENT SUCH ENTERPRISES ARE IDENTIFIED BY THE COMPANY.		
(a) (i) The principal amount remaining unpaid as at year end	28.82	68.14
(ii) Interest due thereon remaining unpaid as at year end	25.51	19.83
(b) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting period:		
(i) Delayed payment of principal amount paid beyond the appointed date during the entire accounting period.	-	-
(ii) Interest actually paid under Section 16 of the Act, during the entire accounting period.	-	-

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs. unless otherwise stated)

	March 31, 2014	March 31, 2013
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	-	-
(d) The amount of interest accrued and remaining unpaid as at year end		
(i) Total interest accrued during the period	25.14	17.21
(ii) Total Interest remaining unpaid out of the above as at period end.	-	-
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	0.37	2.62

Note: The above information has been determined based on vendors identified by the Company and confirmed by the vendors.

35. The Finance Act, 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulations for computing the taxable income and expenditure from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. In addition to above, The Finance Act, 2012 has amended/inserted, with effect from assessment year 2013-14 (Effective April 01, 2013), Transfer Pricing Regulations for computing the taxable income and expenditure from 'Specified Domestic Transactions' not being an international transaction between 'associated enterprises' on an 'arm's length' basis. These regulations, inter-alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within due date of filing the Return of Income. For the year March 31, 2013 prescribed certificate of the Accountant has been obtained and this did not envisage any tax liability. For the fiscal year March 31, 2014, the Company is in the process of obtaining the certificate of the Accountant. The Company does not envisage any tax implication arising based out of such study. For the financial year ending March 31, 2012, the Company had undertaken a study to comply with the said transfer pricing regulations for which the prescribed certificate of the Accountant has been obtained and accordingly Company in the previous year had recognised an amount of Rs. 58.94 lakhs towards tax on voluntary Transfer Pricing adjustments relating to the financial year ended March 31, 2012 for Consumer and Office Business segment.

36. RELATED PARTY TRANSACTIONS:

Names of related parties and nature of relationship:

i) Holding Company	3M Company, USA
ii) Key Management personnel	Ajay Nanavati (up to 30th September, 2013) Amit Laroya (from 1st October, 2013) B.V. Shankaranarayana Rao Sadhana Kaul (up to 31st October, 2013)

Summary of the monetary value of the transactions with the related parties is as follows:

	Holding Company	Fellow Subsidiaries	Key Management Personnel	Total
I. Expenses				
a. Purchase of materials (net of returns)	24,597.84 (24,403.87)	36,293.88 (32,108.29)	- (-)	60,891.72 (56,512.16)
b. Remuneration to Directors	- (-)	- (-)	545.38 (552.07)	545.38 (552.07)
c. Corporate Management Fee	5,649.04 (5,105.48)	179.28 (162.54)	- (-)	5,828.32 (5,268.02)
d. Royalty	1,375.71 (1,093.01)	- (-)	- (-)	1,375.71 (1,093.01)
e. Recharge of expenses paid	115.50 (158.73)	272.76 (12.28)	- (-)	388.26 (171.01)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding Company	Fellow Subsidiaries	Key Management Personnel	Total
II. Income				
a. Sale of goods	- (62.49)	3,516.19 (2,389.85)	- (-)	3,516.19 (2,452.34)
b. Income from Contract Research	2,424.62 (1,725.45)	- (-)	- (-)	2,424.62 (1,725.45)
c. Income from Management Support Services	646.53 (396.53)	19.30 (47.95)	- (-)	665.83 (444.48)
III. Others				
Recharge/ Reimbursement of expenses received	236.36 (234.46)	747.63 (467.35)	- (-)	983.99 (701.81)
IV. Purchase of Capital Goods	342.61 (1,754.53)	100.42 (294.75)	- (-)	443.03 (2,049.28)
V. Balances				
a. Outstanding receivables	1,344.61 (995.14)	1,068.41 (464.49)	- (-)	2,413.02 (1,459.63)
b. Outstanding payables	2,068.16 (3,025.10)	5,207.42 (4,565.19)	- (-)	7,275.58 (7,590.29)

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties.

Particulars	Relationship	Transactions		Balances	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Sale of Goods					
3M Gulf Limited	Fellow Subsidiary	445.15	1,175.68	-	-
3M Accounts Payable	Fellow Subsidiary	414.36	15.45	-	-
3M Innovation Singapore Pte Ltd	Fellow Subsidiary	600.83	98.51	-	-
3M Italia SPA	Fellow Subsidiary	531.45	70.00	-	-
3M United Kingdom PLC	Fellow Subsidiary	513.68	292.65	-	-
Recharge/reimbursement of expenses received					
3M Electro & Communication India Private Limited	Fellow Subsidiary	348.24	191.68	-	-
3M Philippines	Fellow Subsidiary	105.38	131.03	-	-
3M APAC	Fellow Subsidiary	128.07	-	-	-
3M Indonesia	Fellow Subsidiary	-	120.60	-	-
Remuneration to Directors					
Ajay Nanavati (up to 30th September, 2013)	Key Management Personnel			127.38	272.05
Amit Laroya (from 1st October, 2013)	Key Management Personnel			204.19	-
B.V. Shankaranarayana Rao	Key Management Personnel			144.66	116.72
Sadhana Kaul (up to 31st October, 2013)	Key Management Personnel			69.15	109.63
R. Vijay Kumar (31st October, 2011 to 26th October, 2012)	Key Management Personnel			-	53.67
Purchase of Capital Goods					
3M Canada Company	Fellow Subsidiary	74.36	-	-	-
3M Electro & Communication India Private Limited	Fellow Subsidiary	25.84	283.59	-	-

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

Particulars	Relationship	Transactions		Balances	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Recharge of expenses paid					
3M APAC	Fellow Subsidiary	171.97	-	-	-
3M Electro & Communication India Private Limited	Fellow Subsidiary	100.79	-	-	-
Purchase of materials (net of returns)					
3M Innovation (SG) Singapore	Fellow Subsidiary	8,705.34	3,718.15	1,202.41	-
3M APAC RDC Pte Ltd	Fellow Subsidiary	5,657.17	5,818.83	651.84	415.68
Sumitomo 3M Limited	Fellow Subsidiary	4,270.80	5,645.76	874.14	911.70

- The above does not include related party transactions with retiral funds, as the key management personnel who are trustees of the funds cannot individually exercise significant influence on the retiral fund transactions.
- The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.
- None of the relatives of the Directors of the Company have any interest in any companies, firms, body corporate with which transactions have been entered into during the period.
- As gratuity and compensated absences are computed for all the employees in aggregate, the amounts relating to the Key Managerial Personnel cannot be individually identified.
- Figures in brackets relates to the previous year.

March 31, 2014

March 31, 2013

37. ASSETS TAKEN ON LEASE

Operating Lease:

The Company has taken office premises, warehouse, residential premises, vehicles and office equipment under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and lessee. The initial tenure of the lease is generally for eleven months to ninety six months. The minimum rental payments under the operating leases under non-cancellable lease term as at March 31, 2014 is as under:

Minimum Lease payments

Lease rental charged to Statement of Profit and Loss	2,456.33	2,195.62
Minimum lease payments not later than one year	849.55	850.31
Minimum lease payments later than one year but not later than five years	535.50	1,383.49
Minimum lease payments later than five years	-	-

Finance Lease:

The Company has taken vehicles, data processing equipments, leasehold improvements and furniture and fixtures under finance lease agreements. The minimum rental payments under the finance leases as at March 31, 2014 are as under:

Minimum Lease payments

Minimum lease payments not later than one year	649.69	687.20
Minimum lease payments later than one year but not later than five years	711.67	825.07
Minimum lease payments later than five years	-	-

Present Value of Minimum Lease payments

Minimum lease payments not later than one year	618.75	654.58
Minimum lease payments later than one year but not later than five years	597.87	684.52
Minimum lease payments later than five years	-	-

The Company had entered in an agreement for sub-lease of office premises. The sub-lease was for a term of three year, which expired on December 31, 2012. The future minimum lease under this sub-lease agreement is as under:

Income from sub-lease	-	103.69
Minimum lease rentals up to one year	-	-
Minimum lease rentals later than one year but not later than five years	-	-
Minimum lease rentals later than five years	-	-

Note: There are no assets attached to the office premises under sub-lease.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

March 31, 2014

March 31, 2013

38. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

a. Derivatives outstanding as at the reporting date

Particulars	Purpose		
Forward Contracts to Sell USD	Hedge of firm commitment and highly profitable forecast transaction	-	-
Forward Contracts to buy USD	Hedge of external commercial borrowings	-	-

b. Particulars of unhedged foreign currency exposure as at the reporting date

Trade Payables		
Canadian Dollar	214.18	160.09
Euro	807.10	1,141.97
British Pound	190.09	173.74
Japanese Yen	874.14	911.70
Polish Zloty	2.90	10.06
Swedish Krona	2.07	32.97
Singapore Dollar	1,069.53	614.30
United States Dollar	3,648.38	3,902.80
Trade receivables (in United States Dollar)	508.23	216.04

c. Mark-to-Market losses

Mark-to-Market losses provided for	-	-
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39. EARNING PER SHARE

Net profit attributable to equity shareholders	4,299.02	5,226.53
Weighted average number of equity shares outstanding during the year	11,265,070	11,265,070
Face value of equity share (Rs.)	10.00	10.00
Basic and diluted earnings per share (Rs.)	38.16	46.40

40. SEGMENT REPORTING

Segment Revenue (net sale / income)

a) Industrial	74,988.95	74,729.86
b) Health Care	23,325.25	22,152.67
c) Safety and Graphics	41,726.59	32,311.59
d) Consumer	17,355.75	15,054.56
e) Energy	13,935.43	10,906.64
f) Others *	2,902.31	2,257.80

Total revenue	174,234.28	157,413.12
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Segment Results (Profit before interest and tax)

a) Industrial	4,441.46	5,390.68
b) Health Care	564.37	1,155.77
c) Safety and Graphics	639.44	1,543.75
d) Consumer	(245.70)	(622.84)
e) Energy	309.15	(347.55)
f) Others	620.85	301.01

Total segment results	6,329.57	7,420.82
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Less : Interest expense	1,417.17	951.35
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Add: Other un-allocable income net off un-allocable expenditure	1,994.29	1,050.34
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Profit before tax	6,906.69	7,519.81
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Tax expense	2,607.67	2,293.28
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Profit after tax	4,299.02	5,226.53
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NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2014	March 31, 2013
Segment Assets		
a) Industrial	40,523.49	43,338.64
b) Health Care	14,198.89	10,677.36
c) Safety and Graphics	17,165.34	19,758.94
d) Consumer	13,359.39	7,243.62
e) Energy	10,730.94	9,411.23
f) Others	12,795.61	15,843.23
Total assets	108,773.66	106,273.02
Segment Liability		
a) Industrial	10,399.14	10,807.21
b) Health Care	3,239.54	3,456.71
c) Safety and Graphics	6,379.15	5,712.61
d) Consumer	2,538.26	2,672.13
e) Energy	1,904.54	1,525.55
f) Others	14,370.37	16,455.17
Total liability	38,831.00	40,629.38
Capital Expenditure		
a) Industrial	596.42	5,908.79
b) Health Care	572.15	3,891.81
c) Safety and Graphics	118.54	234.53
d) Consumer	1,072.34	1,820.89
e) Energy	86.87	318.09
f) Others	2,885.59	2,514.17
Total capital expenditure	5,331.91	14,688.28
Depreciation Expenses		
a) Industrial	2,942.75	1,878.89
b) Health Care	354.63	385.99
c) Safety and Graphics	446.88	190.71
d) Consumer	285.56	270.29
e) Energy	597.09	545.54
f) Others	133.49	358.58
Total depreciation expenses	4,760.40	3,630.00
Non Cash Expenses Other than Depreciation		
a) Industrial	847.73	463.63
b) Health Care	278.20	130.82
c) Safety and Graphics	614.04	172.95
d) Consumer	63.52	66.89
e) Energy	129.53	82.30
f) Others	3.11	3.60
Total non cash expenditure	1,936.13	920.19
*includes export sales	2,902.31	2,257.80

Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17), taking into account the organisation structure as well as the differential risks and returns of these segments.

Segment revenue, results and capital employed figures include the respective amounts identifiable to each of the segments. Other unallocable income net off unallocable expenditure are towards common services to the segments which are not directly

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

identifiable to the individual segments as well as those at a corporate level which relate to the Company as a whole.

The Company operates mainly to the needs of domestic market and export turnover is not significant in context of total turnover. Accordingly, there are no reportable geographical segments.

With effect from April 1, 2013, the Company internally aligned its operating divisions to new segments viz., Industrial, Health Care, Safety and Graphics, Consumer and Energy from its old segments viz., Industrial and Transportation Business, Health Care Business, Safety, Security and Protection Services Business, Consumer and Office Business, Display and Graphics Business.

The products included in each of the reported segments are as follows:

- (a) **Industrial:** Major products under this segment include vinyl, polyester, foil and specialty industrial tapes and adhesives: Scotch Masking Tape, Scotch Filament Tape and Scotch Packaging Tape; Functional and Decorative Graphics; Abrasion-Resistant Films, Masking Tapes and Other Specialty Materials.
- (b) **Health Care:** Major products 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.
- (c) **Safety and Graphics:** Major product under this segment include personal protection products, brand & asset protection solutions, border control products, passive fire protection products for industries and commercial establishments, track and trace products, cleaning and hygiene products for the hospitality industry.

Graphics Business consists of four divisional subsets- the Traffic Safety Systems Division (TSSD), the Commercial Graphics Division (CGD), the Architectural Markets Division (AMD) and the Mobile Interactive Solutions Division (MISD). TSSD products include retro reflective traffic signs for highways and cities, pavement marking and vehicle registration products and services. CGD portfolio includes products like films, inks and digital signage products. AMD products includes wall and glass cladding products coupled with architectural interior services and environmental graphics for home and office spaces. MISD products include projection systems, computer and ATM-screen privacy filters and brightness enhancement films for television, avionics and automotive displays.

- (d) **Consumer :** Consumer and Office Business includes products such as Scotch brand, addressing the Home & Office tapes, Adhesives, Packaging protection platforms; Post-it brand with a product range of Note Pads, Dispensers, Flagging solution, Labels and Scotchguard brand addressing the stain protection market.
- (e) **Energy:** Energy includes products such as Fusion Bonded Epoxy coatings, Sun films and renewable energy.

41. STOCK OPTION

3M Company, USA (3M), the parent company has offered 'General Employees Stock Purchase Plan' to all the employees of the company. In accordance with the plan, the Company during the year has deducted for remittance a sum of Rs. 63.13 lakhs (2013:Rs. 49.31 lakhs) and cumulatively amounting to Rs. 373.51 lakhs (2013: Rs. 310.38 lakhs) from the salary of the employees who have opted for the plan. As of the year end a sum of Rs. 5.87 lakhs (2013: Rs. 4.69 lakhs) is pending remittance to the holding company and the same is included under Other Current Liabilities (refer note 9).

3M Company, USA (3M) has established 3M Company Long Term Incentive Plan (LTIP) / Management Stock Ownership Program (MSOP). As a part of the plan, Executive Directors and Senior Executives of 3M India Limited (3M India) are eligible to acquire shares of 3M Company, USA via stock options, stock appreciation rights (SARs), restricted stock units (RSUs) and performance shares. The eligible employees are granted stock options / stock appreciation rights (SARs)/ restricted stock units (RSUs) which will vest with the employees over a period of 3 years from the date of the grant and they can exercise the stock option within a stipulated period mentioned in the plan.

3M measures compensation expense for stock appreciation rights (SARs) at their fair value determined using Black – Scholes Model and restricted stock units (RSUs) based on fair market value of shares of 3M USA on the date of Grant for respective countries including India. Accordingly, an amount of Rs. 615.38 lakhs (2013: Rs. 299.59 lakhs) has been debited to the Statement of Profit and Loss account for the year and included under Employee Benefit Expenses.

During the year the Company has granted to employees of the Company 14,621 stock appreciation rights (SARs) (2013: 16,600) and 4,847 restricted stock units (RSUs) (2013: 3,320) on various dates of which none are vested. However 14,978 stock appreciation rights (SARs) (2013: 3,917) and 3,151 restricted stock units (RSUs) (2013: 3,233) were settled on account of being fully vested and exercised/forfeited resulting in an outstanding balance of 43,826 stock appreciation rights (SARs) (2013: 44,283) and 12,626 restricted stock units (RSUs) (2013: 10,930) at the end of the year.

The above disclosure as per Guidance Note on Accounting for Employee Share based Payment issued by ICAI is made to the extent the necessary information is available with the Company.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

42. INTERCOMPANY AGREEMENTS/ ARRANGEMENTS:

a) Intellectual property agreement – The Company had entered into Intellectual Property agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for the payment of license fees in the form of royalties. Payments were waived off for a period of 3 years effective from July 1, 2006 to June 30, 2009. These payments have been reinstated with effect from July 1, 2009. The Intellectual Property Agreement with 3M Innovative Properties Company and 3M Company, USA has been revised effective July 1, 2013. Accordingly, the Company has incurred an expenditure of Rs. 1,375.71 lakhs (2013: Rs. 1,051.96 lakhs) for the period April 1, 2013 to March 31, 2014.

b) (i). Support services/ corporate management fees – The Company has entered into support services agreement with 3M Company, USA (having expertise in establishing, operating and managing international business and incurring costs in developing, manufacturing, marketing and selling a diverse portfolio of products) with effect from April 1, 2009. The Company is charged with comprehensive support services charges by 3M Company USA for the services received from all the 3M group companies in the areas of Laboratory, Technical Assistance and Manufacturing, Selling and Marketing, Strategic and Managerial, Information Technology, Routine Administration and Foreign Services Employees Expenses. This agreement supersedes the agreement entered by the Company with 3M Asia Pacific Pte Limited dated January 1, 2003 which was terminated on March 31, 2009.

The Company has also entered into support services agreement (MOU's) with 3M Hong Kong Ltd with effect from January 1, 2011. The Company is charged with comprehensive support services charges by 3M Hong Kong Ltd for the services rendered in the area of Laboratory, Technical Assistance and manufacturing, Selling and marketing and strategic and managerial. This agreement is in addition to the agreement already entered by the Company with 3M Company USA dated April 1, 2009.

	March 31, 2014	March 31, 2013
The Company has incurred the following expenditure:		
- Laboratory and Technical Assistance Manufacturing Services	501.07	524.29
- Selling and Marketing Services	4,289.31	3,630.88
- Information Technology Services	673.20	567.03
- Other Managerial Services	831.75	545.82
Total	6,295.33	5,268.02
- Foreign Services Employees Expense are included in Employee Costs amounting to	115.50	158.73

The Company has accrued an amount of Rs. 1,550.00 lakhs (2013: Rs. 1,300.00 lakhs) in respect of estimated liability for the above services during period January 1, 2014 to March 31, 2014; the actual liability would be ascertained by December 2014.

(ii). The support service agreement enables the Company to recharge expenses relating to Foreign Service Employees (FSEs) of 3M Company and its affiliates consistent with 3M Company's Global Financial Standard on FSEs. Accordingly the Company has recognised a receivable of Rs. 1,019.89 lakhs (2013: Rs. 702.98 lakhs).

c) Contract research agreement – The Company has entered into contract research agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for carrying out contract research activities. During the year, Company has recognised an income of Rs. 2,424.62 lakhs (2013: Rs. 1,725.45 lakhs).

43. The company during the year has recognised incremental service tax input credit pertaining to previous years. Accordingly, an amount of Rs. 123 lakhs pertaining to financial year 2011-2012 and Rs. 461.27 lakhs pertaining financial year 2012-13 has been included under other income.

44. Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year classification.

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No: 057687

Place : Bangalore
Date : May 29, 2014

Place : Bangalore
Date : May 29, 2014

Amit Laroya
Managing Director

Sameer Agarwal
Chief Financial Officer

For and on behalf of the Board

B V Shankaranarayana Rao
Whole-time Director

V.Srinivasan
Company Secretary

3M INDIA LIMITED

CIN: L31300KA1987PLC013543

Registered Office: Plot Nos. 48-51, Electronics City, Hosur Road, Bangalore – 560100

Phone: 080-22231414, Fax: 080-2223 1450, email id: 3mindia.investorshelpdesk@mmm.com, website: www.3m.com/in

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Twenty Seventh (27th) Annual General Meeting of the Company will be held at 10.30 A.M. on Monday, the 4th August 2014 at The Grand Ball Room, Hotel Chancery Pavilion, 135, Residency Road, Bangalore – 560 025, to transact the following business:

ORDINARY BUSINESS :

1. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*
 “RESOLVED that the Financial Statements of the Company including Audited Balance Sheet as at March 31, 2014, the Statement of Profit and Loss Account of the Company for the year ended as on that date together with the Auditors' Report thereon and the Report of the Board of Directors covering the same period be and the same are hereby received, considered and adopted.”
2. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*
 “RESOLVED that Mr. Albert C Wang (holding DIN 05234667), a Director, who retires by rotation at this Annual General Meeting, and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company.”
3. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*
 “RESOLVED that in accordance with applicable provisions of the Companies Act, 2013, and the Rules made there under (including any statutory modification(s) or re-enactment thereof), the retiring Auditors, Messrs. Lovelock & Lewes., Chartered Accountants, Bangalore, holding Firm Registration No.301056E, being eligible for re-appointment, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration to be fixed by the Board of Directors.”

SPECIAL BUSINESS:

4. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*
 “RESOLVED that in accordance with applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof), Mr. Ippocratis Vrohidis (holding DIN 06808056), who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on February 10, 2014, effective from February 10, 2014, in terms of Section 161(1) of the Companies Act, 2013 (corresponding to Section 260 of the Companies Act, 1956) and Article 115 of the Articles of Association of the Company and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation.”
5. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*
 “RESOLVED that in accordance with applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof), Mrs. Sadhana Kaul (holding DIN 02589934), who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on February 10, 2014, effective from February 10, 2014, in terms of Section 161(1) of the Companies Act, 2013 (corresponding to Section 260 of the Companies Act, 1956) and Article 115 of the Articles of Association of the Company and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation.”
6. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*
 “RESOLVED that in accordance with applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof), Mr. Ashish Khandpur (holding DIN 06808091), who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on February 10, 2014, effective from February 10, 2014, in terms of Section 161(1) of the Companies Act, 2013 (corresponding to Section 260 of the Companies Act, 1956) and Article 115 of the Articles of Association of the Company and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of

office shall be liable to determination by retirement of directors by rotation.”

7. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*

“RESOLVED that pursuant to the provisions of Sections 2(54), 196, 197, 198, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 (corresponding to Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956) and subject to the requisite approval of the Central Government, the consent of the Company be and is hereby accorded to the appointment of Mr. Amit Laroya (holding DIN 00098933), who was appointed as a non-retiring Director of the Company by the Board of Directors with effect from October 1, 2013 under the Articles of Association of the Company, as the Managing Director of the Company for a period of five(5) years effective from October 1, 2013 up to September 30, 2018, on the terms and conditions of appointment and remuneration as contained in the agreement, a copy of which is placed before the meeting, and the Board of Directors be and is hereby authorised to alter and vary such terms of appointment and remuneration so as to not exceed the limits specified in Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Amit Laroya.”

8. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*

“RESOLVED that a remuneration of Rs.400,000 (Rupees Four Lakhs) fixed by the Board of Directors at their meeting held on May 29, 2014 to Messrs. Rao, Murthy & Associates (holding Registration No. 000065), Cost Auditors for conducting audit of cost accounting records maintained by the Company for the products covered under MCA Cost Audit Order ref. no. 52/26/CAB-2010 dated 06.11.2012 pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 (corresponding to Section 233B of the Companies Act, 1956) and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), be and is hereby approved by the members of the Company.”

9. *To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:*

“RESOLVED not to fill for the time being the vacancy caused by the retirement of Mr. Balaji Rao, Director, who retires by rotation at the AGM and does not seek re-appointment.”

By Order of the Board

Place : Bangalore
Date : May 29, 2014

V.Srinivasan
Company Secretary

NOTES :

- (1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY / PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY (50) AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN (10) PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY. A MEMBER HOLDING MORE THAN TEN (10) PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER. THE INSTRUMENT OF PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED/LODGED AT THE REGISTERED / CORPORATE OFFICE OF THE COMPANY DULY COMPLETED AND SIGNED NOT LATER THAN 48 HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING. A PROXY FORM IS SENT HERewith. PROXIES SUBMITTED ON BEHALF OF THE COMPANIES, SOCIETIES ETC., MUST BE SUPPORTED BY AN APPROPRIATE RESOLUTION/ AUTHORITY, AS APPLICABLE. CORPORATE MEMBERS INTENDING TO SEND THEIR AUTHORISED REPRESENTATIVES TO ATTEND THE MEETING ARE REQUESTED TO SEND TO THE COMPANY A CERTIFIED COPY OF THE BOARD RESOLUTION AUTHORISING THEIR REPRESENTATIVE TO ATTEND AND VOTE ON THEIR BEHALF AT THE MEETING.**
- (2) Explanatory statement pursuant to Section 102 of the Companies Act, 2013, in respect of Special Business is annexed hereto.
- (3) The Register of Members and the share transfer books of the Company will remain closed from **July 28 2013 (Monday) to August 4, 2014 (Monday)**, both days inclusive.
- (4) **The shares of the Company are mandated by the Securities and Exchange Board of India for trading in dematerialised form by all investors. Members holding shares in physical form are advised to dematerialise their shares to avoid the risks associated with the physical holding of such share certificates.** The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company's Registrar and Transfer Agent.

- (5) The Registrar and Transfer Agent Karvy Computer Share Private Limited, Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad – 500 034, is handling registry work in respect of shares held both in physical form and in electronic/demat form.
- (6) **Members are requested to bring their copy of the Annual Report and the Attendance Slip to the Annual General Meeting. ONLY MEMBERS/ PROXIES WILL BE ADMITTED INTO THE HALL FOR THE MEETING.**
- (7) Members may refer Additional Information on Directors recommended for appointment / re-appointment under clause 49 of the Listing Agreement.
- (8) **Members holding shares in electronic form are requested to register their e-mail address with their respective depository participants and members holding shares in Physical form are requested to register their e-mail address with the Company's Registrar and Transfer Agents and participate in the "Green initiative" launched by the Ministry of Corporate Affairs in future. As per rule 3 of Companies (Management & Administration) Rules, 2014, Register of Members of all the Company's now, should have additional details pertaining to e-mail, PAN / CIN, UID, Occupation, Status, Nationality. We request all the Members of the Company to update their details with their respective depository participants in case of shares held in electronic form and with the Company's Registrar and Transfer Agents in the case of physical holding immediately.**
- (9) Members holding shares in physical form are requested to notify to the Company's Registrar and Transfer Agent of any change in their address and update their Bank account details. Members holding shares in electronic form are requested to notify any change of address and update bank account details to their respective depository participants directly.
- (10) Pursuant to Section 72 of the Companies Act, 2013, members holding shares in physical form may file nomination in the prescribed Form SH-13 with the Company's Registrar and Transfer Agent. In respect of shares held in electronic / demat form, the nomination form may be filed with the respective Depository Participant.
- (11) Electronic copy of the Notice of the 27th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 27th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
- (12) Voting through electronic means :
Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, it is mandatory to extend to the Members of the Company, the facility to vote at the Annual General Meeting (AGM) by electronic means. Members of the Company can transact all the items of the business through electronic voting system as contained in the Notice of the Meeting. It is hereby clarified that it is not mandatory for a member to vote using the e-voting facility, and a member may avail of the facility at his/her/it discretion, subject to compliance with the instructions prescribed below.

INSTRUCTIONS FOR E-VOTING

- (a) To use the following URL for e-voting:
From Karvy website : <https://evoting.karvy.com>
- (b) Shareholders of the Company holding shares either in physical form or in dematerialised form, as on the record date, may cast their vote electronically.
- (c) Enter the login credentials (i.e., user id and password mentioned in the Notice of the AGM). Your Folio No/DP ID Client ID will be your user ID.
- (d) After entering the details appropriately, click on LOGIN.
- (e) You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (f) You need to login again with the new credentials.
- (g) On successful login, the system will prompt you to select the EVENT i.e., 3M India Limited.
- (h) On the voting page, the number of shares as held by the shareholder as on the cutoff date (June 27, 2014, Friday) (Record Date) will appear. If you desire to cast all the votes assenting/dissenting to the Resolution, then enter all shares and click FOR / AGAINST as the case may be. You are not required to cast all your votes in the same manner. You may also choose the option ABSTAIN in case you wish to abstain from voting.

- (i) Members holding multiple folios / demat account shall choose the voting process separately for each folios / demat account.
- (j) Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, members can login any number of times till they have voted on the resolution.
- (k) Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
- (l) The Portal will be open for voting from: 9 A.M. on July 29, 2014(Tuesday) to 6 P.M. on July 31, 2014(Thursday).
- (m) **In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and e-voting User Manual for members available at the download section of <https://evoting.karvy.com> or contact Mr. Varghese P.A of Karvy Computershare Pvt Ltd at 040-44655000 OR at Tel No. 1800 345 4001 (toll free).**
- (n) The Company has appointed Mr.Vijayakrishna K.T, Practicing Company Secretary, who in the opinion of the Board is a duly qualified person, as a Scrutiniser who will collate the electronic voting process in a fair and transparent manner. The Scrutiniser shall within a period of three(3) working days from the date of conclusion of e-voting period, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company. The result of the same will be disclosed at the AGM proceedings.
- (o) The voting rights of the members shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date of June 27, 2014, Friday.
- (p) The scrutiniser shall within a period of not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in employment of the Company and make a scrutiniser's report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- (q) The results of the e-voting along with the scrutiniser's report shall be placed in the Company's website www.3m.com/in within two days of passing of the resolution at the AGM of the Company. The results will also be communicated to the stock exchanges where the shares of the Company are listed.
- (r) In case of joint members attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- (s) Institutional members (i.e., other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc., to the Scrutiniser through e-mail at vijaykt@vjkt.in OR ktvijaykrishna@gmail.com, with a copy marked to varghese@karvy.com. File naming convention should be 'Corporate Name EVSN'. The documents should reach the Scrutiniser on or before the close of working hours on August 1, 2014.
- (t) In case a Member receives physical copy of the Notice of AGM (for members whose email IDs are not registered with the Company/Depository Participant(s) or requesting physical copy) in the permitted mode:
 - (i) Initial password as below is given in the attendance slip for the AGM:

EVSN (Electronic Voting Sequence Number)	USER ID	PASSWORD
XXXXXXX	XXXXXXX	XXXXXXXX

- (ii) Please follow all steps from Sl. No. (12)(c) to (12)(j) above to cast your vote.

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT / RE-APPOINTMENT UNDER CLAUSE 49 OF THE LISTING AGREEMENT:

Item No. 2

In terms of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013, effective from April 1, 2014, for the purpose of determining the directors liable to retire by rotation, the Independent Directors shall not be included in the total number of directors of the Company. Mr. Albert C Wang shall accordingly retire at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Albert C Wang (DIN- 05234667): Mr. Albert Wang, 46, joined 3M Company in January 2012 as General Counsel, Asia Pacific and is based out of Shanghai, China. Prior to joining 3M, Albert was Legal Director for Dell Inc. from 2001-2012 leading their legal affairs efforts for Greater China as well as regionally (Asia Pacific) for their Public & Large Enterprise business unit. He began practicing law with the New York-based international law firm of Coudert Brothers, with postings in Hong Kong (1993-1998) and Shanghai (1998-2001). There, his practice was focused on foreign direct investment and mergers and acquisitions, representing a wide array of multinational corporations and global financial institutions across a broad range of industry sectors. Mr. Albert Wang graduated in

1990 from Colgate University with a Bachelor of Arts degree in Political Science. He earned his Juris Doctor degree from The George Washington University National Law Center in 1993. He is a member of the New York State Bar, the American Chamber of Commerce in Shanghai and the U.S. China Business Council. He was appointed as a Non-Executive Director of the Company from March 12, 2012. He is a member of the Nomination and Remuneration Committee of the Board of Directors.

Mr. Albert Wang is not a Director in any other Company in India /outside India. He does not hold by himself or for any other person on a beneficial basis, any shares in the Company. Accordingly, the Board recommends his re-appointment.

Except Mr. Albert Wang, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in Item No. 2.

Appointment of other Directors (Item Nos. 4 to 7)

For the details pertaining to Mr. Ippocratis Vrohidis, Mrs. Sadhana Kaul, Mr. Ashish Khandpur and Mr. Amit Laroya, please refer to the below Explanatory Statement in respect of the Special Business set out at Item Nos. 4 to 7 of the Notice of Annual General Meeting pursuant to Section 102 of the Companies Act, 2013.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Following Explanatory Statements are furnished in respect of Special Business.

Item 4

Mr. Ippocratis Vrohidis (DIN-06808056): Mr. Ippocratis Vrohidis, 47, holds a Bachelor Degree in Economics and Business, Mathematics and Computer Science from Mascalester College and a Master's in Business Administration from University of Minnesota. He has also completed an Executive Education program for emerging CFOs at Stanford University. A 24 year veteran of 3M, served as Vice President 3M International Operations and Corporate Staff services since April 2011 after having served as Finance Director for Industrial & Transportation Business since 2006. He joined 3M, Company, USA in 1990, working in business finance, gaining levels of greater responsibility in the Electronics, Communications and Health Care Business. He has worked with various 3M Divisions and has held positions based in Europe, Middle-East, Africa and Latin America. He is a certified Six Sigma Master Black Belt and also a Certified Management Accountant. Presently he is the Vice-President-Finance for Asia Pacific from April 2013.

The Board of Directors at their meeting held on February 10, 2014 appointed Mr. Ippo Vrohidis as an Additional Director of the Company with effect from February 10, 2014. Based on the nomination from 3M Company, USA, the Board appointed Mr. Ippo Vrohidis as a Non-Executive Director of the Company from February 10, 2014. Mr. Ippo Vrohidis is also a member of the Audit Committee and Nomination and Remuneration Committee of the Board of Directors.

Under Section 161(1) of the Companies Act, 2013 (corresponding to Section 260 of the Companies Act, 1956) read with Article 115 of the Articles of Association of the Company, Mr. Ippo Vrohidis holds office only up to the date of this Annual General Meeting of the Company. A notice has been received from a member proposing Mr. Ippo Vrohidis as a candidate for the office of Director of the Company.

Mr. Ippo Vrohidis does not hold by himself or for any other person on a beneficial basis, any shares in the Company. He is neither a director nor a member in any other company registered in India/ outside India.

The Board considers that the appointment of Mr. Ippo Vrohidis as a Director of the Company would be of immense benefit to the Company. Accordingly, the Board of Directors recommends his appointment as a Director of the Company whose period of office is liable to determination by retirement of directors by rotation.

Except Mr. Ippo Vrohidis, being an appointee, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.4. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item 5

Mrs. Sadhana Kaul (DIN- 02589934): Mrs. Sadhana Kaul, 50, joined the Company in 2005 and has over 21 years of experience in the legal field, having worked in different capacities in law firms in the US and in India. Prior to joining the Company, she was with GE Medical Systems as Senior Legal Counsel based in Bangalore. She holds a Bachelor's Degree in Law from Trinity College Cambridge, UK and a Masters Degree in International and Comparative Law from Georgetown University Law Center, Washington D.C. She was appointed as a Whole-time Director of the Company from October 09, 2009 and was the General Counsel of the Company till November 1, 2013. She resigned as a Director and Whole-time Director with effect from November 1, 2013 consequent upon her appointment as General Counsel for South East Asia Region, Singapore. In addition to her current role, she also acts as Asia Pacific Area Counsel for the Industrial and Transportation Business. She leads the planning, development and execution of strategic legal initiatives whilst managing the legal risks.

The Board of Directors at their meeting held on February 10, 2014 appointed Mrs. Sadhana Kaul as an Additional Director of the Company with effect from February 10, 2014. Based on the nomination from 3M Company, USA, the Board appointed Mrs. Sadhana

Kaul as a Non-Executive Director of the Company from February 10, 2014.

Under Section 161(1) of the Companies Act, 2013 (corresponding to Section 260 of the Companies Act, 1956) read with Article 115 of the Articles of Association of the Company, Mrs. Sadhana Kaul holds office only up to the date of this Annual General Meeting of the Company. A notice has been received from a member proposing Mrs. Sadhana Kaul as a candidate for the office of Director of the Company.

Mrs. Sadhana Kaul does not hold by herself or for any other person on a beneficial basis, any shares in the Company.

Names of other companies/firms in which Mrs. Sadhana Kaul hold/held office as Director/Partner are given below:

- 3M Lanka (Private) Limited, Sri Lanka, Director

The Board considers that the appointment of Mrs. Sadhana Kaul as a Director of the Company would be of immense benefit to the Company. Accordingly, the Board of Directors recommends her appointment as a Director of the Company whose period of office is liable to determination by retirement of directors by rotation.

Except Mrs. Sadhana Kaul, being an appointee, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.5. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item 6

Mr. Ashish Kumar Khandpur (DIN- 06808091): Mr. Ashish Khandpur, 46, has been with 3M for the past 19 years, of which he has spent 14 years in the company's US operations and the other 5 years in the India & Asia Pacific regions. He started his career with 3M as a Senior Research Engineer in 1995. Since then he has held various technical and leadership positions in 3M's corporate research, business unit and country level labs. He has successfully led teams in the area of new products & technologies development as well as core product engineering & technical service support for the industrial, consumer, automotive, healthcare, oil & gas, and electro & telecommunication markets. Most recently, he has begun leading one of 3M's largest businesses, having been appointed Vice President & General Manager of the Personal Safety Division effective January 1, 2014. He has completed his B.Tech in Chemical Engineering from Indian Institute of Technology (IIT) Delhi, and holds a Ph.D. from University of Minnesota, Minneapolis, USA in Chemical Engineering with specialisation in the field of polymers. Mr. Ashish Khandpur is an inventor on 10 issued patents and has additional 6 patents pending. His strengths include building strong and innovative R&D organisations to develop technology and product solutions for accelerated business growth.

The Board of Directors at their meeting held on February 10, 2014 appointed Mr. Ashish Khandpur as an Additional Director of the Company with effect from February 10, 2014. Based on the nomination from 3M Company, USA, the Board appointed Mr. Ashish Khandpur as a Non-Executive Director of the Company from February 10, 2014.

Under Section 161(1) of the Companies Act, 2013 (corresponding to Section 260 of the Companies Act, 1956) read with Article 115 of the Articles of Association of the Company, Mr. Ashish Khandpur holds office only up to the date of this Annual General Meeting of the Company. A notice has been received from a member proposing Mr. Ashish Khandpur as a candidate for the office of Director of the Company.

Mr. Ashish Khandpur does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Names of other companies/firms in which Mr. Ashish Khandpur hold/held office as Director/Partner are given below:

- 3M Foundation Board, USA, Board Member

The Board considers that the appointment of Mr. Ashish Khandpur as a Director of the Company would be of immense benefit to the Company. Accordingly, the Board of Directors recommends his appointment as a Director of the Company whose period of office is liable to determination by retirement of directors by rotation.

Except Mr. Ashish Khandpur, being an appointee, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.6. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item 7

The Board of Directors through a Circular Resolution dated October 4, 2013 appointed Mr. Amit Laroya as a non-retiring Director of the Company with effect from October 1, 2013 and subject to necessary approvals, as the Managing Director of the Company for a period of five (5) years with effect from the said date. He is also a member of the Shareholders'/ Investors' Grievance Committee and Corporate Social Responsibility (CSR) Committee of the Board of Directors of the Company. The appointment was made pursuant to the nomination from 3M Company, USA under Article 111 and Article 131 of the Articles of Association of the Company nominating Mr. Amit Laroya as the Managing Director in place of Mr. Ajay Nanavati, who relinquished office as the Managing Director with effect from September 30, 2013. Application has been filed with the Central Government for the appointment of Mr. Amit Laroya as the

Managing Director, since he was not staying in India for a continuous period of twelve (12) months immediately preceding the date of his appointment as the Managing Director.

Mr. Amit Laroya (DIN-00098933): Mr. Amit Laroya, 49, started his career at Asian Paints and moved to 3M India in 1990 as the division head of Traffic, Safety and Security. He has held positions in 3M India as the Country Business Leader in Safety & Graphics, Industrial, Electro & Telecommunication in addition to being the first Master Black Belt for India region. He has also held positions as the M&A Manager for India region and General Manager of 3M Lanka. His assignment as the Managing Director of 3M Indonesia makes him well suited to understanding emerging market needs. He also has a good understanding of global corporate strategies at 3M having recently worked in St Paul USA as the Global Director-for 3M Strategy & Corporate Development & the Director of International Strategic Planning & M&A. Mr. Amit Laroya is an Economics Honors graduate from the University of Delhi with an MBA in marketing and finance from XLRI in India. He was appointed as a Director and Managing Director of the Company from October 1, 2013. Mr. Amit Laroya is a member of the Shareholders'/ Investors' Grievance and Corporate Social Responsibility (CSR) Committee of the Company.

Names of other companies/firms in which Mr. Amit Laroya hold/held office as Director/Partner are given below:

- 3M Lanka (Private) Limited, Sri Lanka, Managing Director

The appointment of Mr. Amit Laroya is appropriate and in the best interest of the Company. The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Mr. Amit Laroya as the Managing Director and the remuneration payable to him. The terms and conditions proposed (fixed by the Board of Directors at their meeting held on October 31, 2013) are keeping in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to important position as that of the Managing Director.

The terms of appointment and remuneration as contained in the agreement are given below: -

Period of Appointment: Five (5) years with effect from October 1, 2013.

Salary including allowances and Incentives (excluding Perquisites): Not exceeding Rs.40 Lakhs per month. (Upper limit for his entire tenure of Five (5) years)

Perquisites: He will be entitled to all the perquisites listed herein below in addition to the Salary including allowances and incentives mentioned above.

Personal Accident Insurance: In accordance with the rules of the Company as applicable to the senior managers.

Club Fees: In accordance with the rules of the Company as applicable to the senior managers.

Provident Fund: Contribution to Provident Fund in accordance with the rules of the Company as applicable to the senior managers, to the extent such contributions, either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity: In accordance with the rules of the Company as applicable to the senior managers.

Company car and driver: The Company shall provide a car with the driver for business and personal use in accordance with the rules of the Company as applicable to the senior managers.

Other perquisites: He will be entitled to all other perquisites in accordance with the rules of the Company as applicable to the senior managers. The perquisites stated shall be valued as per Income Tax Act, 1961, wherever applicable, and in the absence of any provisions in the said Act, the perquisites shall be valued at actuals.

Minimum Remuneration: Notwithstanding anything herein above stated, where in any financial year during the currency of the tenure of Mr. Amit Laroya, the Company incurs a loss or its profits are inadequate, the Company subject to the approval of Central Government shall pay the same remuneration as stated above but subject to being within the overall limits on managerial remuneration as provided under Section 198, 309 and other applicable provisions of the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force, and the rules framed there under read with Schedule XIII to the said Act. The Board of Directors shall communicate the Central Government approval including any revision in the terms of remuneration to Mr. Amit Laroya for his acceptance.

The Contract of service of Mr. Amit Laroya is terminable with a notice period of 90 days on either side.

He is not liable to retire by rotation.

No sitting fees shall be paid for attending the meetings of the Board of Directors or Committees thereof.

Mr. Amit Laroya may be deemed to be concerned or interested in this proposal to the extent of the remuneration payable to him.

In view of the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 (corresponding to Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956), the Board recommends the Ordinary Resolution set out at Item no. 7 of the accompanying Notice for the approval of the Members.

He does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Except Mr. Amit Laroya, being the appointee himself, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 7.

The abstract of terms of contract and memorandum of interest as required under Section 302 of the Companies Act, 1956 has already been circulated during November 2013 to all the members of the Company and this may also be treated as compliance under Section 190 of the Companies Act, 2013.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Item 8

The Cost Audit Branch, Ministry of Corporate Affairs, Government of India has issued order No. F. No. 52/26/CAB-2010 dated November 6, 2012 to have the cost accounting records audited by a Cost Accountant or a firm of Cost Accountants effective April 1, 2013 for the Companies:

- a. which are engaged in the production, processing, manufacturing or mining of the products/activities included in the product/activity groups,
- b. wherein the aggregate value of the turnover made by the company from sale or supply of all its products/activities during the immediately preceding financial year exceeds Rs. 100 crores,
- c. wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.

The following Company product/s mentioned as per Table-II of the above order (i.e., based on central excise tariff Act chapter headings covered in the product or activity group) are covered under the compulsory cost audit, viz.,

Product or activity group code	Name of the product or activity group	Central Excise Tariff Act chapter headings covered in the product or activity group
2013	Albuminoidal substances, starches, glues and enzymes	3506
2014	Miscellaneous chemical products	3811, 3814, 3824
2023	paints and varnishes	3208
2025	plasters and fillers	3214
2028	soaps, detergents and cleaning agents	3402
2029	lubricating preparations	3403
2030	waxes and wax products	3405
2035	chemicals-plastics and polymers	3901, 3904, 3907, 3910
2036	articles of plastics and polymers	3919, 3920, 3926
3009	paper and paperboard	4811
3010	articles of paper and paperboard	4820, 4821, 4823
3024	synthetic yarns or fibers	5601, 5602, 5603
3027	other textile fabrics or products	6307
3036	articles of stones, plaster, cement, asbestos and mica	6805
4008	aluminum and aluminum products	7607
4017	machinery and mechanical appliances	8466
4020	electrical and electronic equipments or appliances	8528
4048	miscellaneous manufactured articles	9603

Accordingly, the Board of Directors at its meeting on May 29, 2014 had on the recommendation of the Audit Committee of Directors re-appointed Messrs. Rao, Murthy & Associates, Cost Accountants, Bangalore (holding Registration No. 000065) being eligible and

having sought re-appointment, as Cost Auditors to conduct audit of cost accounting records maintained by the Company for the above products covered under MCA cost Audit Order ref. no. 52/26/CAB-2010 dated 06.11.2012, for the financial year ending March 31, 2015 on an remuneration of Rs. 400,000 plus service tax as applicable and out of pocket expenses at actuals.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost auditors has to be ratified by the members of the Company. Accordingly, consent of the members is sought for the resolution at Item No. 8 is placed before the members for approval of the remuneration payable to Messrs. Rao, Murthy & Associates as fixed by the Board of Directors for the financial year ending March 31, 2015.

None of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 8.

Item 9

Mr. D.J. Balaji Rao is a Non-Executive, Independent Director of the Company. He joined the Board of Directors of the Company on December 26, 2001 and was appointed as Chairman of the Board from September 10, 2008. He retires by rotation at the ensuing AGM under the applicable provisions of the Companies Act, 1956, and does not seek re-appointment owing to his other commitments. Accordingly, Mr. Balaji Rao retires at this AGM and the Board has decided not to fill, for the time being, the vacancy caused due to his retirement.

No other Directors, Key Managerial Personnel or their relatives, are interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No. 9 for approval of the members.

By Order of the Board

Place : Bangalore
Date : May 29, 2014

V.Srinivasan
Company Secretary

3M INDIA LIMITED

CIN: L31300KA1987PLC013543

Registered Office: Plot Nos. 48-51, Electronic City, Hosur Road, Bangalore – 560100

Phone: 080-22231414, Fax: 080-2223 1450, email id: 3mindia.investorshelpdesk@mmm.com, website: www.3m.com/in

PROXY FORM

Name of the member(s):

Registered address:

E-mail ID:

Folio No / Client ID:

DP/ID:

I/We, being the member (s) of shares of the above named company, hereby appoint

- (1) Name: _____ Address: _____
E-mail Id: _____ Signature: _____ or failing him;
- (2) Name: _____ Address: _____
E-mail Id: _____ Signature: _____ or failing him;
- (3) Name: _____ Address: _____
E-mail Id: _____ Signature: _____ or failing him;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 27th Annual General Meeting of the Company, to be held on August 4, 2014 at 10.30 A.M. at The Grand Ball Room, Hotel Chancery Pavilion, 135, Residency Road, Bangalore – 560 025 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	Optional*	
		For	Against
ORDINARY BUSINESS			
1.	Adoption of Financial Statements for the year ended March 31, 2014.		
2.	Re-appointment of Mr. Albert C Wang, who retires by rotation.		
3.	Re- appointment of Messrs. Lovelock & Lewes, Chartered Accountants, as Auditors of the Company and to fix their remuneration.		
SPECIAL BUSINESS			
4.	Appointment of Mr. Ippocratis Vrohidis as a Director, retiring by rotation.		
5.	Appointment of Mrs. Sadhana Kaul as a Director, retiring by rotation.		
6.	Appointment of Mr. Ashish Khandpur as a Director, retiring by rotation.		
7.	Approval of the terms of appointment of Mr. Amit Laroya as the Managing Director of the Company.		
8.	Approval of remuneration payable to Messrs. Rao, Murthy & Associates, Cost Auditors.		
9.	Retirement of Mr. D.J. Balaji Rao as a Director.		

Signed this..... day of..... 2014

Signature of shareholder

Signature of Proxy holder(s)

Affix
Re.0.15
Revenue
Stamp

Note :

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office/ Corporate Office of the Company, not less than 48 hours before the commencement of the Meeting.
- For the Resolutions, Explanatory Statement and Notes, please refer to Notice of the 27th Annual General Meeting.
- * It is optional to put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- Please complete all details including details of member(s) in above box before submission.



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