

Annual Report 2001



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3M



BIRLA 3M LIMITED

Regd. Office: 48-51, Electronics City, Hosur Road,
Bangalore - 561 229.

NOTICE

The 15th Annual General Meeting of the Members of the Company will be held at Hotel Taj Residency, 41/3, M.G. Road, Bangalore - 560 001 on Wednesday, the June 12, 2002 at 3.00 p.m. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2001, together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Thomas P. Spencer, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director, in place of Ms. Mary McCormick, appointed pursuant to Section 262 in the casual vacancy caused by the Resignation of Mr. Robert K Monette (who was appointed by the Shareholders at the Annual General Meeting held on June 28, 2001,) who retires by rotation and is eligible for re-appointment.
4. To appoint the Auditors and fix their remuneration.

SPECIAL BUSINESS:

5. To elect a Director in the place of Mr. William G. Allen, who was appointed to the Board as an additional Director and holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for election.
6. To elect a Director in the place for Mr. B.S. Iyer, who was appointed to the Board as an additional Director and holds office upto the

date of the ensuing Annual General Meeting and being eligible offers himself for election.

7. To elect a Director in the place of Mr. D.J. Balaji Rao, who was appointed to the Board as an additional Director and holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for election.
8. To elect a Director in the place of Mr. Amit Mukherjee, who was appointed to the Board as an additional Director and holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for election.
9. To elect a Director in the place of Dr. Paul Rosso, who was co-opted to the Board in the casual vacancy caused by resignation of Mr. Mark C. Sinnard and holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for election.
10. To consider and if though fit to pass with or without modification(s) as an ordinary resolution the following:

"RESOLVED THAT subject to the approval of the Central Government Under Section 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment of Mr. Lee M. Kennedy as the Company's Managing Director for a period of five years commencing from February 14, 2002 on the following terms of remuneration:

Salary : Not exceeding Rs. 10 million per annum.

Perquisites : Value of perquisites shall not exceed Rs. 5 Million per annum.

The perquisites would be mainly in the form of furnished house with such other amenities and facilities as may be required from time to time to upkeep the furnished house, telephone at residence, electricity, security guard, medical facilities, one free passage to home town or such other place of choice. The exact nature of perquisites would be agreed between the Company and the Managing Director, subject to overall ceiling on the value of perquisites stated above. However, the following shall not be included in the computation of the ceiling on perquisites :

- a) Children's Education Allowance : Allowance subject to a maximum of Rs. 5,000/- per child, per month, upto two children, studying in or outside India.
- b) Holiday passage for children studying outside India / family staying abroad : Return holiday passage once in a year by economy class or once in two years by first class from the place of their study / stay abroad; if they are not residing with the Managing Director.
- c) Leave Travel Concession : Return passage for self and family as per the rules of the Company, once in a year, if the leave is to be spent outside India.

Note: For purpose of b and c, family means the spouse, dependent children and dependent parents of the Managing Director.

"RESOLVED THAT the remuneration as stated above shall be paid notwithstanding any loss

or inadequacy of profits in any year but subject to being within the overall limit on managerial remuneration as provided Under Section 198 of the Companies Act, 1956."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to accept such changes as may be required by the Central Government, including any revision in the terms of remuneration and communicate the same to Mr. Lee M. Kennedy for acceptance."

By Order of the Board

Date : April 29, 2002

Place : Bangalore

**G. Shanker Prasad
Company Secretary**

NOTES:

1. *Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed.*
2. *A member entitled to attend and vote is entitled to appoint a proxy and vote instead of him and the proxy need not be a member of the Company. Proxies should reach the registered office of the Company on or before 3.00 p.m. on June 10, 2002.*
3. *The Register of Members and the Share Transfer books of the Company will remain closed from June 4, 2002 to June 12, 2002 (both days inclusive).*
4. *Any change in the address of the members may please be intimated to the Company's Share Transfer Agents.*

Explanatory Statements u/s 173 (2) of the Companies Act, 1956.

Item No. 5

Mr. William G. Allen

Mr. Allen is 3M's Vice President for the Asia Pacific region. Born in Detroit, Michigan he attended the Michigan State University where he obtained a Bachelor of Arts with a Marketing major in 1968 and an MBA with a Marketing major in 1972.

Mr. Allen has held numerous senior management jobs during his 3M career. These include: Managing Director, 3M Hong Kong and 3M China in 1989; Managing Director, 3M Mexico in 1993; and Executive Vice President of Sumitomo 3M Limited in 1998.

Mr. Allen holds a number of other directorships of 3M's Asia Pacific subsidiaries.

Item No. 6

Mr. B.S. Iyer

Mr. B.S. Iyer, 53, is a post graduate in Commerce and Law from the University of Bombay and is a fellow of the Institute of Company Secretaries of India.

He has held senior positions responsible for corporate legal affairs for over 22 years.

He is presently Legal Counsel and Company Secretary to Motor Industries Co. Ltd., a Robert Bosch Group company based in Bangalore.

Item No. 7

Mr. D.J. Balaji Rao

Mr. D.J. Balaji Rao, a Retired Managing Director of Infrastructure Development Finance Company Limited (IDFC) and holds B.E. (Mech), PG Diploma in Industrial Engineering. He has held various senior positions in financial institutions.

Currently, he holds Directorship in Ashok Leyland Ltd., Bajaj Auto Limited, Pune, BPL Broadband Networks Limited, Bangalore, Jindal Iron and Steel

Co. Limited, Mumbai, South East Asia Marine Engg. and Construction Limited, Mumbai.

Item No. 8

Mr. Amit Mukherjee

Amit Mukherjee has been with Lazard India since 1989 and is currently a Managing Director of the firm. Prior to joining us, he has been with L & T a leading Engineering company. Mr. Mukherjee spends large part of his time providing strategic advice to Corporates both Global and Domestic. Some of the global relationships that he has been associated with include Pfizer, Colgate, 3M, Pechiney, Bull, Abbott and Schneider.

Mr. Mukherjee has participated in the World Economic Forum Annual Meets at Davos and Business Delegations to the US. Mr. Mukherjee is also a member of the British Business Group and the Management Committee of The Associated Chambers of Commerce and Industry of India (Assocham).

Mr. Mukherjee is a post-graduate in Business Economics from Delhi University and a MBA from Asian Institute of Management, Manila.

Item No. 9

Dr. Paul Rosso

Dr. Rosso's current role at 3M is Regional Managing Director for South & South-East Asia. Dr. Rosso obtained a Bachelor of Science at West Virginia University in 1968 and a Ph.D. in Organic Chemistry at the Ohio State University in 1973. Prior to joining 3M, he was Senior Chemist at Rohm & Haas Company in Philadelphia.

Dr. Rosso has held various senior technical and business roles at 3M. Such roles include Laboratory Management assignments for 3M Healthcare, Managing Director of 3M Korea, and the role of Division Vice President for 3M's Medical/Surgical Division before taking up his current role. Dr. Rosso has held various other directorships within the 3M organisation during his career.

Item No. 10

Mr. Carlos A. Torres has moved to 3M Mexico and consequently he resigned as the Managing Director of the Company with effect from close of business hours on February 13, 2002. As the members are aware, the Company has benefited immensely from the services of Mr. Carlos A. Torres during his tenure of Managing Director of the Company. Your Board places on record the Company's high appreciation of the significant contribution made by Mr. Carlos A. Torres.

Upon the recommendation of Minnesota Mining & Manufacturing (3M), USA, your board has appointed Mr. Lee M. Kennedy as a Director representing 3M and also as the Managing Director of the Company on the terms of remuneration mentioned in the ordinary resolution. Mr. Lee M. Kennedy owns a master's degree in management from the University of Cincinnati and has been with 3M since 1973. He has held various senior positions in the last two decades, the most recent being Business Planning Director, International Operations. Prior to that assignment, he served as International Director and Marketing & International Director with the Audio

and Video Products Division. Your Board considers that the appointment of Mr. Lee M. Kennedy as a Managing Director of the Company is in the best interest of the Company. The aforesaid appointment would require the approval of the Central Government as the terms of remuneration may exceed the prescribed limits Under Section 269 and 309 read with Part II of Schedule XIII of the Companies Act, 1956.

The approval of the shareholders to the aforesaid appointment is recommended by the Board.

No Director other than Mr. Lee M. Kennedy may be deemed to be interested or concerned, in this regard.

The resolution and the explanatory statement may be treated as an abstract of the terms of contract and memorandum of interest as required under 302 of the Companies Act, 1956.

By Order of the Board

**Date : April 29, 2002
Place : Bangalore**

**G. Shanker Prasad
Company Secretary**



BOARD OF DIRECTORS

Directors

| | |
|-------------------------|--------------------------|
| Shri Yashovardhan Birla | <i>Chairman</i> |
| Shri Lee M. Kennedy | <i>Managing Director</i> |
| Shri William G. Allen | <i>Director</i> |
| Shri Thomas P. Spencer | <i>Director</i> |
| Smt Mary McCormick | <i>Director</i> |
| Dr. Paul Rosso | <i>Director</i> |
| Shri B.S. Iyer | <i>Director</i> |
| Shri D.J. Balaji Rao | <i>Director</i> |
| Shri Amit Mukherjee | <i>Director</i> |

Alternate Director

Shri Brad C. Sweet (*Alternate to Shri Thomas P. Spencer*)

Company Secretary

Shri G. Shanker Prasad

Audit Committee Members

Shri B.S. Iyer (*Chairman*)
 Shri D.J. Balaji Rao
 Shri Amit Mukherjee
 Shri Thomas P. Spencer

Shareholders' Grievance Committee

Shri D.J. Balaji Rao (*Chairman*)
 Shri B.S. Iyer
 Shri Amit Mukherjee
 Shri Yashovardhan Birla
 Shri Lee M. Kennedy

Bankers

Bank of America
 BNP Paribas
 Canara Bank
 Citi Bank N. A.
 Corporation Bank
 Deutsche Bank
 Hongkong & Shanghai Banking Corporation Limited
 ICICI Bank Limited
 State Bank of India
 Vijaya Bank

Auditors

M/s. Lovelock & Lewes, Chartered Accountants

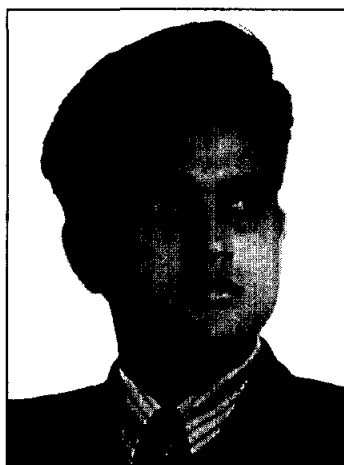
Legal Advisors

J. Sagar Associates
 Advocates
 F-3 Ligoury Court, 7, Palm Grove Road
 Victoria Layout, Bangalore - 560 047.

Share Transfer Agents

Karvy Consultants Limited
 51/2, TKN Complex
 Opposite National College
 Vanivilas Road, Basavanagudi
 Bangalore - 560 011
 Tel : 080-6621192 / 6621184
 Fax : 080-6621129

Message from the Chairman



2001 was indeed a year unlike any other. The world of business and industry was faced with the specter of a global economic slowdown. We also witnessed events which further dented the slowdown and prolonged any signs of recovery.

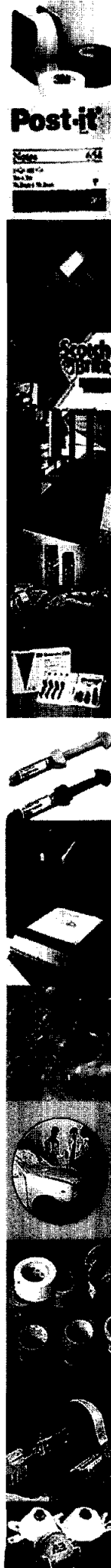
Given this uncertain business environment, it is indeed commendable that we achieved a double digit growth figure in the year 2001.

This performance was possible because of our continuous leverage of 3M's core technology platforms, a tight management of our indirect costs and enhanced productivity. Of course, our focus of strengthening our brand equity with our customers by providing them with innovative, top quality and reliable products and services made all the difference.

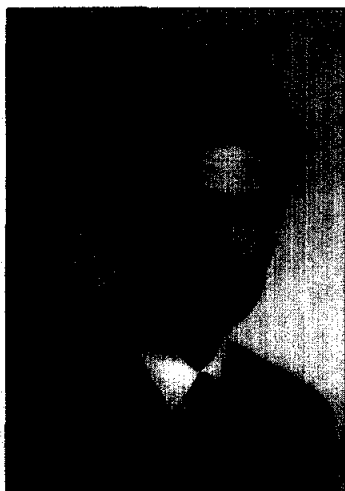
While the world looks at 2002 with renewed hope, we at Birla 3M approach it with confidence, vigour and a fierce determination to continue treading the path of success.

I would like to compliment and thank the management and employees of the Company for a solid performance in the face of a challenging environment.

Yashovardhan Birla



Message from the Managing Director



We are strongly encouraged by the performance of the Company in calendar year 2001. Despite GDP growth for the current fiscal year being lower than the previous year, and the global economic slowdown, Birla 3M registered a growth of about 11 % in Sales and 28 % in Net Profit. Indeed, these results reinforce our belief in and commitment to the Indian market.

Our success in 2001 came from leveraging core technologies, expertise in providing innovative solutions and the ability to create and sustain customer loyalty. Certainly, the local value additions of tailored products to meet the Indian customers' requirements has paid off handsomely. The year 2001 saw good growth in the Automotive, Telecom, Health Care and Consumer businesses.

Our commitment to maintaining quality leadership remains unchanged, with focus on innovation and providing value to customers. Future success will be enhanced by the 5 key initiatives that 3M began world wide in 2001 : Six Sigma, Acceleration, eProductivity, Sourcing and Indirect Costs. Strong emphasis is being given to the Six Sigma process in 2002, which, we believe, will have a significant positive impact on the overall performance of the Company.

The world is at the doorstep of a global economic revival. We, at Birla 3M, are poised to meet these opportunities. Our diverse presence in a variety of market segments continue to be a strength, which we will leverage as various sectors of the economy develop and expand.

I would like to compliment each and every member of our organization and various business partners and associates for an inspired performance in 2001. We look forward to a very good 2002.

Lee M. Kennedy

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting their report and the audited accounts for the year ended December 31, 2001.

FINANCIAL RESULTS

(Rs. lakhs)

| | For the year ended December 31, 2001 | For the year ended December 31, 2000 |
|---|---|---|
| 1. Sales including other Income | 23,164.17 | 20,894.04 |
| 2. Exports included in the above | 3,389.62 | 3,101.27 |
| 3. Total Expenditure | 19,752.90 | 18,007.38 |
| 4. Interest | 485.26 | 406.44 |
| 5. Gross Profit after Interest but before depreciation and taxation (1-3-4) | 2,926.01 | 2,480.22 |
| 6. Depreciation | 607.48 | 475.50 |
| 7. Provision for Taxation | 939.00 | 929.38 |
| 8. Net Profit | 1,379.54 | 1,075.34 |

SALES AND EARNINGS

Despite uncertain global economic conditions that prevailed during 2001 and sluggish growth in certain sectors in Indian economy, your Company is able to post a sales growth of about 11 %. Higher growth was achieved in Telecom, Industrial and Consumer Markets like in the past years. The Company's Export grew by 9.3 %. Profit after tax are up by 28 %.

RESEARCH & DEVELOPMENT

Our R&D team's continuous involvement in providing business solutions resulted in substantial growth in various sectors.

QUALITY INITIATIVES

Your Company has initiated a new and systematic approach through Six Sigma, a process which identifies and implement ways to improve process management, which has been accepted and implemented elsewhere in the world and known to be proven success.

CENTRAL GOVERNMENT

Your Company has obtained the necessary exemption from the Central Government from disclosing quantitative details for the year ended December 31, 2001.

PERSONNEL

The Board wishes to place on record its appreciation to all employees in the Company, for their sustained efforts and immense contributions to the high level of performance and growth that your Company has achieved during the year.

Information as per Section 217 (2-A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forms part of this report as Annexure A. However, as permitted by Law, the Report and Accounts are being sent to all shareholders of the Company without the statement of particulars of employees under Section 217 (2-A) of the Companies Act, 1956. Any Shareholder interested in obtaining a copy of this said statement may request for a copy by writing to the Managing Director at the Registered Office of the Company.

