

Resilience for sustainable growth



In a year of global upheavals,
the constant has been
every 3Mer's will to
rise above.

Driven by scientific expertise, 3M India has embraced these challenging times with agility and resilience to deliver solutions that matter, uphold health and safety and nurture a more inclusive, sustainable world.



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Dear Shareholders,

It is my privilege to write to you again as the Chairman of 3M India Limited, and present to you the Annual Report of your Company's performance for the Financial Year 2019-20.

We are experiencing unprecedented times today. As I write this message, our economy is adapting to the dynamic challenges emerging out of the ongoing COVID-19 situation. With the onset of the pandemic, economies were forced to shut down which triggered a sharp global downturn and contraction. The outlook for the remainder of this financial year also remains very uncertain at this time. Realistic estimates by economy watchers such as International Monetary Fund (IMF) reveal the likely contraction of the global economy by 4.9% in FY 2020-21.

India's economy experienced a soft demand most of fiscal FY 2019-20 with fall in investment and domestic consumption and slow growth of agriculture and manufacturing sectors. The real GDP decelerated to its lowest in over six years in the third quarter of FY 2019-20. The outbreak of COVID-19 towards the last quarter of FY 2019-20 further aggravated the slowdown, impacting all sectors of the economy.

Coming out of a difficult year, and moving into an uncertain period, your Company registered a modest performance while focusing on strengthening the portfolio mix, maintaining fiscal prudence and cash flow management through most of FY 19-20. Your Company's revenue from operations on a standalone basis de-grew by 1.56% and on a consolidated basis de-grew by 1% for the financial year ended March 31, 2020. The operating margin on a standalone basis for the current year is 13.59% compared to 19.02% for the previous financial year and on a consolidated basis, it is 16.34% for the current year vs 18.75 % for the previous financial year.

COVID-19 brought with it several new and unprecedented challenges. I would like to commend the leadership and employees of your Company for a comprehensive response to the situation. Actions were undertaken to



Bharat D. Shah

Chairman

“Adversity is often the true test of character and it is the spirit of resilience that shines through tough times, time and again.”

protect employees and ensure business continuity through a smooth transition to work from home. Medical and safety products were prioritised to nodal government agencies and hospitals overcoming supply chain disruptions. The employees of the Ranjangaon plant were committed to support critical manufacturing lines to ensure essential supplies throughout the lockdown period. Humanitarian support was also extended to local communities affected by lockdown restrictions with timely food security initiatives.

Your Company's emphasis on sustainable growth was evident in the several CSR initiatives undertaken to support various causes under education, community and environment. The culture of the company continues to celebrate innovation, inclusivity and doing good, extending to all stakeholders.

We are looking at uncertain times ahead. I am confident of your Company's ability to adapt with resilient business models and financial strength, continuing to take advantage of emerging opportunities and offering differentiated value to customers.

On behalf of the Board of Directors of 3M India Limited, I want to thank you, our shareholders, for your trust and continued support. We are also very thankful to the various government agencies which extended their unstinting support through the year, and more specifically during the recent lockdown period to facilitate movement of essential commodities and critical staff members. I wish the 3M India team the very best to continue to operate safely and effectively manage the volatile period ahead of us.

Thank you.

Bharat D. Shah
Chairman of the Board
3M India Limited

Dear Shareholders,

It is my privilege to share my message and thoughts with all of you. With over a year in my role as Managing Director of 3M India Limited, I would like to first, thank our shareholders and the Board of Directors for their support. It is my honour to present to you the Annual Report of your Company for the Financial Year (FY) 2019-20.

Through most of the year under review, the Indian economy remained soft compared to the prior financial year. This slowdown affected a number of sectors, and the government introduced several measures and monetary policies to boost investment and demand. However, in the last few days of FY 2019-20, the economy was further affected by the lockdown actions necessitated by the health challenges posed by COVID-19.

Our world is going through profound change as we live through uncertain times. Humbled by a global pandemic, we are learning to adapt to new challenges as they emerge. The onset of COVID-19 and its impact on the economy has been quite significant in recent months with various agencies projecting a contraction of the Indian economy in FY 2020-21.

FY 19-20 Performance

Your Company drew from its strengths in a diversified business portfolio to tide over the challenging external environment. This portfolio diversity enabled your Company to deliver a 2019-20 consolidated turnover which was almost flat (-1% growth) versus previous year, despite significant slowdown particularly in the automotive and manufacturing sectors. Profit after tax declined by 6.1% versus prior year. Your Company maintained a diligent focus on managing cash as liquidity pressures were felt in the market during the year.

Resilience to build a stronger future:

Your Company is guided by our aspirational vision:

3M Technology Advancing Every Company
3M Products Enhancing Every Home
3M Innovation Improving Every Life



Ramesh Ramadurai
Managing Director

“Guided by our culture of using science to create a positive world, for our customers and society at large.”

This vision combined with our fundamental strengths and competitive advantages provides us the strength to weather the current external challenges. They will give us the resilience not only to bounce back with strength, but also be resurgent in building for a bright future.

Customer at our core

We are guided by our culture of using science to create a positive world, for our customers and society at large. During the year under review, we delivered our performance through strong customer focus, innovation, geographic coverage and brand. In FY 2019-20, we added our third customer innovation center at Mumbai, in addition to our centers at Bengaluru and Gurgaon. Our customer innovation centers act as hubs to work collaboratively with our customers, partners and government policymakers. The Mumbai Innovation Center brings to life the diversity of 3M's expertise across markets to build a memorable brand experience.

Innovating for India

Over the years, it has been our endeavor to address the unique challenges of our customers in India with a science-based approach to problem solving, through new products and innovative business models.

- As road networks expand across the country, we embarked on a new business model to reach the fragmented rural road segment with an array of road safety solutions to build safer road infrastructure in rural areas.
- We enhanced penetration of new consumer products such as Scotch-Brite® broom and Silver Sparks scrub pad in Tier 2 and Tier 3 markets.
- We launched a national level nursing leadership awards program to recognize the contributions of nurses in India.
- Our India R&D team developed a coating technology for the Indian railways to reduce the temperature in passenger trains, which I am proud to share has earned an honourable mention in **Fast Company's World Changing Ideas** in the Energy category.

Building credibility and reputation

We are proud to share some of the noteworthy accolades we received during the year:

- a. Amongst the Top 100 companies for women in India by Working Mother and AVTAR.
- b. Gold award for Manufacturing Excellence by Frost and Sullivan for the 2nd year in a row
- c. Ranked 107th in Business Today's 2019 list of India's most valuable listed companies by market capitalisation.
- d. 3M Company worldwide was recognised for the seventh consecutive year by Ethisphere® as the World's Most Ethical Company, underscoring our unwavering commitment to ethical practices.

Responding with agility and resilience to COVID-19

Our organisational purpose and culture have empowered our employees to act in times of uncertainty and respond in the time of crisis. With the outbreak of the COVID-19 pandemic and subsequent lockdown restrictions, our priority was to safeguard the health and safety of our employees while ensuring business continuity with our customers. We were able to quickly adapt to working from home and it was heartening to see the symbiotic nature of our deep associations with our customers come to life during this difficult time.

As one of the premier manufacturers of critical and essential commodities, your Company rose to the occasion to serve the critical needs of the healthcare sector. Our manufacturing plant in Ranjangaon, Pune remained operational right through the lockdown period. We significantly increased the production of respirators and hand sanitisers, directing our supplies to a number of government and private healthcare providers, and nodal agencies in India.

The lockdown restrictions also brought to light the unfortunate plight of migrant workers with the disruption of operations in industrial areas. Our employees in Ranjangaon plant responded to the needs in our local village communities, supporting migrant workers and their families with close to 50,000 cooked

meals, and also with dry rations for local community kitchens to support another 90,000+ families.

We are grateful to the tremendous support received from various national, state and local government agencies, to facilitate movement of essential goods, as well as movement of essential workers to accomplish these tasks.

In the current scenario of a gradual and phased return to work, your Company continues to proactively engage with our customers to support them in critical areas of health, safety and hygiene. We are also continuing to monitor the government's focus on sectoral development and the impetus they are providing to revive those sectors. This will enable us respond to emerging opportunities and support our customers to meet their goals

A sustainable way forward

With the COVID-19 situation extending, sustainability of our economies and communities is absolutely critical. Your Company has built a strong foundation through sustained and scalable programs under our focus areas of education, community and the environment. Each of our programs are directly contributing to specific overarching goals laid out as per the 2030 UN Sustainable Development Goals. This holistic approach extends to the way we manage our manufacturing operations and develop new products.

The India market opportunity remains a very attractive one, despite the immediate challenges facing us. Your Company's broad portfolio acts as a buffer against volatility in any particular market and our ability to leverage global technology and apply to Indian market needs, uniquely position us to stay relevant to evolving customer needs.

I am grateful for the support and guidance from each of the members of our Board of Directors, led by our Chairman, Mr. Bharat Shah. Thank you, dear shareholders for your continued trust and confidence in your Company. I look forward to your sustained support as we emerge from this crisis, stronger and more resilient in the coming days.

Thank you.

Ramesh Ramadurai
Managing Director
3M India Limited

Creating a positive world through science

The diversity and depth of our technological expertise enabled us to apply our knowledge to develop solutions for markets on the upswing.

Some of our successes featured in this report show how science-backed, positive actions are solving problems for our customers as we expand our relevance across sectors.

PROCESS





Staying close to where our customers are

Customer Innovation Center, Mumbai

Innovation is often a co-created, collaborative process. All over the world, we stay close to our customers with labs and manufacturing sites located where our customers are. In this context, we inaugurated 3M's third customer innovation center at Mumbai. Through a re-imagined approach of focusing on market and industry trends, the space brings to life the diversity of 3M's expertise to our customers in an engaging way. Design is a prominent feature of the center, bringing in a refreshing storytelling format that enables visitors to see how science powers 3M innovations. The center serves as a hub to bring together our customers, partners and policymakers to foster collaboration and co-creation, thereby delivering value.



(This photograph was taken during pre-COVID-19 times)

Empowering transformation in the nursing community

3M Nursing Leadership Awards

Nurses are the backbone of any hospital, inspiring hope, warmth and a sense of ease amongst patients. 3M India's commitment to raise awareness on the immense contributions of the nursing community in India took a step further when we launched the first national awards program for nursing professionals in FY 2019-20. The awards recognise nurses for excellence in clinical practice, quality, safety, community outreach, service, leadership and innovation. The program saw a positive response in its first year of launch with over 150+ nominations from across 100+ hospitals in India. The awards program will enhance 3M's sustained engagement with the nursing community to build skills across ICU and operating room services departments of hospitals.





Cooler rail travels

3M™ Scotchkote™ RG 700 Solar Heat Reflective Coatings

Summer heat waves are common in North India, which pose health hazards. The Indian Railways encountered a unique problem when incidents were reported due to the stifling heat in non-AC trains. 3M India provided a solution to the railway department to apply the water-based, 3M™ Scotchkote™ RG 700 Solar Heat Reflective coating on the roofs of the passenger trains to reduce the temperature inside and increase comfort. A special pigmented formulation in the coating reflects solar radiation and reduces the temperature of the metal on which it is coated.

This innovation was honoured with a mention in Fast Company's World Changing Ideas of 2020 in the Energy category.

