



3M India Limited
Annual Report 2009-10



Innovating
in India for India



Our Values

- 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.

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Message from the Chairman

Period 15 months ended March 31, 2010, has seen a strong and resilient India emerge from an unprecedented economic crisis in 2009. Despite the challenging environment of last year, I'm happy to report that 3M India has been able to deliver a commendable topline as well as profit growth. Your Company showed great resilience and stability in tiding over the tough period successfully.

The Indian economy has seen a recovery since the last quarter of 2009. Even though India's GDP growth is at 6% compared to 6.5% in 2008-09, the manufacturing, industrial, mining and electricity sectors have seen growth. Consumer goods also recorded a high growth rate. The Indian stock market has gotten onto a bullish path, responding to the recent improvement in the economic situation. India's trade has also been observed to recover from the depression of 2009. All these trends show signs of the recovery of the economy which opens up a world of opportunity for us.

3M India has consistently been working towards connecting its technologies to customers in India. Innovating in India, for India has been a strong theme for your Company in the last few years. Considerable investments have been made in 2009 to strengthen your Company's manufacturing capabilities to meet this objective.

This "In India, For India" drive is also being augmented by our single-minded focus to provide solutions to our customers across various markets and in keeping with the specific needs of the Indian market. With India being the largest 2 wheeler market and the 4th largest commercial vehicle market in the world, 3M India has a host of innovative products to cater to this industry. Additionally, Health Care has emerged as an important market for 3M India with Indian health care services looking to grow substantially. The Indian retail market is the fifth largest retail destination globally providing a minefield of opportunity for 3M India's consumer products. With airports in India getting a facelift and key infrastructure projects getting underway in the roadway and railway sectors, 3M India has immense opportunity to cater to these key markets. In essence, the horizon looks extremely promising for your Company to build a multi-tier portfolio, increase its geographical reach and accelerate its "In India, For India" strategy.

I would like to remind you all that we are poised to take on the challenges and the market opportunities offered by the current environment and we will emerge competitive and stay focused on our vision to be the most innovative enterprise. The past year has demonstrated once again, the importance of team work and your Company's core values which has helped the organization come together to tide over the challenges.

My compliments to the employees and management of 3M India for delivering a good performance.

D. J. Balaji Rao
Chairman



Message from the Managing Director

Despite a very challenging economic environment, your Company delivered a net sales increase of 47% for the 15 month period ended March 31, 2010 & Profit After Tax grew by 62%. This growth can be largely attributed to your Company's diversified product portfolio and excellent results, specifically from the Industrial & Transportation, Health Care and Display & Graphics businesses. The January - March quarter of 2010 has been a record quarter with sequential quarter on quarter growth, a good sign for the future.

These results are clearly an affirmation of your Company's 3-pronged strategy in establishing a solid foundation for the future, namely,

1. Localization Acceleration

With significant support from our parent company, we achieved some major milestones in 2009:

- a. Expansion of our Ahmedabad facility, which was completed in record time.
- b. Commissioning of a medical product line at our Ranjangaon facility, with the commercialization of our first medical product, 3M Comply Autoclave Roll.
- c. Commencement of construction of a new coater at our Ranjangaon facility

In addition to the above, we have identified a number of significant additional investments that are in the process of being evaluated & finalized.

2. Innovative R&D

In 2009, 3M India filed 9 patents, of which 5 of them were filed globally. This is a significant recognition of our locally developed technologies that have led to the development of a range of traffic safety products, graphic films that are illuminated, a range of products for hospitals, a jig device for black out film applications for cars, to name a few.

I am delighted to also share with you that your Company has made a significant investment in a new R&D facility in Bengaluru to sustain our leadership in developing products for the local market and to connect our technologies to customers in India. This is in keeping with our direction of "In India, For India".

3. Employee Leadership Development

Grooming top talent continues to be a top priority for your Company and a critical ingredient for our growth. Towards this goal we have invested 2575 man-days of mandatory training for our people. In addition, many of our people have been provided developmental opportunities in other global 3M roles.

In response to your requests, in 2009, we organized our very first Shareholders visit to our Electronics City facility. This visit provided you with a first-hand view of the Electronics City Plant operations as also the Innovation Center and it provided you the opportunity to understand the innovation process being followed by your Company. I have no doubt that this visit deepened your feeling of pride in being associated with 3M India.

I applaud and congratulate 3M employees who constantly raise the bar of excellence to take your Company to greater successes.

At the end, I would like to thank our Chairman, Mr. D.J. Balaji Rao for his vision and support. I would also like to thank our Board of Directors for their consistent support and direction which has greatly contributed to 3M India's path to success.

Ajay Nanavati
Managing Director



Over 1.15 billion people with unique needs.
3 million square kilometers of opportunity.
At the forefront of emerging economies.
That's India.

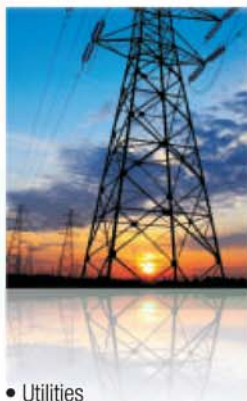
With over 22 years of delivering practical and ingenious solutions, 3M stands as a steadfast partner in India's progress. Today, over 6,000 innovative products are delivered across this nation as over 1500 3Mers work in unison connecting 3M's innovative technologies to Indian customers.

Market specific approach

3M India believes that all the innovation and quality comes to nought if we cannot reach them to where our customers are.

This means a market specific approach that listens, innovates and answers each one of our customers - from the homemaker to the oil explorer.

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|  |  |  |  |  |
| • Retail | • Manufacturing & Industry | • Construction | • Transportation | • Energy |
| Consumer-centric products designed to make everyday life convenient, productive and happier. | Solutions that enhance productivity, performance and add value to manufacturing processes. | A single source of diverse solutions that cover every stage of construction. | Automobiles, railways or aerospace, 3M has a solution spanning manufacturing, repair, maintenance, performance and protection. | Empowering through cleaner and efficient technologies to help produce and explore energy. |



• Utilities

Versatile solutions that ensure uninterrupted life enabling utilities.



• Healthcare

Innovative products for improving clinical outcomes and better patient care.



• Security & Safety

Making the world safer with solutions that protect and safeguard.



• Mining

Products that ensure productivity and safety even at the depths.



• General Office & Home

Solutions that enable and enhance worker efficiency and empower happier homes.

Global Expertise. Localized Products

3M India's manufacturing expertise is spread over 3 plants located at Bengaluru, Pune and Ahmedabad. These modern facilities are supported by the 3M Innovation Center, Bengaluru, dedicated to the research and development of new technologies and products tuned to local needs.

Customising for local markets

3M India caters to a growing, demanding market with locally engineered products, designed to perform under unique Indian environmental conditions.

These are some of our locally developed products, aimed at solving unique problems of the Indian consumer.

3M India's Manufacturing Facilities



Bengaluru



Pune



- Scotchkote™ Dual Layer Fusion Bonded Epoxy Coatings

A breakthrough Indian innovation that replaces conventional triple layer coating with a dual layer of corrosion protection and abrasion resistance, enhancing pipeline productivity by up to 15%.



- Aluminium Conductor Composite Reinforced (ACCR)

This 18-patent holding, lightweight conductor provides up to 2-3 times power compared to conventional conductors, ramping up the power capacity of installations without tampering with existing infrastructure.



- Foaming Car Interior Cleaner

Introducing dry interior car cleaning to India, the Foaming Car Interior Cleaner uses Aqua DM technology to remove dirt or stains from car interiors, without the use of water or other solvents.



- 3M™ Wound Contact Dressings

To solve doctors' problem of dressings sticking to wounds, thus damaging the healing process, 3M™ Wound Contact Dressings provide both absorbent capacity and non-adherence to enable faster healing.



- Floor Cleaning Cloth

Suited to the Indian habit of using "pocha cloths" to clean floors, the Scotch-Brite™ Floor Cleaning Cloth, uses the unique 3M 'Scrubby' technology to clean floors effectively including areas like floor corners.



- 3M™ Synthetic Resin Adhesive

Aimed at the unique operating environment of the Indian wood works market, this water-based adhesive can be used to bond all types of wood and other wood substitutes.



- Raised Pavement Markers

Made of tough, rigid plastic to withstand heavy vehicle loads, 3M's Raised Pavement Markers are ideally suited to Indian traffic conditions, providing more brightness, clarity and improved vision of roads.



- Median Markers

This highly durable, vandal resistant, local solution for Indian roads uses fluorescent yellow reflective sheeting for extra visibility of road dividers for motorists.



Ahmedabad



- Dust Free Sander

This low cost dust extraction solution for Indian body shops makes dry sanding more effective, through an innovative adaptation of 3M's Ventura technology, by adding a dust bag to a hand held sanding equipment.

Strengthening Competencies. Building Future Leaders.

With 3M India growing in size and stature, people and leadership development is a top priority for our company. We have a number of initiatives in the company, focused on developing our people into vibrant, committed and effective leaders of tomorrow.

To develop and hone our leadership talent, we have a host of **Leadership Development Programmes**, which are aimed at building leadership competencies and behaviours.

In our efforts to develop a dynamic internal pool of facilitators for learning, our **Leaders-Teach-Leaders** initiative has helped coach our business leaders as facilitators for leadership training sessions as well as inculcate sharing of best practices.

Our people development efforts include a dedicated **Succession Planning Process** for developing future candidates for key positions of leadership in the India team as well as opportunities for greater visibility through Asia-Pacific level assignments.

New managers are integrated into the organization through a robust **New Manager Assimilation Process** that helps them understand the company, business and culture while also promoting mutual understanding between them and their teams.

In keeping with 3M's open-door culture, our **"Breakfast with MD"** initiative has provided a platform to openly share ideas and issues that concern the organization with top management.



Sustainable Future. Local Care.

3M India is committed to safeguarding the environment for the benefit of the communities we operate in. The company has strived to be a sustainable organization through a number of initiatives.

Our **Life Cycle Management** process addresses the safety, hazard & environmental aspects of products from the concept stage right up to the disposal of the product, after its use by the end consumer.

During the purchase or sale of any piece of land or plant in India, soil samples are tested to meet ASTM Standards (Global Standard for Soil Testing). 3M India, we believe, is one of the few companies in India which strictly follows the **ASTM Standards for Environmental Due Diligence**.

In our efforts to support a lead free working environment, last year, we invested in the purchase of lead free soldering equipment under our **3M Restriction of Hazardous Substance Policy (3M-RoHS)**, a global environmental initiative on Environmental and Health Protection.

Our sustainability mandate would be incomplete without the support of our employees. Our **3P (Pollution Prevention Pays)** initiative encourages employees to work on Green Projects under the themes of Recycling, Reuse, Reduce and Recover. In 2009, we carried our sustainability theme forward with an employee engagement programme called "Power of P" at our Electronics City plant in Bengaluru around the themes of saving energy, water and eliminating all types of waste.

