



3M India Limited
Annual Report 2011-12



Innovation leading transformation

People. Possibilities. Progress.

Values that empower Transformation

- 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.

Contents

Message from the Chairman	2
Message from the Managing Director	3
Introduction	4
Notice to the Members	9
Report of the Directors	14
Annexure to the Directors' Report	17
Management Discussion and Analysis Report	19
Report on Corporate Governance	26
Auditors' Report	40
Annexure to the Auditors' Report	41
Balance Sheet	44
Statement of Profit and Loss	45
Cash Flow Statement	46
Notes to the Financial Statements	47

Registered Office:

Plot Nos. 48-51, Electronics City, Hosur Road, Bengaluru - 560 100
• Tel: +91 80 2852 0203 • Fax: +91 80 2852 0576

Corporate Office:

Concorde Block, UB City, 24, Vittal Mallya Road, Bengaluru - 560 001
• Tel: +91 80 2223 1414 • Fax: +91 80 2223 1450



Our Vision

3M Technology Advancing Every Company

3M Products Enhancing Every Home

3M Innovation Improving Every Life

When needs are acted on by proactive minds,
with the right tools in an atmosphere that inspires innovative possibilities,

you get transformation...

Message from the Chairman



While global economic and financial conditions remained under pressure most of 2011, India's GDP growth was estimated at 6.9% (as per the Economic Survey February 2012 report), compared to about 8.4% in the previous two financial years. Despite this scenario, I am happy to inform you that your Company has delivered a good topline growth of 17.30% for the financial year ended March 31, 2012, although for the entire financial year, the profits declined due to pressure on margins and the depreciation of the rupee which made import of inputs costlier. Your Company however, delivered good results for the quarter January to March 2012, a performance that has stood out in the 3M world truly signifying your Company's ability to tide over tough economic times.

The year under review has seen a steady but mixed performance in key sectors in the economy with agriculture and services sectors showing growth but manufacturing, construction and infrastructure slowing down. The growing depreciation of the rupee has resulted in a worrisome impact on growth across all sectors. However, the economic outlook for 2012 shows promise as India is expected to grow between 7% and 8% of GDP. A positive move towards the deregulation of interest rates would also assist in the growth of savings and investments. All these developments indicate that the economic environment is supportive for your Company to continue its journey towards becoming a billion dollar Company by 2015 as also to improve its profits from the current financial year.

In the year under review, 3M India continued to accelerate ahead with its 'In India for India' strategy with the establishment of two new R&D centres at Gurgaon & Bengaluru respectively. 3M India aims to increase your Company's new product vitality index to 40% over the next 5 years through innovations for the Indian market. The new R&D centres will be the hubs of localized 3M innovation in India. Local product development continued at full steam with your Company introducing to Indian customers a wide range of innovative products that help solve problems in key markets, namely, automotive, retail, health care and infrastructure.

Your Company has been investing in its organizational capability and people to take the company to a higher level. During the year under review, there was an energized focus on building leadership capability, investing in building marketing competencies to build the 3M brand in India and develop people to take on new roles and responsibilities to lead your Company to the 2015 goal.

3M India continues to be one of the fastest growing subsidiaries in the 3M world, contributing to global 3M earnings. This is due credit to the employees of your Company who have been steadfast in staying on course with the goals of the organization. I congratulate the employees and management of 3M India for delivering an all-round performance and look forward to continued excellence in the coming year.

D. J. Balaji Rao
Chairman



Message from the Managing Director



I am pleased to inform you that your Company has registered an impressive sales growth of 17.30 % for the year ended March 31, 2012. Higher input costs, combined with accelerated investments and the depreciation of the rupee, adversely impacted our profit after tax. Nevertheless, the year 2012 has begun on a great note with your Company posting a record performance in the period January to March 2012. This robust growth is broad based across our businesses and is the result of our efforts in localized innovations for India and our customer-focused initiatives.

Building our R&D Infrastructure and Accelerating Localization

- 2011 was a historic year for 3M India as we inaugurated two new research and development centres in Bengaluru and Gurgaon respectively. Both the centres will be the hubs for locally developed innovation driving our "in India for India" strategy.
- In 2011, your Company filed 14 patents and introduced a steady flow of new products which included innovations for India in the consumer range of home cleaning products, infection prevention products for hospitals, traffic & road safety products, products for automotive markets, to name a few.

Reaching out and connecting with our Customers

- In order to transform the way we build relationships with our customers, we launched a company-wide CRM implementation that has been providing a 360 degree view of our customers for our businesses.
- We have set in process an exclusive 3M India Customer Contact Centre with a toll free number to centralize all customer queries and address them effectively in a timely manner.
- Our 3M Car Care Centre initiative is steadily spreading 3M's retail presence and building our brand in India.
- We have also been recognized as the preferred supplier among some of our key customers.

Developing our People

- In 2011, your Company grew to more than 1600 employees.
- Our people development initiatives included developing transformational leaders in the organization through specialized training programs for high potential employees.
- We also renewed our focus on building marketing competencies by investing in a new team to strengthen marketing excellence and energize the marketing community of the organization.

All these developments are a clear affirmation of your Company's consistent focus on accelerating growth in 3M India. I want to also particularly recognize our employees' commitment to 3M values and ethical practices in the way they work.

As a way to support the community, your Company continued to support the cause of underserved children and disability through partnerships with NGOs. Our employees have also been taking active interest in contributing to the community through various socially responsible initiatives across our locations.

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

Ajay Nanavati
Managing Director

Recognition from our customers
stand testimony to our growth



Transformation is in our DNA and we are bringing it to you. The seeds for this change are our R&D Centers in Bengaluru and Gurgaon, where ideas are brought to life by passionate minds through multiplication of technologies to create solutions that delight.

Taking this change forward are a new breed of go-getters that 3M is grooming, who make transformation happen by nurturing partnerships in the key markets we serve - Auto, Construction, Healthcare, Infrastructure and Retail.

This potent fusion of ideas, leaders and solutions is now impacting work and life - by being the catalyst of change in every sphere, from complex manufacturing processes to simple craft projects.



3M Technology Advancing Every Company

3M enables change by touching the engines of growth - manufacturing centers where our innovation delivers solutions that simplify and in turn, helps companies create an impact in the markets they serve.

From wings that enable flight to flooring that withstands corrosion, a 3M idea works behind the scenes helping companies impact the various spheres of life of their customers.

3M India

sustaining transformation
through our vision



3M Products Enhancing Every Home

Making life easy is where 3M solutions excel. Today most people have experienced a 3M innovation - whether it is in the vehicle they drive or the mobile phone they use.

By creating practical yet ingenious products like Scotch-Brite® range of cleaning tools - developed through deep insight into regional usage patterns, we are continuing to touch everyday living in simple, yet profound ways.



3M Innovation Improving Every Life

3M meets and exceeds customer expectations by transforming user experiences through more than just innovative products.

We create habit changers - from the iconic Post-it® Notes, to life giving healthcare solutions or every day home maintenance tools - each innovation continues to touch various walks of life.

Breaking new ground Crossing new milestones

Our story of innovation in India is seeing a multitude of possibilities open before us, with our new R&D centres in Bengaluru and Gurgaon. This is where 3M's collaborative work culture will leverage our global knowledge base and command over 45+ technologies to connect across segments seamlessly, solving problems unique to India.

Here are a few stories of 3M India's potent solutions that are transforming the way we live and work...



Auto



From components that enhance performance to products that ensure vehicles look good and new, 3M's solutions for the auto industry are helping a nation on the move.

Mechanical Flushes

Ensures a thorough yet quick cleaning of vital auto components for engines always on the run.



Bondo™ Undercoat

India's first polymeric underbody protective coating that provides excellent all-weather protection unlike conventional under chassis coatings.



Construction



From worker safety, to fire protection and DI-NOC™ textured films, 3M's solutions take care of almost every stage of construction.

3M Synthetic Resin Adhesive

Addressing the unique operating environment in the Indian wood works market, this specialty white adhesive can be used to bond all types of wood and other wood substitutes.



2011 Innovations from our R&D Centers



Health Care



From critical surgical aids to home use Nexcare™ hot & cold packs, 3M's health care solutions are reassuring care for every life.

Surgical Skin Prep Solutions

3M's Skin Prep solution provides an effective antiseptic barrier that works with almost all skin types ensuring surgical safety and infection prevention in hospitals.



Infrastructure



From innovations for traffic safety to power connectors, 3M's solutions are keeping key engines of growth ticking.

Vertical Delineators

Drawn from 3M's expertise in retro-reflective technology with in-built vandal-resistant features, Vertical Delineators provide night-time visibility and safety to motorists.



Scotchkote™ Urethane Coating 165HBL

Ensures uninterrupted power generation by providing safety and strength to cooling towers.



Retail



From innovations that enable versatile and vibrant communication to tools that help homemakers keep clean homes, 3M's retail portfolio help make lives easier and better.

Tamper Evident Labels

Ensures authenticity of products and safeguards manufacturers' reputations in a market rife with counterfeits.



Scotch-Brite® Jet Scrubbers & Handheld Mops

Aiding homemakers with tools that ensure efficient and effective floor cleaning.



Ten Year Financial Highlights

(₹ in Lakhs)

	12 months ended (January to December)							15 months ended (January to March)	12 months ended (April to March)	
	2002	2003	2004	2005	2006	2007	2008	2009-2010	2010-2011	2011-2012
Gross Sales*	22088	23914	27123	40295	54049	64670	77989	111740	121904	144846
Total income	21072	22899	25974	38306	51040	61905	75307	110679	120241	141037
Profit Before tax	2985	3818	4104	6058	7797	10663	9102	14087	14806	9611
Profit After tax	1754	2497	2554	3842	5042	6768	5745	9284	9881	6477
Net Fixed Assets	3026	2610	3213	2933	4432	9742	14332	18102	25952	31067
Share Capital	1127	1127	1127	1127	1127	1127	1127	1127	1127	1127
Reserves & Surplus	7322	9819	12372	16214	21256	27904	33649	42933	52813	59291
Net worth	8448	10945	13499	17341	22383	29030	34776	44059	53940	60417
EPS	15.57	21.43	22.67	34.10	44.76	60.08	51.00	82.41	87.71	57.50
Return on Networth(RONW)	20.76	22.81	18.92	22.16	22.53	23.31	16.52	21.07	18.32	10.72
Capital investment	242	213	1131	393	2145	5957	5416	5473	10293	9668

* Sales before Excise duty charged.

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

Board of Directors



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



Mr. Ajay Nanavati
Managing Director



Mr. B. S. Iyer
Non-Executive and
Independent Director



Mr. B. C. Prabhakar
Non-Executive and
Independent Director



Mr. Jose R Varela
(up to October 31, 2011)
Non-Executive Director



Mr. Albert C. Wang
(from March 12, 2012)
Non-Executive Director



Mrs. Sadhana Kaul
Whole-time Director



Mr. R. Vijay Kumar
(from October 31, 2011)
Whole-time Director



Mr. B. V. Shankaranarayana Rao
Whole-time Director

Company Secretary

Mr. V. Srinivasan

Audit Committee

Mr. B. S. Iyer
Mr. D.J. Balaji Rao
Mr. B.C. Prabhakar
Mr. Jose R Varela (up to October 31, 2011)

Chairman
Member
Member
Member

Shareholders'/Investors' Grievance Committee

Mr. D.J. Balaji Rao
Mr. B. S. Iyer
Mr. B.C. Prabhakar
Mr. Ajay Nanavati

Chairman
Member
Member
Member

Bankers

BNP Paribas
Canara Bank
Citibank N.A.
Deutsche Bank AG
HDFC Bank Limited
ICICI Bank Limited
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, Vithal Rao Nagar, Madhapur, Hyderabad - 500 034
Tel: 040-44655000 • Fax: 040-23440814