

Reinventing our future, improving lives

Annual Report
2015 - 2016

**The future
begins with us**





and belongs to our people...

Today at 3M, we have begun to surmount challenges to enable better tomorrows.

A vision being empowered by a massive people connect – collaborations within, pro-active engagement programs with key partners in the channel and reaching out through new avenues to our customers.

Keeping people at the heart of everything we do is the aspiration 3Mers across the country believe where our future lies.

The 3M people – our customers, stake holders and employees – is what makes our culture unique and makes us tick as we forge ahead to reinvent the future. Now.

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Bharat D. Shah, Chairman

Growth through new models and robust localisation.



The Indian economy finished on a good note in the fiscal year 2015-16. We enter the next fiscal year with a stronger, projected growth rate of 7.3%. The UN World Economic Situation and Prospect 2016 report states that India will be the world's fastest growing large economy, forecasting 7%+ level GDP for the next few years. A strong foundation for a vibrant India was laid by the Government at the Center through pro-market reforms, taming of inflation rates and rising foreign investor confidence which has had a multiplier effect on inclusive development. More importantly, a conscious effort to build a strong identity as a developing power is visible with India, today, being the brightest spot in an otherwise soft global economy. The challenges are huge, yet I remain optimistic to say that India has never had a better chance than today to make the 'big change' for generations to come.

3M India has leveraged on the long term optimism of the Indian economy while carefully managing the environmental challenges. With a firm eye on productivity, your Company has posted excellent results for the year 2015-16, registering an annual turnover growth of 14.3% accompanied by an increase in profitability of 85.4% over the previous year. The operating margin for the current year was at 16.94% compared to 11.73% for the last year.

There have been several trends in the economic environment during the fiscal year which provided exciting opportunities for 3M India to tap into. With the decline in IPI, 3M India shifted focus by following opportunities in Government driven initiatives such as the Smart Cities Mission and Make in India. The Make in India initiative, with its accent on electronics, defence and automobile manufacturing has been helping 3M India deploy its manufacturing strength. Your Company has been at the forefront of developing the market for smart cities through collaborations with various relevant stakeholders with similar interests.

Private consumption remained strong and expanded at the fastest pace in the last one year. 3M India has benefitted from increased focus in the consumption business with the adoption of new business models especially in the areas of automotive care and healthcare and has increased investment in new digital initiatives. Your Company also laid down the foundation for a robust ecommerce plan to drive the sales of its products and solutions.

A strong performance of any organization is always enabled by the aspiration, will and efforts of its employees. 3M India and its employees are committed to building a bigger, bolder and smarter company which never loses sight of its customers. I am happy to share that the initiatives during the year under review demonstrated this bigger, bolder and smarter thinking which is based on strong customer insights.

Your Company has also invested in building the competencies of its people, strengthening the new product commercialization process and localization efforts across all its manufacturing facilities with products to align with the key growth engines of the Indian economy.

As a responsible company, 3M India has substantially increased its community initiatives with projects under Education, Social Innovation and Women Empowerment by involving its employees as well.

I applaud the efforts of the 3M India team and congratulate them for executing the plan with such rigour and resilience. I am also grateful for the opportunity to execute my duties as Chairman of your company and thank my colleagues on the Board for their support and collaboration to guide 3M India towards a solid growth path over the next year.

Thank you.

Amit Laroya, Managing Director
(till May 31st., 2016)

Progress driven by keeping our Customers First.

2015-16 was a landmark year for 3M India. I'm pleased to share that the company was able to consolidate and accelerate on a strong foundation of productivity-led growth which helped us register a solid financial performance. We were also fortunate to have had the support of a well performing Indian economy with a healthy GDP growth rate of 7% + as compared to the rest of the world. During the year under review, there were several actions and initiatives that were undertaken to ensure that 3M India is geared up for the fast paced economic growth expected over the next few years.

Change Management for Growth

3M India has been through a change management process that has steadily transformed the organization from focusing on productivity improvement to building a bigger, bolder and smarter vision for the future.

1. We drove customer centricity to a higher level by improving our understanding of their needs and by developing new solutions for new markets.
2. The company optimized its product portfolio for high profitability, ably supported by a relentless drive to reduce costs and an improved effectiveness of our product commercialization process.
3. We strengthened our execution capability by focusing on a few vital metrics using the 3M Business Execution Process.
4. During the year under review, we calibrated a new future for 3M India through increased collaboration at various levels; within the organization so that our diverse portfolio across our businesses reaches our customers; with our channel partners, those who connect our innovations with our end customers; with strategic partners to participate in new and emerging opportunities and with our customers through deeper engagement.

New Initiatives

1. As a way to mitigate the risk of being overly dependent on the country's industrial manufacturing, the company shifted focus to opportunities in key Government driven initiatives; for instance, through our road safety penetration and identity authentication programs.

2. In addition, to take advantage of the consumption opportunities, we deepened our focus on small & medium enterprises, ecommerce and new business models such as mobile detailing vans to bring 3M car care to consumers' doorsteps.
3. We also saw success coming from expanding into new geographies where we discovered that we could make a difference to industrial stores with a wider basket of products from our diverse portfolio.
4. To address the growing need for quality healthcare in Tier 2 cities, we created an online marketplace for medical professionals, hospitals and dealers alike to access a range of healthcare products with a unique ecommerce model.
5. Our Customer First initiative drove a cultural shift in the way we stay relevant by going beyond being a supplier of products to becoming strategic partners in their success. We demonstrated this with some of our automotive customers by helping them improve the profitability of their dealerships. Similarly, with our small and medium enterprise customers, we enhanced our offering with certified safety education to help them build more productive and safer workplaces.
6. Above all, technology and data analytics augmented the efficiency of our customer front-end operations and the overall way we do business.

Driving a high performance culture through respect for diversity and the community

The company strengthened various initiatives to build the leadership pipeline across the company. 3M India has an active Women's Leadership Forum that is at the forefront of driving programs around leadership development, sensitization and employee engagement. Our Corporate Social Responsibility (CSR) initiative under the brand name of *Embrace* is helping ignite new possibilities for underprivileged children, budding innovators and a young breed of women who are aspiring to lead better lives. 3M India also pioneered a consortium with leading companies in India to develop a unique learning initiative for high potential employees to learn outside of their organizations.



Demonstrating Bigger, Bolder, Smarter thinking to reinvent the future

During the year under review, 3M India laid the foundation for an accelerated growth plan to expand our relevance in the Indian market.

- By driving new product commercialization and localization programs to strengthen our pipeline of locally developed and manufactured products.
- Leveraging existing and creating new business models that can take our diverse portfolio to our customers.
- Deepening our presence in metro cities as we believe that is a huge opportunity to tap into.
- Responding to key societal and economic trends with solutions for urbanisation, better air and water quality and acoustics for cars.
- Building our channel partners through a shared understanding of mutual responsibilities and collaboration towards growth

To conclude, I would like to recognize the leadership of our employees and the collaborative spirit of our teams that have helped us achieve our strong results. Our employees' achievements were also widely acknowledged through accolades and recognition by our customers, peers and our parent company.

As I end my tenure as Managing Director of 3M India, I'm grateful for the opportunity to have led a vibrant and inspired workforce. I would like to thank our numerous customers, vendors and suppliers who continue to contribute and be partners in our success. I'd like to thank our previous Chairman, Mr. B. S. Iyer for his contribution towards the company and constant support. I'd like to thank our current Chairman, Mr. Bharat Shah, for his leadership and guidance in taking the company forward. I would also like to wish 3M India's new Managing Director, Debarati Sen every success as she takes over the reins of leadership of the company into the next phase of growth.

Thank you.

Debarati Sen, Managing Director
(June 1st., 2016 onwards)

Talent and focus that will drive the future.

This is an exciting year as I take office as the new Managing Director for 3M India and build upon the strong performance of the year under review. We are optimistic about the company's future in India. The economy is anchored in domestic growth which serves very well for our diverse portfolio of products.

I would also like to thank my predecessor, Amit Laroya for the solid results of the prior year and for his leadership in the past two and half years. I'm committed to build on the success we have achieved over the last few years and continue on the growth path we have set for ourselves. The focus will be stronger than ever to provide innovative solutions to the Indian customer and help drive value through local technology and manufacturing.

We have an energized and engaged workforce with world-class talent. We have invested in the right processes, initiatives and partnerships to win in the new economy.

Our innovative business models will ensure sustainable growth, driving a customer first mindset, leveraging our science and diverse technological platforms and the emerging value chains in the marketplace. Above all, we will continue to drive our focus on community and social responsibility harnessing the diversity and passion of our employees and our stakeholders to build and support a vibrant new India.

I feel privileged to be a part of a high performing team. I thank the Board of Directors for the opportunity and look forward to their guidance and support to take 3M India to the next stage of evolution as we continue to drive our global vision of

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

Thank you.



Collaborate

Reaching the customer by exploring new avenues is a mission in progress with success stories already emerging by being a bigger, bolder and smarter 3M.

3M's collaborative customer centric approach to markets takes cues from local megatrends, positioning the diversity of 3M and expanding geographic spread. This is augmented by up scaling capability and leveraging productivity.

This collaboration with various stakeholders across the automotive, retail, healthcare and small & medium enterprise markets puts our customers at the heart of everything we do, takes our innovation beyond just a product and helps us deliver a richer customer experience.

Enhanced reach & better customer experience through a tailored portfolio

Increased partnering across 3M businesses and realising the potential of cross-market opportunities has helped us expand into new geographies and provide enhanced customer experiences.

Armed with a potent product portfolio mix, 3M has penetrated into regional industrial clusters with targeted local language communication for industrial retail stores and has shaken up mature adhesive markets with game-changing alternative adhesive products like Fast Bond Tape.

Our diverse portfolio, tailored for specific needs like branding, interior design, maintenance or refurbishment, general safety or something as unique as personalisation is empowering a richer brand experience that goes beyond just graphics and signage, for our customers who are deeply conscious of their brand.

Customer intimacy through saving lives & improving productivity

Deep market insight supported by the right product mix has helped us come up with customer benefits that range from bringing focus to worker safety at Small & Medium Enterprises (SME) to improving productivity in the Automotive OEM dealership segment.

Our initiatives to create safety awareness have helped improve workers' safety using 3M's protection products, covering 1000+ SMEs and touching the lives of more than 40,000 industrial workers. While data analysis helped us benchmark automobile dealerships and change the mind set from cost-cutting to enhanced productivity-led profit.

These initiatives have resulted in a perception shift from 3M as a product supplier to a strategic partner in these key segments.



Partnerships for a healthy growth in Tier 2 & 3 cities

Challenging healthcare market myths through a B2B e-Commerce platform that is enabled by strategic alliances is changing the way Tier 2 & 3 cities have accessibility to health care products.

With healthcare infrastructure rapidly increasing in such cities in line with economic growth trends, 3M aspired to enhance presence in these areas. The sheer geographic spread and deeply rooted local businesses posed a stiff entry barrier. Pro-active action led to 3M establishing a business model encompassing the efficiencies of e-Commerce and local channel support to drive penetration.

Today, the "www.healthcarereach.in" portal has 85% of sales coming from Tier 2 & 3 cities, reaches 500+ hospitals, 300+ re-sellers, 8000+ doctors and operates in 150+ cities.

This is the power of healthy people partnerships.

Bringing the 3M experience to our customers' doorstep is the dawn of a new era in our drive to reach new age markets. Car Care, Personalisation and Home Water Purification are three key opportunities where this route is showing tremendous promise.

The Mobile Detailing Van concept was developed based on customer insight that 97% of car owners belong to the "Do-It-For-Me" segment and 3 out of 10 customers at 3M Car Care Centers wanted services to be made available at their doorstep. This has created potential for visibility in high traffic areas and opened a whole new platform to showcase other 3M offerings.

The aspiration of today's youth and their demand to 'stand out from the crowd' drives 3M's car personalisation offering. Today, this opportunity has been tapped across 30 cities, wrapping over 5000 customers' vehicles.

Purifying water entering homes by following a new directly targeted approach is paying rewards for the Home Water Purification business and has given 3M the 'first mover advantage' in the space.

Touching everyday living, enabling aspirations to be fulfilled and making a positive impact is a new milestone in 3M's quest for making life easy.

Home delivered customer satisfaction

Innovate

Decades of technical expertise coupled with local insight gives 3M a distinct edge when delivering solutions that delight.

3M's Innovation Centers and the breadth of cross technology knowledge augment the invaluable learning from our connect with key stake holders in the various markets we touch. The innovation borne by this potent blend continues to create magic with products that transcend local challenges.

Spanning a diverse spectrum of solutions from under sea pipeline anti-corrosion coating to scrubs for squeaky clean kadais, 3M's innovation is now touching a wider audience.

Innovation that understands local behaviour and unique needs has made all the difference to our customers' work and lives from quicker, secure border control to making more time available for families to spend together.

Scotchkote™ 626-130
Fusion Bonded Epoxy
Powder Coating

Bonding that protects undersea assets.

Facing a specific challenge with protective coatings that will work at high temperature undersea conditions, a major state-owned oil drilling company turned to 3M when replacements were due for pipelines that connect oil wells.

Existing protective coatings did not have sufficient gel time for proper application.

3M India developed a new formulation Scotchkote™ 626-130 Fusion Bonded Epoxy with a 20-24 seconds gel time that offers an enhanced application window for better protection at temperatures that go up to 130°C.

3M™ Air-conditioner Cleaner
& Disinfectant

Cool new way for cleaner in-cabin air.

Car passenger comfort, health and safety gets a thumbs up with 3M's new, easy application air conditioner cleaner and disinfectant.

This product addresses traditional pain areas by obviating the need to dismantle AC systems to clean – so customers could drive home faster.

With its unique foaming and anti-bacterial action, the 3M™ Air-conditioner Cleaner & Disinfectant is a one-step application for reliable cleaning. Being plastic and vinyl safe, it also scores high on the green quotient.

