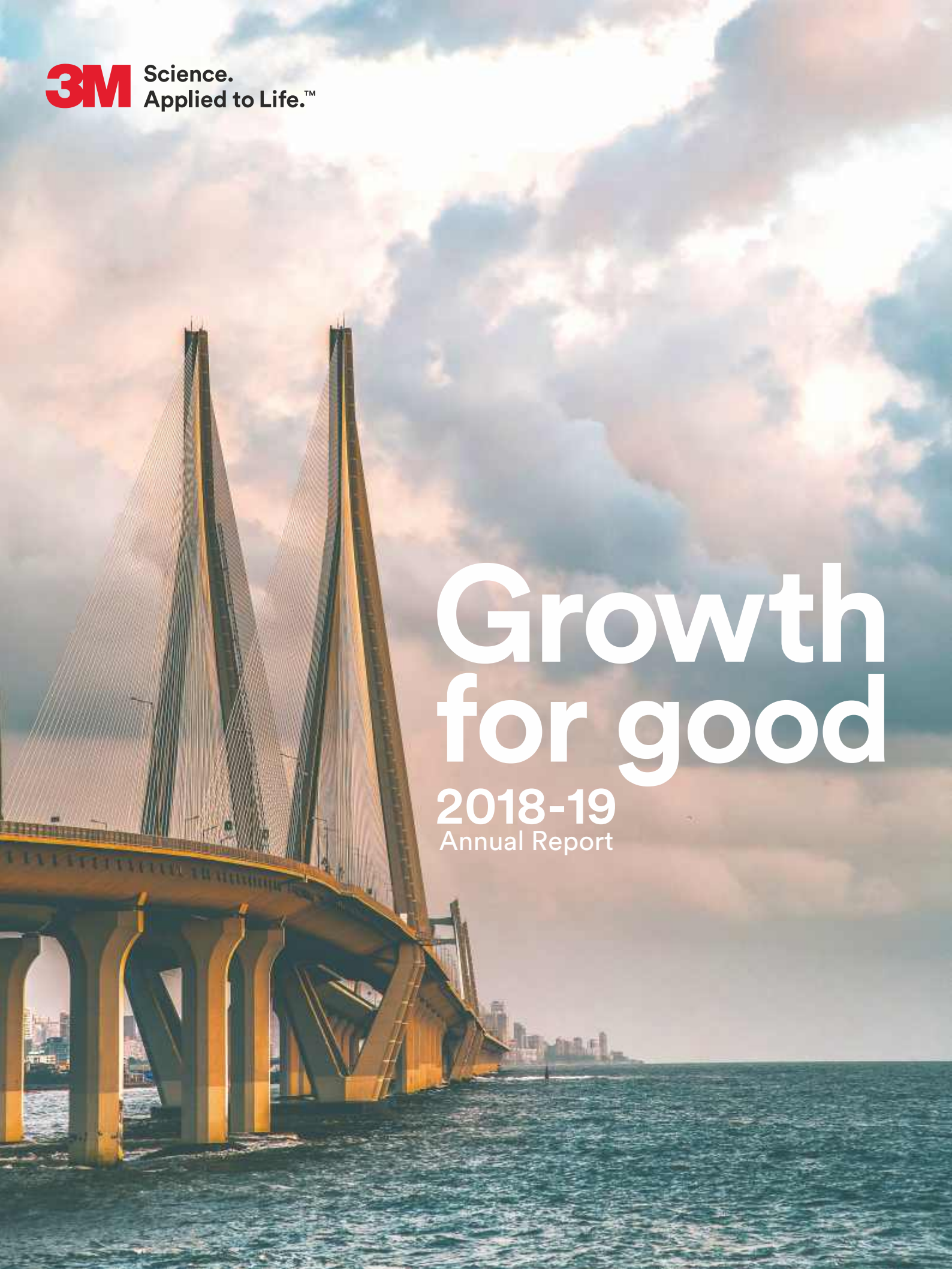
3M Science. Applied to Life.™



Growth for good

2018-19 Annual Report

A resilient nation.
A thriving market.
An aspiring populace.

India's time is

An inclusive outlook for development offers immense opportunity for 3M to partner in empowering a future ready India. Envisaging growth for all, stretching our aspiration to every company, every home and every life.
Science plays a critical role in building a resilient future where everyone can thrive. Today, 3M is growing its business in India by unleashing the potential of our science and innovations that help bring to life the aspirations of India's people.

Growing with purpose. Growing for good.

In FY 2018-19, four strategic drivers helped 3M break new ground and expand its impact with customers and in key markets.



Customer at our core

From customer scorecards to expanding relevance of 3M science with our customers, we are committed to drive innovation with our customers at our core.



Innovation for India

India's key growth engines – consumer, infrastructure, healthcare, automotive and transportation are benefitting from new applications of our science to improve lives.



Design-led innovation

We are taking a proactive approach to develop meaningful brand experiences for our customers through design-led innovation.



On ground partnerships

Strategic partnerships with Central and State Government agencies and initiatives are widening our impact.

now.



Contents

Message from the Chairman	3
Message from Managing Directors	4
3M India Growth Story. FY 2018-19 Highlights	8
Ten Year Financial Highlights	34
Board of Directors	36
Notice to members and route map to the venue of the AGM	41
Note to the Members	51
Report of the Board of Directors	52
Annexures to Report of the Board of Directors	64
Standalone Independent Auditor's Report and Annexures to Independent Auditor's Report	132
Standalone Balance Sheet	140
Standalone statement of Profit and Loss	141
Standalone statement of Changes in Equity	142
Standalone statement of Cash Flow	143
Notes to the standalone Financial Statements	145
Consolidated Independent Auditor's Report and Annexures to Independent Auditor's Report	185
Consolidated Balance Sheet	190
Consolidated statement of Profit and Loss	191
Consolidated statement of Changes in Equity	192
Consolidated statement of Cash Flow	193
Notes to the consolidated Financial Statements	195
Attendance slip	239
Proxy form	241

Registered Office:
Plot Nos. 48-51, Electronics City,
Hosur Road, Bengaluru - 560100
T: +91 80 2852 0203
F: +91 80 2852 0576

Corporate Office:
Concorde Block, UB City,
24, Vittal Mallya Road,
Bengaluru - 560001
T: +91 80 2223 1414
F: +91 80 2223 1450



Bharat D. Shah
Chairman

Dear Shareholders,

It is my privilege to write to you as the Chairman of 3M India Limited and present to you the Annual Report of your company's performance and initiatives for the Financial Year 2018-19.

After a strong recovery in early 2018, global economic growth slowed down notably, in the second half of the year ending at 3.0% as trade tensions increasingly took a toll on business confidence, energy market volatility brought in headwinds and policy uncertainty prevailed across many economies.

In FY 2018-19, even as the economy showed resilience powering through back-to back reforms such as demonetisation and GST, India's GDP slowed to 7% from 7.2% estimated earlier. As the country entered an election year, the slowdown in investment activity, currency volatility, rising non-performing assets along with the agrarian crisis affected the GDP growth. Despite the slowdown, World Bank continues to project a bright picture for India's growth in FY 2019-20 with a moderate forecast of 7.5%. The year was also marked by purposeful strides made by India to become the 6th largest economy in the world and ascending to 77th in the Ease of Doing Business ranking. With the formation of the new government, it is expected that infrastructure investments will pick up pace.

"3M India has shown resilience in managing the economic conditions with a consistent broad-based performance during the FY 2018-19."

Against this backdrop, your company's performance continued to show resilience in managing the economic conditions with a broad-based, market differentiated growth during the FY 2018-19. It has posted an annual turnover growth of 10.34% on consolidated basis accompanied by an increase in profitability of 9.90% on consolidated basis over the previous year. The operating margin for the current year was at 19.02% compared to 19.95% for the last year. The performance can be attributed to the company's management of the product portfolio mix, driving value through local manufacturing, enhanced participation and engagement with Government bodies and ministries and growth in Tier 2 & 3 cities.

Your company's priority market segments such as infrastructure, consumer, healthcare, automotive and electronics manufacturing are well aligned to the country's growth sectors and initiatives. Your company continued to forge deeper relationships through strategic customer-centric programs and enhanced capabilities, with the launch of the global Design Center to drive design-led innovation.

Your company remains committed to the highest standards of corporate governance and excellence with worldwide recognition for its ethical business practices. Structured CSR initiatives have enabled the company to enhance its societal impact across communities in India, through initiatives such as the promotion of girl child education, road safety awareness and water conservation programs. Employees' contributions are harnessed through volunteering imbibing in them a higher sense of purpose.

Your company has grown in performance and stature under the dynamic leadership of Debarati Sen who concluded her tenure as Managing Director of 3M India Limited on May 31, 2019. I would like to congratulate her for advancing the company and enhancing its reputation in the industry. I welcome Ramesh Ramadurai as he takes over the reins and wish him success in leading your company into its next phase of growth.

To conclude, I would like to thank you, shareholders, for your unstinted support and confidence in the company. My gratitude extends to our stakeholders - customers, government bodies, channel partners and associates for their support and, to all the employees of the company for their contributions. I am grateful for the opportunity to execute my responsibilities as Chairman of 3M India Limited and thank the Board of Directors for their collaboration and support. I wish the 3M India team the very best to put in a strong growth performance in FY 2019-20 and in the years ahead.

Thank you.



Debarati Sen
Managing Director
(up to May 31, 2019)

Dear Shareholders,

It is my privilege to share my last message as Managing Director of 3M India Limited, your company, which I have been honoured to serve over the last three years. Our journey this fiscal has been both incredibly fulfilling and challenging in many ways and I am proud of the resilience we have demonstrated as a company in the current economic environment. We have proven our ability to thrive in a VUCA world, against the backdrop of global economic uncertainty and domestic market turbulence.

Our growth story reflects our growth sectors in India – transportation, infrastructure, consumer, healthcare, energy and electronics including digital transformation. As we have said, growth happens at the intersection of demand and policy and your company has ensured that strong understanding of the market and our customers translates into profitable growth. Even with the global economic slowdown, India continues to be seen as an attractive investment destination with increasing ease of doing business and continuity of policy framework.

You would be pleased to know that during FY 2018-19, your company delivered market differentiated performance with an annual turnover growth of 10.34% accompanied by profit growth of 9.90% on consolidated basis over the previous year. Your company has sustained its strong growth trajectory with a sharp focus on improving quality of business, portfolio prioritisation, operational discipline and commitment to ethics and compliance. Our performance was marked by key initiatives that helped us create impact – with our customers, in the markets we serve and with our communities.

> **“The company has sustained its strong growth trajectory with a sharp focus on improving quality of business, portfolio prioritization, operational discipline and commitment to ethics and compliance.”**

Customers at our Core

In FY 2018-19, we introduced several initiatives to deepen our understanding of our customers and measure our performance as our customers would. Notable being, Sampark, a strategic key account management program that helped bring to life the breadth of our solutions, technologies and science into our customers’ world. We covered over 50 of our key strategic accounts across sectors with clear line of sight on growth opportunities.

Innovating for Impact

During FY 2018-19 we introduced several new products in India, transforming user experiences and solving tough challenges for our customers. Impactful innovations introduced in the year included –

- A new product category for home organization and décor, Command™ Hooks taps into the creativity of people keen to add personal touches to their homes without damaging walls.
- Our diverse solutions, from high performance adhesives to safe road furniture were a part of the iconic engineering marvel, the Statue of Unity project.
- Several of our solutions, from signages, variable messaging signs to weather resistant graphic wraps on trains helped tourists find the way at Kumbh Mela 2019.
- New products in vehicle air care enabled passengers breathe clean air inside their cars.
- We collaborated with State Governments, specifically, Karnataka State Government to equip construction workers with safety kits, training and education.
- We introduced an online education platform, 3M℠ Healthcare Academy, offering a wide array of specialised courses and certifications for the medical fraternity, especially nurses.
- Our home care range expanded to include several new cleaning tools such as bottle brushes addressing local insights. The brand also took a bold stand to drive gender-neutral messaging around the theme – *Ghar Sabka Kaam Sabka*, which resonated with today’s socially conscious youth.

During FY 2018-19, the company completed the acquisition of 3M Electro & Communication India Pvt. Ltd. adding to our capabilities and product portfolio, differentiated solutions covering electrical accessories, electronics materials and filtration. With research, manufacturing and warehousing facilities in Pimpri, Pune and 169 employees added to the 3M family, the acquisition enables us to participate in sectors such as power, utilities, electronics manufacturing and the burgeoning auto-electrification market. Last year, we were one of the two component companies featured at the Global Mobility Summit (MOVE) held in New Delhi and we continue to work with various stakeholders to bring about technical advancement in this space.

On ground partnerships to create wider impact

The rise of respiratory diseases in India, led us to form a partnership with the Chest Research Foundation to create awareness and train doctors on chronic respiratory diseases caused by sustained air pollution exposure.

Strategic partnerships with both Central and State Governments have expanded our participation in key national initiatives. We signed an MOU with the Bhopal Smart City Development Corporation Ltd. (BSCDCL) to support the B-Nest Incubation Center for start-ups and young entrepreneurs with mentorship.

Design-led innovation

During FY 2018-19, we further enhanced our capabilities and level of customer engagement through the launch of 3M Design Center, in Bengaluru. The fourth such 3M Design Center in the world, where design inspires innovation and meaningful brand experiences for customers. Our work with Indian Railways especially, with marquee trains such as, Train 18 rolling out last year with 3M technology as well as revamped exteriors and interiors of the New Delhi railway station are proof points of design-led innovation enhancing passenger experience.

Beacon of corporate excellence, ethics and integrity

Our accomplishments through the year have been recognized by the industry, national publications and several of our customers. Your company featured amongst the Outlook Magazine's Outperformers List and Forbes Super 50 Companies in India. We received industry level recognition for manufacturing excellence and for our growing leadership in the Car Care business. We are also proud of our sixth consecutive recognition by Ethisphere® as the World's Most Ethical Company, a testimony to our unwavering commitment to ethical business.

Creating sustainable impact on our communities

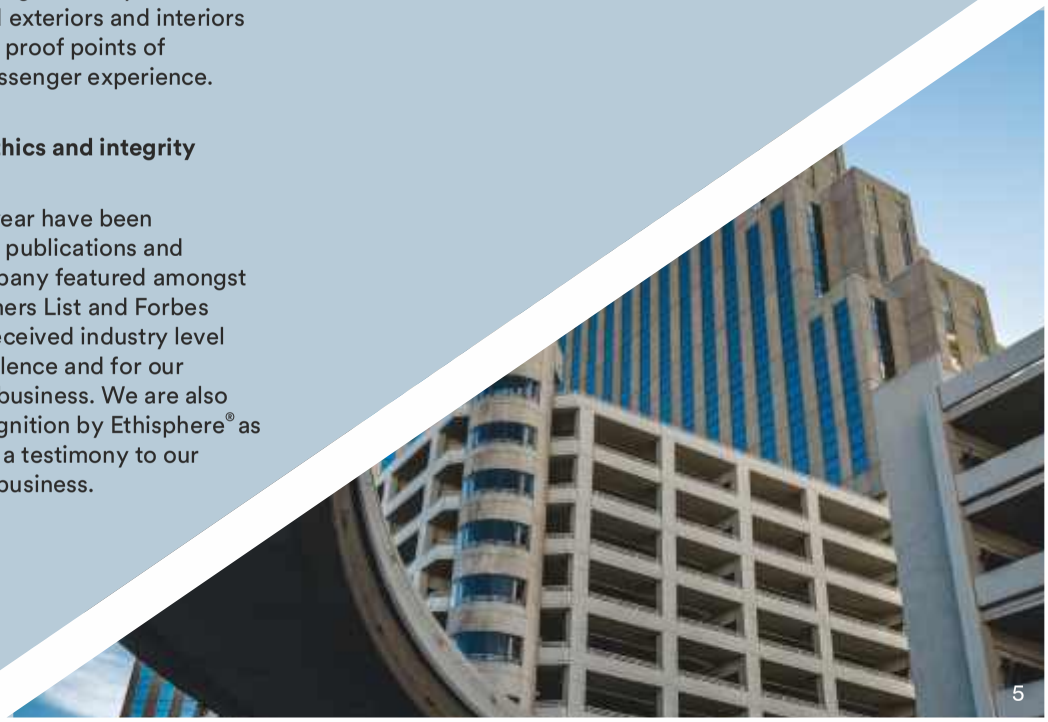
With improving performance, our CSR efforts have dramatically expanded our impact in our communities, touching the lives of more than 30,000 beneficiaries. We also announced our prestigious partnership with Project Nanhi Kali empowering 2,000 girl children in rural Maharashtra through education. In addition, our commitment to environment sustainability goes beyond compliance, thinking holistically about how our operations and products affect our environment. Thanks to the efforts of our people, we have been able to reduce our water consumption by 57%, energy consumption by 28% and waste by 21% respectively per ton of production.

As I conclude, I would like to appreciate our employees who have demonstrated tenacity and resilience to deliver meaningful growth in this VUCA environment and live by the highest standards of ethics and compliance.

I have also been honoured to have had the opportunity to work with a high caliber Board led by our Chairman of the Board, Mr. Bharat Shah and our capable independent directors and our executive and non- executive directors. Thank you for your encouragement, guidance and support. My best wishes to Ramesh Ramadurai as he takes over as your company's new Managing Director.

Most importantly my gratitude to you, our shareholders for your trust and confidence in our company and me and for helping me during my journey leading this incredible enterprise.

Thank you.





Ramesh Ramadurai
Managing Director
June 1, 2019 onwards

Dear Shareholders,

I am honoured to take office as the new Managing Director for 3M India Limited and look forward to leading your company.

We are optimistic about your company's future in India. The economy is driven by domestic growth which serves very well for our diverse product portfolio. Your company has a strong history of building sustainable and differentiated businesses, based on our deep customer orientation and the several new-to-the-world innovations we have introduced in the country. Our recent successes have come from identifying new opportunities for growth and pursuing new business models with, expanded participation in several sectors of the economy. Government investment and initiatives have thrown up new segments and the increased digitization of the economy has brought in new value chains. With this accelerated pace of change in our external environment, our priority is to transform our processes and go-to-market models to stay relevant and continue to attract the best of talent.

I would like to thank my predecessor, Debarati Sen for the strong performance for the year under review and for her leadership over the past three years of her tenure.

"I am committed to build on the success and impact we have achieved and drive a purposeful path forward."

I am committed to build on the success and impact we have achieved and drive a purposeful path forward. Our focus will be stronger than ever to be more relevant to the growing aspirations of Indian consumers and drive value through our differentiated solutions, global science expertise and local manufacturing.

Your company has shown itself to be adaptive and resilient against the backdrop of a rapidly changing economic environment, attributes which will continue to serve us well in the years ahead. We have an energized and engaged workforce committed to uphold the values of the company. Above all, we will continue in our endeavor to create positive impact in our communities, improve lives and support India's progress.

Thank you shareholders, for your continued confidence in the company. I look forward to working with our esteemed Board of Directors, who bring with them rich and diverse experience. We stay committed to deliver on our global vision of

3M Technology Advancing Every Company

3M Products Enhancing Every Home

3M Innovation Improving Every Life

Thank you.



2018-19 Highlights
Customer at our core

Sampark Initiative

In FY 2018-19, we rallied our company and our people around a single-minded purpose – keeping our customers at our core. A company-wide initiative that emerged from collaborative employee effort was Sampark, a strategic account engagement program to drive growth with our strategic key accounts across market sectors.

Using principles of Lean Six Sigma and constructing journey maps for each of our key accounts, we created an efficient, replicable, "plug-and-play" model to showcase 3M's diverse solutions. This was ably supported by 3M experts who brought to life the possibilities of 3M science.

This flexible model helped us respond to customer enquiries with rapid ease and gather crucial insights which could be converted into opportunities.

The program saw significant addition to our brand value with our customers, enhanced our penetration with several of our strategic key accounts and opened up opportunities for joint developments of new technologies.



