

3M | 25 years
of 3M in India
1988-2013



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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

25 years

of 3M in India
1988-2013

25 years of ingenuity
Steadfast values
One soaring spirit

- 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.





Chairman's Message

In the wake of the global economic recession which plagued most countries in 2012, India bravely faced the slowdown by introducing various proposals to further reforms and reduce fiscal deficit as well as inflation. These measures along with a revival of consumption and gains in the manufacturing and services sectors have helped India stay on course to register a growth rate of 5% during the period 2012-13 and an estimated growth rate of 5.75% in the next fiscal year.

Your Company has reported a performance of 12% topline growth under such challenging macro-economic conditions having built good momentum to innovate and move forward in 2013. However, the operating margin for the current year was lower at 7.6% compared to 8.96% for the last year as a result of the depreciation of the rupee, higher fixed charges and lower utilisation of capital investments made by your Company in strategic manufacturing processes (like non-woven, tape coater & medical factory) with a view to boost local innovation.

Your Company has taken various steps to improve fuller utilisation of expanded capacity, increase productivity, localise manufacturing of various products (in some cases even outsource) and introduce a phased reduction of dependence on the parent Company and other subsidiaries. With these steps, your Company expects the current financial year to show improved operating margins as compared to the last financial year. Thus, I look forward to 2013-2014 being a year of consolidation for 3M India's manufacturing facilities.

I'm also pleased to share with you that your Company has completed 25 years of operations in India, a significant milestone in the history of the Company. Your Company's 25 year progress has seen a steady growth of manufacturing and innovating capability, strong relationships with customers across diverse industries resulting in the 3M brand becoming a well known and respected brand today.

In the year under review, your Company continued to expand its regional presence with a new office in Hyderabad, build the brand with its retail venture in Car Care and strengthen the innovation pipeline by introducing new products into the market to address the needs of the automotive, infrastructure, construction, health care and consumer markets. Your Company also received recognition from national as well as global 3M for excellence in domain expertise, customer service, marketing, technical, packaging, manufacturing excellence and quality. In order to build a strong leadership pipeline for future growth, your Company is also investing in a world class Leadership Learning Center at the Corporate Headquarters in Bengaluru. The Bengaluru Innovation Center (set up during 2011-2012) has also got national recognition from the Government of India as an eligible entity for tax incentives from 2012-2013.

As your Company crosses a significant milestone, I would like to point out that it will continue to ride on the strength of its unique ability to create new product categories and build exceptional customer relationships. It is also in the process of developing a team of energetic and experienced professionals leading your Company to the next milestone. I congratulate the entire 3M India team on delivering a consistent performance despite the prevailing macro-economic situation and for bringing the Company to this important juncture. I look forward to continued excellence as your Company enters the next phase of growth.

D. J. Balaji Rao
Chairman

2013 is a memorable year for your Company as it is 3M India's 25th Silver Jubilee year. I'm happy to share that your Company has registered a sales growth of 12 % for the year ended March 31, 2013. However, higher input costs, combined with accelerated investments and the depreciation of the rupee adversely impacted our profit after tax.

I would like to summarize our key initiatives for the year under review in relation to our 6 growth strategies.

Expand relevance to our customers & our presence in the marketplace

- Your Company continued to expand its presence in India with the opening of its 6th branch office at Hyderabad.
- Our Car Care Center retail initiative continued to expand across major cities in India becoming the most visible customer touch-point for the 3M brand.
- Your Company also entered the Consumer Health Care market with the launch of the Nexcare™ range of products.

Gain profitable market share & accelerate market penetration everywhere

- To accelerate market penetration and enhance customer intimacy, your Company has made significant strides in expanding our turnkey service solutions while also entering new geographies especially in Tier B & C cities and towns.

Invest in innovation

- Leveraging our new R&D center and building on our "in India for India" strategy, your Company approved 17 patents for filing, recorded a healthy new product vitality index of 37% and launched more than 20 new products catering to diverse industries like retail, health care, automotive and infrastructure.

Intensify capabilities to achieve regional self sufficiency

- Our new manufacturing processes at our Ranjangaon plant, namely, the new non-woven maker and medical factory are gearing up to manufacture indigenous products for Indian markets.

Build high performing & diverse global talent

- We have also invested in setting up a world class Learning Center to provide sustained leadership development to our people to prepare them for future growth.

Drive consistent superior levels of operational excellence

- Your Company continued to enhance our competitiveness and productivity through deployment of Lean Six Sigma, portfolio management and rationalizing some of our back office operations.

Your Company received numerous awards and accolades in the year under review including recognition for our Health Care practices, Asia level packaging awards for some of our products, Best in Class Supplier recognition from our automotive customers and Global Certification for our manufacturing quality and excellence to name a few.

All these initiatives and developments are a clear affirmation of your Company's consistent focus on building capability across infrastructure, processes and people to achieve growth.

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 success.

Ajay Nanavati
Managing Director



Managing Director's
Message

25 years ago...

A global innovation giant ventured into one of the world's oldest markets
The remarkable journey of 3M in India was on

The Foundation Years

1988 - 1993

3M's India operations begin.
The seeds of innovation sown.

The

manufac

- First product **UY Connector**, addresses the newly opened up telecom sector
- **MS2 Connector** (Modular Splicing System) is 3M India's first local innovation
 - Solutions targeting **Home Care, Telecom, Automotive & Industrial** markets given manufacturing impetus

- Birla 3M becomes **3M India**
- **The Graphic Production Center for Automotive Graphics** - a key business growth driver established
 - 3M's **first Innovation Center** in India, set up at Bengaluru to focus on local product development



- 3M joins hands with the **Birla Group** to set up **JV**
- Manufacturing operations established at **Electronics City, Bengaluru**



- Goes **public** in 1991, the only public listed 3M subsidiary



- **Ahmedabad plant** begins manufacturing anti-corrosive coatings targeting infrastructure growth

Established in 1988, Birla 3M, a joint venture with one of India's iconic business houses, firmly planted our Indian footprint. From introducing new-to-the-world products to a nascent market that embraced globalization, 3M has grown along with this aspiring nation to nurture innovations that have touched companies, homes and lives.

3M's technology diversity found synergy with India's diverse markets, inspiring us to innovate to address her emerging needs. The challenges India continues to pose make us tap deeper into our expertise and helps us show the world what ingenious minds can achieve. Our R&D centers at Bengaluru and Gurgaon are today amongst 3M's cutting edge innovation facilities.

Our pan-Indian presence empowered by over 1,800 dedicated 3Mers, a support base of 6 regional offices and 3 state-of-the-art manufacturing units help in meeting the needs of such a geographically and culturally vast region.

Growth Years

1993 - 2008

Growth begins with added
turing & innovating capabilities

- Strategic business **acquisitions** done to augment Automotive, Electrical, Telecom and Display & Graphics segments



- Manufacturing facility at **Ranjangaon, Pune** commissioned to cater to Adhesive, Abrasive & Health Care businesses

The Transformative Years

2008 - 2013

'In India for India', customer centric
approach drives 'Go to market'

- '**In India for India**' - localized product innovations target Road Safety, Health Care, Industrial, Automotive & Home Care markets

- Newly launched retail foray, **3M Car Care Centers**, become lynchpin of 'go to market' model



- New **R&D Centers** at **Bengaluru & Gurgaon** to drive local innovation

- Growth plans afoot to become a **Billion Dollar Company**
- **Mumbai, Gurgaon, Chennai, Kolkata, Pune & Hyderabad** become hubs to channel regional reach

Growing responsibly meant giving back to this land that nurtures us - 3M India's manufacturing operations are guided by strong sustainability practices. Infusing holistic societal growth is 3M's proactive engagement with NGOs towards educational, differently-abled and environmental causes. Volunteering by 3Mers furthers these initiatives tremendously.

Today, as we rejoice 25 years of our presence in India we are proud of our success and privileged that you are a part of our journey.

From meeting needs to innovating

Empowering the market that drives us



3M India's transformation from a products seller in 1988 to a full-fledged R&D organization by 2013 showcases the way 3M and India have embraced each other. Coming from a culture rooted in innovation, our proactive engagement with local markets and deep cultural understanding has spurred innovations that have today touched lives across this diverse land.

2012 & beyond
gearing up to serve the future...

**Augmented manufacturing capabilities
at Ranjangaon Plant**



**Medical Focus
Factory**



**Non-Woven Maker
Factory**

Enhanced regional reach



**6th Branch Office
at Hyderabad**

**Taking health care
to homes**



**New offering
in Consumer Health Care
- Nexcare™ Brand Launched**

**Building the
leadership pipeline**



**3M Leadership
Academy in planning**

Excellence rewarded...

Health Care



**Wound Management
Company of the Year Award
- Frost & Sullivan
(2012)**



**QCI - D.L. Shah
National Award
for Health Care Services
- Quality Council
of India
(Q1 2013)**

Automotive



**Excellence in Quality
for Best in Class
Supplier
- General Motors
(2012)**



**Global Recognition
for High Quality
Standards
- Ford
(Q1 2013)**

**Manufacturing
& Quality
Excellence**



**FICCI Quality Systems
Excellence Gold Award
(2013)**

**Packaging
Excellence**



**Asia Star Award
for 3M products
(2012)**

From insight to innovation...

Products developed to address uniquely Indian needs

Addressing an India on the move



Keeping the nation mobile are 3M's solutions for the auto industry ranging from components that enhance performance to products that ensure vehicles look good and new. Taking our innovations to car owners are our next-generation **Car Care Centers**. Recent innovations include car cleaning solutions like the **Germkleen Anti-Bacterial Interior Treatment** that keeps car interiors 99% microbe-free and the **3-in-1 Dresser** that helps in cleaning the vehicle's interior and exterior.

Empowering a healthier nation



3M partners with health care institutions to address the huge disparity in Indian healthcare by providing hospitals and medical facilities a range of infection prevention solutions. Part of this range is the recently developed **CHG Ethanol Hand Sanitizer** whose innovative and multipurpose dispenser design helps deliver instant hand sanitization and long-term antiseptic protection.

Driving an energy efficient and safer future



3M's focus on green energy and safety have led to a range of solutions like the 100% green **Sunlight Delivery Systems** that bring nature into play by transporting the sun's light to brighten interior spaces. 3M's **Molded Shank Raised Pavement Markers** - that guide traffic and increase lane visibility are the result of understanding our unique road and driving conditions.

Protecting vital infrastructure



From the foundation to the superstructure and from protection to aesthetics, 3M solutions enhance the infrastructure industry. Smooth and corrosion-free water supply is ensured with the help of 3M coatings like the **Scotchkote™** pipe protection solution while industrial units benefit from 3M's novel **polyurethane based concrete asset protection coatings**.

Making life easier at homes



From kitchens to happier healing, 3M innovations make modern living easier. The **Scotch-Brite™** range of cleaning solutions empower homemakers with convenience cleaning, while our **Nexcare™** consumer health care products provide innovative skin care and first aid at home.



Inclusive Growth

Empowering People through Education, Training and Opportunity



True development comes when we are able to touch all levels of the society we live and work in. To this end, 3M India's CSR initiatives aim at the betterment of the community we serve by respecting individual values and enabling sustainable growth.

3M has partnered with various social organizations to provide education, reliable healthcare, inclusion of the differently-abled and a greener future.

United Way of Bengaluru Foundation



Our partnership with the United Way of Bengaluru Foundation has helped impart education to the underprivileged and contributed to the inclusion of challenged individuals into the mainstream. This has directly led to educating over 50 children from slums in Bengaluru and the rehabilitation of more than 165 differently-abled children. 3Mers have contributed time and material in the form of science and innovation sessions for children, books to the project school's library and learning material for the differently-abled children.

Diya Foundation



3M's support to the Diya Foundation Sheltered Training Workshop project has helped provide hands-on vocational training and employment opportunities to more than 60 differently-abled young adults in the areas of candle making, chocolate making and gift packaging.

Healing Hearts Foundation



Helping a young India to its feet is the congenital heart care partnership 3M has initiated for under served children. A recent initiative, this program has already supported the surgeries of children with congenital heart diseases enabling them to embrace a healthier future.

Impact of CSR (2010 – 2012)



Education

- 50 children educated at a Bengaluru based school for slum children
- 350 children benefit indirectly from contributions to the library and science lab



Healthcare

- 6 congenital heart defect surgeries supported



Disability

- 165 children enabled by Early Child Education Programme
- Diya Foundation trains and employs more than 60 young adults



Employee Engagement

- Over 7,000 man hours volunteered
- 270 volunteer participation (across locations)
- 14% of workforce volunteers

Living as one

Giving back to Mother Earth

Globally, 3M has been a pioneer in adopting eco-friendly manufacturing processes. 3M India has taken this green culture further, by using a technology and common-sense approach to reduce and renew.

In our quest to leave behind a richer, greener planet for the future, 3M's Bengaluru plant uses wind power to meet 75% of its energy needs. The R&D Center at Bengaluru is a LEED India 'Gold' Certified Green building.

Other eco-initiatives like the usage of 3M™ Tubular Daylighting solution and energy efficient motors or lighting have been introduced at various 3M plants and offices around India.

Carbon footprint reduction

- Wind power meets 75% of the Bengaluru plant's energy needs.
- The Bengaluru R&D Center is a LEED India 'Gold' Certified Green Building.
- 3M™ Tubular Daylighting Devices light up some of our plants in India.
- Energy saving lighting circuits and CFL lamps are used at all 3M India facilities.



Waste Management

- Additive for bituminous concrete derived from plastic waste generated at the Bengaluru plant reduces bitumen consumption by 8-12% (during road construction).
- E-waste collection systems have been introduced at all our plants.



Water Management

- Leaky underground water pipelines are replaced with above ground lines.
- Rain water harvesting has been implemented to reduce run-off and recharge the underground water table.
- Treated waste water is used not only for gardening purposes but also as make-up water in chillers and restroom flushes.



Volatile Organic Compounds Reduction

- The introduction of the automated screen wash system and recycling of the solvent sludge has helped reduce the consumption of volatile organic compounds.
- Less hazardous chemicals have been introduced in the screen cleaning operations for graphic production at our Bengaluru plant.

Other Green Steps

- Partnered with CII to sponsor environmental sustainability workshops.
- Contribution towards the fencing of the Bannerghatta National Park in Bengaluru.
- Tree planting drive in Universities in partnership with NGOs.
- Environment themed exhibitions are organized in association with ECO Watch on Earth Day and World Environment Day.



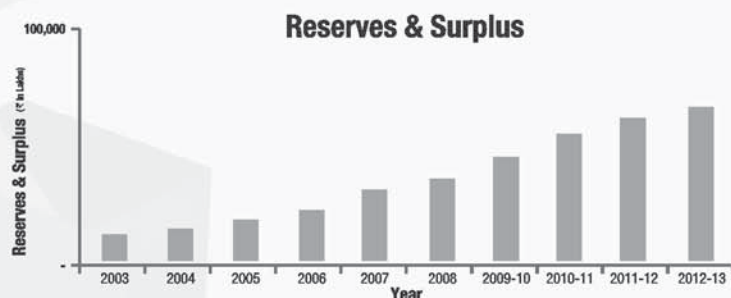
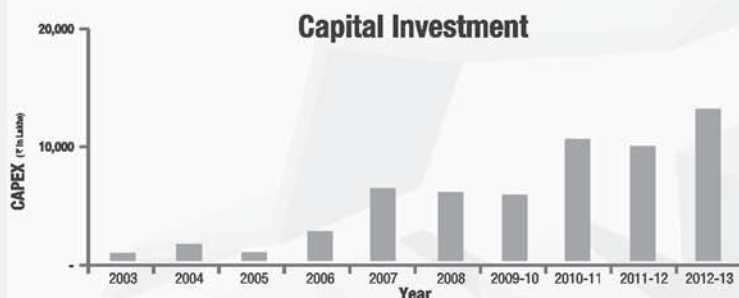
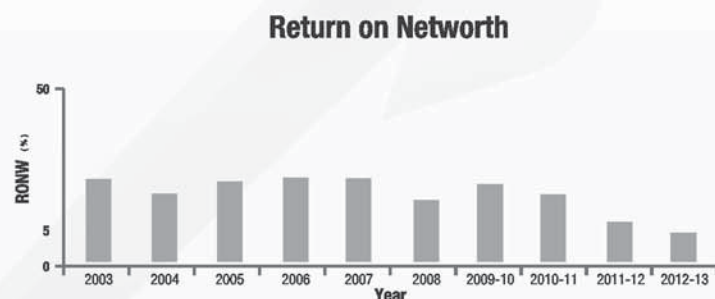
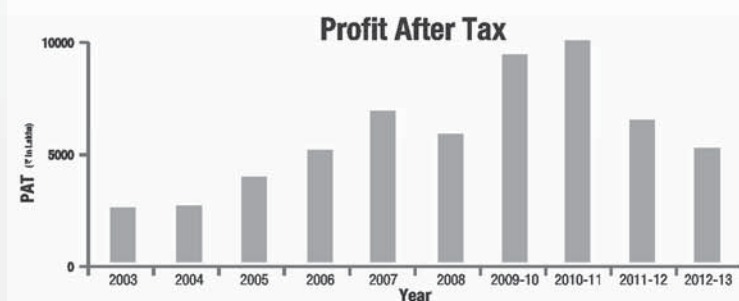
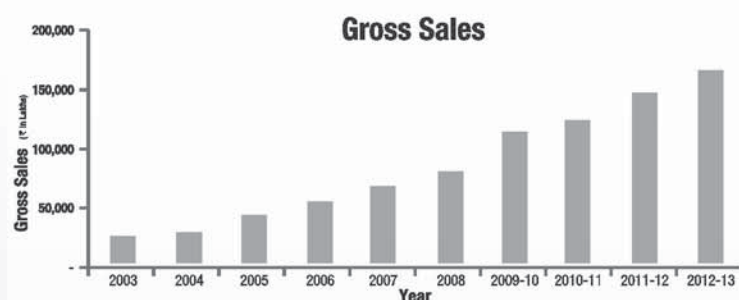
Ten Year Financial Highlights

(₹ In Lakhs)

Particulars	12 months ended (January to December)						15 months ended (Jan to March)	12 months ended (April to March)		
	2003	2004	2005	2006	2007	2008	2009-10	2010-11	2011-12	2012-13
Gross Sales*	23,914	27,123	40,295	54,049	64,670	77,989	111,740	121,904	144,846	162,939
Total Income	22,899	25,974	38,306	51,040	61,905	75,307	110,679	120,241	141,037	158,463
Profit Before tax	3,818	4,104	6,058	7,797	10,663	9,102	14,087	14,806	9,611	7,520
Profit After tax	2,497	2,554	3,842	5,042	6,768	5,745	9,284	9,881	6,477	5,227
Net Fixed Assets	2,610	3,213	2,933	4,432	9,742	14,332	18,102	25,952	31,067	42,040
Share Capital	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127
Reserves & Surplus	9,819	12,372	16,214	21,256	27,904	33,649	42,933	52,813	59,291	64,517
Net worth	10,945	13,499	17,341	22,383	29,030	34,776	44,059	53,940	60,417	65,644
EPS	21.43	22.67	34.10	44.76	60.08	51.00	82.41	87.71	57.50	46.40
Return on Networkw (RONW)	22.81	18.92	22.16	22.53	23.31	16.52	21.07	18.32	10.72	7.96
Capital Investment	213	1,131	393	2,145	5,957	5,416	5,473	10,293	9,668	12,899

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



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



Mr. Albert C. Wang
Non-Executive Director



Mr. Frank R Little
(from October 26, 2012)
Non-Executive Director



Mr. John R Houle
(from October 26, 2012)
Non-Executive Director



Mr. Ajay Nanavati
Managing Director



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



Mrs. Sadhana Kaul
Whole-time Director



Mr. R. Vijay Kumar
(upto October 26, 2012)
Whole-time Director

Chief Financial Officer

Mr. Zinan Wadood (from October 1, 2012)

Company Secretary

Mr. V. Srinivasan

Audit Committee

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

Chairman
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
JPMorgan Chase Bank, N.A
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



25 years of ingenuity
Steadfast values
One 3M
One soaring spirit







Our Vision

3M Technology Advancing Every Company

3M Products Enhancing Every Home

3M Innovation Improving Every Life

3M INDIA LIMITED

REGD OFFICE : PLOT NOS. 48 - 51, ELECTRONICS CITY, HOSUR ROAD BANGALORE - 560 100

NOTICE TO THE MEMBERS

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Company will be held at 10.30 A.M. on Tuesday, the 23rd July 2013 at The Grand Ball Room, Hotel Chancery Pavilion, 135, Residency Road, Bangalore – 560 025, to transact the following business:

ORDINARY BUSINESS :

1. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:
“RESOLVED THAT the Audited Balance Sheet as at March 31, 2013, the Profit and Loss Account of the Company for the year ended as on that date together with the Auditors' Report thereon and the Report of the Board of Directors covering the same period be and the same are hereby approved and adopted.”
2. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:
“RESOLVED THAT Mr. B.S. Iyer, a Director, who retires by rotation at this meeting, and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company.”
3. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:
“RESOLVED THAT Mr. B.C. Prabhakar, a Director, who retires by rotation at this meeting, and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company.”
4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:
“RESOLVED THAT the retiring Auditors, Messrs. Lovelock & Lewes., Chartered Accountants, holding Firm Registration No.301056E, being eligible for re-appointment, be and are hereby appointed as Auditors of the Company for the financial year ending March 31, 2014 to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors.”

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:
“RESOLVED THAT pursuant to Article 115 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, Mr. Frank R Little be and is hereby appointed as a Director of the Company.”
6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:
“RESOLVED THAT pursuant to Article 115 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, Mr. John R Houle be and is hereby appointed as a Director of the Company.”

By Order of the Board

Place : Bangalore
Date : May 30, 2013

V.Srinivasan
Company Secretary

NOTES :

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY, IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED/LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING.
- (2) Explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of Special Business is annexed hereto.
- (3) The Register of Members and the share transfer books of the Company will remain closed from July 17, 2013 (Wednesday) to July 23, 2013 (Tuesday), both days inclusive.
- (4) The shares of the Company are mandated by the Securities and Exchange Board of India for trading in dematerialized form by all investors. Members holding shares in physical form are advised to dematerialize their shares to avoid the risks associated with the physical holding of such share certificates.

NOTICE TO THE MEMBERS

- (5) The Registrar and Transfer Agent M/s. Karvy Computer Share Private Limited, Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad – 500 034, is handling registry work in respect of shares held both in physical form and in electronic/demat form.
- (6) Members are requested to bring their copy of the Annual Report and the Attendance Slip to the Annual General Meeting. ONLY MEMBERS/ PROXIES WILL BE ADMITTED INTO THE HALL FOR THE MEETING.
- (7) In respect of items 2, 3, 5 and 6 of the Notice, members may refer Additional Information on Directors recommended for appointment / re-appointment under clause 49 of the Listing Agreement.
- (8) Members holding shares in electronic form are requested to register their e-mail address with their respective depository participants and members holding shares in Physical form are requested to register their e-mail address with the Company's Registrar and Transfer Agents and participate in the "Green initiative" launched by the Ministry of Corporate Affairs in future.
- (9) Members holding shares in physical form are requested to notify to the Company's Registrar and Transfer Agent of any change in their address and update their Bank account details. Members holding shares in electronic form are requested to notify any change of address and update bank account details to their respective depository participants directly.

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT / RE-APPOINTMENT UNDER CLAUSE 49 OF THE LISTING AGREEMENT:

Item No. 2

Mr. B.S. Iyer, 63, is a Post Graduate in Commerce and Law from the University of Bombay, holds a Diploma in Management Accounting, Member of the All India Management Association and is a Fellow Member of the Institute of Company Secretaries of India. Mr. Iyer held senior positions, responsible for Corporate Legal affairs for over 30 years. He retired as Vice President –Legal and Company Secretary of Bosch Limited. He is a Corporate Legal Resource person for several MNCs and Indian Companies. He was appointed as a Director of the Company from December 26, 2001.

Other Directorships, Committee Memberships/Chairmanships: ZF Steering Gear (India) Limited, Alternate Director
Chairman of Audit Committee: 3M India Limited
Member of Shareholders Grievance Committee: 3M India Limited

Member of the Institutional Ethics Committee (Human Studies), Institute for Stem Cell Biology and Regenerative Medicine, Bangalore

Member of the Institutional Ethics Committee (Human Studies), National Centre for Biological Sciences, Bangalore

He holds 20 shares jointly as a second shareholder with his wife.

Item No. 3

Mr. B.C. Prabhakar, 70, has been on our Board since December 11, 2006. He has been a practicing lawyer since April 1970 and Management Consultant on Labour Laws and Service matters. He is the President of Karnataka Employer's Association, which is the leading and oldest Employers' Association in the State of Karnataka. He is an employer's Nominee of Employees State Insurance Corporation, New Delhi. He has attended Indian Labour Conference for the past ten years which is the highest Tripartite Forum consisting of Representatives of Employers, workers and Government. He holds a B.A in Political Science & Sociology and a B.L from Mysore University.

Other Directorships, Committee Memberships/Chairmanships: Wipro Limited, Director
Automotive Axles Limited, Director
Page Industries Limited, Director

<i>Name of the Company</i>	<i>Memberships of Board Committees</i>	<i>Chairmanship of Board Committees</i>
3M India Limited	Audit Committee, Shareholders Grievance Committee	--
WIPRO Limited	Audit Committee	Shareholders Grievance Committee
Automotive Axles Limited	Audit Committee	--

He holds 20 shares in the Company.

Item No. 5

Mr. Frank Little, 52, joined 3M Company in 2002 as Executive Director, Research and Development, Corporate Technology and Electro & Communication Markets. He has held several executive positions within 3M. From 2005 to 2008, he was appointed Vice-President and General Manager, Electronic Solutions Division, and from 2008-2011 he was appointed President and Managing Director of 3M Korea, where he was also the Chairman of the American Chamber of Commerce in Korea (AMCHAM). His current role is as Vice-

NOTICE TO THE MEMBERS

President and General Manager of 3M's Personal Safety Division, based out of the Company headquarters in St Paul, MN, USA. He holds a MBA degree from Georgia State University and an Engineering Degree from the University of Illinois. Prior to joining 3M, Frank was Vice-President and General Manager, Photonic Components Division, Corning Inc.; He has also worked in ADC Telecommunications as the Vice President and General Manager for their Analog Transport Division. He was appointed as a Non-Executive Director of the Company from October 26, 2012.

Other Directorships, Committee Memberships/Chairmanships: Nil

He does not hold any shares in the Company.

Item No. 6

Mr. John Houle, 52, joined 3M Company in 1986 as a Structural Engineer in Facilities Engineering Division. He holds a Masters Degree in Civil Engineering from the University of Minnesota. Prior to joining 3M, he worked for Exxon Production Research and with AmHoist. He is a Executive Committee Member, University of Minnesota, Center for Transportation Studies, Board Member of Minnesota Safety Council. He is also associated with American Road and Transportation Builders Association as its Vice Chairman and as a Board Member and Executive Committee member of American Highway Users Alliance. He has held various senior positions in 3M and now he is the Vice President and General Manager for Traffic Safety and Security Division based out of St. Paul, USA. He was appointed as a Non-Executive Director of the Company from October 26, 2012.

Other Directorships, Committee Memberships/Chairmanships: Nil

He does not hold any shares in the Company.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 5

The Board of Directors at their meeting held on October 26, 2012, appointed Mr. Frank R Little as an Additional Director of the Company with effect from October 26, 2012 pursuant to Section 260 of the Companies Act, 1956. Mr. Frank Little holds office up to the date of this General Meeting.

Under Section 257 of the Companies Act, 1956, the Company has received notice from a member signifying his intention to propose the appointment of Mr. Frank Little as a Director.

Mr. Frank Little is interested in the resolution at item 5 of the Notice since it relates to his appointment.

The Board recommends the resolution for approval of the members.

Item 6

The Board of Directors at their meeting held on October 26, 2012, appointed Mr. John R Houle as an Additional Director of the Company with effect from October 26, 2012 pursuant to Section 260 of the Companies Act, 1956. Mr. John Houle holds office up to the date of this General Meeting.

Under Section 257 of the Companies Act, 1956, the Company has received notice from a member signifying his intention to propose the appointment of Mr. John Houle as a Director.

Mr. John Houle is interested in the resolution at item 6 of the Notice since it relates to his appointment.

The Board recommends the resolution for approval of the members.

By Order of the Board

Place : Bangalore
Date : May 30, 2013

V.Srinivasan
Company Secretary

REPORT OF THE DIRECTORS

To the Members of 3M India Limited

Your Directors have pleasure in presenting to you their 26th Annual Report of the Company with the Audited Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

The following are the working results:

Particulars	(Rs. in Lakhs)	
	For the year ended March 31, 2013 (12 Months) (Audited)	For the year ended March 31, 2012 (12 Months) (Audited)
Total Income	158,463.46	141,036.81
Of which - Export Sales	2,204.52	2,248.12
- Other Income	1,050.34	526.74
Less : Expenditure	146,362.30	128,404.57
Profit before Interest and Depreciation	12,101.16	12,632.24
Less : Interest	951.35	318.05
Less : Depreciation	3,630.00	2,703.13
Profit before Taxation	7,519.81	9,611.06
Less : Provision for Taxation	2,293.28	3,133.89
Profit after Taxation	5,226.53	6,477.17

COMPANY PERFORMANCE

The Company registered an overall turnover growth of 12% at Rs. 158,463 Lakhs for the financial year ended March 31, 2013 compared to Rs.141,037 Lakhs in the previous year. The operating margin for the current year was at 7.64% compared to 8.96% for the last year. Net Profit before Tax was at Rs.7,520 Lakhs compared to Rs. 9,611 Lakhs for the previous year. Net profit after taxation was at Rs.5,227 Lakhs compared to Rs.6,477 Lakhs for the previous year. Higher input costs combined with interest, depreciation of the rupee against all currencies and accelerated investments impacted our profit after tax.

Export Sales was at Rs.2,205 Lakhs for the year ended March 31, 2013 compared to Rs. 2,248 Lakhs in the previous year.

The Industrial and Transportation business grew by 11.66%; Health Care business grew by 21.13%; Display and Graphics business grew by 18.66%; Consumer and Office business grew by 17.71% and Safety, Security and Protection Services business de-grew by 3.05%.

The EPS (Basic and Diluted) of the Company for the year 2012-13 was Rs. 46.40 per share as compared to Rs. 57.50 per share in the previous year 2011-12. Detailed analysis of the performance has been discussed in the Management's Discussion and Analysis Section of the Annual Report.

CAPITAL INVESTMENTS

Capital Investments during the year 2012-13 was at Rs. 12,899 Lakhs (Net of capital work-in-progress and capital advances) (2011-12: Rs. 9,668 Lakhs).

RECOGNITION OF NEW R&D CENTER IN BANGALORE

Your Directors are pleased to inform you that on July 20, 2012, The Department of Scientific and Industrial Research (DSIR), Government of India has recognized the Company's in-House R&D Unit at Bangalore and on February 7, 2013, approval under section 35(2AB) of the Income Tax Act, 1961 was obtained from DSIR for availing the weighted deduction under Income Tax Act.

DIVIDEND

In view of the significant investments made in driving our manufacturing and localization initiatives such as non-woven maker, tape coater and on medical plant, it has been decided to conserve and retain our earnings.

REPORT OF THE DIRECTORS

DIRECTORS

Mr. R. Vijay Kumar ceased to be Whole-time Director of the Company with effect from October 26, 2012. Mr. Frank R Little and Mr. John R Houle were appointed as Additional Directors and Non-Executive Directors from October 26, 2012.

The Board of Directors welcomes Mr. Frank R Little and Mr. John R Houle to the Board.

Mr. B.S. Iyer and Mr. B.C. Prabhakar are liable to retire by rotation and offer themselves for re-election.

REDUCTION IN PROMOTER'S SHAREHOLDING IN THE COMPANY

In order to comply with Minimum Public Shareholding of 25% as mandated by Securities and Exchange Board of India (SEBI), 3M Company, USA, promoter of the Company sold 113,198 shares through Offer for Sale (OFS) method through Stock Exchanges on March 21, 2013 and brought down its stake from 76% to 75%.

CHANGE IN BUSINESS SEGMENTS

Consistent with 3M's global strategy of building relevance and presence in the marketplace, the Company will also align resources and management towards a new revised structure comprised of five business groups: Consumer; Industrial; Health Care; Safety and Graphics; and Energy which will align with 3M Global structures.

Presently the Company's operating results were managed on the basis of its existing segment structures viz., Industrial and Transportation, Health Care, Display and Graphics, Consumer and Office and Safety, Security and Protection Services through April 1, 2012 to March 31, 2013, with the intention that results be managed under the new alignment once it is fully effective from April 1, 2013 onwards.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis Report accompany this report.

CORPORATE GOVERNANCE

A separate report on Corporate Governance along with a Certificate from a Practising Company Secretary regarding compliance to the Conditions stipulated under Clause 49 of the Listing agreement is set out in the Annexure to the Directors' Report.

PARTICULARS OF EMPLOYEES

The Company had 1,791 employees as of March 31, 2013. During the year, 25 employees employed throughout the year and 1 employee employed for part of the year were in receipt of remuneration of Rs. 60 Lakhs or more per annum / Rs. 5 Lakhs or more per month.

In accordance with the provisions of Section 217(2A) read with Companies (Particulars of Employees), Rules, 1975, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all members of the Company excluding the aforesaid information about the employees. Any Member interested in obtaining such particulars may write to the Company Secretary at the Registered / Corporate Office of the Company and the same shall be provided by the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is set out in the Annexure to the Directors' Report.

SAFETY, HEALTH AND ENVIRONMENT

The Company accords high priority to health, safety and environment. The Company has three Manufacturing Plants in operation in India. All these plants are certified ISO 14001: 2004 for their Environmental Management Systems. The initiative of obtaining this certification is in strict adherence to 3M's Environmental Policy. The Company emphasizes maintaining a healthy and safe environment in and around its facilities as well as contract sites where ongoing projects are under execution. Safety awareness is inculcated through regular Safety awareness programs; basic fire safety training, mock drills etc. There has been no incidence of any accidents reported during the year under review.

AWARDS AND RECOGNITION

- The Healthcare Division won the prestigious QCI-DL Shah National Award for Healthcare Services, awarded by the Quality Council of India (QCI) in the 'Quality Control in Hospital Sterilization' category for its significant contribution towards Infection prevention, enabling speedy recovery and positive patient outcomes at reduced healthcare costs.
- The Electronic City (EC) Plant won second place at the State Level Safety awards announced at the National Safety Day

REPORT OF THE DIRECTORS

celebrations, organized by the Department of Factories, Boilers, Industrial Safety & Health.

- The EC plant won second Prize for 5S Excellence from the Confederation of Indian Industry (CII) in the Manufacturing Category (Medium Scale).
- TESCO presented our Home Care Division with their 'Winning Together' award for supply chain excellence which helped TESCO register a growth of 49% (year-on-year) in Home Care products for the period Jan-Dec 2012.
- The Company won the MMOG Certification (Materials Management and Operations Guideline) and the Ford Q1 Award, a Global Recognition from Ford for World Class Quality Standards. The MMOG certification is given by the US Automotive Industry Action Group and recognizes our automotive best practices.
- The Company's work towards establishing the highest quality stand was recognized by General Motors India for Supplier Quality Excellence in 2012. The EC plant consistently supplied on time in full with "Zero DPPM" (defective parts per million) to General Motors for 12 consecutive months.
- The Company's products - CHG Hand Rub Bottle and Scotch-Brite Kitchen Towels- won the Indiestar 2012 award for excellence in packaging design. Both products have now received recognition at the Asia Regional level by winning the Asia Star Awards for Packaging.
- The Healthcare division was declared 'The Wound Management Company of the Year' by renowned research company, Frost & Sullivan at their 4th Annual India Healthcare Excellence Awards after being selected and evaluated on the basis of various criteria ranging from revenue generation and market share to technological innovation and clinical excellence, among others. The efforts undertaken by the division in training the nursing fraternity that has in turn considerably raised the standards of care in wound management, has been instrumental in helping the company earn this recognition.

MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments that occurred affecting the financial position of the Company between March 31, 2013 and the date on which this report has been signed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors Responsibility Statement, the whole-time management state that:

- i) in the preparation of the annual accounts for the year ended March 31, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and of its profits for the year ended March 31, 2013;
- iii) they have taken proper and sufficient care towards the maintenance of adequate accounting records in accordance with the provisions of this Act, to safeguard the Assets of the Company and to prevent and detect fraud and other irregularities;
- iv) they have prepared the financial statements for the year ended March 31, 2013 on a going concern basis;

COST AUDIT

The Cost Audit Branch, Ministry of Corporate Affairs, Government of India has issued order No. F. No. 52/26/CAB-2010 dated November 6, 2012 to have the cost accounting records audited by a Cost Accountant or a firm of Cost Accountants effective April 1, 2013 for the Companies:

- a. which are engaged in the production, processing, manufacturing or mining of the products/activities included in the product/activity groups,
- b. wherein the aggregate value of the turnover made by the company from sale or supply of all its products/activities during the immediately preceding financial year exceeds Rs. 100 crores,
- c. wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.

The following Company product/s mentioned as per Table-II of the above order (i.e., based on central excise tariff Act chapter headings covered in the product or activity group) are covered under the compulsory cost audit, viz.,

REPORT OF THE DIRECTORS

<i>Product or activity group code</i>	<i>Name of the product or activity group</i>	<i>Central Excise Tariff Act chapter headings covered in the product or activity group</i>
2013	Albuminoidal substances, starches, glues and enzymes	3506
2014	Miscellaneous chemical products	3811, 3814, 3824
2023	paints and varnishes	3208
2025	plasters and fillers	3214
2028	soaps, detergents and cleaning agents	3402
2029	lubricating preparations	3403
2030	waxes and wax products	3405
2035	chemicals-plastics and polymers	3901, 3904, 3907, 3910
2036	articles of plastics and polymers	3919, 3920, 3926
3009	paper and paperboard	4811
3010	articles of paper and paperboard	4820, 4821, 4823
3024	synthetic yarns or fibers	5601, 5602, 5603
3027	other textile fabrics or products	6307
3036	articles of stones, plaster, cement, asbestos and mica	6805
4008	aluminum and aluminum products	7607
4017	machinery and mechanical appliances	8466
4020	electrical and electronic equipments or appliances	8528
4048	miscellaneous manufactured articles	9603

Accordingly, the Board of Directors at its meeting on May 30, 2013 had on the recommendation of the audit committee of Directors appointed M/s. Rao, Murthy & Associates, Cost Accountants, Bangalore as Cost Auditors to conduct audit of cost accounting records maintained by the Company for the products covered under MCA cost Audit Order ref. no. 52/26/CAB-2010 dated 06.11.2012, for the financial year ending March 31, 2014.

AUDITORS

M/s. Lovelock & Lewes, Chartered Accountants, Auditors of the Company, holding Firm Registration No. 301056E will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956.

FIXED DEPOSITS

During the year under review, the Company has neither accepted nor renewed any deposits from public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation to all employees in the Company, for their sustained efforts and immense contributions to the good levels of performance and growth that your Company has achieved during the year. The Board also acknowledges the continued support and co-operation received from 3M Company, USA.

The Directors express their gratitude to the Central Government and the State Governments of Karnataka, Maharashtra and Gujarat for the support given to the Company. The Directors also thank all customers, dealers, suppliers, banks, members and others connected with the business of the Company for their co-operation.

On behalf of the Board of Directors

Place : Bangalore
Date : May 30, 2013

Ajay Nanavati
Managing Director

Sadhana Kaul
Whole-time Director

ANNEXURE TO THE DIRECTORS' REPORT

[Particulars required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988].

1. CONSERVATION OF ENERGY

The Company's Plant Engineering team periodically reviews and monitors energy consumption and significant savings have been made during the previous year under review through small team activities and improved productivity.

2. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT

A. RESEARCH & DEVELOPMENT

1. Specific areas in which Research & Development were carried out by the Company	<p><u>Industrial and Transportation Business:</u></p> <ul style="list-style-type: none"> - Pressure sensitive adhesives development for tape and label products. - Liquid adhesives for various industrial needs. - Polymer based additive development for films. - Protective coatings and materials for car body applications. - Non woven material development for acoustic insulation applications. - Development of liquid formulations for aftermarket applications. <p><u>Health Care Business:</u></p> <ul style="list-style-type: none"> - Liquid formulations for Infection prevention range of products. - Advanced wound care and dressing products. <p><u>Safety, Security and Protection Services Business:</u></p> <ul style="list-style-type: none"> - Coatings for external corrosion protection and internal coating of pipelines. - Personal protection systems for industrial usage such as eyewear, helmets etc. <p><u>Consumer and Office Business:</u></p> <ul style="list-style-type: none"> - Floor, kitchen & bathroom cleaning solutions - wipes, scrubbers, mops, and cleaning tools. <p><u>Display and Graphics Business:</u></p> <ul style="list-style-type: none"> - Processing and development of polymer products and weatherable materials for Traffic safety products. - Design and development capabilities for molded plastic products for road furniture. - Design, development and commercialization of signage systems for the India market.
2. Benefits derived as a result of the above Research & Development	<ul style="list-style-type: none"> - New products and applications developed to serve specific needs of the Indian market. - New technologies developed relevant to Indian market needs to aid product development. - Improved system cost solutions for our customers and end users. - Supporting growth of business through solutions for Indian customers.
3. Future plan of action	<ul style="list-style-type: none"> - Build capabilities in technology and product development to serve the needs of Indian customers. - Development of products specific for Indian market, especially in the areas of Corrosion Protection, Automotive, Adhesives and Tapes, Abrasive products for industrial and consumer markets, healthcare products, traffic and personal safety, graphics and Electrical and electronics markets. - Further localization of manufacturing of products to meet Indian market needs.

ANNEXURE TO THE DIRECTORS' REPORT

4. Expenditure on Research & Development	(Rs.in Lakhs)
a) Capital	348.30
b) Revenue	3,425.33
c) Total	3,773.63
d) Total Research & Development expenditure as a percentage of total turnover	2.38%

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts made:

Company is focused on innovating in the local market. The Company's technical team has been continuously working on adoption and modification of certain parent company products for local market requirements and redesigning products to create new market opportunities. The technical team is also focused on developing products that meet the needs of the Indian customers. Technology development capabilities relevant to local market needs are being developed in the R&D center to support long term growth. Technology absorption from the parent company continues. Internal practices and procedures are in place for adoption of new technologies.

2. Benefits derived:

New products have been introduced in several market segments such as: Industrial and Transportation business, Health Care business, Safety, Security and Protection services business, Display & Graphics and Consumer business. Several products which were launched used the technical knowledge and expertise in the India laboratory while leveraging global knowledge base in 3M helped to create intellectual property protection for the Company. Several local and global patents were filed from technology developed in India. The focus on local market innovation also led to creation of unique technical skills and laboratory capabilities relevant to the market.

3. Technology imported during the last 5 years:

Technologies and knowhow from parent company include those in the areas of pressure sensitive adhesives and coatings, corrosion protection coatings, automotive products, healthcare products, especially in the area of infection prevention, and nonwovens for consumer and industrial needs. No technology was imported from other companies other than from parent company.

The Company had entered into Intellectual Property agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for the payment of license fees in the form of royalties. Payments were waived off for a period of 3 years effective from July 1, 2006 to June 30, 2009. These payments have been reinstated with effect from July 1, 2009, accordingly the Company has incurred an expenditure of Rs.1,051.96 Lakhs for the financial year 2012-13 (PY: Rs.1,195.72 Lakhs).

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relative to exports; initiatives taken to increase exports; development of new export markets for products and services; export plans:

Continuous focus, strategies, increased sourcing of products and services from 3M India by the 3M group Companies will increase export of products and services.

The Company had entered into a contract research agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for carrying out contract research activities. During the period under review, Company received an amount of Rs. 1,725.45 Lakhs (PY: Rs. 1,410.92 Lakhs) for contract research and Rs. 702.98 Lakhs (PY: Rs. 696.44 Lakhs) for support Services /Corporate Management Fees.

2. Foreign exchange earnings and outgo:

During the period under review, Foreign Exchange earnings were Rs. 4,535.31 Lakhs (PY: Rs. 4,364.83 Lakhs) and Foreign Exchange outgo was Rs. 78,941.44 Lakhs (PY: Rs. 68,149.26 Lakhs).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Cautionary Statement:

Investors are cautioned that the discussion in this section of the Annual Report may contain statements that involve risks and uncertainties. Forward-looking statements mentioned may involve risks and uncertainties that could cause results to differ materially from those projected. Consequently, actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company assumes no obligation to update or revise any forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those reflected in any such forward-looking statements depending on a variety of factors.

ABOUT 3M INDIA LIMITED

3M India Limited is a subsidiary of 3M Company, USA and is a diversified technology company with a global presence in the following businesses: Industrial and Transportation; Health Care; Consumer and Office; Safety, Security and Protection Services; and Display and Graphics. It is among the leading manufacturers of products for many of the markets it serves. Most of its products involve expertise in product development, manufacturing and marketing, and are subject to competition from products manufactured and sold by other technologically oriented companies. In India, the company has manufacturing facilities at Ahmedabad, Bangalore, Pune and has a R&D Center in Bangalore. As at March 31, 2013, the Company employed 1,791 people.

For the year 2012-13, the Company managed its operations in five operating business segments: Industrial and Transportation; Health Care; Display and Graphics; Consumer and Office and Safety, Security and Protection Services. 3M India's five business segments bring together common or related 3M technologies that enhance the development of innovative products and services and provide efficient sharing of business resources. These segments have worldwide responsibility for virtually all 3M product lines.

3M products are sold through numerous distribution channels, including directly to users and through numerous wholesalers, retailers, converters, distributors and dealers in a wide variety of trades in many countries around the world. The Management of the Company believes that the confidence of wholesalers, retailers, converters, distributors and dealers in 3M and its products – a confidence developed through long association with skilled marketing and sales representatives has contributed significantly to 3M India's growth and its position in the marketplace.

Consistent with 3M's global strategy of building relevance and presence in the marketplace, the Company will also align resources and management towards a new revised structure comprised of five business groups: Consumer; Industrial; Health Care; Safety and Graphics; and Energy from April 1, 2013 which will align with 3M Global structures.

GLOBAL ECONOMIC OVERVIEW

Global prospects have improved but the road to recovery in the advanced economies will remain rough. World output growth is forecast to reach 3¼ percent in 2013 and 4 percent in 2014. In the major advanced economies, activity is expected to gradually accelerate, following a weak start to 2013, with the United States in the lead. In emerging market and developing economies, activity has already picked up steam. Advanced economy policymakers have successfully defused two of the biggest threats to the global recovery, a breakup of the euro area and a sharp fiscal contraction in the United States caused by a plunge off the "fiscal cliff."

In the short term, risks mainly relate to developments in the euro area, including uncertainty about the fallout from events in Cyprus and politics in Italy as well as vulnerabilities in the periphery. In the medium term, the key risks relate to adjustment fatigue, insufficient institutional reform, and prolonged stagnation in the euro area as well as high fiscal deficits and debt in the United States and Japan. In advanced economies, the right macroeconomic approach continues to be gradual but sustained fiscal adjustment, built on measures that limit damage to activity and accommodative monetary policy aimed at supporting internal demand. The euro area needs to strengthen the Economic and Monetary Union (EMU). In emerging market and developing economies, some tightening of policies appears appropriate in the medium term.

INDIA ECONOMIC OVERVIEW

Slowdown in Indian economy has to be seen in the context of slowing global economic growth from 3.9% in 2011 to 3.2% in 2012. While India's recent slowdown is partly rooted in external causes, domestic causes are also important.

However, the boost to consumption, coupled with supply-side constraints, led to higher inflation. Monetary policy was tightened, even as external headwinds to growth increased. Falling savings without a commensurate fall in aggregate investment have led to a widening current account deficit (CAD). Wholesale price index (WPI) inflation has been coming down in recent months. The food inflation, after a brief slowdown, continues to be higher than overall inflation. Given the higher weightage to food in consumer price indices (CPI), CPI inflation has remained close to double digits. Another consequence of the slowdown has been lower-than-

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

targeted tax and non-tax revenues. With the subsidies bill, particularly that of petroleum products, increasing, the danger that fiscal targets would be breached substantially became very real in the current year. The situation warranted urgent steps to reduce government spending so as to contain inflation. Also required were steps to facilitate corporate and infrastructure investment so as to ease supply. Several measures announced in recent months are aimed at restoring the fiscal health of the government and shrinking the CAD as also improving the growth rate.

The need of the situation is that, India, now will have to revive growth, and that growth has to provide more jobs for the many millions who will join the labor force, even while reducing poverty. Second, India needs to shift from consumption to investment, i.e., increase our savings especially government savings and household financial savings, even as we also increase corporate and infrastructure investment. Third, India needs macroeconomic stabilization i.e., to bring down inflation, the fiscal deficit and the current account deficit.

The World Economic Outlook predicts Growth will rise in India to 5 ¾ percent in 2013 as a result of improved external demand and recently implemented pro-growth measures. Significant structural challenges will likely lower potential output over the medium term and also keep inflation elevated by regional standards.

INDIAN INDUSTRY'S PERFORMANCE

After recovering to a growth of 9.2% in 2009-10 and 2010-11, growth of value added in industrial sector, comprising manufacturing, mining, electricity and construction sectors, slowed to 3.5% in 2011-12 and to 3.1% in the current year. The manufacturing sector, the most dominant sector within industry, also witnessed a decline in growth to 2.7% in 2011-12 and 1.9% in 2012-13 compared to 11.3% and 9.7% in 2009-10 and 2010-11, respectively. The growth in electricity sector in 2012-13 has also moderated. The growth of the mining sector in 2012-13 is estimated at 0.4%, though it showed an improvement over a negative growth of 0.63% recorded in 2011-12. With improved business sentiments and investor perception and a partial rebound in industrial activity in other developing countries, industrial growth is expected to improve in the next financial year.

RESULTS OF THE OPERATIONS OF THE COMPANY

The Company registered an overall turnover growth of 12% at Rs. 158,463 Lakhs for the financial year ended March 31, 2013 compared to Rs.141,037 Lakhs in the previous year. The operating margin for the current year was at 7.64% compared to 8.96% for the last year. Net Profit before Tax was at Rs.7,520 Lakhs compared to Rs. 9,611 Lakhs for the previous year. Net profit after taxation was at Rs.5,227 Lakhs compared to Rs.6,477 Lakhs for the previous year. Higher input costs, combined with depreciation of the rupee against all currencies (as compared to March 31, 2012 rates of all currencies) at Rs. 4,683 Lakhs, interest costs at Rs. 951 Lakhs and accelerated investments impacted our profit after tax. Export Sales was at Rs. 2,205 Lakhs compared to Rs. 2,248 Lakhs.

Other Operating Income:

The other income was at Rs. 1,050 Lakhs for the year 2012-13 when compared to Rs. 527 Lakhs for the previous year 2011-12.

Cost of Goods sold:

The % of cost of raw material consumed as against sales for the year 2012-13 has gone up to 63.14% as against 61.75% for the previous year 2011-12 mainly on higher input costs, combined with depreciation of the rupee against all currencies.

Employee Benefits Expense:

Employee cost as a % of sales for the year 2012-13 stood at 13.52% (previous year 13.16%) at Rs. 21,282 Lakhs (previous year : Rs. 18,566 Lakhs), higher by 2.35% . Sales per employee have improved by 3.96% to Rs. 87.89 Lakhs (no. of employees 1,791) in the current year 2012-13 from Rs. 84.54 Lakhs (no. of employees 1,662) for the previous year 2011-12.

Depreciation:

The depreciation charge for the current year is higher at Rs. 3,630 Lakhs as against a charge of Rs. 2,703 Lakhs of previous year 2011-12 due to additional capital investment during the year 2012-13 at Ranjangaon Plant.

Finance Cost:

The interest cost for the year 2012-13 was at Rs.951 Lakhs compared to Rs. 318 Lakhs in the previous year 2011-12. The increase is mainly on account of increase in borrowings for working capital and capital expenditure.

Earnings per Share (EPS):

The EPS (Basic and Diluted) of the Company for the year 2012-13 was Rs. 46.40 per share as compared to Rs. 57.50 per share in the previous year 2011-12.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Share Capital:

The Company has only one class of share, i.e. equity share with a face value of Rs. 10 each. The Authorized/Issued/Subscribed and fully paid-up Capital as at March 31, 2013 was Rs. 11,26,50,700 (divided into 1,12,65,070 equity shares of Rs. 10 each).

Reserves & Surplus:

Entire profit of Rs. 5,227 Lakhs is retained in profit and loss account for the year ended March 31, 2013. The Reserves & Surplus was at Rs. 65,644 Lakhs including the current year retained profit.

Shareholder's Fund:

The total shareholder funds increased to Rs. 65,644 Lakhs as at March 31, 2013 from Rs. 60,417 Lakhs as of the previous financial year 2011-12 end, representing a growth of 8.65% mainly on account of retained profits of the current year.

Fixed Assets-Capital Expenditure:

The gross Fixed Assets as at March 31, 2013 was Rs.43,893 Lakhs as compared to Rs. 39,450 Lakhs of previous financial year 2011-12. The Company has incurred a capital expenditure of Rs. 12,899 Lakhs (Net of capital work-in progress and capital advances) during the year 2012-13 (previous year : Rs. 9,668 Lakhs) , a increase of 33.42% year on year.

Inventories:

Inventory as at March 31, 2013 amounted to Rs. 22,521 Lakhs as against Rs. 21,372 Lakhs of previous financial year 2011-12. The inventory ratio has decreased to 83 days as at March 31, 2013 from 90 days of previous year 2011-12.

Trade Receivables:

Trade Receivables as at March 31, 2013 amounted to Rs.26,637 Lakhs as against Rs. 23,311 Lakhs of previous year 2011-12. The debtor's turnover ratio was at 62 days (previous year: 61 days).

Cash and Bank balances:

The total balance of cash and bank balances as at March 31, 2013 was Rs. 5,958 Lakhs as compared to Rs. 5,389 Lakhs for the previous year 2011-12.

Overall analysis of the financial statements:

Particulars	Year Ended March 31, 2013		Year Ended March 31, 2012	
	Rs. in Lakhs	%	Rs. in Lakhs	%
Revenue(Net)	157,413.12	99.33	140,510.07	99.63
Other income	1,050.34	0.67	526.74	0.37
Total Revenue	158,463.46	100.00	141,036.81	100.00
Cost of Materials consumed	61,661.73	38.91	51,355.92	36.41
Purchases of stock-in-trade	38,134.60	24.06	41,389.05	29.35
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(406.78)	(0.25)	(5,974.97)	(4.24)
Employee Costs	21,282.17	13.43	18,566.27	13.16
Other Expenses	25,690.58	16.21	23,068.30	16.36
Profit before Finance Costs and Depreciation	12,101.16	7.64	12,632.24	8.96
Finance Costs	951.35	0.60	318.05	0.23
Depreciation	3,630.00	2.29	2,703.13	1.92
Total Expenditure	150,943.65	95.25	131,425.75	93.19
Profit before Tax	7,519.81	4.74	9,611.06	6.81
Tax	2,293.28	1.44	3,133.89	2.22
Profit After Tax	5,226.53	3.31	6,477.17	4.59

Segment wise performance:

The Industrial and Transportation business grew by 11.66%; Health Care business grew by 21.13%; Display and Graphics business grew by 18.66%; Consumer and Office business grew by 17.71% and Safety, Security and Protection Services business de-grew by 3.05%.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(A) INDUSTRIAL AND TRANSPORTATION BUSINESS:

The Industrial and Transportation Business Segment serves a broad range of markets, such as general industry, appliances, paper and packaging, food and beverage, electronics, automotive Original Equipment Manufacturer (OEM), automotive aftermarket (auto repair shops, Service shops, auto care and retail) to name a few. Our Industrial and Transportation business has products that include tapes, a wide variety of coated and non-woven abrasives, adhesives, specialty materials, compounds and polishes, components and products that are used in the manufacture, repair and maintenance of automotive, marine, aircraft and specialty vehicles. Major products under this segment include vinyl, polyester, foil and specialty industrial tapes and adhesives: Scotch® Masking Tape, Scotch® Filament Tape and Scotch® Packaging Tape; Functional and Decorative Graphics; Abrasion-Resistant Films, Masking Tapes and Other Specialty Materials under 3M, Scotch, Meguair and Bondo Brand. The newest foray is in service business thru 3M Car Care Centers.

		Rs. in Lakhs	
		12 Months Ended 31.03.13	12 Months Ended 31.03.12
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	77,179.01 5,507.94 39,133.60	69,120.11 5,717.41 29,415.60
Highlights	<ul style="list-style-type: none"> Slow down in Industrial growth in the country and in manufacturing, specifically slowest growth in Auto sector in the past one decade had an impact of reducing the growth rate of the business. Devaluation of the Indian rupee vis-a-vis foreign currencies like the US Dollar and Euro had the effect of increasing the cost of imported raw material and finished goods. While the business responded with aggressive price increases, the whole impact of cost increase was not neutralized. The success of the 3M Car Care Center initiative helped in enhancing visibility for the 3M brand and opened up a potentially new high growth business opportunity. 		

(B) HEALTH CARE BUSINESS

Our Health Care business segment serves markets that include large multi-specialty hospitals and small clinics, dental and orthodontic practitioners, processed food manufacturers and pharmaceutical companies. Our offerings include medical and surgical supplies, medical devices, skin & wound care and infection prevention products & solutions, drug delivery systems, dental and orthodontic products and food safety products.

		Rs. in Lakhs	
		12 Months Ended 31.03.13	12 Months Ended 31.03.12
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	22,147.86 1,150.95 7,220.65	18,283.91 1,117.69 4,650.90
Highlights	<ul style="list-style-type: none"> The Healthcare Business received many awards including the Prestigious DL Shah National Award from Quality Council of India in March 2013. The Award recognizes 3M Healthcare's success in "Taming Infection through Quality Control in Hospital Sterilization". 3M Healthcare was also awarded "Wound Management Company of the Year" in the Frost & Sullivan 4th Annual Health Excellence awards in 2012. A Healthcare Manufacturing facility is being set up in Ranjangaon with a capability to manufacture expanded range of medical products. 3M Healthcare continued focus on strong customer relationships and launched a number of customer education initiatives. Several new products were launched which created significant impact in the market and ensured continued leadership. State-of-the-art lingual orthodontics system (Incognito TM) was launched in India further enhancing our brand image in this business. Food Safety business has made breakthroughs in several major accounts in the Dairy, Beverage and other Food processing Industry. 		

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(C) SAFETY, SECURITY AND PROTECTION SERVICES BUSINESS :

Safety, Security and Protection Services business segment serves a broad range of markets that increase the safety, security & protection of workers, facilities and systems. Major product offerings include personal protection products, brand & asset protection solutions, border control products, passive fire protection products for industries and commercial establishments, track and trace products, cleaning and hygiene products for the hospitality industry.

		Rs. in Lakhs	
		12 Months Ended 31.03.13	12 Months Ended 31.03.12
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	19,407.29 309.01 11,442.90	20,017.90 1,259.06 11,133.74
Highlights	<ul style="list-style-type: none"> Increasing trend in adoption of Safety and Security practices by organization saw increase in interest and demand for personal protection, brand and asset protection, border control, and passive fire protection products. Growth in IT, ITES and Hospitality Sector has ensured good demand for cleaning and hygiene products. Considerable efforts have gone in to develop business with our innovative products in new segments like Water Authority, Hospitals, Railways and Defense sector. We foresee sizeable business in coming years. Business Growth from Infrastructure, Oil and Gas Pipeline sector has been modest because of delays. 		

(D) CONSUMER AND OFFICE BUSINESS:

The company focused on increasing its franchise with the retail consumers, by increasing the availability of its products across more geographies, as well as with new product introductions. There was continued brand investment in Home Care business for the Scotch-Brite® brand & increased spends on TV, as well as in digital space. Targeting the student market for the Scotch® range of Tapes & Adhesives, based on 'Dikhao Apna Magic' to foster creativity amongst schools students was very well received. The extension of brand Scotchgard®, in providing protection for furnishings & upholstery into new metros was a success.

		Rs. in Lakhs	
		12 Months Ended 31.03.13	12 Months Ended 31.03.12
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	14,427.07 (544.56) 4,425.68	12,256.96 (396.05) 2,794.60
Highlights	<ul style="list-style-type: none"> With activation programs across Modern Trade Chains, the Scotch-Brite® brand has been able to gain high category share & has successfully been able to gain leadership in the Household cleaning tools market of - Utensil care, Floor Care, Wiping & other handled tools. This was supported with above the line marketing campaigns during the course of the year, to establish the brand in Floor & handled tools category across channels. Integrated Marketing Campaign on Trendy Wipes, with a contest of 'Design Your Own Wipe' received a great response across the key metro markets. The Post-it® brand, with the repositionable notes is now being adopted by the students, who find this as a great organizational tool, as well as a handy study tool. The unique color changing, Purple Glue stick from the Scotch® portfolio has become a leader in its category, with the student's community. Along with the Do-it-yourself cans from Scotchgard®, the extension of services of protecting the upholstery in the home market, is gaining good acceptance. Manufacturing facility is being set up at Ranjangaon to manufacture many products. 		

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(E) DISPLAY AND GRAPHICS BUSINESS

Display & Graphics Business is an amalgamation of four divisional subsets- the Traffic Safety Systems Division (TSSD), the Commercial Graphics Division (CGD), the Architectural Markets Division (AMD) and the Mobile Interactive Solutions Division (MISD). TSSD offers a host of road safety services and motor vehicle safety solutions. The offerings include retro reflective traffic signs for highways and cities, pavement marking and vehicle registration products and services. CGD portfolio includes products like films, inks and digital signage products which help create static and dynamic graphics for retail signs, buildings, vehicles, commercial-space exteriors and interiors as also a multi-segment brand-owner focus service offering. AMD offers wall and glass cladding products coupled with architectural interior services and environmental graphics for home and office spaces. MISD caters to the electronic displays market addressing the needs for projection systems, computer and ATM-screen privacy filters and brightness enhancement films for television, avionics and automotive displays.

		Rs. in Lakhs	
		12 Months Ended 31.03.13	12 Months Ended 31.03.12
Financial Highlights	Segment Revenue	21,960.42	18,507.52
	Profit before Interest & Tax	662.82	1,337.60
	Capital Employed	4,032.75	4,261.77
Highlights	<ul style="list-style-type: none"> The Traffic Safety Systems (TSS) Division successfully completed several turnkey traffic signage projects like for Large Infrastructure Projects like Jaypee's Yamuna Expressway and L & T's Highway Projects in Gujarat. TSS has established a Leading position in the Conspicuity Tapes Market for Vehicle Market – both OEM and After-Market. Commercial Graphics Division has executed: a Turnkey Interior Graphics program for Axis Bank Branches covering 1400 Branches and 7500 ATMs; a brand identity change program for MaxLife Insurance in over 135 Branches and; a BTL visibility campaign for Shell across 7500 Dealer Outlets. Commercial Graphics Division has bagged an order for Exterior Signage and Interior Graphics and related branding work for over 100 Dealerships of Ashok Leyland Heavy Vehicles. Commercial Graphics Division has also started rolling out a Digital Menu Board Network for Domino's Pizza and Dunkn Donuts covering more than 75 outlets. The Architectural Markets (AMD) Division has built a solid channel foundation with a network of Pan-India Distributors and their products have found applications in the IT/ITES space. 		

The following are some of the risk mitigation plants by the Company :

- Currency volatility - continue to drive localization and aggressively adjust prices to off-set.
- Cost escalation - use Lean Six Sigma projects for cost reduction.
- Productivity - optimize deployment of resources to maximize coverage and penetration.
- Success of new product launches - continue the existing disciplined New Product Introduction (NPI) gate process to filter programs.
- Timely new plant start-ups - pro-actively allocate appropriate technical resources to ensure no delays.
- Sustained industry slowdown - continue strong cost controls and manage resources effectively.

OPPORTUNITIES AND THREATS

3M's globally competitive cost positions and well crafted business strategies have enabled it to retain its leading market positions. Your Company strongly believes in the 3M™ brand equity and its ability to provide its customers with innovative solutions.

The company is operating in a highly competitive market which may exert pressure both on the top line as well as the bottom line of the company. As the Company's products involve expertise in product development, manufacturing and marketing, are subject to competition from products manufactured and sold by other technologically oriented companies both within India and outside India. In addition, Inflation, rupee depreciation, high commodity prices and hardening interest rates remain key challenges needing focused attention.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

RISKS AND CONCERNS

Provided below are cautionary statements of what we believe to be the most important risk factors applicable to the Company.

- The impact of increase in duties on the products of the Company and consequent increase in the cost of goods sold.
- The Company's results are affected by competitive conditions and customer preferences.
- The Company's growth objectives are largely dependent on the timing and market acceptance of its new product offerings, including its ability to continually renew its pipeline of new products and to bring those products to market.
- Prices of inputs are expected to rise significantly. Whilst the Company continues to pursue cost reduction initiatives, increase in price of input materials and rupee depreciation could impact the Company's profitability to the extent that the same are not absorbed by the market through price increases and/or could have a negative impact on the demand in the domestic market.
- The operations are subject to risk arising from fluctuations in exchange rates with reference to currencies in which the company transacts. These risks primarily relate to fluctuations of USD and EUR to INR.
- The Company's future results may be affected if the Company generates fewer productivity improvements than estimated.
- The outcome of contingencies, such as legal and regulatory proceedings.
- The effects of changes in tax, and other laws and regulations.

OUTLOOK

Most countries are facing challenges in growth and unemployment as still global economy is in an uncertain phase. We expect India's projected GDP for 2013-14 to grow better than 2012-13 as the recent policy initiatives / reforms by the Government should help to boost sentiment /investment climate. Reviving demand, increase industrial production, improving power generation and fast track infrastructure projects will be the major challenges for the Indian economy. Increased per capita income, increased liquid fund in market, higher discretionary spending, growing aspirations of the Indian middle class, growth of retail credit are the other key drivers of the economy this year.

The Company expects the sales growth and related incremental income, in addition to expected productivity improvements, selling price increases in excess of raw material, inflation, and other benefits, should help offset the items that will negatively impact earnings. This expected sales growth and related incremental operating income is considered after taking into account factors such as; price increase initiatives, increase in productivity, sustained investments in Infrastructure by the State and Central Governments with more focus on urban transportation, major highway projects and focus on health care etc.,. Your Company will continue to focus on its localization efforts, innovative R&D, development of new customer segments and expansion of current market segments to secure competitive growth.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

All key functions and divisions of the Company are independently responsible to monitor risks associated within their respective areas of operations such as production, supply chain, marketing, treasury, legal and others areas like health, safety and environment. Your Company has identified various risks and procedures to mitigate the same.

Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies. The Company, through its own Corporate Internal Audit Department, carries out periodic audits to cover all the offices, factories and key areas of business segments based on the plan approved by the Audit Committee and bring out any deviation to internal control procedures. The Internal Auditor functionality reports to the Audit Committee and administratively to the Managing Director. The observations arising out of audit are periodically reviewed and compliance ensured. The summary of the Internal Audit observations and status of the implementation is submitted to the Audit Committee of the Board of Directors. The status of implementation of the recommendations is reviewed by the Committee on a regular basis and concerns, if any, are reported to the Board.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

Your Company continues to believe that it is highly critical to have employees who are competent, engaged and take ownership in order for 3M India to realize its goals. In keeping with this philosophy, to build competent employees, your Company has continued to invest in providing career opportunities, training and development. The emphasis and communication to employees has been on career broadening experiences through a lattice growth in order to ensure that employees optimize the breadth and variety of 3M's various businesses. This has also resulted in maximum movements during this period. Your company has started focusing on long term Human Resource planning aimed at resourcing high growth divisions on a priority, managing change more efficiently, grooming internal talent for future roles and also driving operational excellence within the organization. Your company has outsourced the non core HR activities to build scale and efficiency. This has resulted in a much more focused and effective 'On boarding' process to ensure the smooth settling in of new employees/ supervisors into the company through the induction and orientation program. There has also been a constant endeavor to continuously revamp these programs taking into consideration the diversity in terms of gender, regional and generations. Your Company identifies employees who could grow faster (high potential) and supports them through varied learning and development initiatives. The Individual Development programs (IDP) has brought greater focus through a 70:20:10 plan. Several programs and projects have enabled the high potential's realize their potential, broaden their learning perspectives and ensure faster growth.

Your Company has been continuously focusing on people and processes to encourage and realize their full potential. In that direction this year saw a launch of several Communication initiatives including a quarterly newsletter 'Hruday'. A cross functional project team also captured the essence of the spirit of 3M and its culture. Throughout the year under review, many training programs in the areas of leadership, sales and technical skills were conducted for employees. A 3M Leadership Academy will be launched in India which will take leadership development to the next level, and also enable 3M India to become a hub for APAC programs in the future. Employee engagement continued to be the thread to bring together all employees in the organization. Regular internal communications, meetings and events have enhanced the engagement of the employees across various locations/offices. This has also contributed towards cordial and harmonious relations with employees throughout the year under review.

On behalf of the Board of Directors

Place : Bangalore
Date : May 30, 2013

Ajay Nanavati
Managing Director

Sadhana Kaul
Whole-time Director

REPORT ON CORPORATE GOVERNANCE

THE COMPANY'S GOVERNANCE PHILOSOPHY

The Company believes that transparent accounting policies, appropriate disclosure norms, best in class board practices and consistently high standards of corporate conduct towards its stakeholders are essential for sustained corporate growth. The Corporate Governance comprises of a unique combination of factors like regulations, compliance, policies and economic environments, voluntary practices and disclosures. The Management Team and all other employees of the Company maintain a high level of ethical values for achieving business success.

BOARD OF DIRECTORS

Composition:

The Board comprises of Executive and Non-Executive Directors, who are persons of eminence having vast and varied experience and with professional background and experience in Business, Industry, Finance and Law. The Board of Directors of the Company is headed by a Non-Executive and Independent Director.

Brief Profile of the Directors of the Company:

Mr. D.J. Balaji Rao (DIN-00025254): Mr. D.J. Balaji Rao, 74, holds a B.E Degree in Mechanical Engineering from the University of Madras and Associate member of Indian Institution of Industrial Engineering (AMIIIE). He attended the Advanced Management Program at European Institute of Business Administration (INSEAD) at Fontainebleau, France, in 1990. He pursued his career as an Industrial Engineer for about 8 years before joining erstwhile ICICI Ltd. (since merged with ICICI Bank Ltd) in 1970. After wide ranging responsibilities in different locations, he reached the position of Deputy Managing Director. He subsequently took over as the Vice Chairman and Managing Director of SCICI Ltd. in August 1996. With the merger of SCICI Ltd. with ICICI Ltd. he moved to Infrastructure Development Finance Co. Ltd. (IDFC), as its first Managing Director, which he served till his superannuation in January 2000. He has served on the Boards of many leading companies including Bosch Ltd(formerly MICO Ltd) , Wipro Ltd. and Bharat Forge Ltd., etc. He was appointed as a Director of the Company from December 26, 2001 and as Chairman of the Company from September 10, 2008.

Mr. B.S. Iyer (DIN-00138425): Mr. B.S. Iyer, 63, is a Post Graduate in Commerce and Law from the University of Bombay, holds a Diploma in Management Accounting, Member of the All India Management Association and is a Fellow Member of the Institute of Company Secretaries of India. Mr. Iyer held senior positions, responsible for Corporate Legal affairs for over 30 years. He retired as Vice President –Legal and Company Secretary of Bosch Limited. He is a Corporate Legal Resource person for several MNCs and Indian Companies. He was appointed as a Director of the Company from December 26, 2001.

Mr. B. C. Prabhakar (DIN- 00040052): Mr. B.C. Prabhakar, 70, has been on our Board since December 11, 2006. He has been a practicing lawyer since April 1970 and Management Consultant on Labour Laws and Service matters. He is the President of Karnataka Employer's Association, which is the leading and oldest Employers' Association in the State of Karnataka. He is an employer's Nominee of Employees State Insurance Corporation, New Delhi. He has attended Indian Labour Conference for the past ten years which is the highest Tripartite Forum consisting of Representatives of Employers, workers and Government. He holds a B.A in Political Science & Sociology and a B.L from Mysore University.

Mr. Albert C Wang (DIN- 05234667): Mr. Albert Wang, 45, joined 3M Company in January 2012 as General Counsel, Asia Pacific and is based out of Shanghai, China. Prior to joining 3M, Albert was Legal Director for Dell Inc. from 2001-2012 leading their legal affairs efforts for Greater China as well as regionally (Asia Pacific) for their Public & Large Enterprise business unit. He began practicing law with the New York-based international law firm of Coudert Brothers, with postings in Hong Kong (1993-1998) and Shanghai (1998-2001). There, his practice was focused on foreign direct investment and mergers and acquisitions, representing a wide array of multinational corporations and global financial institutions across a broad range of industry sectors. Mr. Albert Wang graduated cum laude in 1990 from Colgate University with a Bachelor of Arts degree in Political Science. He earned his Juris Doctor degree from The George Washington University National Law Center in 1993. He is a member of the New York State Bar, the American Chamber of Commerce in Shanghai and the U.S. China Business Council. He was appointed as a Non-Executive Director of the Company from March 12, 2012.

Mr. Frank R Little (DIN- 06395992): Mr. Frank Little, 52, joined 3M Company in 2002 as Executive Director, Research and Development, Corporate Technology and Electro & Communication Markets. He has held several executive positions within 3M. From 2005 to 2008, he was appointed Vice-President and General Manager, Electronic Solutions Division, and from 2008-2011 he was appointed President and Managing Director of 3M Korea, where he was also the Chairman of the American Chamber of Commerce in Korea (AMCHAM). His current role is as Vice-President and General Manager of 3M's Personal Safety Division, based out of the Company headquarters in St Paul, MN, USA. He holds a MBA degree from Georgia State University and an Engineering Degree from the University of Illinois. Prior to joining 3M, Frank was Vice-President and General Manager, Photonic Components Division, Corning Inc.; He has also worked in ADC Telecommunications as the Vice President and General Manager for their Analog Transport Division. He was appointed as a Non-Executive Director of the Company from October 26, 2012.

REPORT ON CORPORATE GOVERNANCE

Mr. John R Houle (DIN- 06395986): Mr. John Houle, 52, joined 3M Company in 1986 as a Structural Engineer in Facilities Engineering Division. He holds a Masters Degree in Civil Engineering from the University of Minnesota. Prior to joining 3M, he worked for Exxon Production Research and with AmHoist. He is an Executive Committee Member, University of Minnesota, Center for Transportation Studies, Board Member of Minnesota Safety Council. He is also associated with American Road and Transportation Builders Association as its Vice Chairman and as a Board Member and Executive Committee member of American Highway Users Alliance. He has held various senior positions in 3M and now he is the Vice President and General Manager for Traffic Safety and Security Division based out of St. Paul, USA. He was appointed as a Non-Executive Director of the Company from October 26, 2012.

Mr. Ajay Nanavati (DIN-02370729): Mr. Ajay Nanavati, 57, holds a Bachelor Degree in Chemical Engineering from USA and has a rich experience in various Industries, spanning over 30 years. He started his professional career in 1977 with Tata Consulting Engineers before joining 3M India Ltd in 1988 as General Manager. He held various senior positions in 3M Company, USA and in other subsidiaries over the last 25 years of his career in 3M Group. He was appointed as Managing Director of the Company from October 01, 2008.

Mr. B.V. Shankaranarayana Rao (DIN-00044840): Mr. B.V. Shankaranarayana Rao, 53, holds a Bachelor Degree in Commerce and a Master's Degree in Business Administration from Bangalore University. He has been with the Company since 1990. He has over 30 years of experience in Finance and Corporate Management. He has held various positions during his tenure in 3M India. He has also worked in 3M Asia Pacific, Singapore, prior to heading the Finance Department in 3M India Limited. He was appointed as a Whole-time Director of the Company from July 24, 2002. With effect from October 1, 2012, was appointed as Chief Compliance and Process Officer.

Mrs. Sadhana Kaul (DIN- 02589934): Mrs. Sadhana Kaul, 49, joined the Company in 2005 and has over 21 years of experience in the legal field, having worked in different capacities in law firms in the US and in India. She leads the planning, development and execution of strategic legal initiatives whilst managing the legal risks of the Company in India and parts of South East Asia. Prior to joining the Company, she was with GE Medical Systems as Senior Legal Counsel based in Bangalore. She holds a Bachelor's Degree in Law from Trinity College Cambridge, UK and a Masters Degree in International and Comparative Law from Georgetown University Law Center, Washington D.C. In addition to her current responsibility as General Counsel of the Company, with effect from October 1, 2011, she also acts as Asia Pacific Area Counsel for the Industrial and Transportation Business. She was appointed as a Whole-time Director of the Company from October 09, 2009.

Names of other companies/firms in which Directors of the Company hold/held office as Director/Partner are given below:

Mr. D.J. Balaji Rao

- Bajaj Auto Limited, Director
- Ashok Leyland Limited, Director
- Graphite India Limited, Director
- Hinduja Foundries Limited, Director
- JSW Energy Limited, Director
- Bajaj Finserv Limited, Director
- Bajaj Holdings and Investments Limited, Director
- Bajaj Finance Limited, Director
- CMI-FPE Limited, Director

Mr. B. S. Iyer

- ZF Steering Gear (India) Limited, Alternate Director
- Member, Institutional Ethics Committee (Human Studies) of the Institute of Stem Cell Biology and Regenerative Medicine, Bangalore
- Member, Institutional Ethics Committee (Human Studies) of National Centre for Biological Sciences, Bangalore

Mr. B.C. Prabhakar

- Wipro Limited, Director
- Automotive Axles Limited, Director
- Page Industries Limited, Director

Mr. Albert C Wang

- Nil

Mr. Frank R Little (from October 26, 2012)

- Nil

Mr. John R Houle (from October 26, 2012)

- Nil

REPORT ON CORPORATE GOVERNANCE

Mr. Ajay Nanavati

- 3M Lanka (Private)Limited, Sri Lanka, Managing Director

Mr. B.V. Shankaranarayana Rao

- 3M Lanka (Private)Limited, Sri Lanka, Director

Mrs. Sadhana Kaul

- 3M Lanka (Private) Limited, Sri Lanka, Director

Mr. R. Vijay Kumar (up to October 26, 2012)

- Nil

As on March 31, 2013, the strength of the Board is nine (9), of which three (3) are Whole-time Directors, three (3) are Independent Directors and three (3) Non-Executive Directors. As on March 31, 2013, the composition of the Board is in conformity with Clause 49 (I) (A) (ii) of the Listing Agreement. None of the Directors of the Company are related to each other.

Meetings:

The meetings of the Board of Directors are normally held at the Company's Corporate Office in Bangalore. Meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director. The Board meets at least once a quarter to review the quarterly performance and financial results of the Company. The Board is provided with the relevant information as stipulated in Clause 49 of the Listing Agreement. The Meetings are governed by a structured agenda. The Board papers, agenda and other explanatory notes are circulated to the Directors well in advance.

Details of Board Meetings during the financial year:

During the financial year April 01, 2012 to March 31, 2013, five (5) Meetings of the Board were held; on April 20, 2012, May 28, 2012, July 26, 2012, October 26, 2012 and January 28, 2013. The last Annual General Meeting (AGM) was held on July 26, 2012.

Particulars of the directorship of Board, membership and office of the Chairman of Board Committees across all Companies as on March 31, 2013 and attendance at the Board Meetings of the Company are given below:

Name & Designation of the Director	Category	No. of Meetings		No. of Directorships and Committee Memberships/Chairmanships			Whether Attended Last AGM
		Held	Attended	Directorships held @	Committee Memberships#	Committee Chairmanships#	
Mr. D.J. Balaji Rao (Chairman)%	Non-Executive & Independent Director	5	4	10	6	4	Yes
Mr. B.S. Iyer (Director)	Non-Executive & Independent Director	5	5	2@@	1	1	Yes
Mr. B. C. Prabhakar (Director)	Non-Executive & Independent Director	5	5	4	4	1	Yes
Mr. Albert C Wang (Director)	Non-Executive Director (Promoter Group)	5	0	Nil	Nil	Nil	No
Mr. Frank R Little (Director)**	Non-Executive Director (Promoter Group)	5	0	Nil	Nil	Nil	NA
Mr. John R Houle (Director)**	Non-Executive Director (Promoter Group)	5	0	Nil	Nil	Nil	NA
Mr. Ajay Nanavati (Managing Director)	Executive Director (Promoter Group)	5	5	2@@@	1	Nil	Yes
Mr. B. V. Shankaranarayana Rao (Whole-time Director)	Executive Director (Promoter Group)	5	5	2@@@	Nil	Nil	Yes
Mrs. Sadhana Kaul (Whole-time Director)	Executive Director (Promoter Group)	5	5	2@@@	Nil	Nil	Yes
Mr. R. Vijay Kumar (Whole-time Director)*	Executive Director (Promoter Group)	5	3	Nil	Nil	Nil	Yes

@ excludes directorship in private companies,

@@ includes one alternate directorship

@@@ includes directorship in one foreign Body Corporate

excludes committees other than Audit Committee and Shareholders'/Investors Grievance Committee

* Resigned as a Director w.e.f October 26, 2012

** Appointed as a Director w.e.f October 26, 2012

REPORT ON CORPORATE GOVERNANCE

CODE OF CONDUCT

The Company's Board has laid down a code of conduct for all Board Members and Senior Management of the Company. The code of conduct is available on the website of the Company: www.3m.com/in. Requisite annual affirmations of compliance with respective codes have been made by the Directors and Senior Management of the Company for the period April 01, 2012 to March 31, 2013.

The Certificate by the CEO of the Company concerning compliance with the Code of Conduct for Directors and Senior Management is given below:

*Code of Conduct for Directors and Senior Management
CEO Confirmation*

I hereby confirm that:

the Company has obtained from the Directors and Senior Management personnel affirmation that they have complied with the above code for and in respect of the year ended March 31, 2013.

*Place: Bangalore
Date : May 30, 2013*

*(Ajay Nanavati)
Managing Director*

AUDIT COMMITTEE

The Audit Committee of the Company functions in accordance with the requirements of Section 292A of the Companies Act, 1956 and the Listing Agreement.

Terms of Reference of Audit Committee:

The terms of reference of the Audit Committee as per guidelines set out under Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956, is set out below:

- Chairman of the Audit Committee shall be an Independent Director.
- The Audit Committee may invite such executives of the Company as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any of the executives of the Company. The Finance Director, Head of Internal Audit and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee.
- The Company Secretary shall act as Secretary of the Audit Committee.
- The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.
- The quorum shall be either two members or one-third of the members of the Audit Committee, whichever is higher but there shall be a minimum of two independent members present.

Role of Audit Committee:

The role of the Audit Committee shall include the following:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
- Approval of payment to Statutory Auditors for any other services rendered by them.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by Management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications, if any, in the draft limited review audit report and audit report.

REPORT ON CORPORATE GOVERNANCE

- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with Internal Auditors any significant findings and follow-up there on.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Powers of the Audit Committee:

The Audit Committee has the following powers:

- to investigate any activity within its terms of reference.
- to seek information from any employee.
- to obtain outside legal or other professional advice.
- to secure the attendance of outsiders with relevant expertise, if it considers necessary.

Review of information by Audit Committee:

The Audit Committee reviews the following information:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee) submitted by Management.
- Management letters / letters of internal control weaknesses issued by the Statutory Auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment and removal of the Internal Auditor.

Constitution of Audit Committee:

As on March 31, 2013, the Audit Committee of the Company consists of three (3) Non-Executive cum Independent Directors and all of them have financial and accounting knowledge. The members of the Committee are Mr. B. S. Iyer, Mr. D.J. Balaji Rao and Mr. B. C. Prabhakar.

Mr. B. S. Iyer is the Chairman of the Audit Committee. The Company Secretary is the Secretary to the Committee. At the invitation of the Committee the Managing Director, the Internal Auditor, the Head of Finance, Head of Legal Department and Statutory Auditors attend the Audit Committee meetings.

Composition and details of Audit Committee Meetings during the financial year:

During the financial year April 01, 2012 to March 31, 2013, four (4) Meetings of the Audit Committee were held; on May 28, 2012, July 26, 2012, October 26, 2012 and January 28, 2013. The numbers of meetings attended during the year under review are as under:

Name of the Committee Member	No. of Meetings held during the year under review	No. of Meetings attended
Mr. .B.S. Iyer (Chairman)	4	4
Mr. D.J. Balaji Rao %	4	3
Mr. B. C. Prabhakar	4	4

Note: %-For the Committee/Board Meetings held on October 26, 2012, Mr. Balaji Rao participated through tele-conference.

REPORT ON CORPORATE GOVERNANCE

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

As on March 31, 2013, the Shareholders'/Investors' Grievance Committee of the Company consists of four (4) Directors, of which three (3) are Non-Executive cum Independent Directors and one (1) is a Executive Director. The Members of the Committee are Mr. D.J. Balaji Rao, Mr. B. S. Iyer, Mr. B. C. Prabhakar and Mr. Ajay Nanavati.

During the financial year April 01, 2012 to March 31, 2013, four (4) Meetings of the Shareholders' Grievance Committee were held; on May 28, 2012, July 26, 2012, October 26, 2012 and January 28, 2013. The attendance of the members at the Shareholders' Grievance Committee Meeting held during the year are as under :

Name of the Committee Member	No. of Meetings held during the year under review	No. of Meetings attended
Mr. D.J. Balaji Rao (Chairman) %	4	3
Mr. B.S. Iyer	4	4
Mr. B. C. Prabhakar	4	4
Mr. Ajay Nanavati	4	4

Mr. D. J. Balaji Rao, Non-Executive and Independent Director, is the Chairman of the Committee and Mr. V. Srinivasan, Company Secretary is the Compliance Officer of the Company.

The Shareholders' Grievance Committee is authorised to:

1. Monitor the system of share transfer, transmission, sub-division, consolidation of share certificates and issue of duplicate certificates.
2. Deal with all investor related issues including redressal of complaints from shareholders relating to transfer of shares, non-receipt of annual report, etc.
3. Delegate such powers to Company's officers, as may be necessary including powers to approve transfers, transmissions, authenticate share certificates and to take other actions in relation to Shareholders' related matters.

The Company through its Registrar and Share Transfer Agents has resolved most of the investor grievances / correspondence within a period of 7 days from the date of their receipt except in cases that are constrained by disputes or legal impediments. The statistics of Shareholders complaints received / redressed, during the period under review are as under:

No. of Shareholders complaints pending as at April 01, 2012.	Nil
No. of Complaints relating to Non-receipt of dividend warrants, Redemption / Interest warrants, Annual Reports, Share certificates, endorsement stickers, change of address, deletion of name and others received during the period April 01, 2012 to March 31, 2013.	24
No. of Shareholders complaints resolved during the period April 01, 2012 to March 31, 2013.	24
No. of Shareholders complaints pending as on March 31, 2013.	Nil

Secretarial Audit for Reconciliation of Capital

A Secretarial Audit was carried out by a qualified Practicing Company Secretary for reconciling the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors.

SUBSIDIARY COMPANIES

The Company does not have any subsidiaries.

DISCLOSURES

Related party transactions:

The Company follows the following policy in disclosing the related party transactions to the Audit Committee:

- A statement in summary form of transactions with related parties at arm's length price in the normal course of business.

REPORT ON CORPORATE GOVERNANCE

- All material individual transactions with related parties, which are not in the normal course of business and which are not on an arm's length basis.
- All material financial and commercial transactions relating to senior management where they have personal interest that may have a potential conflict with the interest of the Company at large.

Accounting Treatment:

The guidelines/accounting standards notified under Section 211(3C) of the Companies Act, 1956 and relevant provisions of the Companies Act, 1956 have been followed in preparation of the financial statements of the Company.

Risk Management:

The Company as part of its regular operating review has identified certain risks and put in place procedures to mitigate the same. When new risks are identified, the same would be then assessed, controls designed, put in place and enforced within a fixed time frame, as set.

Capital Issues: The Company has not made any capital issues during the financial year 2012-13.

Remuneration to Directors:

As on March 31, 2013, Company has three (3) Executive Directors, Mr. Ajay Nanavati, Managing Director, Mr. B. V. Shankaranarayana Rao, Whole-time Director, Mrs. Sadhana Kaul, Whole-time Director and Mr. R. Vijay Kumar, Whole-time Director (up to October 26, 2012).

The Managing/Whole-time Directors of the Company have been appointed on a contractual basis and their terms of appointment were fixed by the Board and the appointment's pertaining to Mr. Ajay Nanavati, Managing Director, Mr. B. V. Shankaranarayana Rao, Whole-time Director, Mrs. Sadhana Kaul, Whole-time Director were approved by the Shareholders at the Annual General Meetings for tenures up to five (5) years. The elements of the remuneration package of Executive Directors comprise Salaries & Allowances, Perquisites, Company Leased Accommodation, Company Car and driver, Telephone at home, club fees, Gratuity, Personal Accident Insurance and contribution to provident funds and other funds. The contract of employment of Executive Directors is terminable by observing a period of notice of ninety days. The Company has no stock option/equity-based awards or any other Stock Linked Incentive Plans. However senior executives of the Company including Managing Director and Whole-time Directors of the Company are entitled to the Restricted Stock options/Stock Appreciation Unit Plans declared by the Parent Company, 3M Company USA, from time to time. And as per 3M International Policy, the Company which employs the respective employees is required to bear the cost of the options.

Details of remuneration for the year ended March 31, 2013:

(a) Executive Directors.

Name and Designation	No. of Shares Held	Salaries & Allowances (Rs.)	Contribution to Provident Fund & Other Funds	Estimated Value of Benefits (Rs.)	Total (Rs.)	Present term expires on
Mr. Ajay Nanavati (Managing Director)	70*	2,03,46,247	11,36,448	57,22,687	2,72,05,382	September 30, 2013
Mr. B.V. Shankaranarayana Rao (Whole-time Director)	Nil	83,13,996	5,12,952	28,45,152	1,16,72,100	March 31, 2017
Mrs. Sadhana Kaul (Whole-time Director)	Nil	74,78,634	4,63,749	30,20,321	1,09,62,704	October 08, 2014
Mr. R. Vijay Kumar (Whole-time Director) (upto October 31, 2012)	Nil	42,21,000	2,62,101	8,84,313	53,67,414	NA

* includes joint share holding

(b) Non-Executive Directors.

Name of the Director	No. of Share held	Sitting Fees for Board Meeting (Rs.)	Sitting Fees for Committee Meetings (Rs.)	Commission (Rs.)	Total
Mr. D.J. Balaji Rao	Nil	80,000	1,20,000	7,50,000**	9,50,000
Mr. B.S. Iyer	20*	1,00,000	1,60,000	7,50,000**	10,10,000
Mr. B.C. Prabhakar	20	1,00,000	1,60,000	7,50,000**	10,10,000

* Jointly as a 2nd shareholder with his wife

** Remuneration by way of Commission for the year 2012-13 will be paid to the Independent Directors after the accounts for the year 2012-13 have been adopted and approved by the shareholders at the ensuing AGM.

REPORT ON CORPORATE GOVERNANCE

The remuneration by way of commission to Independent Directors commensurate with the activities of the Company, the responsibilities of the Independent Directors under the listing agreement with the stock exchanges and under the Companies Act, 1956, and the responsibilities as member/chairman of the Board and member/chairman of committee/s of Board and all other relevant factors.

Mr. Albert C Wang, Mr. Frank R Little and Mr. John R Houle do not receive Sitting Fees and Commission. None of the Non-Executive Directors have any pecuniary relationship with the Company.

GENERAL BODY MEETING:

Details of Annual General Meetings (AGM) of the Company held for the last three years:

Date	Meeting	Location	Time
July 26, 2010	AGM	The Chancery Pavilion, 135, Residency Road, Bangalore – 560 025	10.30 a.m.
July 28, 2011	AGM	The Chancery Pavilion, 135, Residency Road, Bangalore – 560 025	10.30 a.m.
July 26, 2012	AGM	The Chancery Pavilion, 135, Residency Road, Bangalore – 560 025	10.30 a.m.

Particulars of Special Resolutions passed in the last three AGMs are given below:

July 26, 2010	-	The special resolutions passed through Postal Ballot were taken on record.
June 28, 2011	-	Nil.
July 26, 2012	-	Nil.

There are no items requiring the passing of special resolution or resolution by postal ballot at the ensuing Annual General Meeting (AGM) to be held on July 23, 2013.

Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years:

There have been no instances of non-compliance by the Company on any matter related to listing agreement with the stock exchanges.

Compliance with Mandatory Requirements:

The Company has complied with all the mandatory requirements of clause 49 of the listing agreement. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

Management Discussion and Analysis:

The Management Discussion and Analysis report on the Company's activities during the year is published as part of the Company's Annual Report. This report has been placed before the Company's Audit Committee.

Insider Trading:

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has prescribed a Code of Conduct for Prevention of Insider Trading and a Code of Corporate Disclosure Practices.

The Company observes a closed period for trading in securities of the Company by the Directors/Officers and Designated Employees of the Company for a period of seven days prior to the close of the quarter/half year/year and up to 24 hours after the date on which the results for the respective quarter/half year/year and is notified to the stock exchanges.

MEANS OF COMMUNICATION

Quarterly/half yearly/annual financial results are published in Business Standard (All India Edition) and Udaya Vani (Bangalore Edition). The Company's financial results and shareholding pattern are also displayed in the Company's website: www.3m.com/in and are also notified to the Stock Exchanges as required under the Listing Agreement. From the quarter ending September 30, 2011, shareholding pattern and the Corporate Governance details are uploaded in the NSE Electronic Application Processing System (NEAPS). The Company does not make any presentations to the Institutional Investors or to the Analysts.

SHAREHOLDERS

Details of the Directors seeking appointment/re-appointment at the ensuing AGM are provided in the Notice convening the AGM.

REPORT ON CORPORATE GOVERNANCE

NON-MANDATORY REQUIREMENTS

The Company has a Non-Executive Chairman and his official expenses are reimbursed. However, no separate Chairman's office is maintained at the Company's expense.

Remuneration Committee:

The Board has not set up a Remuneration Committee.

Shareholders' Rights:

Quarterly/half yearly/annual financial results are published in English Newspaper having a circulation all over India and in Kannada newspaper (having circulation in Bangalore). Significant events of the Company are being disclosed to the Stock Exchanges from time to time. The Company's financial results and shareholding pattern are also displayed in the Company's website: www.3m.com/in and are also notified to the Stock Exchanges as required under the Listing Agreement. With effect from April 01, 2011, the Company also displays in their website, the quarterly report sent to the Stock Exchanges on the Compliance on Corporate Governance under Clause 49 of the Listing agreement. From the quarter ending September 30, 2011, shareholding pattern and the Corporate Governance details are uploaded in the NSE Electronic Application Processing System (NEAPS).

Audit qualifications:

There were no qualifications by the Auditors in their report forming part of this financials for the year ended March 31, 2013.

Training of Board Members:

The Company does not have any training program for the Board members.

Mechanism for evaluating Non-Executive Board Members:

There is no specific mechanism for evaluating the performance of non-executive Board members of the Company.

Whistle-Blower policy:

The Company does not have a Whistle Blower policy. However, 3M has a Global Policy on Business Conduct and guidelines on Ethical Behavior which encourages employees to raise and report concerns in a transparent way. No personnel of the Company have been denied access to any of the Directors of the Company. As a part of this global policy, no retaliatory action may be taken against any whistle blower.

GENERAL SHAREHOLDER INFORMATION :

Annual General Meeting	July 23, 2013, Tuesday The Grand Ball Room The Chancery Pavilion 135, Residency Road, Bangalore - 560 025 Time 10.30 a.m.
Date of Book Closure	July 17, 2013(Wednesday) - July 23, 2013(Tuesday) (both days inclusive)
Dividend payment date	N. A.
Financial Results Calendar	<i>Third week of July, 2013</i> - Unaudited Results for the quarter and three months ended June 30, 2013. <i>Fourth week of October, 2013</i> - Unaudited Results for the quarter and six months ended September 30, 2013. <i>Fourth week of January, 2014</i> - Unaudited Results for the quarter and nine months ended December 31, 2013. <i>Fourth week of May, 2014</i> - Audited Results for the year ended March 31, 2014.
Listing on Stock Exchanges	National Stock Exchange Limited, Mumbai (Code - 3M INDIA) Bombay Stock Exchange Limited, Mumbai (Code - 523395) The Calcutta Stock Exchange Limited, Kolkata (Code - 12027) *
International Securities Identification Number (ISIN)	INE470A01017
Corporate Identification Number (CIN)	L31300KA1987PLC013543

* applied for voluntary delisting. Final Certificate of delisting is yet to be received.

REPORT ON CORPORATE GOVERNANCE

The Company has paid annual listing fees, as prescribed, to the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, Mumbai for the financial year 2013-14.

Custodial Fee

Pursuant to the Securities and Exchange Board of India (SEBI) Circular No. MRD/DoP/SE/DEP/CIR-2/2009 dated February 10, 2009 and CIR/MRD/DP/05/2011 dated 27th April, 2011, Issuer Companies are required to pay custodial fees to the depositories on the basis of average number of folios (ISIN position) during the previous financial year or the minimum amount as specified. Accordingly, the Company has paid custodial fee for the year 2013-14 to NSDL and CDSL.

Registrar & Share Transfer Agents:

Share registration and other investor related activities are carried out by our Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited for both Physical and Demat securities. Their address is given below:

Karvy Computershare Private Limited

Plot No.17-24, Vithal Rao Nagar, Madhapur; Hyderabad - 500 034

Tel: 040-4465 5178-828 Fax: 040-23440814

E-mail: mailmanager@karvy.com. Contact person: Mr. K.S. Reddy / Mr. Shyam Singh Rautela

Share Transfer System:

Shares sent for transfer in physical form are registered and dispatched within 15 days of receipt of the documents, if documents are found to be in order. Shares under objection are returned within 15 days.

Monitoring of Share Transfers and other investor related matters are dealt with by the Shareholders' Grievance Committee. The Company's Registrars, M/s. Karvy Computershare Private Limited process the share transfers in respect of physical securities on a fortnightly basis and the processed transfers are approved by the authorized Executives of the Company also on a fortnightly basis.

All requests for dematerialization of shares, which are in order, are processed within 15 days and the confirmation is given to the respective depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

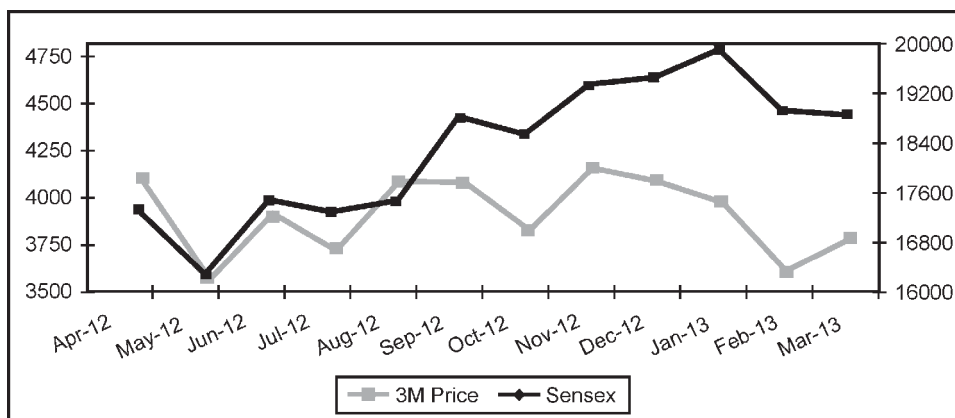
Stock Price Data :

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	No. of shares traded	High (Rs.)	Low (Rs.)	No. of shares traded
April 2012	4,529.00	3,680.00	6,435	4,659.00	3,871.05	6,751
May 2012	4,099.95	3,366.65	4,938	4,200.00	3,519.05	7,466
June 2012	3,900.00	3,511.00	3,303	3,909.95	3,519.00	3,922
July 2012	4,185.00	3,650.05	1,19,949	4,118.35	3,625.05	8,521
August 2012	4,207.00	3,200.00	5,662	4,200.00	3,686.15	5,976
September 2012	4,250.00	3,965.65	4,208	4,200.00	4,000.00	11,283
October 2012	4,237.00	3,795.00	8,058	4,181.45	3,801.00	13,351
November 2012	4,165.00	3,649.00	6,081	4,130.00	3,650.00	19,932
December 2012	4,186.90	3,780.10	5,755	4,200.05	3,900.10	29,155
January 2013	4,225.00	3,455.55	3,257	4,750.00	3,900.10	20,662
February 2013	4,034.80	3,550.00	5,939	4,039.00	3,500.00	24,090
March 2013	3,800.00	3,330.00	12,291	3,791.45	3,301.00	36,075

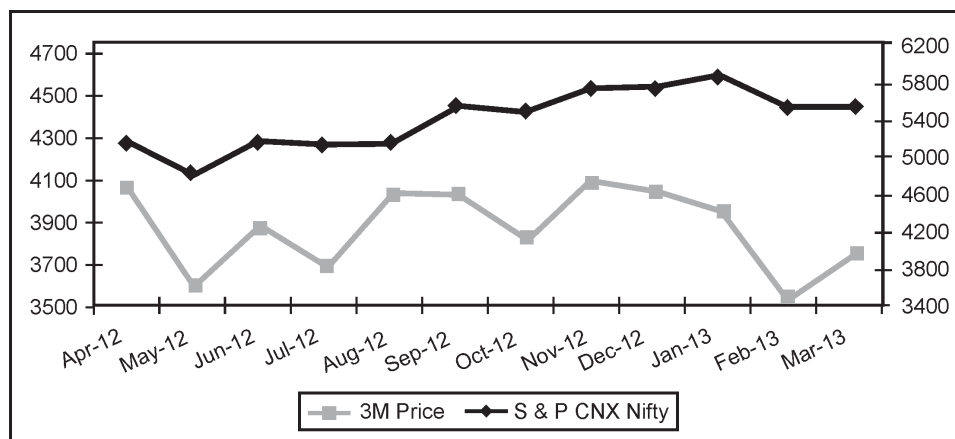
REPORT ON CORPORATE GOVERNANCE

Stock Performance:

BSE Sensex Vs. 3M Share Price
(Monthly Closing Price)



NSE-S&P CNX Nifty Vs 3M Share price
(Monthly Closing Price)



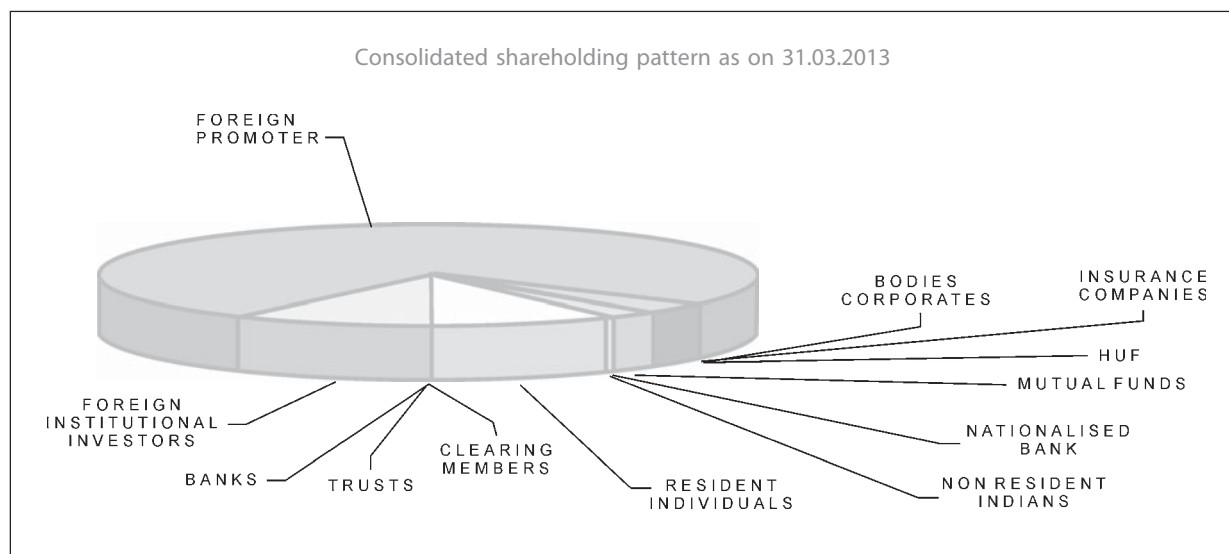
Consolidated Shareholding Pattern as on March 31, 2013:

Category	No. of shareholders	Shares held in Physical form	Shares held in dematerialized Form	Total No. of shares held	% to capital
Foreign Promoter(FPR)*	1	-	84,48,802	84,48,802	75.00
Foreign Institutional Investors(FII)	21	-	11,02,691	11,02,691	9.79
Resident Individuals (PUB)	8,641	1,05,414	9,35,102	10,40,516	9.24
Bodies Corporate(LTD)	283	5,020	3,39,772	3,44,792	3.06
Mutual Funds(MUT)	10	440	2,54,242	2,54,682	2.26
Hindu Undivided Family HUF)	250	-	33,992	33,992	0.30
Non-Resident Indians(NRI)	178	-	34,391	34,391	0.31
Clearing Members(CM)	40	-	1,068	1,068	0.01
Other Banks	2	-	3,485	3,485	0.03
Trust	3	-	511	511	0.00
Nationalised Banks	2	20	60	80	0.00
Insurance Companies(IFI)	1	60	-	60	0.00
Total	9,432	1,10,954	1,11,54,116	1,12,65,070	100.00

* None of Foreign promoter shares been pledged as on March 31, 2013

Pursuant to SEBI Circular No. Cir/ISD/3/2011 dated June 17, 2011, the Company has achieved 100% of Promoters' shareholding in dematerialized Form.

REPORT ON CORPORATE GOVERNANCE



Summary of Shareholding as on March 31, 2013:

Category	No. of Holders	Total Shares	% To Equity
PHYSICAL	1,519	1,10,954	0.99
N S D L	6,132	1,07,92,097	95.80
C D S L	1,781	3,62,019	3.21
TOTAL	9,432	1,12,65,070	100.00

Top Ten (10) Shareholders of the Company as on March 31, 2013:

Client id	Name of the Shareholder	No. of shares held	% to paid-up capital	Category
10716469	3M Company, USA	84,48,802	75.00	FPR
10013042	Acacia Partners, LP	3,99,127	3.54	FII
10022345	Acacia Conservation Fund LP	2,29,278	2.04	FII
10013034	Acacia Institutional Partners, LP	2,04,600	1.82	FII
1301240000121844	Bright Star Investments Private Limited	1,66,700	1.48	LTD
10024287	Acacia Banyan Partners	1,64,545	1.46	FII
10015282	Tata Offshore India Opportunities Scheme	1,19,938	1.06	MUT
11183553	SBI Emerging Businesses Fund	1,14,088	1.01	MUT
10029040	Blackrock India Equities Fund (Mauritius) Limited	51,917	0.46	FII
22502222	Govindlal M Parikh Chinmay G Parikh	38,115	0.34	PUB
10013026	Acacia II Partners, LP	29,667	0.26	FII

REPORT ON CORPORATE GOVERNANCE

Distribution of Shareholding as on March 31, 2013:

Range of Shares	No. of Shareholders	% to total Shareholders	No of Shares held	Amount (Rs.)	% to Total Shares
Up to 50	5,455	57.84	1,01,448	10,14,480	0.90
51 to 100	2,767	29.34	2,27,457	22,74,570	2.02
101 to 200	530	5.62	86,529	8,65,290	0.77
201 to 500	356	3.77	1,24,575	12,45,750	1.11
501 to 1000	151	1.60	1,12,287	11,22,870	1.00
1001 to 2000	69	0.73	1,00,124	10,01,240	0.89
2001 to 5000	54	0.57	1,54,289	15,42,890	1.37
5001 to 10000	27	0.29	1,91,962	19,19,620	1.70
10001 and above	23	0.24	1,01,66,399	10,16,63,990	90.25
TOTAL	9,432	100.00	1,12,65,070	11,26,50,700	100.00

Dematerialization of Shares and Liquidity

99.02% of the total equity capital was held in dematerialised form as on March 31, 2013.

Outstanding GDRs / Warrants, Convertible Bonds, conversion date and likely impact on equity: Not Applicable

Plant Locations:

1. Plot No. 48-51, Electronics City, Hosur Road, Bangalore-560 100
2. Plot No.8, Moraiya Industrial Area; Tal Sanand, Sarkhej Bavla Highway, Ahmedabad – 382 213
3. Plot No.B-20, MIDC; Ranjangaon Industrial Area Tal: Shirur, Dist : Pune - 412 210

Address for correspondence

Registered Office :

Plot Nos. 48-51, Electronics City, Hosur Road, Bangalore – 560 100

Corporate Office :

Concorde Block, UB City, 24, Vittal Mallya Road, Bangalore – 560 001

Designated e-mail id for redressal of investor complaints in terms of Clause 47(f) of the Listing Agreement is:
3mindia.investorshelpdesk@mmm.com

Compliance Officer: Mr. V.Srinivasan, Company Secretary. Inquiries, if any, may be addressed to the Compliance Officer.

CEO / CFO CERTIFICATION

The Managing Director and the Whole-time Director heading the Finance function of the Company/CFO have given annual certification to the Board in terms of Clause 49 of the Listing Agreement. They also give quarterly certification on the financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement.

CERTIFICATE OF COMPLIANCE

Certificate from Mr. G. Shanker Prasad, Practising Company Secretary, Bangalore confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to the Directors' report forming part of the annual report. This Certificate shall be forwarded to the Stock Exchanges where the securities of the Company are listed.

On behalf of the Board of Directors

Place : Bangalore
 Date : May 30, 2013

Ajay Nanavati
 Managing Director

Sadhana Kaul
 Whole-time Director

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of 3M India Limited

I have reviewed the compliance of conditions of Corporate Governance by 3M India Limited (the Company), for the year ended on 31 March 2013, as stipulated in clause 49 of the listing agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

No investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

In my opinion and to the best of my information and according to the explanations given to me and based on the representations made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

I further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Bangalore
Date : May 30, 2013

G. SHANKER PRASAD
Practising Company Secretary
CP No. : 6450

INDEPENDENT AUDITORS' REPORT

To the Members of 3M India Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of 3M India Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003' as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004' issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner

Membership No. : 057687

Place : Bangalore
Date : May 30, 2013

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 7 of the Independent Auditors' Report of even date to the members of 3M India Limited on the financial statements as of and for the year ended March 31, 2013.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory excluding stocks with third parties has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii) (b), (c) and (d) of the said Order are not applicable to the Company.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii) (f) and (g) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. (a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- (b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of professional tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of, wealth-tax which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, service-tax, customs duty and excise duty as at March 31, 2013 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Demand Amount (Rs. in Lakhs)	Payment under protest (Rs. in Lakhs)	Net Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax and Interest	231.24	-	231.24	Assessment Year 2005-06	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax and Interest	242.42	83.71	158.71	Assessment Year 2006-07	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax and Interest	386.59	-	386.59	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income Tax and Interest	462.16	-	462.16	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)
Customs Act, 1962	Customs Duty, Interest and penalty	1,961.51	-	1,961.51	Financial Years 2005-2006 2006-2007 2007-2008 2008-2009 2009-2010	Customs, Excise & Service Tax Appellate Tribunal
The West Bengal Value Added Tax Rules, 2005	Value Added Tax (VAT)	18.82 0.63	- -	18.82 0.63	Financial Year 2008 - 09 2009 - 10	The Senior Jt. Commissioner, Commercial Tax
The Central Sales Tax (West Bengal) Rules, 1958	Central Sales Tax (CST)	16.25 20.04	- -	16.25 20.04	Financial Year 2008 - 09 2009 - 10	The Senior Jt. Commissioner, Commercial Tax
The Bombay Sales Tax Act, 1959	Bombay Sales Tax (BST)	65.31 59.07	20.00 20.00	45.31 39.07	Financial Year 2003 - 04 2004 - 05	Jt. Commissioner of Sales Tax (Appeal) III, Mumbai
The Central Sales Tax (Bombay) Rules, 1957	Central Sales Tax (CST)	0.50 36.78	0.20 12.00	0.30 24.78	Financial Year 2003 - 04 2004 - 05	Jt. Commissioner of Sales Tax (Appeal) III, Mumbai
Central Excise Act, 1944 and Finance Act, 1994	Service Tax, interest and penalty	113.42	-	113.42	Financial Year 2010 - 11	Central Excise and Service Tax Appeals Tribunal

- x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No. : 057687

Place : Bangalore
Date : May 30, 2013

BALANCE SHEET AS AT MARCH 31, 2013

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	As at March 31, 2013	As at March 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share Capital	3	1,126.51	1,126.51
Reserves and Surplus	4	64,517.13	59,290.60
NON-CURRENT LIABILITIES			
Long-term Borrowings	5	769.13	919.83
Long-term Provisions	6	1,286.45	1,106.79
CURRENT LIABILITIES			
Short-term Borrowings	7	16,040.43	6,118.96
Trade Payables	8	12,796.67	14,508.23
Other Current Liabilities	9	9,695.72	9,026.25
Short-term Provisions	10	40.98	38.10
TOTAL		106,273.02	92,135.27
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets	11		
Tangible Assets		29,398.42	28,385.28
Intangible Assets		557.07	602.07
Capital Work-in-Progress		12,084.96	2,080.14
Deferred Tax Assets (Net)	12	906.47	440.48
Long-term Loans and Advances	13	2,226.80	4,087.82
Other Non-Current Assets	14	409.78	78.81
CURRENT ASSETS			
Inventories	15	22,521.10	21,371.66
Trade Receivables	16	26,637.18	23,311.37
Cash and Bank Balances	17	5,958.34	5,388.98
Short-term Loans and Advances	18	5,572.90	6,388.66
TOTAL		106,273.02	92,135.27

The notes are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No: 057687

Place : Bangalore
Date : May 30, 2013

Place : Bangalore
Date : May 30, 2013

For and on behalf of the Board

Ajay Nanavati
Managing Director

Zinan Wadood
Chief Financial Officer

Sadhana Kaul
Whole-time Director

V.Srinivasan
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	Year ended March 31, 2013	Year ended March 31, 2012
INCOME			
Revenue from Operations (Gross)		165,250.30	147,122.93
Less: Excise Duty		7,837.18	6,612.86
Revenue from Operations (Net)	19	157,413.12	140,510.07
Other income	20	1,050.34	526.74
Total Revenue		158,463.46	141,036.81
EXPENSES			
Cost of materials consumed	21	61,661.73	51,355.92
Purchases of stock-in-trade	22	38,134.60	41,389.05
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	(406.78)	(5,974.97)
Employee Benefits Expense	24	21,282.17	18,566.27
Finance costs	25	951.35	318.05
Depreciation and Amortization Expense	26	3,630.00	2,703.13
Other Expenses	27	25,690.58	23,068.30
Total Expenses		150,943.65	131,425.75
Profit before tax		7,519.81	9,611.06
Tax expense:			
Current tax		2,759.27	2,934.44
Deferred tax		(465.99)	199.45
Profit for the year		5,226.53	6,477.17
Earnings per equity share: [Nominal Value per share Rs.10 (2012: Rs.10)]			
-Basic (Computed on the basis of total profit for the year)		46.40	57.50
-Diluted (Computed on the basis of total profit for the year)		46.40	57.50

The notes are an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No: 057687

Place : Bangalore
Date : May 30, 2013

Place : Bangalore
Date : May 30, 2013

For and on behalf of the Board

Ajay Nanavati
Managing Director

Zinan Wadood
Chief Financial Officer

Sadhana Kaul
Whole-time Director

V.Srinivasan
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended March 31, 2013	Year ended March 31, 2012
A. Cashflow from Operating Activities		
Profit before taxation	7,519.81	9,611.06
Adjustment for:		
Depreciation	3,630.00	2,703.13
Provision for doubtful debt (net)	460.19	239.80
Provision for doubtful advances (net)	460.00	-
Liabilities / Provision no longer required written back	(471.40)	(114.23)
Unrealised foreign exchange Loss	21.18	57.90
Loss on sale of tangible assets (net)	34.82	23.09
Provision for asset written off	-	80.00
Interest income	(1.07)	(11.82)
Interest expenses	951.35	318.05
Operating Profit Before Working Capital changes	12,604.88	12,906.98
Changes in Working Capital:		
Increase/ (Decrease) in Trade Payables	(1,738.45)	2,575.14
Increase/ (Decrease) in Provisions	224.48	65.40
Increase/ (Decrease) in Other Current Liabilities	1,056.91	1,474.46
Increase / (Decrease) in Other Non-Current Assets	(330.98)	-
(Increase)/ Decrease in Trade Receivables	(3,780.28)	(3,919.80)
(Increase)/ Decrease in Inventories	(1,149.44)	(5,479.05)
(Increase)/ Decrease in Loans and Advances	1,876.77	(2,336.23)
Cash generated from Operations	8,763.89	5,286.90
Direct Taxes paid (net of refund)	(2,386.03)	(3,197.69)
Net Cash flow from Operating Activities	6,377.86	2,089.21
B. Cash flow from Investing Activities		
Purchase of tangible/intangible assets	(14,108.25)	(7,108.35)
Sale of tangible assets	12.47	-
Interest Received	1.07	11.82
Net cash used in investing activities	(14,094.71)	(7,096.53)
C. Cash flow from Financing Activities		
Repayment of Loan Fund (Finance Lease)	(683.91)	(472.96)
Short Term Borrowings	9,921.47	6,118.96
Interest Paid	(951.35)	(318.05)
Net cash from Financing Activities	8,286.21	5,327.95
Net Increase/ (Decrease) in Cash in hand and Cash Equivalents (A+B+C)	569.36	320.63
Cash and cash equivalents as at 1st April (Opening balance)	5,388.98	5,068.35
Cash and cash equivalents as at the 31st March (Closing balance)	5,958.34	5,388.98
Cash and Cash equivalents comprises of (refer note 17):		
Cash on hand	0.91	0.99
Cheques, drafts on hand	57.27	82.62
Balances with banks:		
Current Accounts	5,900.16	5,305.37
	5,958.34	5,388.98

Notes:

- 1 The above Cash Flow Statement has been prepared under indirect method in accordance with the Accounting Standard 3 as notified u/s 211(3C) of the Companies Act, 1956.
- 2 The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at 31st March, 2013 and the related Statement of Profit and Loss Account for the year ended 31st March, 2013.
- 3 Previous year's figures have been regrouped wherever necessary to conform to current year's presentation.

This is the Cash Flow Statement referred to in our report of even date

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No: 057687

Place : Bangalore
Date : May 30, 2013

Place : Bangalore
Date : May 30, 2013

For and on behalf of the Board

Ajay Nanavati
Managing Director

Zinan Wadood
Chief Financial Officer

Sadhana Kaul
Whole-time Director

V.Srinivasan
Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

3M India Limited ('the Company') is the subsidiary of 3M Company, USA. The Company markets several products in India in health care; industrial markets; display and graphics; consumer and office; safety, security and protection services; and transportation. In India, the Company has manufacturing facilities at Ahmedabad, Bangalore, Pune and has a R&D Center in Bangalore.

The Company manages its operations in five operating business segments: Industrial and Transportation Business; Health Care Business; Display and Graphics Business; Consumer and Office Business and Safety, Security and Protection Services Business. 3M India's five business segments bring together common or related 3M technologies that enhance the development of innovative products and services and provide efficient sharing of business resources. The Company is a public limited Company and is listed on the Bombay Stock Exchange Ltd (BSE) and the National Stock Exchange Ltd (NSE).

2. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

b) Fixed assets

Tangible Assets

Tangible Assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Depreciation on fixed assets other than leasehold improvements is provided on straight line method at the following rates specified which are equal to or higher than the principal rates specified in Schedule XIV to the Companies Act, 1956:

	Per Annum
Building	3.34% / 5.00% / 10.00%
Plant and Machinery	6.67% / 10.00% / 14.14%
Data Processing Equipments	20.00% to 33.33%
Office Equipment	20.00%
Furniture and Fixtures	6.67% / 10.00%
Vehicles	20.00%

Assets individually costing less than Rs.5,000 are fully depreciated in the year of addition.

Leasehold improvements are amortised over the period of lease as estimated by the management.

Assets taken on finance leases are depreciated over the estimated useful life or the lease term, whichever is lower.

Intangible Assets

Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss. The amortisation rates used are:

	Per Annum
Computer Software	33.33% / 20.00%

Goodwill is amortised over the period of 5 years.

Cost of Leasehold land (including stamp duty) is amortised over the period of lease.

NOTES TO THE FINANCIAL STATEMENTS

c) Impairment

At the Balance Sheet date, the Company assesses whether there is any indication that an asset may be materially impaired. If such an indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent carrying amount exceeds the recoverable amount.

d) Inventories

Inventories are valued at the lower of cost and estimated net realizable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. The costs of raw materials and traded goods are ascertained on FIFO basis, whereas manufactured work-in-progress and finished goods are ascertained on weighted average method.

Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

e) Foreign Currency Transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. At the period end all monetary foreign assets and liabilities are restated at the rates ruling at the period end and all exchange gains / losses arising there from are adjusted to the Statement of Profit and Loss.

f) Revenue Recognition

Sales are recognised when goods are despatched in accordance with the terms of sale when significant risks and rewards are transferred and are recorded net of sales returns, trade discount, rebates and sales tax collected but includes excise duty, where applicable.

Income from services rendered is booked based on agreements/ arrangements with concerned parties net of service tax.

Income from duty drawback, scarp sales, contract research and management support services etc., is recognised on an accrual basis.

g) Other Income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Income from sub-lease is recognised on an accrual basis.

h) Employee Benefits

Provident Fund

Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

Gratuity

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The Company has an Employees Gratuity Fund where the investments are administered by a Fund Manager. The Company accounts for the liability of Gratuity Benefits payable in future based on an independent actuarial valuation. Actuarial losses/ gains are recognised in Statement of Profit and Loss in the year in which they arise.

Superannuation

The Company makes contribution to the Superannuation Scheme for certain employees participating in the scheme, a defined contribution scheme, administered by fund manager, based on a specified percentage of eligible employee's salary. The Company's obligation to the scheme is restricted to the contributions to the scheme.

Leave Encashment/Compensated Absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment/ availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

i) Current tax and Deferred tax

Taxes on income for the current year are determined on the basis of provisions of Income Tax Act, 1961.

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. At each Balance Sheet date,

NOTES TO THE FINANCIAL STATEMENTS

the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

j) Provisions and Contingent Liabilities

Provisions

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date and are not discounted to its present value.

Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain.

Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

k) Leases

Finance Leases:

The Company leases certain tangible assets and such leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The outstanding liability is included in long-term borrowings and other current liabilities as appropriate. The finance charge is charged to the Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight line basis over the period of the lease.

l) Segment Reporting

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the Company as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated income/ expenses".

m) Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks with original maturities of three months or less.

n) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

o) Expenditure

Expenses are accounted for, on accrual basis and provision is made for all known losses and liabilities.

Excise duty and customs duty are accrued on the goods lying at the factory premises.

Revenue expenditure on Research and Development is charged against the profit for the period in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

p) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates; a revision to accounting estimates is recognized prospectively in the current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
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3. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

11,265,070 (2012:11,265,070) Equity Shares of Rs. 10 each	1,126.51	1,126.51
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ISSUED, SUBSCRIBED & PAID UP CAPITAL

11,265,070 (2012:11,265,070) Equity Shares of Rs. 10 each	1,126.51	1,126.51
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Total	1,126.51	1,126.51
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a) Reconciliation of the number of shares outstanding:

	31-Mar-13		31-Mar-12	
Equity Shares	Number	Rs.	Number	Rs.
Shares outstanding at the beginning of the year	11,265,070	1,126.51	11,265,070	1,126.51
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	11,265,070	1,126.51	11,265,070	1,126.51

b) Rights, preferences and restrictions attached to shares

The Company has only one class of shares referred to as equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c) Shares held by Holding Company

	31-Mar-13		31-Mar-12	
	Number	Rs.	Number	Rs.
3M Company, USA	8,448,802	844.88	8,562,000	856.20

d) Shares held by each shareholder holding more than 5 per cent shares

	31-Mar-13		31-Mar-12	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
3M Company, USA, the Holding Company	8,448,802	75.00%	8,562,000	76.00%

In order to comply with 25% Minimum Public Shareholding as mandated by Securities and Exchange Board of India (SEBI), 3M Company, USA, promoter of the Company sold 113,198 shares through Offer for Sale (OFS) method through Stock Exchanges on March 21, 2013, accordingly the percentage of shareholding is reduced from 76% to 75%.

4. RESERVES AND SURPLUS

Securities Premium Account

Balance as at the beginning of the year	949.90	949.90
Add: Additions during the year	-	-
Less: Amount utilised during the year	-	-
Balance as at the end of the year	949.90	949.90

General Reserve

Balance as at the beginning of the year	32.25	32.25
Add: Transferred from Surplus in Statement of Profit and Loss during the year	-	-
Balance as at the end of the year	32.25	32.25

Surplus in the statement of profit and loss

Balance as at the beginning of the year	58,308.45	51,831.28
Add: Net Profit/(Net Loss) for the current year	5,226.53	6,477.17
Balance as at the end of the year	63,534.98	58,308.45
Total	64,517.13	59,290.60

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012		
5. LONG-TERM BORROWINGS				
Secured				
Finance Lease Obligations	769.13	919.83		
Total	769.13	919.83		
a) Finance Lease Obligations are Secured by hypothecation of assets underlying the leases. Finance Lease Obligations are payable on monthly/quarterly payment of Equated Monthly Installments beginning from the month subsequent to taking the lease.				
6. LONG-TERM PROVISIONS				
Provision for employee benefits				
Provision for Gratuity (refer note 33)	374.16	253.39		
Provision for Leave Encashment / Compensated Absences	269.65	184.52		
Others				
Provision for Warranty	279.59	321.56		
Provision for Sales Tax	363.05	347.32		
Total	1,286.45	1,106.79		
Particulars	31-Mar-12	Additions	Reversals	31-Mar-13
a) Warranty	321.56	-	41.97	279.59
b) Sales Tax	347.32	103.92	88.19	363.05
Total	668.88	103.92	130.16	642.64
Notes:				
a) Warranty provisions (net of reimbursements) relates to the estimated outflow in respect of products sold by the company which are generally covered under a warranty of one to five years.				
b) Provision for sales tax represents mainly the differential sales tax liability on account of non-collection of declaration forms. It also represents estimates made for probable liabilities arising out of pending disputes/ litigations with sales tax and other regulatory authorities. The timing of the outflow with these matters depends on the position of law and the settlement of which is not expected to exceed two-three years in most cases.				
c) The Company sets up and maintains provisions for other payables when a reasonable estimate can be made. These provisions are made based on estimates made by the management that are reviewed periodically and involve quick settlements not exceeding a period of two-three years in most cases.				
Contingent Liabilities not provided for				
a) Guarantees:				
- Issued by Company's Bankers		849.65		1,192.40
b) Claims against the Company not acknowledged as debts:				
- Income Tax matters [net of amount paid under protest Rs. 83.71 (2012: Rs. 83.71)]		2,015.58		1,238.70
- Custom Duty (refer note (a) below)		1,961.51		-
- Sales Tax matters [net of amount paid under protest Rs. 52.20 (2012: Rs. 52.20)]		165.19		144.52
- Service Tax matters		113.42		113.42
- Others (refer note 11)		181.77		181.77
c) Letter of Credit		5.08		620.08
d) Certain Industrial/ customer disputes are pending before various judicial authorities – amounts not ascertainable.				
Notes:				
(a) The Company during the year had received an order from The Commissioner of Customs demanding differential duty, interest and penalty of Rs.1,961.51 Lakhs, contending the availment of concessional import duty in respect of some of its products for which a demand notice was served on the Company for payment of the above amount. The Company filed an appeal against the order including for obtaining a stay against any recovery proceedings that may be initiated and accordingly no liability has been recognised in the books.				
(b) Future cash outflow in respect of b) above are determinable only on receipt of judgments/ decisions pending with various forums/authorities.				
Capital Commitments:				
Estimated value of contracts in capital account remaining to be executed		1,711.61		2,806.35

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
7. SHORT-TERM BORROWINGS		
UNSECURED		
Term Loan from Bank (refer note (a) below)	3,440.78	-
Working Capital Loans repayable on demand from banks	12,599.65	6,118.96
Total	16,040.43	6,118.96
(a) Term Loan from Bank is repayable after one year from the date of drawing along with the interest of 9% to 9.5% p.a.		
8. TRADE PAYABLES		
Dues to Micro, Small and Medium Enterprises		
(refer note 34 for details of Dues to Micro, Small and Medium Enterprises)	87.97	53.33
Others	12,708.70	14,454.90
Total	12,796.67	14,508.23
9. OTHER CURRENT LIABILITIES		
Current maturities of finance lease obligations (refer note 5)	562.38	553.59
Deposits from Customers	1,190.47	1,031.29
Statutory Liabilities	1,208.57	1,241.11
Other Liabilities	6,734.30	6,200.26
Total	9,695.72	9,026.25
Notes		
a) Deposit from customers are towards sale of goods and services repayable on completion of contractual obligation with interest.		
b) There are no amounts due for payment to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.		
10. SHORT-TERM PROVISIONS		
Provision for employee benefits		
Provision for Leave Encashment	40.98	38.10
Total	40.98	38.10

NOTES TO THE FINANCIAL STATEMENTS

11. FIXED ASSETS

(All amounts in Rs. Lakhs, unless otherwise stated)

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK	
	As at April 1, 2012	Additions	Disposal	As at March 31, 2013	As at April 1, 2012	For the Year	Disposal/ Adjustments	As at March 31, 2013	As at March 31, 2012
TANGIBLE ASSETS									
<u>Owned Assets</u>									
Land	227.95	-	-	227.95	-	-	-	227.95	227.95
Buildings	11,400.75	932.78	1.41	12,332.12	896.22	414.84	0.63	11,021.69	10,504.53
Plant and Machinery	18,625.50	2,320.60	194.86	20,751.24	5,515.84	1,803.23	150.69	13,582.86	13,109.66
Furniture and Fixtures	1,389.05	204.23	10.82	1,582.46	351.25	103.49	8.93	1,136.65	1,037.80
Vehicles	35.38	3.89	18.38	20.89	29.97	2.09	18.38	7.21	5.41
Office Equipments	1,922.41	377.67	33.20	2,266.88	882.51	347.24	32.75	1,069.88	1,039.90
Data Processing Equipments	551.73	162.17	1.67	712.23	469.65	28.56	1.67	215.69	82.08
Leasehold Improvements	1,860.38	61.10	-	1,921.48	908.16	201.34	-	811.98	952.22
<u>Leased Assets</u>									
Data Processing Equipments	900.08	160.90	11.71	1,049.27	353.81	303.56	11.71	645.66	546.27
Leasehold Improvements	410.00	-	-	410.00	102.50	82.00	-	225.50	307.50
Furniture and Fixtures	36.37	-	-	36.37	14.30	12.20	-	9.87	22.07
Vehicles	786.50	419.13	58.22	1,147.41	236.61	245.46	20.19	685.53	549.89
Total	38,146.10	4,642.47	330.27	42,458.30	9,760.82	3,544.01	244.95	29,398.42	28,385.28
INTANGIBLE ASSETS									
Goodwill	600.17	-	-	600.17	600.17	-	-	-	-
Computer software	335.94	40.99	-	376.93	136.16	80.95	-	159.82	199.78
Land-Leasehold (Refer Note below)	458.09	-	-	458.09	55.80	5.04	-	397.25	402.29
Total	1,394.20	40.99	-	1,435.19	792.13	85.99	-	557.07	602.07
Total Fixed Assets	39,540.30	4,683.46	330.27	43,893.49	10,552.95	3,630.00	244.95	29,955.49	28,987.35
2012	24,454.21	15,181.54	95.45	39,540.30	7,922.17	2,703.13	72.35	28,987.35	16,532.04

Note: Leasehold land represents amounts paid to Maharashtra Industrial Development Corporation (MIDC) for land including premium, paid towards fulfillment of compliance of certain conditions as mentioned in the agreement. The Company is in the process of registration of the lease agreement. In this regard, the Company has received a demand of Rs. 181.77 Lakhs from MIDC. The said demand is with respect to the differential premium for seeking change of Company's name from Birla 3M Limited to 3M India Limited in the records of MIDC. The Company has filed a Civil writ petition in the High Court at Bombay.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

March 31, 2013

March 31, 2012

12. DEFERRED TAX ASSETS (NET)

Accounting for taxes on Income disclosure as per Accounting Standard 22. Major components of Deferred tax assets and liabilities on account of timing differences as at March 31, 2013 are:

Particulars	Asset		Liability	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Depreciation	-	-	1,100.16	1,117.08
Provision for doubtful debts / advances	359.93	132.10	-	-
Provision allowed on payments, write off	1,646.70	1,425.46	-	-
	2,006.63	1,557.56	1,100.16	1,117.08
Net Deferred Tax Asset	906.47	440.48	-	-
Net Deferred Tax (Credit)/ Debit for the year	(465.99)	199.45	-	-

The tax impact for the above purpose has been arrived by applying a tax rate of 33.99% (2012: 32.445%) being the tax rate under the tax laws that have been enacted or substantively enacted by the Balance Sheet date and applicable for Indian Companies under the Income Tax Act, 1961.

Current tax for the year includes an amount of Rs. 58.94 towards tax on voluntary Transfer Pricing adjustments made by the Company relating to the financial year ended March 31, 2012 for Consumer and Office Business segment (refer note 35).

Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws.

13. LONG-TERM LOANS AND ADVANCES

Capital Advances

Unsecured, considered good	731.38	2,520.82
	731.38	2,520.82

Security Deposits

Unsecured, considered good	1,464.44	1,540.94
	1,464.44	1,540.94

Other Loans and Advances

Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	30.26	20.01
Prepaid Expenses	0.72	6.05
	30.98	26.06
Total	2,226.80	4,087.82

14. OTHER NON-CURRENT ASSETS

Long term trade receivables

Unsecured, considered good	409.78	78.81
Total	409.78	78.81

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
15. INVENTORIES		
Raw Materials		
[including in-transit Rs. 2,024.69 (2012: Rs. 2,289.42)]	5,304.58	4,349.57
Work-in-progress	687.38	578.26
Finished goods	6,000.96	5,971.02
Stock-in-trade [including in-transit Rs. 2,391.17 (2012 : Rs.3,531.69)]	10,057.45	9,980.43
Stores and Spares	64.62	131.20
Packing Materials	406.11	361.18
Total	22,521.10	21,371.66
a) Details of Inventory of Stock-in-trade		
Self Adhesive Labels	2,409.88	2,831.26
Surgical and Dental Products	1,129.22	968.54
Paint Polishes	175.33	178.25
Abrasives	1,508.28	1,833.94
Others	4,834.74	4,168.44
Total	10,057.45	9,980.43
b) Details of Inventory of Work-in-progress		
Self Adhesive Labels	300.41	278.27
Fusion Bonded Epoxy Coating	84.07	51.52
Abrasives	164.80	21.13
Others	138.10	227.34
Total	687.38	578.26
c) Details of Inventory of Finished Goods		
Self Adhesive Labels	5,196.45	3,748.63
Fusion Bonded Epoxy Coating	257.83	319.47
Abrasives	244.13	536.17
Others	302.55	1,366.75
Total	6,000.96	5,971.02
16. TRADE RECEIVABLES		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	123.14	86.64
Others	638.44	588.94
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	1,406.45	1,035.01
Others	24,469.15	21,600.78
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	593.21	382.94
Less: Provision for doubtful debts	(593.21)	(382.94)
Total	26,637.18	23,311.37

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
17. CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash on hand	0.91	0.99
Cheques, drafts on hand	57.27	82.62
Balances with banks		
Current Accounts	5,900.16	5,305.37
Total	5,958.34	5,388.98
18. SHORT-TERM LOANS AND ADVANCES		
Security Deposits		
Unsecured, considered good	285.28	119.47
Unsecured, considered doubtful	7.64	40.85
	292.92	160.32
Less: Provision for doubtful deposits	(7.64)	(40.85)
	285.28	119.47
Other Loans and Advances		
Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	729.61	1,483.58
Advance income-tax (net of provision for taxation)	331.15	704.39
Prepaid expenses	351.48	361.11
Balance with Statutory/ Government Authorities	3,875.38	3,720.11
Unsecured, considered doubtful		
Advances recoverable in cash or kind or for value to be received	514.12	54.12
	5,801.74	6,323.31
Less: Provision for doubtful advances	(514.12)	(54.12)
	5,287.62	6,269.19
Total	5,572.90	6,388.66

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

March 31, 2013

March 31, 2012

19. REVENUE FROM OPERATIONS

Revenue from Operations

Sale of Products

Finished Goods	89,132.55	60,737.62
Traded Goods	73,806.32	84,108.40

Other operating revenue

Income from Contract Research [refer note 41 (c)]	1,725.45	1,410.92
Income from Management Support Services [refer note 41 (b)(iii)]	444.48	696.44
Income from Duty Drawback	90.36	127.14
Scrap sales	51.14	42.41

Revenue from Operations (Gross)	165,250.30	147,122.93
Less: Excise duty	7,837.18	6,612.86
Revenue from Operations (Net)	157,413.12	140,510.07

Details of Product Sold

a) Finished Goods (net of excise duty)

Self Adhesive Labels	46,326.81	31,609.12
Fusion bonded Epoxy coating	5,706.81	6,892.45
Abrasives	8,989.88	3,055.64
Others	20,271.87	12,567.55
Total	81,295.37	54,124.76

b) Traded Goods

Self Adhesive Labels	18,716.76	18,200.48
Surgical and Dental Products	15,368.88	15,397.03
Paint Polishes	1,292.42	2,287.52
Abrasives	10,932.76	20,543.73
Others	27,495.50	27,679.64
Total	73,806.32	84,108.40

20. OTHER INCOME

Interest income	1.07	11.82
Provision for doubtful debts written back	249.92	229.38
Income from sub-lease	103.69	134.95
Liabilities/ Provision no longer required written back	471.40	114.23
Net Gain on foreign currency transactions and translation	224.26	-
Miscellaneous income	-	36.36
Total	1,050.34	526.74

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
21. COST OF MATERIALS CONSUMED		
Raw Materials		
Opening Inventory	4,349.57	4,799.99
Add: Purchases	58,147.97	46,741.80
Less: Inventory at the end of the year	5,304.58	4,349.57
Cost of Raw Materials Consumed	57,192.96	47,192.22
Packing Materials		
Opening Inventory	361.18	359.52
Add: Purchases	2,562.22	2,384.54
Less: Inventory at the end of the year	406.11	361.18
Cost of Packing Materials Consumed	2,517.29	2,382.88
Sub Contracting Charges	1,951.48	1,780.82
	61,661.73	51,355.92
Details of Raw Material Consumed		
Self Adhesive Lables	15,463.82	9,930.41
Abrasives	6,720.49	2,185.01
Tapes	5,059.11	2,926.84
Epoxy Resin	3,788.56	2,633.25
Others	26,160.98	29,516.71
Total	57,192.96	47,192.22
22. PURCHASE OF STOCK-IN-TRADE		
Traded Goods Purchased	38,134.60	41,389.05
Details of Purchase of Stock-in-trade		
Self Adhesive Labels	9,196.94	8,047.24
Surgical and Dental Products	7,061.58	5,366.76
Paint Polishes	441.64	461.41
Abrasives	5,901.89	6,488.27
Others	15,532.55	21,025.37
Total	38,134.60	41,389.05

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
23. CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS & STOCK-IN-TRADE		
Stock at the beginning of the year		
- Work-in-progress	578.26	521.87
- Finished Goods	5,971.02	3,183.68
- Traded Goods	9,980.43	6,985.53
	16,529.71	10,691.08
Less : Stock at the end of the year		
- Work-in-progress	687.38	578.26
- Finished Goods	6,000.96	5,971.02
- Traded Goods	10,057.45	9,980.43
	16,745.79	16,529.71
(Increase)/ Decrease in stocks	(216.08)	(5,838.63)
Increase/(Decrease) in Excise Duty	(190.70)	(136.34)
Total	(406.78)	(5,974.97)
24. EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus [refer note 27 (b)]	17,879.25	15,453.67
[including provision for/ (write back of) Leave encashment Rs. 88.02 (2012: Rs. (28.89))]		
Contribution to Provident and other funds (refer note 33)	2,020.83	1,860.93
[including provision for gratuity Rs. 470.77 (2012: Rs. 309.85)]		
Staff Welfare Expenses	1,382.09	1,251.67
Total	21,282.17	18,566.27
25. FINANCE COST		
Interest expense	951.35	318.05
Total	951.35	318.05
26. DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation on Tangible assets	3,544.01	2,668.36
Amortization on Intangible assets	85.99	34.77
Total	3,630.00	2,703.13

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
27. OTHER EXPENSES		
Consumption of stores and spare parts	793.08	426.96
Power and fuel*	1,048.67	939.35
Water charges*	28.43	38.36
Lease rental (refer note 37)*	2,195.62	2,196.97
Repairs and maintenance		
- Building*	416.77	355.34
- Plant and machinery	656.71	564.59
- Others *	281.28	226.98
Insurance	520.22	434.85
Rates and taxes	201.18	315.66
Communication *	422.33	420.85
Travel and conveyance	2,896.61	2,708.23
Legal and professional charges [refer note (a) below]	929.90	815.04
Selling, distribution and advertisement Expenses	5,847.15	4,926.76
Warranty (refer note 6)	-	105.07
Commission on sales	69.29	134.00
Freight outward (net)	675.07	503.14
Royalty [refer note 41 (a)]	1,051.96	1,195.72
Corporate Management Fees (Net) [refer note 41 (b)(i)]	5,268.02	4,568.79
Directors' sitting fees	7.27	7.20
Bad debts written off	249.92	229.38
Net Loss on foreign currency transactions and translation	-	249.53
Provision for doubtful debts (net of write back)	460.19	239.80
Provision for doubtful advances and deposits	460.00	-
Loss on sale of Fixed assets (net)	34.82	23.09
Asset written off	-	80.00
Bank charges	72.66	82.93
Miscellaneous expenses *	1,103.43	1,279.71
Total	25,690.58	23,068.30
* Net of recoveries amounting to Rs. 191.68 (2012: Rs. 191.68) recovered from 3M Electro & Communication India Private Limited, a subsidiary of 3M Company, USA.		
(a) Payment to Auditors (excluding service tax)		
As a auditor		
- Audit Fees	40.09	29.00
- Tax Audit Fees	6.00	6.00
In other Capacity		
- Certification and other services	19.50	16.20
Reimbursement of expenses	0.52	0.42
Total	66.11	51.62
(b) Research & Development Expenses (refer note 32)		
Salaries & wages (refer note 24)	1,712.09	1,669.30
Other Expenses (refer note 27)	1,713.24	1,271.69
Total	3,425.33	2,940.99

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
28. VALUE OF IMPORTS ON C I F BASIS: (EXCLUDING GOODS IN TRANSIT)		
Raw Materials	29,269.53	24,802.67
Traded goods	39,625.56	37,073.05
Stores and spares	67.90	68.98
Capital goods	3,203.73	69.48
Total	72,166.72	62,014.18

29. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

Travelling expenses	139.53	196.69
Corporate Management Fee	5,268.02	4,568.79
Royalty	1,093.01	1,123.38
Foreign Services Employees expense	158.73	173.04
Others (net of tax)	115.43	73.18
Total	6,774.72	6,135.08

30. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL, STORES & SPARES AND PACKING MATERIALS CONSUMED
(As certified by the Management)

	March 31, 2013		March 31, 2012	
	%	Rs.	%	Rs.
Raw Materials				
- Imported	80%	45,754.37	79%	37,281.85
- Indigenous	20%	11,438.59	21%	9,910.37
	100%	57,192.96	100%	47,192.22
Stores and Spares				
- Imported	25%	198.27	25%	106.74
- Indigenous	75%	594.81	75%	320.22
	100%	793.08	100%	426.96
Packing Material				
- Imported	-	-	-	-
- Indigenous	100%	2,517.29	100%	2,382.88
	100%	2,517.29	100%	2,382.88
	March 31, 2013		March 31, 2012	

31. EARNINGS IN FOREIGN EXCHANGE (ACCRUAL BASIS)

Export of goods	2,319.91	2,210.46
Freight and insurance on exports	45.47	47.01
Contract Research	1,725.45	1,410.92
Re-charge of Other Services	444.48	696.44
Total	4,535.31	4,364.83

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
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32. RESEARCH AND DEVELOPMENT

During the year, the Company has received approval under section 35 (2AB) of the Income Tax Act 1961 for its recognised In-House Research and Development Center at Bangalore with effect from July 20, 2012 to March 31, 2015. Accordingly, total revenue expenditure (net of recoveries) on Research and Development for the period July 20, 2012 to March 31, 2013 is proposed to be considered for certain Income Tax benefits.

33. EMPLOYEE BENEFITS

- a) The Company has recognised, in the Statement of Profit and Loss account for the period ended March 31, 2013 an amount of Rs. 1,550.06 (2012: Rs. 1,551.08) expenses under defined contribution plans.

Benefits (Contribution to)

Provident Fund	812.39	765.14
Superannuation Fund	725.92	769.23
Employee State Insurance Corporation	11.75	16.71
Total	1,550.06	1,551.08

- b) The Company operates post retirement defined benefit plan for retirement gratuity which is funded.

- c) Details of the post retirement gratuity plan are as follows:

I. Reconciliation of opening and closing balances of obligation

Obligation as at the beginning of the year	1,271.74	983.10
Current service cost	191.13	161.58
Interest cost	104.43	76.82
Actuarial (Gain)/ Loss	292.21	142.81
Benefits paid	(114.95)	(92.57)
Obligation as at the end of the year	1,744.56	1,271.74

II. Change in Plan Assets (Reconciliation of opening and closing balances)

Fair value of Plan Assets as at the beginning of the year	1,018.35	739.56
Expected return on Plan Assets	85.19	63.25
Actuarial Gain/ (Loss)	31.81	8.11
Contributions	350.00	300.00
Benefits paid	(114.95)	(92.57)
Fair value of Plan Assets as at the end of the year	1,370.40	1,018.35

III. Reconciliation of fair value of assets and obligations

Present value of obligation as at end of the year	1,744.56	1,271.74
Fair value of Plan Assets as at the end of the year	(1,370.40)	(1,018.35)
Unfunded amount recognised in the Balance Sheet	374.16	253.39

Recognised under:

Long Term Provision (refer note 6)	374.16	253.39
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IV. Expense recognised during the year

Current service cost	191.13	161.58
Interest cost	104.43	76.82
Expected return on Plan Assets	(85.19)	(63.25)
Actuarial (Gain)/ Loss	260.40	134.70
Expense recognized during the year	470.77	309.85

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
V. Investment Details of Plan Assets		
Insurer Managed Fund	100%	100%
VI. Assumptions		
Discount Rate (per annum)	8.10%	8.60%
Interest Rate (per annum)	7.50%	7.50%
Estimated Rate of return on Plan Assets (per annum)	7.50%	7.50%
Rate of Escalation in Salary (per annum)	6.00%	6.00%

	2013 (12 Months)	2012 (12 Months)	2011 (12 Months)	2010 (15 Months)	2008 (12 Months)
VII.Experience History					
Defined Benefit Obligation at the end of the year	(1,744.56)	(1,271.74)	(983.10)	(646.37)	(721.36)
Plan Assets at end of the year	1,370.40	1,018.35	739.56	610.60	477.58
Fund Status	(374.16)	(253.39)	(243.54)	(35.78)	(243.78)
Experience Gain / (Loss) adjustments on plan liabilities	(208.43)	(194.95)	(198.78)	(9.68)	37.69
Experience Gain / (Loss) adjustments on plan assets	31.81	8.11	1.32	19.00	(4.66)
Actuarial Gain / (Loss) due to change on assumptions	(83.78)	52.14	(56.43)	186.53	(248.56)

Notes:

- The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- As per management estimate, contribution of Rs. 200.00 (2012: Rs. 200.00) is expected to be paid to the plan during the year ending March 31, 2014.

	March 31, 2013	March 31, 2012
34. DISCLOSURE OF DUES / PAYMENTS TO MICRO, SMALL AND MEDIUM ENTERPRISES TO THE EXTENT SUCH ENTERPRISES ARE IDENTIFIED BY THE COMPANY.		
(a) (i) The principal amount remaining unpaid as at year end	68.14	38.99
(ii) Interest due thereon remaining unpaid as at year end	19.83	14.34
(b) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting period:		
(i) Delayed payment of principal amount paid beyond the appointed date during the entire accounting period.	-	-
(ii) Interest actually paid under Section 16 of the Act, during the entire accounting period.	-	-
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	-	-
(d) The amount of interest accrued and remaining unpaid as at year end		
(i) Total interest accrued during the period	17.21	8.69

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
(ii) Total Interest remaining unpaid out of the above as at period end.	-	-
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	2.62	5.65

Note: The above information has been determined based on vendors identified by the Company and confirmed by the vendors.

35. The Finance Act, 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001), detailed Transfer Pricing regulations for computing the taxable income and expenditure from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within due date of filing the Return of Income. For the financial year ending March 31, 2012, the Company had undertaken a study to comply with the said transfer pricing regulations for which the prescribed certificate of the Accountant has been obtained and accordingly company has recognised an amount of Rs. 58.94 towards tax on voluntary Transfer Pricing adjustments relating to the financial year ended March 31, 2012 for Consumer and Office Business segment.

For the fiscal year March 31, 2013, the Company is in the process of updating the transfer pricing study to comply with the said regulation. The management do not envisage any tax implication arising based out of such study.

36. RELATED PARTY TRANSACTIONS:

Summary of the monetary value of the transactions with the related parties is as follows:

	Holding Company	Fellow Subsidiaries	Key Management Personnel	Total
I. Expenses				
a. Purchase of materials (net of returns)	24,403.87 (21,230.95)	32,108.29 (31,385.97)	- (-)	56,512.16 (52,616.92)
b. Remuneration to Directors	- (-)	- (-)	552.07 (551.35)	552.07 (551.35)
c. Corporate Management Fee	5,105.48 (4,391.92)	162.54 (176.87)	- (-)	5,268.02 (4,568.79)
d. Royalty	1,093.01 (1,123.38)	- (-)	- (-)	1,093.01 (1,123.38)
e. Recharge of expenses paid	158.73 (173.04)	12.28 (-)	- (-)	171.01 (173.04)
f. Lease rental expenses	- (-)	- (-)	- (2.20)	- (2.20)
II. Income				
a. Sale of goods	62.49 (-)	2,389.85 (2,286.01)	- (-)	2,452.34 (2,286.01)
b. Income from Contract Research	1,725.45 (1,410.92)	- (-)	- (-)	1,725.45 (1,410.92)
c. Income from Management Support Services	396.53 (662.68)	47.95 (33.76)	- (-)	444.48 (696.44)
III. Others				
Recharge/ Reimbursement of expenses received	234.46 (-)	467.35 (538.59)	- (-)	701.81 (538.59)
IV. Purchase of Capital Goods	1,754.53 (44.73)	294.75 (24.76)	- (-)	2,049.28 (69.49)
V. Balances				
a. Outstanding receivables	995.14 (541.50)	464.49 (814.48)	- (-)	1,459.63 (1,355.98)
b. Outstanding payables	3,025.10 (3,445.98)	4,565.19 (5,787.33)	- (-)	7,590.29 (9,233.31)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties.

	Relationship	March 31, 2013	March 31, 2012
Sale of Goods			
3M Gulf Limited	Fellow Subsidiary	1,175.68	1,819.48
3M United Kingdom PLC	Fellow Subsidiary	292.65	-
Reimbursement of Expenses Received			
3M Electro & Communication India Private Limited	Fellow Subsidiary	191.68	191.68
3M Philippines	Fellow Subsidiary	131.03	91.84
3M Indonesia Limited	Fellow Subsidiary	120.60	255.07
Remuneration to Directors			
Ajay Nanavati	Key Management Personnel	272.05	270.91
B.V. Shankaranarayana Rao	Key Management Personnel	116.72	111.57
Sadhana Kaul	Key Management Personnel	109.63	110.72
R. Vijay Kumar (31st October, 2011 to 26th October, 2012)	Key Management Personnel	53.67	58.15
Purchase of Capital Goods			
3M Canada Company	Fellow Subsidiary	-	23.70
3M Electro & Communication India Private Limited	Fellow Subsidiary	283.59	-
Purchase of Material			
3M Innovation (SG) Singapore	Fellow Subsidiary	3,718.15	3,541.54
3M Apac Rdc Pte Ltd	Fellow Subsidiary	5,818.83	1,303.02
Sumitomo 3M Limited	Fellow Subsidiary	5,645.76	5,243.66

Names of related parties and description of the relationship:

- | | |
|------------------------------|---------------------------------------|
| i) Holding Company | 3M Company, USA |
| ii) Key Management personnel | Ajay Nanavati |
| | B.V. Shankaranarayana Rao |
| | Sadhana Kaul |
| | R. Vijay Kumar [refer note (e) below] |

Notes:

- The above does not include related party transactions with retiral funds, as the key management personnel who are trustees of the funds cannot individually exercise significant influence on the retiral fund transactions.
- The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.
- None of the relatives of the Directors of the Company have any interest in any companies, firms, body corporate with which transactions have been entered into during the period.
- As gratuity and compensated absences are computed for all the employees in aggregate, the amounts relating to the Key Managerial Personnel cannot be individually identified.
- Appointed as Director with effect from 31 October, 2011 and resigned as Director with effect from 26 October, 2012.
- Figures in brackets relates to the previous year.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

March 31, 2013

March 31, 2012

37. ASSETS TAKEN ON LEASE

Operating Lease:

The Company has taken office premises, warehouse, residential premises, vehicles and office equipment under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and lessee. The initial tenure of the lease is generally for eleven months to ninety six months. The minimum rental payments under the operating leases under non-cancellable lease term as at March 31, 2013 is as under:

Minimum Lease payments

Lease rental charged to profit and loss account	2,195.62	2,196.97
Minimum lease payments not later than one year	1,743.56	1,138.05
Minimum lease payments later than one year but not later than five years	3,989.66	4,249.80
Minimum lease payments later than five years	-	-

Finance Lease:

The Company has taken vehicles, office equipment and furniture's under finance lease agreements. The minimum rental payments under the finance leases as at March 31, 2013 are as under:

Minimum Lease payments

Minimum lease payments not later than one year	687.20	623.73
Minimum lease payments later than one year but not later than five years	825.07	1,024.20
Minimum lease payments later than five years	-	-

Present Value of Minimum Lease payments

Minimum lease payments not later than one year	654.58	599.15
Minimum lease payments later than one year but not later than five years	684.52	874.18
Minimum lease payments later than five years	-	-

The Company had entered in an agreement for sub-lease of office premises. The sub-lease was for a term of three year, which expired on December 31, 2012. The future minimum lease under this sub-lease agreement is as under:

Income from sub-lease	103.69	134.95
Minimum lease rentals up to one year	-	51.96
Minimum lease rentals later than one year but not later than five years	-	-
Minimum lease rentals later than five years	-	-

Note: There are no assets attached to the office premises under sub-lease.

38. EARNING PER SHARE

Net profit attributable to equity shareholders	5,226.53	6,477.17
Weighted average number of equity shares outstanding during the year	11,265,070	11,265,070
Face value of equity share (Rs.)	10.00	10.00
Basic and diluted earnings per share (Rs.)	46.40	57.50

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
39. SEGMENT REPORTING		
Segment Revenue (net sale / income)		
a) Industrial and Transportation Business	77,179.01	69,120.11
b) Health Care Business	22,147.86	18,283.91
c) Safety, Security and Protection Services Business	19,407.29	20,017.90
d) Consumer and Office Business	14,427.07	12,256.96
e) Display and Graphics Business	21,960.42	18,507.52
f) Others *	2,291.47	2,323.67
Net sales/ income from operations	157,413.12	140,510.07
Segment Results (Profit before interest and tax)		
a) Industrial and Transportation Business	5,507.93	5,717.41
b) Health Care Business	1,150.95	1,117.69
c) Safety, Security and Protection Services Business	309.01	1,259.06
d) Consumer and Office Business	(544.56)	(396.05)
e) Display and Graphics Business	662.82	1,337.60
f) Others *	334.67	366.66
Total Segment Results	7,420.82	9,402.37
Less : Interest expense	951.35	318.05
Add: Other un-allocable income net off un-allocable expenditure	1,050.34	526.74
Total profit before taxation	7,519.81	9,611.06
Segment Assets		
a) Industrial and Transportation Business	50,543.61	40,496.36
b) Health Care Business	10,603.25	7,672.15
c) Safety, Security and Protection Services Business	14,445.14	14,435.30
d) Consumer and Office Business	6,978.41	5,021.53
e) Display and Graphics Business	7,859.39	7,283.68
Unallocated corporate assets	15,843.22	17,226.25
Total Segment Assets	106,273.02	92,135.27
Segment Liability		
a) Industrial and Transportation Business	11,410.01	11,080.76
b) Health Care Business	3,382.60	3,021.25
c) Safety, Security and Protection Services Business	3,002.24	3,301.56
d) Consumer and Office Business	2,552.73	2,226.93
e) Display and Graphics Business	3,826.64	3,021.91
Unallocated corporate liability	16,455.16	9,065.75
Total Segment Liability	40,629.38	31,718.16

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	March 31, 2013	March 31, 2012
Capital Expenditure		
a) Industrial and Transportation Business	5,977.74	2,845.81
b) Health Care Business	3,911.07	1,090.10
c) Safety, Security and Protection Services Business	434.72	1,290.95
d) Consumer and Office Business	2,659.36	753.29
e) Display and Graphics Business	105.58	437.17
f) Others	1,599.81	1,424.16
Total Capital Expenditure	14,688.28	7,841.48
Depreciation Expenses		
a) Industrial and Transportation Business	1,809.02	1,507.89
b) Health Care Business	457.26	317.37
c) Safety, Security and Protection Services Business	418.38	415.22
d) Consumer and Office Business	311.42	225.23
e) Display and Graphics Business	251.08	134.03
f) Others	382.84	103.39
Total Depreciation	3,630.00	2,703.13
Non Cash Expenses Other than Depreciation		
a) Industrial and Transportation Business	471.01	118.94
b) Health Care Business	130.82	29.26
c) Safety, Security and Protection Services Business	125.54	40.76
d) Consumer and Office Business	66.17	14.75
e) Display and Graphics Business	123.04	25.92
f) Others	3.61	10.17
Total Non Cash Expenditure	920.19	239.80
*includes		
Domestic sales/ Income	86.95	75.55
Export sales	2,204.52	2,248.12

Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17), taking into account the organization structure as well as the differential risks and returns of these segments.

Segment revenue, results and capital employed figures include the respective amounts identifiable to each of the segments. Other unallocable income net off unallocable expenditure are towards common services to the segments which are not directly identifiable to the individual segments as well as those at a corporate level which relate to the Company as a whole.

The Company operates mainly to the needs of domestic market and export turnover is not significant in context of total turnover. Accordingly, there are no reportable geographical segments.

Presently, the Company's operating results were managed on the basis of its existing segment structures viz., Industrial and Transportation, Health Care, Display and Graphics, Consumer and Office and Safety, Security and Protection Services through April 2012 to March 2013.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

The products included in each of the reported segments are as follows:

- (a) *Industrial and Transportation Business*: Major products under this segment include vinyl, polyester, foil and specialty industrial tapes and adhesives: Scotch Masking Tape, Scotch Filament Tape and Scotch Packaging Tape; Functional and Decorative Graphics; Abrasion-Resistant Films, Masking Tapes and Other Specialty Materials.
- (b) *Health Care Business*: Major products include medical and surgical supplies, medical devices, skin & wound care and infection prevention products & solutions, drug delivery systems, dental and orthodontic products and food safety products.
- (c) *Safety, Security and Protection Services Business*: Major product under this segment include personal protection products, brand & asset protection solutions, border control products, passive fire protection products for industries and commercial establishments, track and trace products, cleaning and hygiene products for the hospitality industry.
- (d) *Consumer and Office Business*: Consumer and Office Business includes products such as Scotch brand, addressing the Home & Office tapes, Adhesives, Packaging protection platforms; Post-it brand with a product range of Note Pads, Dispensers, Flagging solution, Labels and Scotchguard brand addressing the stain protection market.
- (e) *Display and Graphics Business*: Display & Graphics Business consists of four divisional subsets- the Traffic Safety Systems Division (TSSD), the Commercial Graphics Division (CGD), the Architectural Markets Division (AMD) and the Mobile Interactive Solutions Division (MISD). TSSD products include retro reflective traffic signs for highways and cities, pavement marking and vehicle registration products and services. CGD portfolio includes products like films, inks and digital signage products. AMD products include wall and glass cladding products coupled with architectural interior services and environmental graphics for home and office spaces. MISD products include projection systems, computer and ATM-screen privacy filters and brightness enhancement films for television, avionics and automotive displays.

Consistent with 3M's global strategy of building relevance and presence in the marketplace, the Company will also align resources and management towards a new revised structure comprised of five business groups: Consumer; Industrial; Health Care; Safety and Graphics; and Energy, with the intention that results be managed under the new alignment once it is fully effective from April 1, 2013 onwards.

40. STOCK OPTION

3M Company, USA (3M), the parent company has offered 'General Employees Stock Purchase Plan' to all the employees of the Company. In accordance with the plan, the Company during the year has deducted for remittance a sum of Rs. 49.31 (2012: Rs. 44.36) and cumulatively amounting to Rs. 310.38 (2012: Rs. 261.07) from the salary of the employees who have opted for the plan. As of the year end a sum of Rs. 4.69 (2012: Rs. 3.42) is pending remittance to the holding company and the same is included under Other Current Liabilities (refer note 9).

3M Company, USA (3M) has established 3M Company Long Term Incentive Plan (LTIP) / Management Stock Ownership Program (MSOP). As a part of the plan, Executive Directors and Senior Executives of 3M India Limited (3M India) are eligible to acquire shares of 3M via stock options, stock appreciation rights (SARs), restricted stock units (RSUs) and performance shares. The eligible employees are granted stock options / stock appreciation rights (SARs)/ restricted stock units (RSUs) which will vest with the employees over a period of 3 years from the date of the grant and they can exercise the stock option within a stipulated period mentioned in the plan.

3M measures compensation expense for stock appreciation rights (SARs) and restricted stock units (RSUs) at their fair value determined using Black – Scholes Model on the date of Grant for respective countries including India. Accordingly, an amount of Rs.299.59 (2012: Rs. 319.81) has been debited to the Statement of Profit and Loss account for the year and included under Employee benefit Expenses.

During the year the Company has granted to employees of the Company 16,600 stock appreciation rights (SARs) (2012: 8,858) and 3,320 restricted stock units (RSUs) (2012: 1,968) on various dates of which none are vested. However 3,917 stock appreciation rights (SARs) (2012: 2,547) and 3,233 restricted stock units (RSUs) (2012: 2,848) were settled on account of being fully vested and exercised resulting in an outstanding balance of 44,283 stock appreciation rights (SARs) (2012: 34,734) and 10,930 restricted stock units (RSUs) (2012: 10,371) at the end of the year.

The above disclosure as per Guidance Note on Accounting for Employee Share based Payment issued by ICAI is made to the extent the necessary information is available with the Company.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

41. INTERCOMPANY AGREEMENTS/ ARRANGEMENTS:

a) Intellectual Property Agreement – The Company had entered into Intellectual Property agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for the payment of license fees in the form of royalties. Payments were waived off for a period of 3 years effective from July 1, 2006 to June 30, 2009. These payments have been reinstated with effect from July 1, 2009. Accordingly, the Company has incurred an expenditure of Rs. 1,051.96 (2012: Rs. 1,195.72) for the period April 1, 2012 to March 31, 2013.

b) (i). Support Services/Corporate Management Fees – The Company has entered into support services agreement with 3M Company, USA (having expertise in establishing, operating and managing international business and incurring costs in developing, manufacturing, marketing and selling a diverse portfolio of products) with effect from April 1, 2009. The Company is charged with comprehensive support services charges by 3M Company USA for the services received from all the 3M group companies in the areas of Laboratory, Technical Assistance and Manufacturing, Selling and Marketing, Strategic and Managerial, Information Technology, Routine Administration and Foreign Services Employees Expenses. This agreement supersedes the agreement entered by the Company with 3M Asia Pacific Pte Limited dated January 1, 2003 which was terminated on March 31, 2009.

The Company has also entered into support services agreement (MOU's) with 3M Hong Kong Ltd with effect from January 1, 2011. The Company is charged with comprehensive support services charges by 3M Hong Kong Ltd for the services rendered in the area of Laboratory, Technical Assistance and manufacturing, Selling and marketing and strategic and managerial. This agreement is in addition to the agreement already entered by the Company with 3M Company USA dated April 1, 2009.

	March 31, 2013	March 31, 2012
The Company has incurred the following expenditure:		
- Laboratory and Technical Assistance Manufacturing Services	524.29	568.15
- Selling and Marketing Services	3,630.88	2,979.94
- Information Technology Services	567.03	482.06
- Other Managerial Services	545.82	538.64
Total	5,268.02	4,568.79
- Foreign Services Employees Expense are included in Employee Costs amounting to	158.73	173.04

The Company has accrued an amount of Rs. 1,300.00 (2012: Rs. 1,250.00) in respect of estimated liability for the above services during period January 1, 2013 to March 31, 2013; the actual liability would be ascertained by December 2013.

(ii).The Support Service Agreement enables the Company to recharge expenses relating to Foreign Service Employees (FSEs) of 3M Company and its affiliates consistent with 3M Company's Global Financial Standard on FSEs. Accordingly the Company has recognized a receivable of Rs. 702.98 (2012: Rs. 696.44).

c) Contract Research Agreement – The Company has entered into contract research agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for carrying out contract research activities. During the year, Company has recognized an income of Rs. 1,725.45 (2012: Rs. 1,410.92).

42. Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year classification.

For Lovelock & Lewes
Firm Registration No.301056E
Chartered Accountants

Dibyendu Majumder
Partner
Membership No: 057687

Place : Bangalore
Date : May 30, 2013

For and on behalf of the Board

Ajay Nanavati
Managing Director

Zinan Wadood
Chief Financial Officer

Sadhana Kaul
Whole-time Director

V.Srinivasan
Company Secretary



3M INDIA LIMITED

Regd Office: Plot Nos. 48-51, Electronics City, Hosur Road,
Bangalore - 560 100

ATTENDANCE SLIP

(To be presented at the entrance)

26TH ANNUAL GENERAL MEETING ON TUESDAY,
JULY 23, 2013 AT 10.30 A.M.

at The Grand Ball Room, Hotel Chancery Pavilion, 135,
Residency Road,
Bangalore – 560 025

Folio No.....DP ID No.....

Client ID

Name of the Member:

Signature:.....

Name of the Proxy holder:

Signature:.....

NOTES:

1. Only Member/Proxy holder can attend the meeting.
2. Member/Proxy holder should bring his/her copy of the Annual Report together with this Attendance slip duly filled in at the meeting.
3. Bodies Corporate, whether a Company or not, who are members, may attend through their authorised representatives appointed under Section 187 of the Companies Act, 1956. A copy of authorisation should be deposited with the Company.



3M INDIA LIMITED

Regd Office: Plot Nos. 48-51, Electronics City, Hosur Road,
Bangalore - 560 100

PROXY FORM

I/We.....of
.....in the district of
..... being a member(s)
of the above named Company, hereby appoint
.....of
.....in the district
of.....or failing him/her of
.....in the district of
.....as my/our
proxy to attend and vote for me/us and on my/our behalf at
the 26TH Annual General Meeting of the Company to be
held on TUESDAY, JULY 23, 2013 AT 10.30 A.M. at The Grand
Ball Room, Hotel Chancery Pavilion, 135, Residency Road,
Bangalore – 560 025 and at any adjournment thereof.

Folio No.....DP ID No.....

Client ID

No. of shares held.....

Signed this day of2013.

Signature

Affix
Revenue
Stamp

This form is to be used ** In favor of the resolution.
** against

Unless otherwise instructed, the Proxy will act as he thinks fit.
** Strike out whichever is not desired.

- NOTES:
1. This Proxy Form must be lodged with the Company at its Registered Office: Plot Nos. 48-51, Electronic City, Hosur Road, Bangalore – 560100 OR at the Corporate Office, at Concorde Block, UB City, 24, Vittal Mallya Road, Bangalore – 560 001, not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.
 2. Those Members who have multiple folios with different joint holders may use copies of this Attendance slip/Proxy. In case of joint shareholders, all must sign the proxy form.



3M India Limited

Concorde Block, UB City
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Bengaluru - 560 001
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