



3M India Limited
Annual Report 2011-12



Innovation leading transformation

People. Possibilities. Progress.

Values that empower Transformation

- Act with uncompromising honesty and integrity in everything we do.
- Satisfy our customers with innovative technology and superior quality, value and service.
- Provide our investors an attractive return through sustainable, global growth.
- Respect our social and physical environment around the world.
- Value and develop our employees' diverse talents, initiative and leadership.
- Earn the admiration of all those associated with 3M worldwide.

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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



Our Vision

3M Technology Advancing Every Company

3M Products Enhancing Every Home

3M Innovation Improving Every Life

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

you get transformation...

Message from the Chairman



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

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

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

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

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

D. J. Balaji Rao
Chairman



Message from the Managing Director



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

Building our R&D Infrastructure and Accelerating Localization

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

Reaching out and connecting with our Customers

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

Developing our People

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

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

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

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

Ajay Nanavati
Managing Director

Recognition from our customers
stand testimony to our growth



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

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

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



3M Technology Advancing Every Company

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

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

3M India

sustaining transformation
through our vision



3M Products Enhancing Every Home

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

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



3M Innovation Improving Every Life

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

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

Breaking new ground Crossing new milestones

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

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



Auto



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

Mechanical Flushes

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



Bondo™ Undercoat

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



Construction



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

3M Synthetic Resin Adhesive

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



2011 Innovations from our R&D Centers



Health Care



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

Surgical Skin Prep Solutions

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



Infrastructure



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

Vertical Delineators

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



Scotchkote™ Urethane Coating 165HBL

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



Retail



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

Tamper Evident Labels

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



Scotch-Brite® Jet Scrubbers & Handheld Mops

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



Ten Year Financial Highlights

(₹ in Lakhs)

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

* Sales before Excise duty charged.

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

Board of Directors



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



Mr. Ajay Nanavati
Managing Director



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



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



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



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



Mrs. Sadhana Kaul
Whole-time Director



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



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

Company Secretary

Mr. V. Srinivasan

Audit Committee

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

Chairman
Member
Member
Member

Shareholders'/Investors' Grievance Committee

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

Chairman
Member
Member
Member

Bankers

BNP Paribas
Canara Bank
Citibank N.A.
Deutsche Bank AG
HDFC Bank Limited
ICICI Bank Limited
State Bank of India
The Hong Kong and Shanghai Banking Corporation Limited

Auditors

M/s. Lovelock & Lewes
Chartered Accountants
5th Floor, Tower "D", The Millenia,
1 & 2 Murphy Road, Ulsoor,
Bangalore- 560 008

Registrar & Transfer Agent

Karvy Computershare Private Limited
Plot No.17-24, Vithal Rao Nagar, Madhapur, Hyderabad - 500 034
Tel: 040-44655000 • Fax: 040-23440814

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 FIFTH Annual General Meeting of the Company will be held at 10.30 A.M. on Thursday, the 26th July 2012 at The Grand Ball Room, Hotel Chancery Pavilion, 135, Residency Road, Bangalore – 560 025, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, the Profit & Loss Account for the year ended on that date and the Reports of the Directors' and Auditors thereon.
2. To appoint a Director in place of Mr. D.J. Balaji Rao, who retires by rotation and, being eligible, seeks re-appointment.
3. To appoint a Director in place of Mrs. Sadhana Kaul, who retires by rotation and, being eligible, seeks re-appointment.
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, (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, 2013, to hold office until the conclusion of the next Annual General Meeting on 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 the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, consent of the Company be and is hereby accorded to the appointment of Mr. R. Vijay Kumar as Whole-time Director of the Company for a period of five (5) years with effect from October 31, 2011, on the terms and conditions as set out in the explanatory statement annexed to the notice convening this Annual General Meeting."
6. *To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:*
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, consent of the Company be and is hereby accorded to the re- appointment of Mr. B.V. Shankaranarayana Rao as Whole-time Director of the Company for a period of five (5) years with effect from April 01, 2012, on the terms and conditions as set out in the explanatory statement annexed to the notice convening this Annual General Meeting."
7. *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. Albert C Wang be and is hereby appointed as a Director of the Company."

By Order of the Board

Place : Bangalore
Date : May 28, 2012

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.**
- (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 20, 2012 (Friday) to July 26, 2012 (Thursday)**, 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.**
- (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.

NOTICE TO THE MEMBERS

(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, 6 and 7 of the notice, members may refer Additional Information on Directors recommended for appointment / re-appointment under clause 49 of the Listing Agreement.

(8) The Securities and Exchange Board of India (SEBI) vide circular ref. no. MRD/DoP/Cir-05/ 2009 dated May 20, 2009 has clarified that for securities market transactions and off-market / private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company / RTAs for registration of such transfer of shares.

Further, SEBI vide circular Ref.no. MRD/DoP/SE/ RTA / Cir-03/2010 dated January 07, 2010, has clarified that for deletion of name of the deceased shareholder(s), transmission of shares to the legal heir(s) and for transposition of shares, it shall be mandatory to furnish a copy of PAN card to the Company /RTAs.

(9) The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011 stating that the Companies can now despatch their documents to the shareholders through electronic mode. As a result, the Companies are now permitted to send various notices/ documents to the shareholders on their registered e-mail address and will be deemed for serving notices/documents including those covered under Section 219 of the Companies Act, 1956(the Act) read with Section 53 of the Act.

In view of the above circular, we propose to send in future all documents including the Annual Report, which inter alia, includes notice convening Annual General Meeting, Auditors' Report, Directors' Report and Financial Statements, in electronic form to the email address registered by you and made available to us by the Depositories.

The members of the Company holding shares in physical form are requested to send their mail ids to the Company's Registrar & Transfer Agent (e-mail address mentioned in the Annual report under Corporate Governance), for future correspondences by the Company through this mode. Further, in case members holding shares in electronic form wish to change their e-mail address, are requested to inform the respective Depository Participants accordingly.

The Company is sure that the members would welcome the "Green Initiative" taken by the MCA and the company's desire to participate in the same going forward, as it will ensure prompt receipt of communication and avoid loss in postal transit.

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

Item No. 2

Mr. D.J. Balaji Rao, 73, holds a B.E Degree in Mechanical Engineering from the University of Madras and a Post Graduate Diploma in Industrial Engineering from Bombay University. He attended the Advanced Management Program at European Institute of Business Administration (INSEAD) at Fontainebleu, 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.

He is the Chairman of Shareholder's Grievances Committee and a member of Audit Committee of the Company.

<u>Other Directorships</u>	<u>Membership of Board Committees</u>	<u>Chairmanship of Board Committees</u>
Bajaj Auto Limited	Audit Committee	Shareholders Grievances Committee
Ashok Leyland Limited	Audit Committee	-
Hinduja Foundries Limited	-	Audit Committee
JSW Energy Limited	Audit Committee	-
Bajaj Finserv Limited	Audit Committee	-
CMI-FPE Limited	-	Audit Committee

He does not hold any shares in the Company.

Item No. 3

Mrs. Sadhana Kaul, 48, 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

NOTICE TO THE MEMBERS

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. She has been appointed as Asia Pacific Area Counsel for the Industrial and Transportation Business in addition to her current responsibility as General Counsel of the Company with effect from October 1, 2011. She was appointed as a Whole-time Director of the Company from October 09, 2009.

Other Directorships: 3M Lanka (Private) Limited, Sri Lanka, Director.

Committee Memberships/Chairmanships: Nil

She does not hold any shares in the Company.

Item No. 5

Mr. R. Vijay Kumar, 44, joined the Company in 2006 and has over 20 years of experience in Mergers & Acquisitions, Capital Markets, Sales & Marketing, Finance etc., He heads the Strategic Planning, Acquisitions, Business Development (Mining, Construction & Defense Markets) and Information Technology (IT). Prior to joining 3M India, Mr. Vijay Kumar was the Vice President- Mergers & Acquisitions, Capital Markets with JM Morgan Stanley Private Limited from 1994 – 2006. He holds a Bachelor Degree in Mechanical Engineering from Sardar Patel University and a Master's Degree in Finance from SP Jain Institute of Management & Research. He was appointed as a Whole-time Director of the Company from October 31, 2011.

Other Directorships, Committee Memberships/Chairmanships: Nil

He does not hold any shares in the Company.

Item No. 6

Mr. B.V. Shankaranarayana Rao, 52, 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 February 23, 2003.

Other Directorships: 3M Lanka (Private) Limited, Sri Lanka, Director.

Committee Memberships/Chairmanships: Nil

He does not hold any shares in the Company.

Item No. 7

Mr. Albert Wang, 44, 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.

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 31, 2011 appointed Mr. R. Vijay Kumar as Whole-time Director of the Company subject to the approval of members, from October 31, 2011 for a period of Five (5) years up to October 30, 2016 on the terms and conditions as set out below.

Term: October 31, 2011 to October 30, 2016.

Salary including allowances and Incentives (excluding Perquisites): Not exceeding Rs.15 Lakhs per month.

Perquisites: He will be entitled to all the perquisites listed herein below in addition to the Salary including allowances and incentives mentioned above.

NOTICE TO THE MEMBERS

Personal Accident Insurance: In accordance with the rules of the Company as applicable to the senior managers.

Club Fees: In accordance with the rules of the Company as applicable to the senior managers.

Provident Fund/Pension: Contribution to Provident Fund and Pension Fund in accordance with the rules of the Company as applicable to the senior managers, to the extent such contributions, either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity: In accordance with the rules of the Company as applicable to the senior managers.

Company car and driver: The Company shall provide a car with the driver for business and personal use in accordance with the rules of the Company as applicable to the senior managers.

Telephone Facility at Residence: Telephone facility shall be provided as per Company policy applicable to the senior managers.

Other perquisites: He will be entitled to all other perquisites in accordance with the rules of the Company as applicable to the senior managers.

The perquisites stated above shall be valued as per Income Tax Act, 1961, wherever applicable, and in the absence of any provisions in the said Act, the perquisites shall be valued at actuals.

Minimum Remuneration: Notwithstanding anything herein above stated where in any accounting year closing after March 31, 2011, the Company incurs a loss or its profits are inadequate, the Company subject to the approval of Central Government shall continue to pay the same remuneration as stated above but subject to being within the overall limits on managerial remuneration as provided under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act. The Board of Directors shall communicate the Central Government approval including any revision in the terms of remuneration to Mr. R. Vijay Kumar for his acceptance.

The Contract of service of Mr. Vijay Kumar is terminable with a notice period of 90 days on either side. He is liable to retirement by rotation. No sitting fees shall be paid for attending the meetings of the Board of Directors or Committees thereof.

The abstract of terms of contract and memorandum of interest as required under Section 302 of the Companies Act, 1956 has already been circulated during November 2011 to all the members of the Company.

Mr. Vijay Kumar may be deemed to be concerned or interested in the above, since it relates to the terms and conditions of his appointment.

The Directors are of the view that the appointment of Mr. R. Vijay Kumar as Whole-time Director was in the interest of the Company and resolution is commended for approval by the members.

Item 6

The present term of office of Mr. B.V. Shankaranarayana Rao, Whole-time Director of the Company, as approved by the members at their meeting held on April 27, 2007, is up to March 31, 2012. Revision of his salary for the unexpired period of his term was also approved by the members at their meeting held on July 28, 2011.

The Board of Directors at their meeting held on January 30, 2012 have re-appointed Mr. B.V. Shankaranarayana Rao as Whole-time Director of the Company, subject to the approval of members, for a further period of Five (5) years from April 01, 2012 up to March 31, 2017 on the same terms and conditions as approved by the shareholders at their meeting held on July 28, 2011 as set out below:

Term: April 1, 2012 to March 31, 2017.

Salary including allowances and Incentives (excluding Perquisites): Not exceeding Rs.15 Lakhs per month.

Perquisites: He will be entitled to all the perquisites listed herein below in addition to the Salary including allowances and incentives mentioned above.

Personal Accident Insurance: In accordance with the rules of the Company as applicable to the senior managers.

Club Fees: In accordance with the rules of the Company as applicable to the senior managers.

Provident Fund/Pension: Contribution to Provident Fund and Pension Fund in accordance with the rules of the Company as applicable to the senior managers, to the extent such contributions, either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity: In accordance with the rules of the Company as applicable to the senior managers.

NOTICE TO THE MEMBERS

Company car and driver: The Company shall provide a car with the driver for business and personal use in accordance with the rules of the Company as applicable to the senior managers.

Telephone Facility at Residence: Telephone facility shall be provided as per Company policy applicable to the senior managers.

Other perquisites: He will be entitled to all other perquisites in accordance with the rules of the Company as applicable to the senior managers.

The perquisites stated above shall be valued as per Income Tax Act, 1961, wherever applicable, and in the absence of any provisions in the said Act, the perquisites shall be valued at actuals.

Minimum Remuneration: Notwithstanding anything herein above stated where in any accounting year closing after March 31, 2012, the Company incurs a loss or its profits are inadequate, the Company subject to the approval of Central Government shall continue to pay the same remuneration as stated above but subject to being within the overall limits on managerial remuneration as provided under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act. The Board of Directors shall communicate the Central Government approval including any revision in the terms of remuneration to Mr. B.V. Shankaranarayana Rao for his acceptance.

The contract of service of Mr. B.V. Shankaranarayana Rao is terminable with a notice period of 90 days on either side. No sitting fees shall be paid for attending the meetings of the Board of Directors or Committees thereof and his term of office is not liable to retirement by rotation.

The abstract of terms of contract and memorandum of interest as required under Section 302 of the Companies Act, 1956 has already been circulated during February 2012 to all the members of the Company.

Mr. Shankaranarayana Rao may be deemed to be concerned or interested in the above, since it relates to the terms and conditions of his re-appointment.

The Directors are of the view that the re- appointment of Mr. Shankaranarayana Rao as Whole-time Director was in the interest of the Company and resolution is commended for approval by the members.

Item 7

The Board of Directors by a Circular Resolution appointed Mr. Albert C Wang as Additional Director of the Company with effect from March 12, 2012, pursuant to Section 260 of the Companies Act, 1956. Mr. Albert Wang 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. Albert C Wang as a Director.

Mr. Albert Wang is interested in the resolution at item 7 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 28, 2012

V.Srinivasan
Company Secretary

REPORT OF THE DIRECTORS

To the Members of 3M India Limited

Your Directors have pleasure in presenting to you their 25th Annual Report of the Company with the Audited Accounts for the year ended March 31, 2012.

FINANCIAL RESULTS

The following are the working results:

Particulars	(Rs. in Lakhs)	
	For the year ended March 31, 2012 (12 Months) (Audited)	For the year ended March 31, 2011 (12 Months) (Audited)
Total Income	141,036.81	120,240.89
Of which - Export Sales	2,248.12	2,821.94
- Other Income	526.74	1,099.96
Less : Expenditure	128,404.57	103,617.83
Profit before Interest and Depreciation	12,632.24	16,623.06
Less : Interest	318.05	80.02
Less : Depreciation	2,703.13	1,736.57
Profit before Taxation	9,611.06	14,806.47
Less: Provision for Taxation	3,133.89	4,925.75
Profit after Taxation	6,477.17	9,880.72

COMPANY PERFORMANCE

The Company registered an overall turnover growth of 17.30% at Rs. 141,036.81 Lakhs for the financial year ended March 31, 2012 compared to Rs. 120,240.89 Lakhs in the previous year. The operating margin for the current year was at 8.96% compared to 13.82% for the last year, down by 35.17%. Net Profit before Tax was lower by 35.09% at Rs. 9,611.06 Lakhs compared to Rs. 14,806.47 Lakhs for the previous year. Net profit after taxation was also lower by 34.45% at Rs. 6,477.17 Lakhs compared to Rs. 9,880.72 Lakhs for the previous year mainly on account of: higher input costs, adverse impact of depreciation of the rupee against all currencies at Rs. 4,333.49 Lakhs, interest costs at Rs. 318.05 Lakhs and increase in Corporate Management fee paid to the parent company.

Export Sales de-grew by 20.33% at Rs. 2,248.12 Lakhs for the year ended March 31, 2012 compared to Rs. 2,821.94 Lakhs in the previous year.

The Industrial and Transportation business grew by 24.56%; Health Care business grew by 13.61%; Display and Graphics business grew by 5.67%; Consumer and Office business grew by 24.78% and Safety, Security and Protection Services business grew by 15.55%.

The EPS (Basic and Diluted) of the Company for the year 2011-12 de-grew by 34.44% to Rs. 57.50 per share from Rs. 87.71 per share in the previous year 2010-11. 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 2011-12 was at Rs. 9,668.43 Lakhs (Net of capital work-in-progress) (2010-11: Rs. 10,292.85 Lakhs).

PRESENTATION OF COMPANY'S FINANCIAL STATEMENTS IN REVISED SCHEDULE VI

Government of India vide notification dated March 30, 2011 had prescribed new Revised Schedule VI applicable for the Balance Sheet and Profit and Loss Account to be prepared from the financial year commencing on or after April 01, 2011. Accordingly, the Company's Financial Statements for the financial year 2011-12 has been prepared as per the revised Schedule VI form issued by the Ministry of Corporate Affairs. Accordingly, the previous year figures have also been re-classified to conform to this year's classification. Further, previous year figures have been re-grouped/re-arranged wherever necessary.

NEW R&D CENTER IN BANGALORE

Your Company launched its new, state-of-the-art R&D facility in Electronics City, Bangalore to cater to product and technology development for India, accelerating its localization initiatives in the country on September 13, 2011 with an initial investment of Rs. 100 crores. The R&D center will initially focus on developing products for key industry segments such as Infrastructure, Automotive,

REPORT OF THE DIRECTORS

Healthcare, Construction, Oil & Gas, Safety and Retail. The Center will also focus on developing subject matter expertise in technologies like adhesives, non-wovens, acoustics, polymer processing, software & integrated systems and design, predictive engineering and modeling, protective coatings and accelerated weathering. Your Company has applied to the Department of Scientific and Industrial Research (DSIR) for in-house recognition of the R&D Programme.

DIVIDEND

In view of the ongoing Investment plans as well as future investments plans which will be executed towards expansion of manufacturing facilities, it has been decided to conserve and retain our earnings.

DIRECTORS

Mr. Jose R Varela ceased to be Director of the Company from October 31, 2011 consequent upon his appointment as Managing Director of 3M Brazil.

The Board places on record their sincere appreciation for the valuable contributions made by Mr. Jose R Varela to the deliberations of the Board and Sub-Committees of the Board during his tenure as Director.

Mr. R. Vijay Kumar was appointed as a Director and as Whole-time Director of the Company responsible for Strategic Planning, Acquisitions, Business Development and IT from October 31, 2011 in accordance with Section 262 of the Companies Act 1956, in the vacancy arising from the resignation of Mr. Jose R Varela.

The present term of office of Mr. B.V. Shankaranarayana Rao, Whole-time Director of the Company, as approved by the members at their meeting held on April 27, 2007, is up to March 31, 2012. The Board of Directors at their meeting held on January 30, 2012 have re-appointed Mr. B.V. Shankaranarayana Rao as Whole-time Director of the Company, subject to the approval of members, for a further period of Five (5) years from April 01, 2012 up to March 31, 2017.

Mr. Albert C Wang was appointed as an Additional Director and Non-Executive Director of the Company with effect from March 12, 2012 through a Circular Resolution.

The Board of Directors welcomes Mr. R. Vijay Kumar and Mr. Albert C Wang to the Board.

Mr. D.J. Balaji Rao and Mrs. Sadhana Kaul are liable to retire by rotation and offer themselves for re-election.

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 1662 employees as of March 31, 2012. During the year, 20 employees employed throughout the year and 5 employees 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 Director's Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Director's 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.

REPORT OF THE DIRECTORS

AWARDS AND RECOGNITION

- The Company's Electronic City (EC) plant has won the First Prize for Lean Manufacturing at the National level Lean Six Sigma competition organized by CII (Confederation of Indian Industry). The 3M India team made it to the final 24 organizations despite a tough pan India competition. The EC plant had entered its lean project on the Sakurai line which won the first prize in the Lean Manufacturing category, beating companies like Caterpillar.
- Customer recognition is the best way to gain credibility for the brand. 3M India recently received two awards from one of its biggest customers, Maruti Suzuki. These awards were handed out as a way to recognize Maruti's vendors. The awards were namely -
 - Overall Star performance Award 2010 -11
 - Certificate award for sincere and superior performance in the field of VAVE in the year 2010-11.
- The Company's Ranjangaon plant has been recognized as the winner of the Quality Council of India (QCI) - D.L. Shah National Award on Economics of Quality in the Large Scale Manufacturing Sector category. QCI is the apex body set up by the Govt. of India along with the three apex chambers representing industry i.e. ASSOCHAM, FICCI and CII. This award is the result of the efforts of the team in the Occupational Health and Environmental Safety (OH&ES) Division.

MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments that occurred affecting the financial position of the Company between March 31, 2012 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, 2012, 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, 2012;
- 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, 2012 on a going concern basis;

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.

AUDITORS

M/s. Lovelock & Lewes, Chartered Accountants, Bangalore, Auditors of the Company 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.

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 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 28, 2012

Ajay Nanavati
Managing Director

B.V. Shankaranarayana Rao
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. No specific additional investments were made or implemented, for reduction of energy consumption during the previous year.

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. - Polymer based additive development for films. - Products developed for acoustic insulation and Car Detailing treatments for interiors. - Protective coatings and materials for car body applications. - Automation equipment design and development for automotive applications. <p><u>Health Care Business:</u></p> <ul style="list-style-type: none"> - Infection prevention range of products. - Advanced wound care 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. - Radio Frequency Identification (RFID) based solutions for library systems. <p><u>Consumer and Office Business:</u></p> <p>Floor, kitchen & bathroom cleaning solutions - wipes, scrubbers, mops, and cleaning tools.</p> <p><u>Display and Graphics Business:</u></p> <ul style="list-style-type: none"> - Design and development capabilities for moulded plastic products for road furniture. - Processing and development of polymer products and weatherable materials for Traffic safety products.
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. - Business growth.
3. Future plan of action	<ul style="list-style-type: none"> - Further localization of manufacturing of products to meet Indian market needs. - 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, Medical products.
4. Expenditure on Research & Development a) Capital b) Revenue c) Total d) Total Research & Development expenditure as a percentage of total turnover	(Rs.in Lakhs) 8,947.41 2,940.99 11,888.40 8.43%

ANNEXURE TO THE DIRECTORS' REPORT

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 are unique to the needs of the Indian customers and tailored to meet their needs. 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 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 aftermarket 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 re-instated with effect from July 1, 2009, accordingly the Company has incurred an expenditure of Rs.1,195.72 Lakhs for the financial year 2011-12 (PY: Rs. 897.84 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.1,410.92 Lakhs (PY: Rs.738.86 Lakhs) for contract research and Rs. 696.44 Lakhs (PY: Rs. 636.48 Lakhs) for support Services /Corporate Management Fees.

2. *Foreign exchange earnings and outgo:*

During the period under review, Foreign Exchange earnings were Rs. 4,711.74 Lakhs (PY: Rs. 4,284.14 Lakhs) and Foreign Exchange outgo was Rs. 68,149.26 Lakhs (PY: Rs. 52,477.12 Lakhs).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Cautionary Statement:

Investors are cautioned that this discussion in this section of the Annual Report may contain statements that involve risks and uncertainties. Words such as anticipate, believe, estimate, intend, will and expect and other similar expressions are intended to identify such forward looking statements. Company cannot guarantee that these assumptions and expectations are accurate or will be realized. Consequently, actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The information contained herein may not be disclosed, reproduced or used in whole or in part for any purpose or furnished to any other person(s) without prior written permission of the Company.

ABOUT 3M INDIA LIMITED

3M India Limited is the Indian arm of 3M Company, USA. The Company markets about 7000 products in India with leading positions in health care; industrial markets; display and graphics; consumer and office; safety, security and protection services; and transportation. 3M is among the leading manufacturers of products for many of the markets it serves. In India, 3M has manufacturing facilities at Ahmedabad, Bangalore, Pune and has a R&D Center in Bangalore.

3M India 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. 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 has contributed significantly to 3M India's growth and its position in the marketplace.

GLOBAL ECONOMIC OVERVIEW

The global economic environment, which has been tenuous at best throughout the year, turned sharply adverse in September 2011 owing to the turmoil in the euro-zone, and questions about the outlook on the US economy provoked by rating agencies. The developments over the last year in major economies of the world have not been encouraging. Though the Indian economy may not be as adversely impacted, it will not be immune to the external environment and will likely see some challenges as well. There is an apprehension that the process of global economic recovery that began after the financial crisis of the 2008 is beginning to stall and the sovereign debt crisis in the euro-zone area may persist for a while. The global economy is expected to grow by 3.3 per cent in 2012 compared to 3.8 per cent in 2011 as per the International Monetary Fund's (IMF) January 2012 update of the World Economic Outlook (WEO).

INDIA ECONOMIC OVERVIEW

Managing growth and price stability were the major challenges of macroeconomic policymaking. In 2011-12, India found itself in the heart of these conflicting demands. The Indian economy was estimated to grow by 6.9 per cent in 2011-12, after having grown at the rate of 8.4 per cent in each of the two preceding years indicating a slowdown (as per the Economic Survey February 2012 report). At the same time, sight must not be lost of the fact that, by any cross-country comparison, India remains among the front-runners. With agriculture and services continuing to perform well, India's slowdown can be attributed almost entirely to weakening industrial growth. The manufacturing sector grew by 2.7 per cent and 0.4 per cent in the second and third quarters of 2011-12. Inflation as measured by the wholesale price index (WPI) was high during most of the current fiscal year, though by the year's end there was a clear improvement. Food inflation, in particular, has come down to around zero, with most of the remaining WPI inflation being driven by non-food manufacturing products. Monetary policy was tightened by the Reserve Bank of India (RBI) during the year to control inflation and curb inflationary expectations. The slowing inflation reflects the lag effect of actions taken by the RBI and the government. Reflecting the weak manufacturing activity and rising costs, revenues of the centre have remained less than anticipated; and, with higher than budgeted expenditure outgo, a slippage is expected on the fiscal side.

Growth in India is moderating more than was expected earlier. The baseline projection of GDP growth for 2011-12 has been revised downward to 6.9% on the basis of the macro-economic situation prevailing (as per the Economic Survey February 2012 report). It is likely to be below potential during 2011-12, but is expected to recover at a modest pace in 2012-13. The slack in investment due to delay in implementation of key policies and reforms may keep the pace of recovery low. Inflation has started to fall, broadly in line with the projected trajectory. Nonetheless, price pressures remain, with risks emanating from depreciation of the rupee by over 16% in 2011, accelerating prices of imported goods & services and rising fiscal deficit.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY- CHALLENGES AND OUTLOOK

Industrial-sector growth during the current financial year is expected to be between 4 and 5 per cent. At this rate, the annual growth would be less than the annual growth rates achieved in the recent past and far below the potential growth rate. The challenge in the short term would, therefore, be to shore up business sentiment, spur investment in productive activities, and identify bottlenecks that can be removed in a reasonably short period of time. The government has already made some quick moves to clear bottlenecks in some critical sectors such as coal and power and is also pushing forward project implementation in some key infrastructure sectors. With the easing of headline inflation, moderation in commodities prices in the international market, and revival of manufacturing performance in recent months in the major economies, India's industrial sector is expected to rebound during the next financial year.

RESULTS OF THE OPERATIONS

Your Company was able to maintain the growth momentum during this year ended March 31, 2012 through operational excellence, localization and the wide range of market segments in which the Company operates.

The Company registered an overall turnover growth of 17.30% at Rs. 141,036.81 Lakhs for the financial year ended March 31, 2012 compared to Rs. 120,240.89 Lakhs in the previous year. The operating margin for the current year was at 8.96% compared to 13.82% for the last year, down by 35.17%. Net Profit before Tax was lower by 35.09% at Rs. 9,611.06 Lakhs compared to Rs. 14,806.47 Lakhs for the previous year. Net profit after taxation was also lower by 34.45% at Rs. 6,477.17 Lakhs compared to Rs. 9,880.72 Lakhs for the previous year mainly on account of: higher input costs, adverse impact of depreciation of the rupee against all currencies at Rs. 4,333.49 Lakhs, interest costs at Rs. 318.05 Lakhs.

Export Sales was at Rs. 2,248.12 Lakhs compared to Rs. 2,821.94 Lakhs, lower by 20.33%.

Other Operating Income:

The other income was at Rs. 526.74 Lakhs for the year 2011-12 when compared to Rs. 1,099.96 Lakhs for the previous year 2010-11.

Cost of Goods sold:

The % of cost of raw material consumed as against sales for the year 2011-12 has gone up to 61.75% as against 58.29% for the previous year 2010-11. The increase is mainly due to depreciation of the rupee and increasing input prices during the year.

Employee Benefits Expense:

Employee cost as a % of sales for the year 2011-12 stood at 13.16% (previous year 12.40%) at Rs. 18,566.27 Lakhs (previous year : Rs. 14,907.18 Lakhs), higher by 6.13%. Sales per employee have improved by 12.71% to Rs. 84.86 Lakhs (no. of employees-1662) in the current year 2011-12 from Rs. 75.29 Lakhs (no. of employees-1597) for the previous year 2010-11.

Depreciation:

The depreciation charge for the current year is higher at Rs. 2,703.13 Lakhs as against a charge of Rs. 1,736.57 Lakhs of previous year 2010-11 due to additional capital investment during the year 2011-12 for the R&D Center, Bangalore and for the Coater Plant at Ranjangaon Plant.

Finance Cost:

The interest cost for the year 2011-12 was at Rs. 318.05 Lakhs compared to Rs. 80.02 Lakhs in the previous year 2010-11. The increase is mainly on account of increase in working capital borrowing.

Earnings per Share (EPS):

The EPS (Basic and Diluted) of the Company for the year 2011-12 de-grew by 34.44% to Rs. 57.50 per share from Rs. 87.71 per share in the previous year 2010-11.

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, 2012 was Rs. 11,26,50,700 (divided into 1,12,65,070 equity shares of Rs. 10 each)

Reserves & Surplus:

Entire profit of Rs. 6,477.17 Lakhs is retained in profit and loss account for the year ended March 31, 2012. The Reserves & Surplus was at Rs. 59,290.60 Lakhs including the current year retained profit.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Shareholder's Fund:

The total shareholder funds increased to Rs. 60,417.11 Lakhs as at March 31, 2012 from Rs. 53,939.94 Lakhs as of the previous financial year 2010-11 end, representing a growth of 12.01% mainly on account of retained profits of the current year.

Fixed Assets-Capital Expenditure:

The gross Fixed Assets as at March 31, 2012 was Rs.39,540.30 Lakhs as compared to Rs. 24,454.21 Lakhs of previous financial year 2010-11. The Company has incurred a capital expenditure of Rs. 9,668.43 Lakhs (Net of capital work-in progress) during the year 2011-12 (previous year : Rs. 10,292.85 Lakhs) , a decrease of 6.07% year on year.

Inventories:

Inventory as at March 31, 2012 amounted to Rs. 21,371.66 Lakhs as against Rs. 15,892.61 Lakhs of previous financial year 2010-11. The inventory turnover ratio has increased to 53 days as at March 31, 2012 from 47 days of previous year 2010-11. The increase in inventory is mainly due to increase in sales for the year.

Trade Receivables:

Trade Receivables as at March 31, 2012 amounted to Rs. 23,390.18 Lakhs as against Rs. 19,674.63 Lakhs of previous year 2010-11. The debtor's turnover ratio was at 58 days (previous year: 58 days).

Cash and Bank balances:

The total balance of cash and bank balances as at March 31, 2012 was Rs. 5,388.98 Lakhs as compared to Rs. 5,068.35 Lakhs for the previous year 2010-11.

Segment wise performance:

The Industrial and Transportation business grew by 24.56%; Health Care business grew by 13.61%; Display and Graphics business grew by 5.67%; Consumer and Office business grew by 24.78% and Safety, Security and Protection Services business grew by 15.55%. The Analysis of the business segments of the Company are summarized below:

(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 body shops 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, 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.

		Rs. in Lakhs	
		12 Months Ended 31.03.12	12 Months Ended 31.03.11
Financial Highlights	Segment Revenue	69,120.11	55,489.75
	Profit before Interest & Tax	5,717.41	7,808.37
	Capital Employed	29,415.60	21,127.32
Highlights	<ul style="list-style-type: none"> Growth in sales which is attributed to market share gains, account penetration, organic growth and new product introductions. Continuous development and implementation of specific programs focused on markets like Automotive OEMs and Tier 1 Auto component manufacturers, auto-aftermarket. Further expansion in the small and medium enterprises segment with specific product lines. Slow down in mobile hand held manufacturing and mass transit equipment manufacturing negatively impacted sales growth into these segments. 		

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(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.

		12 Months Ended 31.03.12	Rs. in Lakhs 12 Months Ended 31.03.11
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	18,283.91 1,117.69 4,650.90	16,092.93 1,255.13 3,807.95
Highlights	<ul style="list-style-type: none"> Work is in progress to set up an exclusive Healthcare Manufacturing facility in Ranjangaon. The facility will have capability to manufacture expanded range of medical products. A Customer Training Centre has been set up in Gurgaon which has designated areas that closely simulate the Operating Room (OR), Intensive Care Unit (ICU), Central Sterile Supply department (CSSD) in hospitals. It also has a dental simulation centre and a Food Safety lab. The Company is actively contributing to improve the standards of Healthcare Industry through its education initiatives. We have collaborated with renowned accreditation bodies like National Accreditation Board for Hospitals & Healthcare Providers (NABH) & Joint Commission International (JCI) for joint programs across the country. Food Safety business has established close customer contact with Dairy, Beverage and other Food processing Industry. 		

(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

		12 Months Ended 31.03.12	Rs. in Lakhs 12 Months Ended 31.03.11
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	20,017.90 1,259.06 11,133.74	17,324.12 2,109.14 9,562.19
Highlights	<ul style="list-style-type: none"> Increasing trend in adoption of Safety and Security practices within corporates saw a spurt in demand for personal protection, brand and asset protection, border control, passive fire protection products and track & trace solutions. Continued double digit growth in IT, ITES and Hospitality Sector has ensured good demand for cleaning and hygiene products. Foray into relatively new segments like Water Authority, Hospitals, Railways and Defense sector with Innovative New products will accelerate growth for the business. Growth from Infrastructure, Oil and Gas Pipeline sector has been modest. 		

(D) CONSUMER AND OFFICE BUSINESS:

3M addresses the B2C market, through its portfolio of power brands such as – Scotch-Brite® brand, that includes a products addressing the needs of Utensil Care, Floor Care & Wiping segments; Scotch® brand, addressing the Home & Office tapes, Adhesives, Packaging protection platforms;

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Post-it® brand with a product range of Note Pads, Dispensers, Flagging solution, Labels and Scotchguard® brand addressing the stain protection market. These brands are swiftly gaining inroads into the Indian households, delighting the consumers with their performance.

Rs. in Lakhs

		12 Months Ended 31.03.12	12 Months Ended 31.03.11
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	12,256.96 (396.05) 2,794.60	9,823.12 (90.49) 2,013.01
Highlights	<ul style="list-style-type: none"> The Scotch-Brite® brand introduced a number of products to help the Indian housewife, to address the floor care market; including some from our international range, such as Buttefly Mop, Flat Mop etc. The Communication support on Mass media was further increased, with the brand gaining the credibility of being the 'HELPING HAND' for the housewife. The "KITCHEN QUEEN CONTEST" undertaken by Scotch-Brite®, associating with Tarla Dalal, was a big success in the Metro towns. In the stationary category, under the Scotch® brand, the Magic Tape introduced tapes in the dispenser format at various price points making it affordable even for the students market. Post-it® brand also introduced a special range of 'Sticky' Note pads, Page markers & Flags for the students market. 		

(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 31.03.12	12 Months Ended 31.03.11
Financial Highlights	Segment Revenue Profit before Interest & Tax Capital Employed	18,507.52 1,337.60 4,261.77	17,513.92 2,317.61 6,419.06
Highlights	<ul style="list-style-type: none"> The Traffic Safety Systems Division has seen strong growth in its core business of supplying Reflective Sheeting for Highway signage. Roadway maintenance services have seen robust growth and a healthy order book with projects being executed for most private concessionaires and infrastructure majors. Focus on the Road Safety by various local and national bodies has helped increase sales of conspicuity tapes both in the After-Market and OEM accounts. The Commercial Graphics Division has seen modest growth in the core business of Flexible substrates for Graphics Applications. Brand Owner Services, which includes turn-key branding and graphics solutions, has a healthy order pipeline with projects being executed for major private banks and retail chains in India. The Architectural Markets Division has begun delivering substantial growth with its focus on Surfaces (Glass and Walls). Channel Expansion, Key Account Management and Local Conversion, coupled with turn-key project offering have helped build a strong base for the business to grow at a healthy pace. The Mobile Interactive Solutions Division has seen increased penetration of its privacy filters for Laptops and Computers and expects strong growth for visual privacy products in the Mobile and Handheld Market. Soft Launch of the hand held projector products was well received and is expected to boost sales in the next year with better products and features. 		

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The following are the risk mitigation plans enunciated by the Company for improving the Operating Margins:

- Control on Indirect Cost spends - Six Sigma project initiated to identify projects to save costs.
- Depreciation of the rupee and Cost of Goods sold continues to be the biggest challenge and all business groups are working on various initiatives to overcome the issue.
- Productivity Improvement - There would be a continued focus and momentum play to leverage the growth and drive productivity to gain operating income.
- Localization - Continue to work on various localization plans to reduce import content and drive bottom line benefits especially for Low Gross margin products.
- Portfolio expansion, targeting new segments, acquisition of new customers and enhancing geographic coverage which contributes to sales growth.

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.

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 management will take appropriate decisions to mitigate the risk.
- 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

For the year 2012-13, 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.,. 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. 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.

Forward-looking statements as mentioned above may involve risks and uncertainties that could cause results to differ materially from those projected. 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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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. Foreign exchange rate volatility has also had an impact on the business. Your Company has identified various risks and procedures to mitigate the same.

Your Company's internal control systems have been designed well given the nature of its business and the size and complexity of its operations. The internal control system provides for well documented policies/guidelines, authorizations and approval procedures. 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.

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

Your Company continues to believe that competent and engaged employees are critical for the growth of the organization. In keeping with this philosophy, to build competent employees, your Company has continued to invest in providing career opportunities, training and development. Your Company has started focusing on long term Human Resource planning aimed at managing change more efficiently, grooming internal talent for future roles and also driving efficiency within the organization. As large numbers of new employees join and supervisors get added, your Company has continued to focus on the on boarding process to ensure the smooth settling in process of new employees/ supervisors into the Company through the induction and orientation program. Your Company identifies employees who could grow faster (high potential) and supports them through varied learning and development initiatives. Several programs including "Faster Higher Stronger" and "Game Changers" are well designed to build competencies to manage scale, speed of growth, break target barriers/ mind blocks. Your Company has been continuously focusing on people and processes to encourage and realize their full potential. Throughout the year under review, many training programs in the areas of leadership, sales and technical skills were conducted for employees.

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. Cordial and harmonious relations with employees continued to prevail throughout the year under review.

On behalf of the Board of Directors

Place : Bangalore
Date : May 28, 2012

Ajay Nanavati
Managing Director

B.V. Shankaranarayana Rao
Whole-time Director

REPORT ON CORPORATE GOVERNANCE

THE COMPANY'S GOVERNANCE PHILOSOPHY

3M India Limited 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:

3M India Board is a balanced Board comprising 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 acts with autonomy and Independence in exercising its strategic supervision, discharging its fiduciary responsibilities and ensuring that the Management observes the highest standards of ethics, transparency and disclosure. Every member of the Board including the Non-Executive Directors has full access to any information related to the Company. The Board of Directors of the Company is headed by a Non-Executive and Independent Director. As on March 31, 2012, the strength of the Board is eight (8), of which four (4) are Whole-time Directors, three (3) are Independent Directors and one (1) is a Non-Executive Director. As on March 31, 2012, 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.

Brief Profile of the Directors of the Company:

Mr. D.J. Balaji Rao (DIN-00025254): Mr. D.J. Balaji Rao, 73, holds a B.E Degree in Mechanical Engineering from the University of Madras and a Post Graduate Diploma in Industrial Engineering from Bombay University. 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, 62, is a Post Graduate in Commerce and in Law from the University of Bombay, and holds a Diploma in Management Accounting and is a fellow Member of the Institute of Company Secretaries of India. He has 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 Consultant for 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, 69, 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 working 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, 44, 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. Ajay Nanavati (DIN-02370729): Mr. Ajay Nanavati, 56, 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 24 years of his career in 3M Group. He was appointed as Managing Director of the Company from October 01, 2008.

REPORT ON CORPORATE GOVERNANCE

Mr. B.V. Shankaranarayana Rao (DIN-00044840): Mr. B.V. Shankaranarayana Rao, 52, 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 February 23, 2003.

Mrs. Sadhana Kaul (DIN- 02589934): Mrs. Sadhana Kaul, 48, 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. She has been appointed as Asia Pacific Area Counsel for the Industrial and Transportation Business in addition to her current responsibility as General Counsel of the Company with effect from October 01, 2011. She was appointed as a Whole-time Director of the Company from October 09, 2009.

Mr. R. Vijay Kumar (DIN- 05108452): Mr. R. Vijay Kumar, 44, joined the Company in 2006 and has over 20 years of experience in Mergers & Acquisitions, Capital Markets, Sales & Marketing, Finance etc., He heads the Strategic Planning, Acquisitions, Business Development (Mining, Construction & Defense Markets) and Information Technology(IT). Prior to joining 3M India, Mr. Vijay Kumar was the Vice President- Mergers & Acquisitions, Capital Markets with JM Morgan Stanley Private Limited from 1994 – 2006. He holds a Bachelor Degree in Mechanical Engineering from Sardar Patel University and a Master's Degree in Finance from SP Jain Institute of Management & Research. He was appointed as a Whole-time Director of the Company from October 31, 2011.

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
- Harman India Private Limited, Alternate Director

Mr. B.C. Prabhakar

- WIPRO Limited, Director
- Automotive Axles Limited, Director

Mr. Jose R Varela (up to October 31, 2011)

- 3M Taiwan, Acting Supervisor
- Sumitomo 3M, Outside Statutory Auditor
- Korea Sun Abrasives Co. Limited, Outside Statutory Auditor

Mr. Albert C Wang (from March 12 , 2012)

- Nil

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 (from October 31, 2011)

- Nil

REPORT ON CORPORATE GOVERNANCE

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. Plant visits are arranged for the Independent Directors to update them about the new technology/ products introduced / manufactured by the Company.

Details of Board Meetings during the financial year:

During the financial year April 01, 2011 to March 31, 2012, five (5) Meetings of the Board were held; on April 20, 2011, May 28, 2011, July 28, 2011, October 31, 2011 and January 30, 2012. The last Annual General Meeting (AGM) was held on July 28, 2011.

Particulars of the directorship of Board, membership and office of the Chairman of Board Committees across all Companies as on March 31, 2012 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	5	10	5	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	4	3	5	1	Yes
Mr. Jose R Varela* (Director) (up to October 31, 2011)	Non-Executive Director (Promoter Group)	5	2	Nil	1	Nil	Yes
Mr. Ajay Nanavati (Managing Director)	Executive Director (Promoter Group)	5	5	2@@@	1	Nil	Yes
Mr. Albert C Wang** (Director) (from March 12, 2012)	Non-Executive Director (Promoter Group)	NA	NA	Nil	Nil	Nil	NA
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	4	2@@@	Nil	Nil	Yes
Mr. R. Vijay Kumar*** (Director) (from October 31, 2011)	Executive Director (Promoter Group)	5	2	Nil	Nil	Nil	NA

@ 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 31, 2011

** Appointed as a Director w.e.f March 12, 2012

*** Appointed as a Director w.e.f October 31, 2011

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, 2011 to March 31, 2012.

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, 2012.

Place: Bangalore
Date : May 08, 2012

Ajay Nanavati
Managing Director

REPORT ON CORPORATE GOVERNANCE

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.
- 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.

REPORT ON CORPORATE GOVERNANCE

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, 2012, 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, Mr. B. C. Prabhakar, and Mr. Jose R Varela (up to October 31, 2011).

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.

During the financial year April 01, 2011 to March 31, 2012, four (4) Meetings of the Audit Committee were held; on May 28, 2011, July 28, 2011, October 31, 2011 and January 30, 2012. The number 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	4
Mr. B. C. Prabhakar	4	3
Mr. Jose R Varela (up to October 31, 2011)	4	2

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

As on March 31, 2012, 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, 2011 to March 31, 2012, four (4) Meetings of the Shareholders' Grievance Committee were held; on May 28, 2011, July 28, 2011, October 31, 2011 and January 30, 2012. 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	4
Mr. B.S. Iyer	4	4
Mr. B. C. Prabhakar	4	3
Mr. Ajay Nanavati	4	4

REPORT ON CORPORATE GOVERNANCE

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, 2011.	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, 2011 to March 31, 2012.	40
No. of Shareholders complaints resolved during the period April 01, 2011 to March 31, 2012.	40
No. of Shareholders complaints pending as on March 31, 2012.	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.
- 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. The Audit Committee and the Board have reviewed 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 2011-12.

REPORT ON CORPORATE GOVERNANCE

Remuneration to Directors:

As on March 31, 2012, Company has four (4) 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 (from October 31, 2011).

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 varying tenures of up to five (5) years. Mr. R. Vijay Kumar's appointment as a Whole-time Director from October 31, 2011 and Mr. B. V. Shankaranarayana Rao's re-appointment as a Whole-time Director from April 01, 2012 is being placed before the shareholders at the ensuing Annual General Meeting to be held on July 26, 2012. 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, 2012:

(a) Executive Directors.

(in Rs.)

Name and Designation	No. of Shares Held	Salaries & Allowances	Contribution to Provident Fund & Other Funds	Estimated Value of Benefits	Total	Present term expires on
Mr. Ajay Nanavati (Managing Director)	795*	1,84,65,980	11,97,336	74,27,420	2,70,90,736	September 30, 2013
Mr. B. V. Shankaranarayana Rao (Whole-time Director)	Nil	70,54,356	4,40,532	36,61,993	1,11,56,881	March 31, 2012
Mrs. Sadhana Kaul (Whole-time Director)	Nil	67,52,268	4,22,844	38,96,420	1,10,71,532	October 08, 2014
Mr. R. Vijay Kumar (Whole-time Director) (from October 31, 2011)	Nil	28,09,191	1,76,094	28,30,037	58,15,322	October 30, 2016

* includes joint share holding

(b) Non-Executive Directors.

(in Rs.)

Name of the Director	No. of Share held	Sitting Fees for Board Meeting	Sitting Fees for Committee Meetings	Commission Rs.	Total
Mr. D.J. Balaji Rao	Nil	100,000	160,000	750,000**	1,010,000
Mr. B.S. Iyer	20*	100,000	160,000	750,000**	1,010,000
Mr. B.C. Prabhakar	Nil	80,000	120,000	750,000**	950,000

* Jointly as a 2nd shareholder with his wife

** Remuneration by way of Commission for the year 2011-12 will be paid to the Independent Directors after the accounts for the year 2011-12 have been adopted and approved by the shareholders at the ensuing AGM.

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. Jose Varela (up to October 31, 2011) and Mr. Albert C Wang (from March 12, 2012) have waived receipt of Sitting Fees. None of the Non-Executive Directors have any pecuniary relationship with the Company.

REPORT ON CORPORATE GOVERNANCE

GENERAL BODY MEETING:

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

Date	Meeting	Location	Time
April 29, 2009	AGM	The Chancery Pavilion, 135, Residency Road, Bangalore – 560 025	10.30 a.m.
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.

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

April 29, 2009	-	Nil.
July 26, 2010	-	The special resolutions passed through Postal Ballot were taken on record.
June 28, 2011	-	Nil.

Special Resolutions passed last year through Postal Ballot:

Particulars of Special Resolutions passed through Postal Ballot:

Notice dated	Particulars of Special Resolution	Remarks
August 01, 2011	Approve payment of remuneration by way of Commission to Independent Directors of the Company for five financial years commencing from the financial year April 01, 2011 pursuant to Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956.	Resolution passed with requisite majority

Details of voting pattern:

Particulars	No. of Ballot Forms	Representing No. of Equity Shares of Rs. 10 each	% of total paid up Equity Capital
Total No. of postal ballots received from the shareholders/authorized representatives	123	86,25,507	76.57
Number of Ballots found to be invalid	6	641	0.01
Total No. of valid ballots	117	86,24,866	76.56
Total No. of votes FOR the resolutions	92	86,21,588	99.96
Total No. of votes AGAINST resolutions	25	3,278	0.04

Mr. Shanker Prasad, Practising Company Secretary was appointed as the Scrutinizer for the conduct of Postal Ballot process.

The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 was followed for conduct of the Postal Ballot. The results of the Postal Ballot were announced to the Stock Exchanges and displayed on the notice board at the Registered Office on September 14, 2011 and published in Business Standard (All editions) and in Udaya Vani (Bangalore) on September 15, 2011.

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 26, 2012.

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.

REPORT ON CORPORATE GOVERNANCE

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.

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:

Presently, the Company does not have 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, 2012.

Training of Board Members:

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

Mechanism for evaluating Non-Executive Board Members:

Presently, the Company does not have such a mechanism as contemplated for evaluating the performance of Non-Executive Board members.

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.

REPORT ON CORPORATE GOVERNANCE

GENERAL SHAREHOLDER INFORMATION :

Annual General Meeting	July 26, 2012, Thursday The Grand Ball Room The Chancery Pavilion 135, Residency Road, Bangalore - 560 025 Time 10.30 a.m.
Date of Book Closure	July 20, 2012, Friday - July 26, 2012, Thursday (both days inclusive)
Dividend payment date	N.A.
Financial Results Calendar	<p>Fourth week of July, 2012 - Unaudited Results for the quarter and three months ended June 30, 2012.</p> <p>Fourth week of October, 2012 - Unaudited Results for the quarter and six months ended September 30, 2012.</p> <p>Fourth week of January, 2013 - Unaudited Results for the quarter and nine months ended December 31, 2012.</p> <p>Fourth week of May, 2013 - Audited Results for the year ended March 31, 2013</p>
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.

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 2012-13.

Custodial Fee

Pursuant to the Securities and Exchange Board of India (SEBI) Circular No.MRD/DoP/SE/DEP/CIR-4/2005 dated 28th January, 2005 and MRD/DoP/SE/DEP/CIR-2/2009 dated February 10, 2009, Issuer Companies are required to pay custodial fees to the depositories. Accordingly, the Company has paid custodial fee for the year 2012-13 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on 31st March 2012.

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. P.A. Varghese / 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).

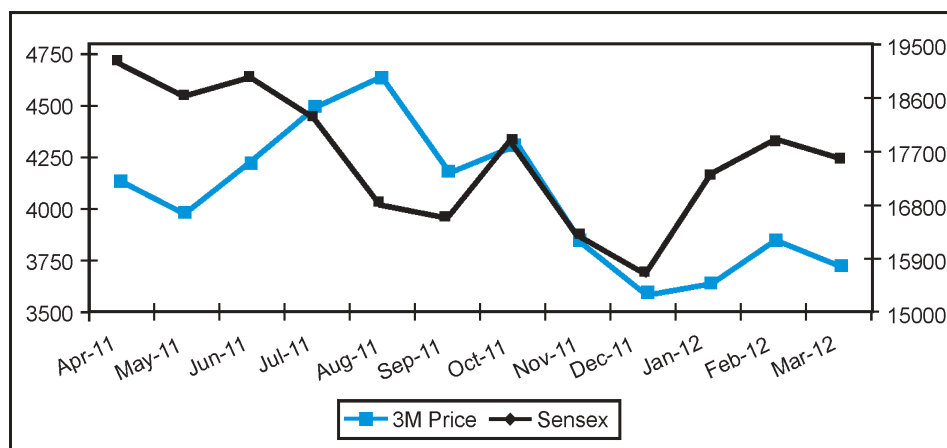
REPORT ON CORPORATE GOVERNANCE

Stock Price Data :

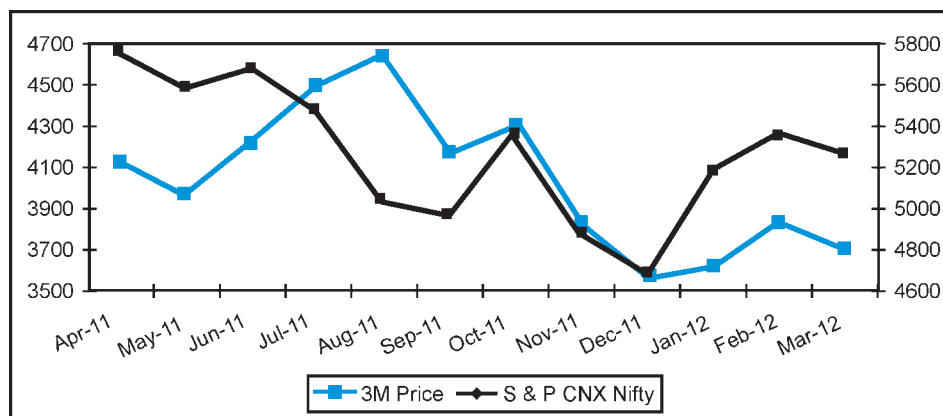
Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	No. of shares traded	High (Rs.)	Low (Rs.)	No. of shares traded
April 2011	4,270	3,382	6,258	4,279.70	3,338	11,246
May 2011	4,335	3,825	54,372	4,333.05	3,860	1,16,210
June 2011	4,368.75	3,900	4,459	4,369.95	3,876.10	6,150
July 2011	4,745	4,000.30	7,850	4,684	4,047.05	9,869
August 2011	4,950	4,050	86,320	4,900	4,000	1,68,799
September 2011	4,749.95	4,115	4,328	4,771	4,110	5,939
October 2011	4,525	4,060	3,010	4,492	4,058	5,482
November 2011	4,584	3,655	86,407	4,693	3,655.05	15,105
December 2011	3,899.95	3,321.20	9,777	3,875	3,401	4,314
January 2012	3,820.10	3,425.40	4,511	3,999	3,301.05	5,623
February 2012	4,050	3,402	11,514	4,044	3,420	10,495
March 2012	4,139.95	3,651	9,691	4,180	3,650	13,427

Stock Performance :

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



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



REPORT ON CORPORATE GOVERNANCE

Consolidated Shareholding Pattern as on March 31, 2012:

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	-	85,62,000	85,62,000	76.005
Foreign Institutional Investors(FII)	20	-	11,02,190	11,02,190	9.784
Resident Individuals (PUB)	8,746	1,10,096	8,80,849	9,90,945	8.797
Bodies Corporate(LTD)	311	5,020	3,49,767	3,54,787	3.149
Mutual Funds(MUT)	12	440	2,08,600	2,09,040	1.856
Hindu Undivided Family (HUF)	234	-	25,389	25,389	0.225
Non-Resident Indians(NRI)	146	100	18,826	18,926	0.168
Clearing Members(CM)	13	-	763	763	0.007
Other Banks	2	-	490	490	0.004
Trust	2	-	400	400	0.004
Nationalised Banks	2	20	60	80	0.001
Insurance Companies(IFI)	1	60	-	60	0.000
Total	9,490	1,15,736	1,11,49,334	1,12,65,070	100.000

*None of Foreign promoter shares been pledged as on March 31, 2012

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

Summary of Shareholding as on March 31, 2012:

Category	No. of Holders	Total Shares	% To Equity
PHYSICAL	1,585	1,15,736	1.028
N S D L	5,950	1,07,96,594	95.841
C D S L	1,955	3,52,740	3.131
TOTAL	9,490	1,12,65,070	100.000

Top Ten (10) Shareholders of the Company as on March 31, 2012:

Client id	Name of the Shareholder	No. of shares held	% to paid-up capital	Category
10716469	3M Company	85,62,000	76.005	FPR
10013042	Acacia Partners, LP	5,14,227	4.565	FII
10022345	Acacia Conservation Fund, LP	2,29,278	2.035	FII
10013034	Acacia Institutional Partners, LP	2,04,600	1.816	FII
1301240000121844	Bright Star Investments Private Limited	1,66,700	1.480	LTD
10015282	Tata Offshore India Opportunities Scheme	1,30,000	1.154	MUT
10029040	Blackrock India Equities Fund(Mauritius) Limited	51,917	0.461	FII
10024287	Acacia Banyan Partners	49,445	0.439	FII
22502222	Govindlal M Parikh	32,681	0.290	PUB
10013026	Acacia II Partners, LP	29,667	0.263	FII
	Total	99,70,515	88.508	

REPORT ON CORPORATE GOVERNANCE

Distribution of Shareholding as on March 31, 2012:

Range of Shares	No. of Shareholders	% to total Shareholders	No of Shares held	Amount (Rs.)	% to Total Shares
Up to 50	5,600	59.01	1,00,490	10,04,900	0.89
51 to 100	2,793	29.43	2,31,033	23,10,330	2.05
101 to 200	457	4.82	75,941	7,59,410	0.67
201 to 500	342	3.60	1,19,280	11,92,800	1.06
501 to 1000	127	1.34	97,165	9,71,650	0.86
1001 to 2000	66	0.70	94,550	9,45,500	0.84
2001 to 5000	57	0.60	1,72,936	17,29,360	1.54
5001 to 10000	23	0.24	1,64,284	16,42,840	1.46
10001 and above	25	0.26	1,02,09,391	10,20,93,910	90.63
TOTAL	9,490	100.000	1,12,65,070	11,26,50,700	100.00

Dematerialization of Shares and Liquidity

98.973% of the total equity capital was held in dematerialized form as on March 31, 2012.

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 has 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 28, 2012

Ajay Nanavati
 Managing Director

B.V. Shankaranarayana Rao
 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 2012, as stipulated in clause 49 of the Listing Agreement of the 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 28, 2012

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

AUDITORS' REPORT

To the Members of 3M India Limited

1. We have audited the attached Balance Sheet of 3M India Limited (the "Company") as at March 31, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') 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.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 purposes 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, 2012 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Dibyendu Majumder
Partner

Place : Bangalore
Date : May 28, 2012

Membership No. : 057687

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of 3M India Limited on the financial statements for the year ended March 31, 2012.

1. (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 between the book records and the physical inventory have been noticed.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (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.
3. (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.
- (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.
4. 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 afore-said internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. 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.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. 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

ANNEXURE TO AUDITORS' REPORT

records with a view to determine whether they are accurate or complete.

9. (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, 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, the particulars of dues of income tax as at March 31, 2012 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of Dues	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	Assessment Year 2005-06	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income Tax and interest	158.71	Assessment Year 2006-07	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax and interest	386.59	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income Tax and interest	462.16	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)

10. The Company has no accumulated losses.
11. 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.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. 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.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion, and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. 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.
19. The Company has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.

20. The Company has not raised any money by public issues during the year.
21. 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 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 28, 2012

BALANCE SHEET AS AT MARCH 31, 2012

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

	Notes	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share Capital	3	1,126.51	1,126.51
Reserves and Surplus	4	59,290.60	52,813.43
NON-CURRENT LIABILITIES			
Long-term Borrowings	5	919.83	995.51
Long-term Provisions	6	1,106.79	1,047.40
CURRENT LIABILITIES			
Short-term Borrowings	7	6,118.96	-
Trade Payables	8	14,647.62	12,093.25
Other Current Liabilities	9	8,886.86	6,996.55
Short-term Provisions	10	38.10	32.09
TOTAL		92,135.27	75,104.74
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	11		
Tangible Assets		28,385.28	16,115.77
Intangible Assets		602.07	416.27
Capital Work-In-Progress		2,080.14	9,420.20
Deferred Tax Assets (Net)	12	440.48	639.93
Long-term Loans and Advances	13	3,807.29	2,367.97
CURRENT ASSETS			
Inventories	14	21,371.66	15,892.61
Trade Receivables	15	23,390.18	19,674.63
Cash and Bank Balances	16	5,388.98	5,068.35
Short-term Loans and Advances	17	6,669.19	5,509.01
TOTAL		92,135.27	75,104.74

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 28, 2012

Ajay Nanavati
Managing Director

Place : Bangalore
Date : May 28, 2012

For and on behalf of the Board

B. V. Shankaranarayana Rao
Whole-time Director

V.Srinivasan
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

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

	Notes	Year ended March 31, 2012	Year ended March 31, 2011
INCOME			
Revenue from Operations (Gross)	18	147,122.93	123,488.69
Less: Excise Duty		6,612.86	4,347.76
Revenue from Operations (Net)		140,510.07	119,140.93
Other income	19	526.74	1,099.96
Total Revenue		141,036.81	120,240.89
EXPENSES			
Cost of materials consumed	20	51,355.92	41,084.88
Purchases of stock-in-trade	21	41,389.05	31,101.99
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	(5,974.97)	(2,743.55)
Employee Benefits Expense	23	18,566.27	14,907.18
Finance costs	24	318.05	80.02
Depreciation and Amortization Expense	25	2,703.13	1,736.57
Other Expenses	26	23,068.30	19,267.33
Total Expenses		131,425.75	105,434.42
Profit before tax		9,611.06	14,806.47
Tax expense:			
Current tax		2,934.44	4,739.17
Deferred tax		199.45	186.58
Profit for the year		6,477.17	9,880.72
Earnings per equity share: [Nominal Value per share Rs.10 (2011: Rs.10)]			
-Basic (Computed on the basis of total profit for the year)		57.50	87.71
-Diluted (Computed on the basis of total profit for the year)		57.50	87.71

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

For and on behalf of the Board

Dibyendu Majumder
Partner
Membership No: 057687

Ajay Nanavati
Managing Director

B. V. Shankaranarayana Rao
Whole-time Director

V.Srinivasan
Company Secretary

Place : Bangalore
Date : May 28, 2012

Place : Bangalore
Date : May 28, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDING MARCH 31, 2012

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

	Year ended March 31, 2012	Year ended March 31, 2011
A Cashflow from Operating Activities		
Profit before taxation	9,611.06	14,806.47
Adjustment for:		
Depreciation	2,703.13	1,736.57
Advances written off	-	63.74
Provision for doubtful debt (net)	239.80	118.83
Liabilities / Provision no longer required written back	(114.23)	(519.06)
Unrealised foreign exchange Loss	57.90	15.47
Loss on sale of tangible assets (net)	23.09	12.16
Provision for asset written off	80.00	-
Interest income	(11.82)	(228.82)
Interest expenses	318.05	80.02
Operating Profit Before Working Capital changes	12,906.98	16,085.38
Changes in Working Capital:		
Increase/ (Decrease) in Trade Payables	2,460.92	5,012.84
Increase/ (Decrease) in Provisions	65.40	(288.30)
Increase/ (Decrease) in Other Current Liabilities	1,810.31	(1,581.90)
(Increase)/ Decrease in Trade Receivables	(3,805.57)	(5,341.52)
(Increase)/ Decrease in Inventories	(5,479.05)	(3,582.09)
(Increase)/ Decrease in Loans and Advances	(2,374.93)	500.34
Cash generated from Operations	5,584.06	10,804.75
Direct Taxes paid (net of refund)	(3,158.99)	(5,540.17)
Net Cash flow from Operating Activities	2,425.07	5,264.58
B Cash flow from Investing Activities		
Purchase of tangible/intangible assets	(7,841.48)	(12,165.32)
Interest Received	11.82	264.51
Net cash used in investing activities	(7,829.66)	(11,900.81)
C Cash flow from Financing Activities		
Loan Fund (Finance Lease)	(75.69)	1,213.25
Short Term Borrowings	6,118.96	-
Interest Paid	(318.05)	(60.60)
Net cash from Financing Activities	5,725.22	1,152.65
Net Increase/ (Decrease) in Cash in hand and Cash Equivalents (A+B+C)	320.63	(5,483.58)
Cash and cash equivalents as at 1st April (Opening balance)	5,068.35	10,551.93
Cash and cash equivalents as at the 31st March (Closing balance)	5,388.98	5,068.35
Cash and Cash equivalents comprises of (refer note 16):		
Cash on hand	0.99	0.94
Cheques, drafts on hand	82.62	142.38
Balances with banks:		
Current Accounts	5,305.37	2,925.03
Deposits with original maturity of less than three months	-	2,000.00
	5,388.98	5,068.35

Notes:

- 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.
- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at 31st March, 2012 and the related Statement of Profit and Loss Account for the year ended 31st March, 2012.
- 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 28, 2012

Ajay Nanavati
Managing Director

Place : Bangalore
Date : May 28, 2012

For and on behalf of the Board

B.V.Shankaranarayana Rao
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 about 7000 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%
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 amortized over the period of lease as estimated by the management.

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

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 amortized 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

Income from duty drawback, contract research and management support services 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 (refer note 32).

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.

Superannuation

The Company makes contribution to the Superannuation 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, 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

NOTES TO THE FINANCIAL STATEMENTS

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 and at the bonded warehouse as at the period end, respectively.

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, 2012	March 31, 2011
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3. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

11,265,070 (2011:11,265,070) Equity Shares of Rs. 10 each	1,126.51	1,126.51
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ISSUED, SUBSCRIBED & PAID UP CAPITAL

11,265,070 (2011:11,265,070) 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-12		31-Mar-11	
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/-. 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-12		31-Mar-11	
	Number	Rs.	Number	Rs.
3M Company, USA	8,562,000	856.20	8,562,000	856.20

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

	31-Mar-12		31-Mar-11	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
3M Company, USA, the Holding Company	8,562,000	76.00%	8,562,000	76.00%

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	51,831.28	41,950.56
Add: Net Profit/(Net Loss) for the current year	6,477.17	9,880.72
Balance as at the end of the year	58,308.45	51,831.28
Total	59,290.60	52,813.43

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011		
5. LONG-TERM BORROWINGS				
Finance Lease Obligations	919.83	995.51		
Total	919.83	995.51		
Type of Security - Secured by hypothecation of assets taken on lease.				
Repayment Terms - 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 32)	253.39	243.54		
Provision for Leave Encashment / Compensated Absences	184.52	224.08		
Others				
Provision for Warranty	321.56	216.49		
Provision for Sales Tax	347.32	363.29		
Total	1,106.79	1,047.40		
Particulars	31-Mar-11	Additions	Reversals	31-Mar-12
a) Warranty	216.49	105.07	-	321.56
b) Sales Tax	363.29	83.27	99.24	347.32
Total	579.78	188.34	99.24	668.88
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) Sales tax provision 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		1,192.40		750.55
b) Claims against the Company not acknowledged as debts				
- Income Tax matters [net of amount paid under protest Rs. 83.71 (2011: Rs. 83.71)]		1,238.70		776.55
- Others (refer note 11)		181.77		-
c) Certain Industrial/ customer disputes are pending before various judicial authorities – amounts not ascertainable.				
Note: 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		2,806.35		4,684.84

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
7. SHORT-TERM BORROWINGS		
UNSECURED		
Loans repayable on demand from banks	6,118.96	-
Total	6,118.96	-
Type of Loan: Working Capital loan from bank.		
8. TRADE PAYABLES		
Dues to Micro, Small and Medium Enterprises (refer note 33 for details of Dues to Micro, Small and Medium Enterprises)	53.33	58.22
Others	14,594.29	12,035.03
Total	14,647.62	12,093.25
9. OTHER CURRENT LIABILITIES		
Current maturities of finance lease obligations (refer note 5)	553.59	217.74
Deposits from Customers	1,031.29	1,124.43
Statutory Liabilities	1,241.11	785.27
Other Liabilities	6,060.87	4,869.11
Total	8,886.86	6,996.55
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	38.10	32.09
Total	38.10	32.09

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, 2011	Additions	Disposal	As at March 31, 2012	As at April 1, 2011	For the Year	Disposal / Adjustments	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible Assets										
<u>Owned Assets</u>										
Land	227.95	-	-	227.95	-	-	-	-	227.95	227.95
Buildings	5,426.83	5,974.16	0.24	11,400.75	640.96	255.36	0.10	896.22	10,504.53	4,785.87
Plant and Machinery	11,846.96	6,850.00	71.46	18,625.50	4,157.50	1,407.22	48.88	5,515.84	13,109.66	7,689.46
Furniture and Fixtures	863.18	530.68	4.81	1,389.05	287.22	68.46	4.43	351.25	1,037.80	575.96
Vehicles	35.51	0.28	0.41	35.38	28.40	1.98	0.41	29.97	5.41	7.11
Office Equipments	1,134.44	800.06	12.09	1,922.41	669.53	225.07	12.09	882.51	1,039.90	464.91
Data Processing Equipments	558.17	-	6.44	551.73	453.04	23.05	6.44	469.65	82.08	105.13
Leasehold Improvements	1,787.71	72.67	-	1,860.38	729.03	179.13	-	908.16	952.22	1,058.68
<u>Leased Assets</u>										
Office Equipments	547.28	389.17	-	936.45	102.60	265.51	-	368.11	568.34	444.68
Leasehold Improvements	410.00	-	-	410.00	20.50	82.00	-	102.50	307.50	389.50
Vehicles	442.55	343.95	-	786.50	76.03	160.58	-	236.61	549.89	366.52
Total	23,280.58	14,960.97	95.45	38,146.10	7,164.81	2,668.36	72.35	9,760.82	28,385.28	16,115.77
Intangible Assets										
Goodwill	600.17	-	-	600.17	600.17	-	-	600.17	-	-
Computer software	115.37	220.57	-	335.94	106.43	29.73	-	136.16	199.78	8.94
Land-Leasehold (Refer Note below)	458.09	-	-	458.09	50.76	5.04	-	55.80	402.29	407.33
Total	1,173.63	220.57	-	1,394.20	757.36	34.77	-	792.13	602.07	416.27
Total Fixed Assets	24,454.21	15,181.54	95.45	39,540.30	7,922.17	2,703.13	72.35	10,552.95	28,987.35	16,532.04
2011	20,371.55	4,151.11	68.45	24,454.21	6,241.89	1,736.57	56.29	7,922.17	16,532.04	14,129.66

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, 2012

March 31, 2011

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, 2012 are:

Particulars	Asset		Liability	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Depreciation	-	-	1,117.08	688.71
Provision for doubtful debts	132.10	128.72	-	-
Provision allowed on payments, write off	1,425.46	1,199.92	-	-
	1,557.56	1,328.64	1,117.08	688.71
Net Deferred Tax Asset	440.48	639.93	-	-
Net Deferred Tax (Credit)/ Debit for the year	199.45	186.58	-	-

The tax impact for the above purpose has been arrived by applying a tax rate of 32.445% (2011: 32.445%) being the prevailing tax rate for Indian Companies under the Income Tax Act, 1961.

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	2,520.82	693.86
	2,520.82	693.86

Security Deposits

Secured, considered good	-	-
Unsecured, considered good	1,260.41	1,647.42
	1,260.41	1,647.42

Other Loans and Advances

Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	20.01	26.69
Prepaid Expenses	6.05	-
	26.06	26.69
Total	3,807.29	2,367.97

NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2012

March 31, 2011

14. INVENTORIES

Raw Materials

[including in-transit Rs. 2,289.42 (2011: Rs. 2,058.62)]	4,349.57	4,799.99
Work-in-progress	578.26	521.87
Finished goods	5,971.02	3,183.68
Stock-in-trade [including in-transit Rs. 3,531.69 (2011 : Rs.2,980.90)]	9,980.43	6,985.53
Stores and Spares	131.20	42.02
Packing Materials	361.18	359.52
Total	21,371.66	15,892.61

a) Details of Inventory of Stock-in-trade

Self Adhesive Labels	2,831.26	1,644.79
Surgical and Dental Products	968.54	1,002.93
Paint Polishes	178.25	352.29
Abrasives	1,833.94	916.34
Others	4,168.44	3,069.18
Total	9,980.43	6,985.53

b) Details of Inventory of Work-in-progress

Self Adhesive Labels	278.27	293.53
Fusion Bonded Epoxy Coating	51.52	84.87
Abrasives	21.13	34.81
Others	227.34	108.66
Total	578.26	521.87

c) Details of Inventory of Finished Goods

Self Adhesive Labels	3,748.63	1,294.93
Fusion Bonded Epoxy Coating	319.47	116.57
Abrasives	536.17	383.74
Others	1,366.75	1,388.44
Total	5,971.02	3,183.68

15. TRADE RECEIVABLES

Secured, considered good

Outstanding for a period exceeding six months from the date they are due for payment	86.64	46.04
Others	588.94	364.94
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	1,035.01	355.03
Others	21,679.59	18,908.62
Unsecured, considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment	382.94	372.52
Less: Provision for doubtful debts	(382.94)	(372.52)
Total	23,390.18	19,674.63

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
16. CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash on hand	0.99	0.94
Cheques, drafts on hand	82.62	142.38
Balances with banks		
Current Accounts	5,305.37	2,925.03
Deposits with original maturity of less than three months	-	2,000.00
Total	5,388.98	5,068.35
17. SHORT-TERM LOANS AND ADVANCES		
Security Deposits		
Unsecured, considered good	400.00	300.27
Unsecured, considered doubtful	40.85	40.85
	440.85	341.12
Less: Provision for doubtful deposits	(40.85)	(40.85)
	400.00	300.27
Other Loans and Advances		
Secured, considered good	-	-
Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	1,483.58	881.45
Advance income-tax (net of provision for taxation)	704.39	441.13
Prepaid expenses	361.11	409.57
Loans to employees	-	4.00
Balance with Statutory/ Government Authorities	3,720.11	3,472.59
Unsecured, considered doubtful		
Advances recoverable in cash or kind or for value to be received	54.12	54.12
	6,323.31	5,262.86
Less: Provision for doubtful advances	(54.12)	(54.12)
	6,269.19	5,208.74
Total	6,669.19	5,509.01
Loans to employees include dues from Executive Directors	-	4.00
	-	4.00

NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2012

March 31, 2011

18. REVENUE FROM OPERATIONS

Revenue from Operations

Sale of Products

Finished Goods	60,737.62	50,069.50
Traded Goods	84,108.40	71,834.78

Other operating revenue

Income from Contract Research [refer note 39 (c)]	1,410.92	738.86
Income from Management Support Services [refer note 39 (b)(ii)]	696.44	636.48
Income from Duty Drawback	127.14	172.84
Scrap sales	42.41	36.23

Revenue from Operations (Gross)

147,122.93	123,488.69
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Details of Product Sold

a) Finished Goods (net of excise duty)

Self Adhesive Labels	31,609.12	25,442.90
Fusion bonded Epoxy coating	6,892.45	6,595.88
Abrasives	3,055.64	3,041.73
Others	12,567.55	10,641.23

Total

54,124.76	45,721.74
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b) Traded Goods

Self Adhesive Labels	8,200.48	20,823.91
Surgical and Dental Products	15,397.03	13,633.57
Paint Polishes	2,287.52	1,979.83
Abrasives	20,543.73	17,010.48
Others	37,679.64	18,386.99

Total

84,108.40	71,834.78
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19. OTHER INCOME

Interest income	11.82	228.82
Provision for doubtful debts written back (net)	229.38	141.37
Debts written off now recovered	-	80.59
Income from sub-lease	134.95	130.12
Liabilities/ Provision no longer required written back	114.23	519.06
Miscellaneous income	36.36	-

Total

526.74	1,099.96
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NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
20. COST OF MATERIALS CONSUMED		
Raw Materials		
Opening Inventory	4,799.99	4,050.43
Add: Purchases	45,720.93	37,910.70
Less: Inventory at the end of the year	4,349.57	4,799.99
Cost of Raw Materials Consumed	46,171.35	37,161.14
Packing Materials		
Opening Inventory	359.52	231.27
Add: Purchases	2,384.54	2,026.56
Less: Inventory at the end of the year	361.18	359.52
Cost of Packing Materials Consumed	2,382.88	1,898.31
Sub Contracting Charges	2,801.69	2,025.43
	51,355.92	41,084.88
Details of Raw Material Consumed		
Abrasives	2,185.01	1,046.16
Tapes	2,926.84	5,438.53
Epoxy Resin	2,633.25	5,867.16
Paint Polishes	185.47	3,297.23
Others	38,240.78	21,512.06
Total	46,171.35	37,161.14
21. PURCHASE OF STOCK-IN-TRADE		
Traded Goods Purchased	41,389.05	31,101.99
Details of Purchase of Stock-in-trade		
Self Adhesive Labels	8,047.24	9,372.71
Surgical and Dental Products	5,366.76	8,049.51
Paint Polishes	461.41	1,646.44
Abrasives	6,488.27	5,726.57
Others	21,025.37	6,306.76
Total	41,389.05	31,101.99

NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2012

March 31, 2011

22. CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS & STOCK-IN-TRADE

Stock at the beginning of the year

- Work-in-progress	521.87		530.34	
- Finished Goods	3,183.68		2,228.73	
- Traded Goods	6,985.53	10,691.08	5,247.22	8,006.29

Less : Stock at the end of the year

- Work-in-progress	578.26		521.87	
- Finished Goods	5,971.02		3,183.68	
- Traded Goods	9,980.43	16,529.71	6,985.53	10,691.08

(Increase)/ Decrease in stocks (5,838.63) (2,684.79)

(Increase)/Decrease in Excise Duty (136.34) (58.76)

Total (5,974.97) (2,743.55)

23. EMPLOYEE BENEFITS EXPENSE

Salaries, Wages and Bonus 15,453.67 12,368.91
 [including provision for/ (write back of) Leave encashment Rs. (28.89)
 (2011: Rs. (47.44))]

Contribution to Provident and other funds (refer note 32) 1,860.93 1,502.62
 [including provision for Gratuity Rs. 309.85 (2011: Rs. 357.76)]

Staff Welfare Expenses 1,251.67 1,035.65

Total 18,566.27 14,907.18

24. FINANCE COST

Interest expense 318.05 80.02

Total 318.05 80.02

25. DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation on Tangible assets 2,668.36 1,731.27

Amortization on Intangible assets 34.77 5.30

Total 2,703.13 1,736.57

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
26. OTHER EXPENSES		
Consumption of stores and spare parts	426.96	385.93
Power and fuel*	939.35	774.92
Water charges*	38.36	20.28
Lease rental (refer note 35)*	2,196.97	1,907.64
Repairs and maintenance		
- Building*	355.34	304.87
- Plant and machinery	564.59	493.47
- Others *	226.98	129.85
Insurance	434.85	335.99
Rates and taxes	315.66	287.90
Communication *	420.85	196.89
Travel and conveyance	2,708.23	2,620.44
Legal and professional charges [refer note (a) below]	815.04	432.54
Selling, distribution and advertisement Expenses	4,926.76	4,980.92
Warranty (refer note 6)	105.07	25.32
Commission on sales	134.00	66.99
Freight outward (net)	503.14	309.46
Royalty [refer note 39(a)]	1,195.72	897.84
Corporate Management Fees (Net) [refer note 39(b)(i)]	4,568.79	3,477.26
Directors' sitting fees	7.20	7.20
Bad debts written off	229.38	260.20
Net Loss on foreign currency transactions and translation	249.53	230.07
Provision for doubtful debts (net of write back)	239.80	-
Advances written off	-	63.74
Loss on sale of Fixed assets (net)	23.09	12.16
Provision for asset written off	80.00	-
Bank charges	82.93	100.89
Miscellaneous expenses *	1,279.71	944.56
Total	23,068.30	19,267.33

* Net of recoveries amounting to Rs. 191.68 (2011: Rs. 161.02) 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	29.00	25.00
- Tax Audit Fees	6.00	5.00
In other Capacity		
- Certification and other services	16.20	9.60
Reimbursement of expenses	0.42	0.99
Total	51.62	40.59

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
27. VALUE OF IMPORTS ON C I F BASIS: (EXCLUDING GOODS IN TRANSIT)		
Raw materials	24,802.67	18,043.82
Traded goods	37,073.05	26,679.11
Stores and spares	68.98	52.70
Capital goods	69.48	2,446.23
Total	62,014.18	47,221.86

28. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

Travelling expenses	196.69	324.59
Corporate Management Fee	4,568.79	3,477.26
Royalty	1,123.38	855.09
Foreign Services Employees expense	173.04	312.03
Others (net of tax)	73.18	286.29
Total	6,135.08	5,255.26

29. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL, STORES & SPARES AND PACKING MATERIALS CONSUMED

(As certified by the Management)

	2012		2011	
	%	Rs.	%	Rs.
Raw Materials				
- Imported	79%	36,475.37	59%	21,925.07
- Indigenous	21%	9,695.98	41%	15,236.07
	100%	46,171.35	100%	37,161.14
Stores and Spares				
- Imported	25%	106.74	24%	100.34
- Indigenous	75%	320.22	76%	285.59
	100%	426.96	100%	385.93
Packing Material				
- Imported	-	-	-	-
- Indigenous	100%	2,382.88	100%	1,898.31
	100%	2,382.88	100%	1,898.31
		March 31, 2012		March 31, 2011

30. EARNINGS IN FOREIGN EXCHANGE (ACCRUAL BASIS)

Export of goods	2,210.46	2,821.94
Freight and insurance on exports	47.01	86.86
Contract Research	1,410.92	738.86
Re-charge of Other Services	1,043.35	636.48
Total	4,711.74	4,284.14

NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2012

March 31, 2011

31. RESEARCH AND DEVELOPMENT

During the year, the Company has started a Research and Development Center (Innovation Center) in Bangalore. The Company has also made an application to Department of Scientific and Industrial Research (DSIR) for recognition of the said Innovation Center as a recognised In-House Research and Development Center.

32. EMPLOYEE BENEFITS

- a) The Company has recognised, in the profit and loss account for the period ended March 31, 2012 an amount of Rs. 1,551.08 (2011: Rs. 1,144.86) expenses under defined contribution plans.

Benefits (Contribution to)

Provident Fund	765.14	530.65
Superannuation Fund	769.23	595.36
Employee State Insurance Corporation	16.71	18.85
Total	1,551.08	1,144.86

- 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	983.10	646.37
Current service cost	161.58	105.29
Interest cost	76.82	47.34
Actuarial (Gain)/ Loss	142.81	255.21
Benefits paid	(92.57)	(71.11)
Obligation as at the end of the year	1,271.74	983.10

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

Fair value of Plan Assets as at the beginning of the year	739.56	610.60
Expected return on Plan Assets	63.25	48.75
Actuarial Gain/ (Loss)	8.11	1.32
Contributions	300.00	150.00
Benefits paid	(92.57)	(71.11)
Fair value of Plan Assets as at the end of the year	1,018.35	739.56

III. Reconciliation of fair value of assets and obligations

Present value of obligation as at end of the year	1,271.74	983.10
Fair value of Plan Assets as at the end of the year	(1,018.35)	(739.56)
Unfunded amount recognised in the Balance Sheet	253.39	243.54

Recognised under:

Long Term Provision(refer note 6)	253.39	243.54
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IV. Expense recognised during the year

Current service cost	161.58	105.29
Interest cost	76.82	47.34
Expected return on Plan Assets	(63.25)	(48.75)
Actuarial (Gain)/ Loss	134.70	253.88
Expense recognized during the year	309.85	357.76

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
V. Investment Details of Plan Assets		
Insurer Managed Fund	100%	100%
VI. Assumptions		
Discount Rate (per annum)	8.60%	8.20%
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%

	2012 (12 Months)	2011 (12 Months)	2010 (15 Months)	2008 (12 Months)	2007 (12 Months)
VII Experience History					
Defined benefit obligation at the end of the year	(1,271.74)	(983.10)	(646.37)	(721.36)	(476.21)
Plan Assets at end of the year	1,018.35	739.56	610.60	477.58	390.11
Fund Status	(253.39)	(243.54)	(35.78)	(243.78)	(86.09)
Experience Gain / (Loss) adjustments on plan liabilities	(194.95)	(198.78)	(9.68)	37.69	41.09
Experience Gain / (Loss) adjustments on plan assets	8.11	1.32	19.00	(4.66)	1.46
Actuarial Gain / (Loss) due to change on assumptions	52.14	(56.43)	186.53	(248.56)	(77.42)

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 (2011: Rs. 250.00) is expected to be paid to the plan during the year ending March 31, 2013.

	March 31, 2012	March 31, 2011
33. 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	38.99	47.58
(ii) Interest due thereon remaining unpaid as at year end	14.34	10.64
(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.	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
(d) The amount of interest accrued and remaining unpaid as at year end		
(i) Total interest accrued during the period	8.69	8.02
(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.	5.65	2.62
Note: The above information has been determined based on vendors identified by the Company and confirmed by the vendors.		

34. 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)	21,230.95 (16,718.23)	31,385.97 (19,607.39)	- -	52,616.92 (36,325.62)
b. Remuneration to Directors	- -	- -	551.35 (501.09)	551.35 (501.09)
c. Corporate Management Fee	4,391.92 (3,477.26)	176.87 -	- -	4,568.79 (3,477.26)
d. Royalty	1,123.38 (855.09)	- -	- -	1,123.38 (855.09)
e. Recharge of expenses paid	173.04 (312.03)	- (0.52)	- -	173.04 (312.55)
f. Lease rental expenses	- -	- -	2.20 (6.60)	2.20 (6.60)
II. Income				
a. Sale of goods	- (18.40)	2,286.01 (2,840.13)	- -	2,286.01 (2,858.53)
b. Income from Contract Research	1,410.92 (738.86)	- -	- -	1,410.92 (738.86)
III. Others				
Recharge/ Reimbursement of expenses received	696.44 (636.48)	572.35 (292.48)	- -	1,268.79 (928.96)
IV. Purchase of Capital Goods	44.73 (525.70)	24.76 (137.81)	- -	69.49 (663.51)
V. Balances				
a. Outstanding receivables	541.50 (860.95)	814.48 (787.90)	- (4.00)	1,355.98 (1,652.85)
b. Outstanding payables	3,445.98 (3,142.04)	5,787.33 (3,884.13)	- -	9,233.31 (7,026.17)

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, 2012	March 31, 2011
Sale of Goods			
3M Gulf Limited	Fellow Subsidiary	1,819.48	2,348.37
Reimbursement of Expenses Received			
3M Electro & Communication India Private Limited	Fellow Subsidiary	191.68	161.02
3M Indonesia Limited	Fellow Subsidiary	255.07	131.46
Remuneration to Directors			
Ajay Nanavati	Key Management Personnel	270.91	292.12
B.V. Shankaranarayana Rao	Key Management Personnel	111.57	103.81
Sadhana Kaul	Key Management Personnel	110.72	105.16
R. Vijay Kumar (w.e.f 31st October, 2011)	Key Management Personnel	58.15	-
Purchase of Capital Goods			
3M China Limited	Fellow Subsidiary	-	115.36
3M Canada Company	Fellow Subsidiary	23.70	-
Purchase of Material			
3M Asia Pacific Pte Limited	Fellow Subsidiary	-	5,051.62
Sumitomo 3M Limited	Fellow Subsidiary	5,833.13	4,053.31
Names of related parties and description of the relationship:			
i) Holding Company	3M Company, St. Paul, 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, subject to the approval from the Share holders in the ensuing Annual General Meeting.
- Figures in brackets relates to the previous year.

NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2012

March 31, 2011

35. 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, 2012 is as under:

Minimum Lease payments

Lease rental charged to profit and loss account	2,196.97	1,907.64
Minimum lease payments not later than one year	1,138.05	1,251.35
Minimum lease payments later than one year but not later than five years	4,249.80	4,438.38
Minimum lease payments later than five years	-	875.85

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, 2012 are as under:

Minimum Lease payments

Minimum lease payments not later than one year	623.73	217.74
Minimum lease payments later than one year but not later than five years	1,024.20	1,390.88
Minimum lease payments later than five years	-	-

Present Value of Minimum Lease payments

Minimum lease payments not later than one year	599.15	200.32
Minimum lease payments later than one year but not later than five years	874.18	1,009.18
Minimum lease payments later than five years	-	-

The Company has entered in an agreement for sub-lease of office premises. The sub-lease is for a term of three year, expiring on August 31, 2012. The future minimum lease under this sub-lease agreement is as under:

Income from sub-lease	134.95	130.12
Minimum lease rentals up to one year	51.96	121.25
Minimum lease rentals later than one year but not later than five years	-	51.96
Minimum lease rentals later than five years	-	-

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

36. EARNING PER SHARE

Net profit attributable to equity shareholders	6,477.17	9,880.72
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.)	57.50	87.71

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
37. SEGMENT REPORTING		
Segment Revenue (net sale / income)		
a) Industrial and Transportation Business	69,120.11	55,489.75
b) Health Care Business	18,283.91	16,092.93
c) Safety, Security and Protection Services Business	20,017.90	17,324.12
d) Consumer and Office Business	12,256.96	9,823.12
e) Display and Graphics Business	18,507.52	17,513.92
f) Others *	2,323.67	2,897.09
Net sales/ income from operations	140,510.07	119,140.93
Segment Results (Profit before interest and tax)		
a) Industrial and Transportation Business	5,717.41	7,808.37
b) Health Care Business	1,117.69	1,255.13
c) Safety, Security and Protection Services Business	1,259.06	2,109.14
d) Consumer and Office Business	(396.05)	(90.49)
e) Display and Graphics Business	1,337.60	2,317.61
f) Others *	366.66	386.77
Total Segment Results	9,402.37	13,786.53
Less : Interest expense	318.05	80.02
Add: Other un-allocable income net off un-allocable expenditure	526.74	1,099.96
Total profit before taxation	9,611.06	14,806.47
Segment Assets		
a) Industrial and Transportation Business	40,496.36	29,434.33
b) Health Care Business	7,672.15	6,756.22
c) Safety, Security and Protection Services Business	14,435.30	12,393.20
d) Consumer and Office Business	5,021.53	3,662.14
e) Display and Graphics Business	7,283.68	8,946.97
Unallocated corporate assets	17,226.25	13,911.88
Total Segment Assets	92,135.27	75,104.74
Segment Liability		
a) Industrial and Transportation Business	11,080.76	8,307.01
b) Health Care Business	3,021.25	2,948.27
c) Safety, Security and Protection Services Business	3,301.56	2,831.01
d) Consumer and Office Business	2,226.93	1,649.13
e) Display and Graphics Business	3,021.91	2,527.91
Unallocated corporate liability	9,065.75	2,901.47
Total Segment Liability	31,718.16	21,164.80

NOTES TO THE FINANCIAL STATEMENTS

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

	March 31, 2012	March 31, 2011
Capital Expenditure		
a) Industrial and Transportation Business	2,845.81	3,421.00
b) Health Care Business	1,090.10	1,089.17
c) Safety, Security and Protection Services Business	1,290.95	1,576.11
d) Consumer and Office Business	753.29	710.84
e) Display and Graphics Business	437.17	1,211.26
f) Others	1,424.16	1,590.62
Total Capital Expenditure	7,841.48	9,599.00
Depreciation Expenses		
a) Industrial and Transportation Business	1,507.89	879.74
b) Health Care Business	317.37	228.21
c) Safety, Security and Protection Services Business	415.22	254.76
d) Consumer and Office Business	225.23	138.65
e) Display and Graphics Business	134.03	235.21
f) Others	103.39	-
Total Depreciation	2,703.13	1,736.57
Non Cash Expenses Other than Depreciation		
a) Industrial and Transportation Business	118.94	63.42
b) Health Care Business	29.26	46.60
c) Safety, Security and Protection Services Business	40.76	22.89
d) Consumer and Office Business	14.75	4.24
e) Display and Graphics Business	25.92	43.82
f) Others	10.17	1.60
Total Non Cash Expenditure	239.80	182.57
*includes		
Domestic sales/ Income	75.55	36.60
Export sales	2,248.12	2,821.94

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.

NOTES TO THE FINANCIAL STATEMENTS

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

38. 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. 44.36 (2011: Rs. 35.40) and cumulatively amounting to Rs. 261.07 (2011: Rs. 216.71) from the salary of the employees who have opted for the plan. As of the year end a sum of Rs. 3.42 (2011: Rs. 3.13) is pending remittance to the holding company and the same is included under Other 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. 319.81 (2011: Rs. Nil) has been debited to the 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 8,858 stock appreciation rights (SARs) (2011: 9,333) and 1,968 restricted stock units (RSUs) (2011: 6,664) on various dates of which none are vested. However 2,547 stock appreciation rights (SARs) (2011: 129) and 2,848 restricted stock units (RSUs) (2011: 696) were settled on account of being fully vested and exercised resulting in an outstanding balance of 34,734 stock appreciation rights (SARs) (2011: 28,423) and 10,371 restricted stock units (RSUs) (2011: 11,251) 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.

39. 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. 1,195.72 (2011: Rs. 897.84) for the period April 1, 2011 to March 31, 2012.

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, 2012	March 31, 2011
The Company has incurred the following expenditure:		
- Laboratory and Technical Assistance Manufacturing Services	568.15	1,391.45
- Selling and Marketing Services	2,979.94	1,371.29
- Information Technology Services	482.06	461.44
- Other Managerial Services	538.64	253.09
Total	4,568.79	3,477.27
- Foreign Services Employees Expense are included in Employee Costs amounting to	173.04	312.03

NOTES TO THE FINANCIAL STATEMENTS

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

The Company has accrued an amount of Rs. 1,250.00 (2011: Rs. 1,000.00) in respect of estimated liability for the above services during period January 1, 2012 to March 31, 2012; the actual liability would be ascertained by December 2012.

(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. 696.44 (2011: 636.48).

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. 1,410.92 (2011: Rs. 738.86).

40. The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

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

For and on behalf of the Board

Dibyendu Majumder
Partner
Membership No: 057687

Ajay Nanavati
Managing Director

B. V. Shankaranarayana Rao
Whole-time Director

V. Srinivasan
Company Secretary

Place : Bangalore
Date : May 28, 2012

Place : Bangalore
Date : May 28, 2012



3M INDIA LIMITED

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

ATTENDANCE SLIP

(To be presented at the entrance)

25TH ANNUAL GENERAL MEETING ON THURSDAY,
JULY 26, 2012 AT 10.30 A.M.

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

Folio No.....DPID 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 25TH Annual General Meeting of the Company to be
held on THURSDAY, JULY 26, 2012 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.....DPID No.....

Client ID

No. of shares held.....

Signed this day of2012.

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
24, Vittal Mallya Road
Bengaluru - 560 001
Tel.: +91 80 2223 1414
Fax: +91 80 2223 1450
www.3M.com/in

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