

Growth for good

2018-19
Annual Report

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

India's time is

An inclusive outlook for development offers immense opportunity for 3M to partner in empowering a future ready India. Envisaging growth for all, stretching our aspiration to every company, every home and every life.

Science plays a critical role in building a resilient future where everyone can thrive. Today, 3M is growing its business in India by unleashing the potential of our science and innovations that help bring to life the aspirations of India's people.

Growing with purpose. Growing for good.

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



Customer at our core

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



Innovation for India

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



Design-led innovation

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



On ground partnerships

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

now.



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Dear Shareholders,

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

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

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

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



**Bharat
D. Shah**
Chairman

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

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

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

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

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

Thank you.

Dear Shareholders,

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

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

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



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

Customers at our Core

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

Innovating for Impact

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

- A new product category for home organization and décor, Command™ Hooks taps into the creativity of people keen to add personal touches to their homes without damaging walls.

- Our diverse solutions, from high performance adhesives to safe road furniture were a part of the iconic engineering marvel, the Statue of Unity project.
- Several of our solutions, from signages, variable messaging signs to weather resistant graphic wraps on trains helped tourists find the way at Kumbh Mela 2019.
- New products in vehicle air care enabled passengers breathe clean air inside their cars.
- We collaborated with State Governments, specifically, Karnataka State Government to equip construction workers with safety kits, training and education.
- We introduced an online education platform, 3MSM Healthcare Academy, offering a wide array of specialised courses and certifications for the medical fraternity, especially nurses.
- Our home care range expanded to include several new cleaning tools such as bottle brushes addressing local insights. The brand also took a bold stand to drive gender-neutral messaging around the theme – *Ghar Sabka Kaam Sabka*, which resonated with today's socially conscious youth.

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

On ground partnerships to create wider impact

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

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

Design-led innovation

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

Beacon of corporate excellence, ethics and integrity

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

Creating sustainable impact on our communities

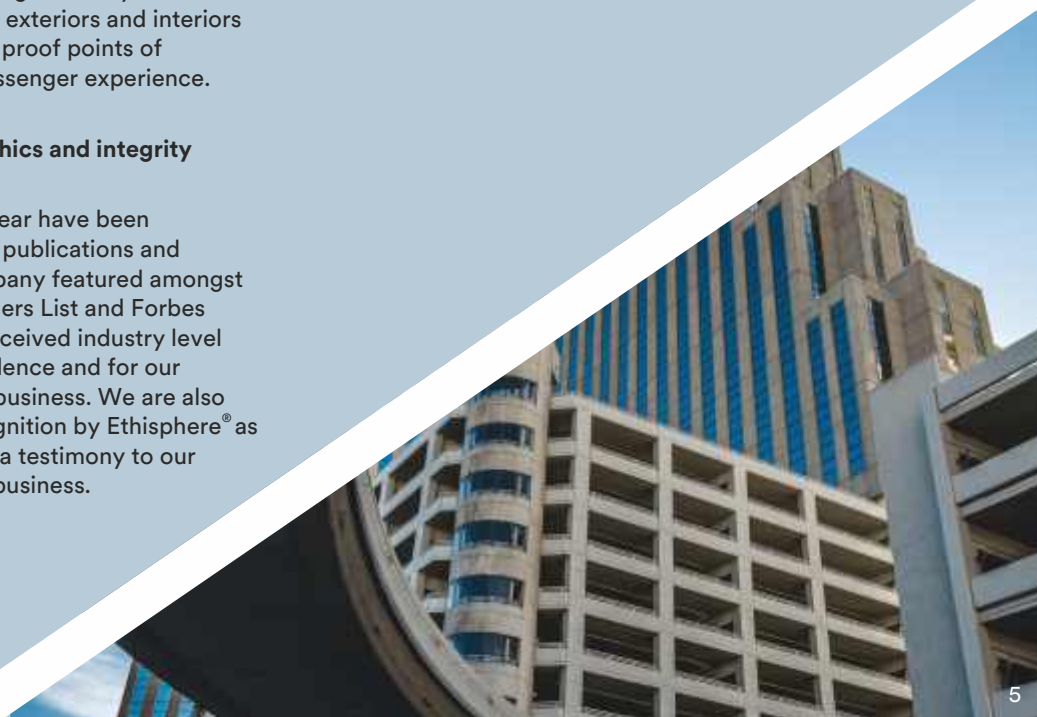
With improving performance, our CSR efforts have dramatically expanded our impact in our communities, touching the lives of more than 30,000 beneficiaries. We also announced our prestigious partnership with Project Nanhi Kali empowering 2,000 girl children in rural Maharashtra through education. In addition,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

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

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

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

Thank you.



Dear Shareholders,

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

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

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



Ramesh Ramadurai
Managing Director
June 1, 2019 onwards

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

I am committed to build on the success and impact we have achieved and drive a purposeful path forward. Our focus will be stronger than ever to be more relevant to the growing aspirations of Indian consumers and drive value through our differentiated solutions, global science expertise and local manufacturing. Your company has shown itself to be adaptive and resilient against the backdrop of a rapidly changing economic environment, attributes which will continue to serve us well in the years ahead. We have an energized and engaged workforce

committed to uphold the values of the company. Above all, we will continue in our endeavor to create positive impact in our communities, improve lives and support India's progress.

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

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

Thank you.



2018-19 Highlights

Customer at our core



Sampark Initiative

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

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

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

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



How did we move from transactional relationships to be the ones who receive the first phone call when our customers have a mission critical need? Thinking with and like the customer has enabled 3M to empower our customers' quest to solve challenges in the markets they serve.

Forging deeper customer connections by bringing 3M science to life



2018-19 Highlights Innovating for India



Bridging the ancient and the future

Varanasi Smart City Branding & Beautification

Re-branding Varanasi into a Smart City with a unique persona, meant re-imagining how public spaces could tell a story. 3M positioned its non-PVC green graphic film as a replacement for traditional hand painting on city infrastructure. The film's diverse application meant it could be wrapped around structures such as city water tanks, totem and high mast poles apart from the walls and buildings. Added to that, a winning design concept, captured the cultural ethos of the city, with the ability to stand the test of time. This model of engagement has enabled 3M to participate in other city branding initiatives to build citizen pride.



India's bold vision for progress, has unlocked opportunities for 3M to create impact across the country's growth sectors. FY 2018-19 saw 3M enter new market segments, solve critical challenges in the execution of large public infrastructure initiatives and empower professionals across industries with our technologies and product portfolio.



Mission Iron Man

A unified 3M offering from bonding to road safety to build India's iconic statue.

The construction of this engineering marvel was no mean feat. Approximately 7,000 bronze panels that form the cladding of the world's tallest statue were RFID tagged to enable assembly and erection. Each of the tags were held by a long lasting, non-corrosive 3M adhesive solution which assisted builders in erecting this colossal statue. As a major tourist attraction, the roads leading up to the Statue of Unity were dotted with 3M's road safety solutions while 3M non PVC graphics were used to display stories in the museum providing a world-class experience to visitors.



Paths to a Spiritual Journey

Enhancing Kumbh Mela as the ultimate spiritual experience

A record number of tourists visited Kumbh Mela 2019. The scale of crowd management and surveillance required live information to be communicated to visitors. 3M's intelligent Variable Messaging Signs displayed real-time information assisting people to the Mela areas, while way finding signage enhanced the overall experience. The special trains introduced to ferry people to Allahabad were wrapped in 3M weather resistant graphic films enhancing the visual appeal of the world's largest religious gathering.

2018-19 Highlights Innovating for India



Commanding weight in the Home Improvement market

Command™ Hooks

A young India is on the move, preferring to rent spaces and yet claim their personal identity. Nails and hammers didn't offer the flexibility and convenience to display memories of togetherness, festive spirit or a little one's first smiley drawing. A new market opportunity emerged for 3M to introduce Command™ hooks for easy and practical home décor and organisation.

Command™ Hooks' effortless application, ability to take load and ease of removal have established it as a category leader in a short time. Command's value proposition appealed to the young, net-savvy consumers, willing to try new DIY solutions.

Now available in more than 150 stores across India, this launch gave 3M its first entry into the Indian home improvement market.



Easy home cleaning for all

Scotch-Brite® Broom, Bottle Brush and Silver Sparks Scrub Pads



Over the years, Scotch-Brite®, one of 3M's trusted brands in India has emerged as a category leader in the home cleaning market. In FY 2018-19, the brand stepped up in a big way, by taking a social stand with gender-neutral messaging in its advertisements. "Ghar Sabka Kaam Sabka" was a national campaign that questioned traditional roles at home calling people to roll up their sleeves and share the responsibility.

Scotch-Brite® also expanded its range with new cleaning tools like Scotch-Brite® Broom, which reduces the effort required for sweeping through an ergonomic design, Scotch-Brite® Bottle Brush which keeps bottles clean and scratch free and Scotch-Brite® Silver Sparks, which reassures users about the cleaning potency with visual silver speckles.

Breathing easy inside cars

3M™ AC Evaporator Cleaner and 3M™ Air Refresher



A fast growing automobile market and a heavily polluted environment do not make a healthy combination. Two new offerings – 3M™ AC Evaporator Cleaner and 3M™ Air Refresher – are redefining the vehicle air treatments segment.

Designed for quick turnaround and effective cleaning and disinfection, these products are helping deliver germ-free air and fresh smelling cabins.

2018-19 Highlights Innovating for India



Road safety that lasts

3M™ Raised Pavement Markers

Cramped roads with low visibility require solutions that reliably guide motorists to safety. Over the years, 3M's Raised Pavement Markers have been used for lane and pavement marking, effectively alerting road users. Tough weather and road conditions do take their toll in the long term, so the design of the product was enhanced to take on heavier vehicle load and reduce the impact of tyres.

The next generation Raised Pavement Markers incorporated several new enhancements - a novel honeycomb weld that lends better joint strength, offers even load distribution, reduces tyre impact on the lens along with robust anchoring to the road surface.

Ensuring workers return home safe

Customised safety kits and education



Ensuring India's ambitious infrastructure projects stay on track means safeguarding a workforce that performs under difficult conditions. 3M participated in the safety and welfare initiative by the Government of Karnataka for their construction workers by providing customised safety kits which included sight, hearing, and head protection personal safety devices.

In addition, more than 50,000 workers across the state underwent specialised training by 3M safety experts.

Improving professional expertise among nurses

3MSM Healthcare Academy



Nurses in India work long hours in tough conditions leaving little room for personal learning and development. Yet, the demand for specialized care continues to grow. To address the lacuna of trainers and educators in hospitals, 3M introduced an innovative model of online accredited courses for nurses through the 3MSM Healthcare Academy .

With e-learning options like video modules, mobile applications and webinars, nurses get access to global content and healthcare educators. The initiative has expanded reach to nurses in Tier 2 & 3 cities, while paving the way for a wider acceptance of 3M's healthcare solutions in several hospitals.

2018-19 Highlights Humanising technology through Design



3M Design India

Momentum for Design and design thinking in India is growing, built on professionalism and greater focus on customer value. In FY 2018-19, 3M Design Center for India was opened at our Electronics City campus in Bengaluru to drive deeper engagement and value for our customers.

The India Design Center is one of 5 global design hubs set up to accelerate the growth of design-led innovation. The center houses a team of designers with diverse creative backgrounds to engage with partners in business and academia. With its open design space, proximity to our labs and opportunities to experience 3M's materials and technologies, the center encourages early design involvement to strengthen customer engagement.

The mission of collaborative creativity is driven through platforms such as the *3M Design Summit* for design thought leaders and *Design Meets Design* which encourages cross-sharing between designers in peer companies. Several new opportunities have emerged which offer scope for 3M to provide value with Design as a key differentiator.



Design thinking that is inspired by challenges posed by the market and sharp local insight is re-shaping the way we develop newer, and sustainable solutions that delight customers, through the power of collaborative creativity.

Moving a nation with style and efficiency



3M's collaboration with the Indian Railways is an example of design leading innovation and transforming experiences for end consumers. From technical applications to the aesthetic, 3M science and design solutions played a pivotal role in re-imagining coach building and design.

This collaboration has led to the launch of several new trains carrying never-before-seen graphics, ushering in a new look for the Indian Railways. 3M materials are also helping to reduce energy consumption in AC coaches and being deployed to build dry toilets inside trains while our weather resistant wraps on train bodies offer a vibrant branding platform.

The impact of design thinking has extended to public spaces such as city railway stations. The New Delhi Railway station has seen a makeover with 3M graphic materials bringing in a vibrant, new look with attractive design.

2018-19 Highlights On ground partnerships



Collaboration to help India breathe easy **MOU with Chest Research Foundation**

Constant exposure to air and industrial pollution has given rise to obstructive airways diseases such as, Chronic Obstructive Pulmonary Disease (COPD) and asthma. Most cases of asthma and COPD remain undiagnosed due to the lack of credible research, infrastructure and skills for treatment. Educating the medical fraternity and citizens can enhance early and accurate diagnosis, and proper treatment.

In FY 2018-19, 3M announced a partnership with the Chest Research Foundation (CRF) to build awareness through joint research. The collaboration also includes the education of over 3,500 pulmonologists on the management and prevention of chronic occupational lung diseases through training, conferences and seminars.



National initiatives such as Make in India, Start-up India and Skills India have opened up opportunities for 3M to participate to create wider societal impact through our expertise and solutions.

Mentoring Budding Entrepreneurs

MOU with B-Nest, Bhopal Smart City Development Corporation Limited (BSCDCL)



Government of India's Smart Cities and Start-up India initiatives have provided the much-needed boost to the emerging start-up ecosystem in India. Several State Government supported incubation centers are partnering with the private sector in areas of knowledge transfer, technology assistance and mentorship. 3M continued its commitment to India's start-up initiative by partnering with the Bhopal Smart City Development Corporation's B-Nest Incubation Center.

Budding tech start-ups at B-Nest working on technologies and solutions for Smart Cities are gaining from pro-bono mentoring sessions with 3M experts, campus visits and access to networks as they build their entrepreneurial dream.

2018-19 Highlights

3M India's foray into power and electronics segment



With the acquisition, we have added a new manufacturing facility based in Pimpri, Pune. The plant is equipped with a full-fledged research facility, manufacturing and warehousing space spread over 19,000 sqm and an employee strength of 169 employees.

Differentiated technology platforms applied at the plant include - cable jointing, heat shrink & cold shrink, compounding, extrusion, expansion, rubber and plastic moulding, kitting, electrical and electronics assembly.

These technology applications enable the company to serve customers in sectors like power, telecom, electronics, pharma, infrastructure and construction. The facility is a designated “Center of Excellence” for the Heat Shrink platform, which is applied to solutions for power utilities in cabling and termination of power lines.

These technology applications enable the company to serve customers in sectors like



India is powering its way into the future with an electrical grid that's connecting more lives and gearing up for electrified mobility. In FY 2018-19, 3M India Limited acquired a hundred percent stake in 3M Electro & Communication Private Limited (3M E&C), a company with expertise in electricals and electronics, adding to 3M's capability and product portfolio.

2018 - 2019 highlights



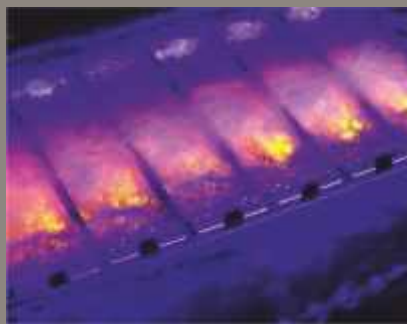
- 3M entered the high voltage segment with products like jointing and termination kits that enable reliable power installations. The portfolio was locally manufactured at the Pimpri plant with in-house technical knowhow.
- A dedicated Automotive Electrification (AE) unit was set up to cater to emerging trends in the automobile industry. Tie-ups with Automobile OEMs, battery manufacturers, regulatory bodies and design houses were established to follow an integrated approach towards developing this technology.
- 3M also participated in the Global MOVE Summit targeting the Auto Electrification segment and was one of the two component companies invited to showcase technologies.

Products & solutions



Electrical Accessories for Power Sector

- Power cable accessories for various voltage classes
- Electrical and electronic specialty insulating tapes, tapes for Maintenance, Repair & Operations (MRO)
- Underground asset tracking using locating & marking products



Electronics Materials

- Electronic coatings
- Engineering fluids for immersion cooling
- Connectors, cables, cable assemblies, sockets and embedded capacitance materials for electronic manufacturing



Filtration Solutions

- Industrial filtration systems
- RO & Drinking Water Systems
- Residential Water Purification Systems

How we work

Applying Science

to improve every life

Our Vision

3M continues to be inspired and motivated by our corporate vision, which guides our work every day:

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

Our vision is aspirational and drives us as we look into the future, serving as a daily reminder of what the 3M brand stands for.

3M Value Model

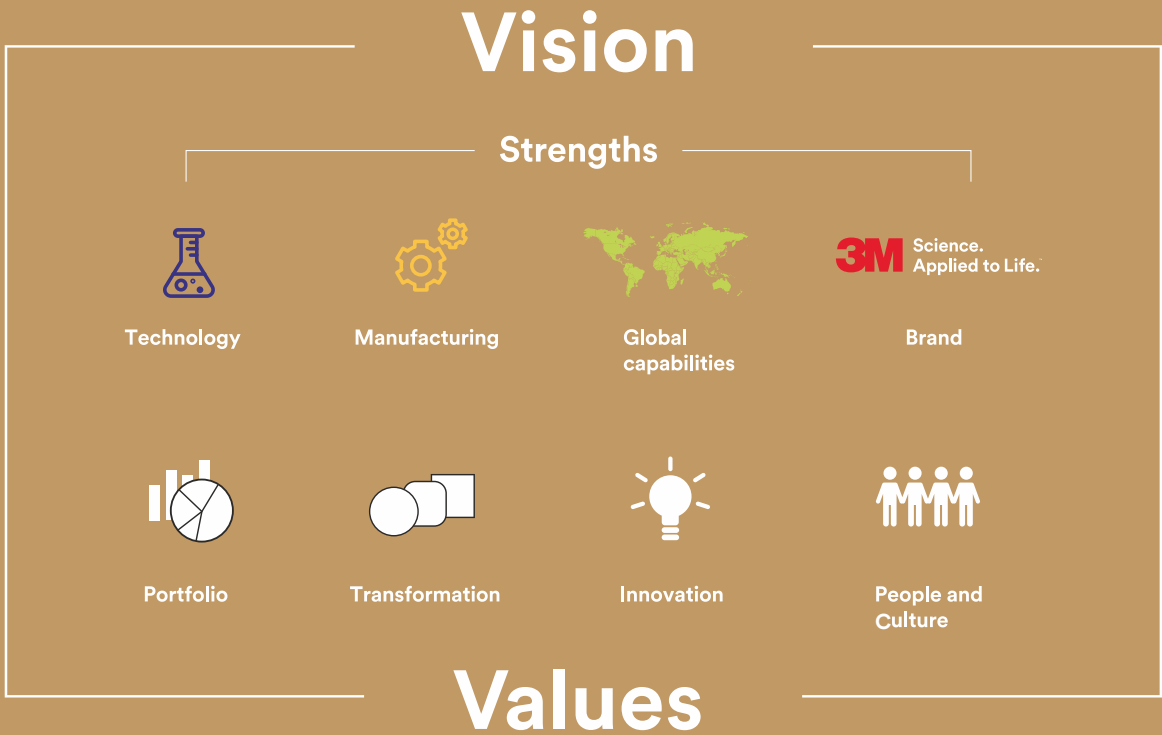
3M's actions are guided by our vision and values of uncompromising honesty and integrity.

Our Value Model makes us unique among companies and differentiates us in the marketplace. This Value Model links our vision, our fundamental strengths, the priorities we're driving, and our values as a company.



A sense of purpose is at the heart of how we approach every business, every idea, every product, every community, and every life we touch. A commitment to ‘improve every life’ – that’s our promise to the world we live and work in.

3M Value Model



Sustainability framework



Science for Circular
Design solutions that do more with less material, advancing a global circular economy.



Science for Climate
Innovate to decarbonize industry, accelerate global climate solutions and improve our environmental footprint.



Science for Community
Create a more positive world through science and inspire people to join us.

These priority areas build off the strength of our existing 2025 Sustainability Goals as we apply science to improve every life. They also guide business decisions and strategy, as well as, how we focus our efforts for local and global community impact.

How we work

Global challenges

Our commitment

Challenges



Raw materials

As more resources are consumed by an ever-growing population, it is imperative that product design and manufacturing processes consider the ecological impact during life and after end-of-life. 3M's edge begins with our well established safe ecological practices.



Water

Cities without water, parched fields – this stark reality is already here. Our responsibility begins at our plants – from the way we save this scarce resource, to stringent manufacturing processes to reduce consumption.



Energy & climate

Climate change is here to stay unless we drastically alter consumption and adopt renewable alternate sources to power our needs and answer those of our customers.

Our Action

21% reduction of waste

(Kg/MT of production)

Recycling our waste to fuel

At our plants, we have been working to reduce waste at the source. Our waste from manufacturing processes is being used as alternate fuel by our associates in the cement industry. The waste is co-processed and doesn't leave a footprint. This initiative has helped us reduce our carbon footprint by 400 metric tonnes of CO₂.

57% reduction of water

(KL/ MT of production)

Reduce and recycle

We monitor water usage with meters and pressure gauges, and take all measures to prevent water leakage. Treated waste water is reused in our plants.

28% reduction of energy

(MMTU/ MT of production)

17% increase in renewable energy share

Most of our energy needs at our plants are powered by renewable energy sources.

As a company rooted in scientific exploration and with the belief that every problem has a solution, we are applying our technological expertise to solve some of the world's biggest challenges on raw materials, water, energy and climate and health and safety.



Health & safety

In an age when the Government, corporations and consumers are laying an increasing emphasis on safety, we are proud to say that 3M has been a safety pioneer for decades. With entire divisions and technologies invested in the business of safety, 3M is equipped to deliver solutions dedicated to human health, protection, security and safety.



We believe safety first begins at home, protecting our key asset, the 3M employee. All three manufacturing plants have health and safety management systems certified to OHSAS 18001: 2007. 3M Corporation has recognised all of our manufacturing facilities with the highest award for safety excellence – The CEO Safety Award.

In FY 2018-19, two of our facilities – Ranjangaon and Electronics city, were conferred with this global recognition.

Impact

Zero Lost Time Accidents

Zero Level 2 Fires & Spills



3M's leadership in safety extends to our communities. The Safety-on-Wheels, **Audhyogik Suraksha Rath** initiative launched in partnership with the Ministry of Labour & Employment and DGFASLI has been expanding its footprint across industrial clusters in the country. Over the year under review, our safety experts covered more than one lakh workers across industries through training and education programs.

Our safety message also reached Government schools where some of our employees conducted awareness sessions on road safety along with local traffic police personnel.

Impact

1 Lakh plus safety professionals reached through the Audhyogik Suraksha Rath program

How we work

Helping our customers meet their sustainability goals



Naturally brilliant

The need to light up spaces has exponentially increased with commercial and other spaces being lit up even during the day. Pioneering film technology in 3M™ Daylight Redirecting Film is revolutionizing the way spaces are being lit up. Without the need for extra installations, special fixtures or cleaning, this film, when applied on existing windows, can reflect natural light up to 40 feet into interior spaces. This film reduces glare, increases occupants' well-being and lowers energy bills by up to 52%.

Our customers' challenges are our challenges. That's why we are committed to partnering with customers to identify and collaborate on solutions to help them address their goals.

Cooler data for the world



As data rules our lives more than ever before, the installations that store and transmit it are consuming precious energy.

Our line of non-conductive, sustainable 3M™ Novec™ Engineered Fluids are ideal for immersion cooling in data centers. As a result, energy use (and costs) can be slashed by up to 97% while shrinking data center size and enabling optimal performance.

Sustainable rail travel



With new trains being rolled out, more rail carriages demand long-term, corrosion protection that does not damage the environment. 3M's expertise in VOC free solutions, led to the development of Scotchkote™ waterborne epoxy coatings, extensively used for the protection of rail cars and components. Being water based, these coatings reduce VOC emission during application and in their lifetime, delivering reliable protection and leaving a greener footprint.

Adding warmth to patient care



Increased life expectancy is aided by better patient care. Our experience showed that unintended hypothermia during anaesthesia resulted in longer hospital stays, increased wound infection and even death. 3M™ Patient Warming systems use forced-air to assist healthcare professionals deliver superior treatment without threatening hypothermic conditions.

How we work People & Culture



A culture that celebrates learning everyday

In FY 2018-19, we launched new programs to strengthen our development framework that animates our ambition of learning and development for all. For our people leaders, we put in place a workshop series called 'India People Leader Journeys' with a curriculum for supervisors based on their roles and experience levels (New Leaders, Evolving Leaders and Experienced leaders) to better equip them to lead people in today's VUCA environment.

"Arts for Inspiration" was an initiative to help our leaders learn from excellence in diverse fields. Speakers included path breaking artists like Arundhati Nag and Malavika Sarukkai.



A culture of continuous learning was brought in with the "MasterClass" series, which leveraged in-house expertise to sharpen skills on topics like finance, design thinking and business storytelling.

We also continued to invest in our global e-learning ecosystem, 'DevelopU' which puts learning in the hands of employees with customized virtual learning modules in short bytes.

Our people are our best ambassadors, representing a culture that respects every individual and inspires a sense of purpose. In FY 2018-19, 3M continued to foster a strong culture of learning across roles and locations with several people-focused initiatives.



Listening to diverse voices

'Be respectful' - one of our key tenets defines the way we interact with every stakeholder from employees to vendors. Our open culture and communication has gained traction through two company-wide initiatives:

"BetweenUs", an interactive face-to-face session with the Managing Director and top management brings together 3Mers from all branches and plants to discuss company direction and priorities.

"Dialogue with MD" was a face-to-face session with the Managing Director to share and discuss the unique professional challenges women face. This helped address concerns and develop initiatives to advance women's leadership in the company.



Driving impact with purpose

Solving the world's needs often requires inspired insight from committed professionals with relevant experience. The "3M Impact" initiative is a global pro-bono program that utilizes special skill sets of 3Mers to work on areas aligned to our CSR focus areas and the UN Sustainable Development Goals.

Teams of 3Mers spend four weeks with various stakeholders developing solutions for social and environmental causes in markets with high social needs. Through this program, 3Mers from India have contributed to causes around the world and their shared experiences enhance their personal and professional development.



From the floor to our customers

Factory shop floor employees feeling disjointed with the corporate vision is often a challenge faced by manufacturing companies.

To bring togetherness and establish our technical associates as a pivot in the bigger picture of growth, we initiated "Associates Contributing Together" (ACT), a program to build learning agility and cross-line collaboration for customer wins. Focused Town Hall sessions with the company leadership have furthered their understanding of the corporate vision.

How we impact Sustainable impact on our communities

Education

Empowering the girl child

Educating the girl child is an urgent priority to ensure greater participation of women in the workforce. 3M responded to this cause with two initiatives in FY 2018-19 to reduce the drop out of girls from schools.

Our partnership with **Project Nanhi Kali**, which is jointly managed by **K.C. Mahindra Trust** and **Naandi Foundation**, sponsors the education of 2000 first generation learners in rural Maharashtra. This after-school program run at academic support centers in Government schools, helps build the foundation in subjects like Maths, English and the local language among the girl students. Tablets with pre-loaded audio visual content are innovative ways in which learning is made interesting.

In Kolkata, 3M supported the construction of a new residential block to provide a safe haven for 100 girl students at the **Parivaar Education Society** to continue their education.

Nanhi kali³
for the girl child

As we grow, our social investments have increased through scalable partnerships to touch many more lives of the underprivileged sections of our society.

Born Learning Program to transform Anganwadis



Our longest serving program, the Born Learning initiative in partnership with United Way of Bengaluru works towards the holistic development of children, below the age of 6 years, addressing learning, nutrition and healthcare.

The program has scaled up to transform Anganwadis into safe, child-friendly learning centers in 9 cities benefitting 18,300 children. This systemic change is led by an active community of mothers and Anganwadi teachers who play pivotal roles in helping these children make a positive transition to formal learning.



Giving wings to India's young scientists and social innovators



The 3M-CII Young Innovators Challenge Awards Program in partnership with the Confederation of Indian Industry (CII) completed five years of supporting innovators to advance their ideas and prototypes. In FY 2018-19, the Challenge recognized 7 breakthrough early stage ideas with grants and access to professional networks.

A new category, launched to promote rural innovations, enriched the Challenge with promising ideas to address the needs of rural communities.

How we impact Sustainable impact on our communities

Environment



Rejuvenating our lakes

Bengaluru is waking up to the threat of rapidly depleting water bodies especially the city's lakes. 3M partnered with United Way of Bengaluru's "Wake the lake" campaign to revive Lake Singasandra, near Electronics city. Continuous intervention with infrastructure improvements has significantly increased green cover with the revival of aquatic and bird life. Over 5,000 bio-diverse saplings have been planted in the lake's vicinity. Residents around the lake have been drafted into a lake community that organises local festivals and tree planting drives that ensure ownership.



Helping our farmers conserve water

Inadequate rain and water scarcity have affected the lives of agricultural communities in water stressed areas in Latur district. Towards this, 3M contributed to the construction of check dams which can harness and store rainwater to help farming communities. The 2nd year of our intervention has resulted in the desilting, widening of river tributaries and tank nalla bunds (dams) being built at 7 sites in 4 villages.

Community



Healthcare for the last mile

With increasing pressure on healthcare systems, a skilled workforce is key to providing better patient care. 3M supported the **Pahal Project** with other partners, to skill 400 women community health workers who play a vital role in promoting good health practices, especially at the last mile.

3M contributed from its vast expertise in infection control towards the curriculum, content and delivery of the program. Our faculty delivered training in districts across UP and Rajasthan. The program is scaling up to cover more states including Odisha and Assam.



Nurturing young change agents for road safety

We need to build empathy and understanding of road safety hazards and challenges among the young, so they grow up to be responsible drivers and road users. This premise inspired 3M's Young Change Agents for Road Safety program, launched in select schools in Pune, to introduce a new model for road safety education.

Through a combination of hands-on workshops, road behaviour observation and online modules, students were encouraged to visualize ideal safe zones and suggest road safety improvements around their school. The observations have resulted in safe school zone designs which 3M seeks to bring to life.



Rebuilding lives and hope

When Kerala and the Kodagu region of Karnataka were devastated by floods last year, 3M responded with a rehabilitation program to rebuild Anganwadi centers and Government schools to enable children to return to school.

Affected Anganwadi centres at Aluva Block (Ernakulam) and Government schools in Kodagu district have been brought back to full operation after extensive repair, plumbing and electrical work.

Ten year financial highlights (standalone)

| Particulars | 12 months ended (Jan to Dec) | 12 months ended (Jan to Dec) | 15 months ended (Jan to March) | 12 months ended (April to March) | | | | | | | | (₹ in Lakhs) | |
|---|------------------------------|------------------------------|--------------------------------|----------------------------------|----------|----------|----------|----------|----------|----------|----------|--------------|--|
| | 2008 | 2009 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17@ | 2017-18@ | 2018-19@ | | |
| Gross Sales* | 78,008 | 111,740 | 123,489 | 147,123 | 165,250 | 181,809 | 192,790 | 222,376 | 245,785 | 258,040 | 280,876 | | |
| Total Income | 75,240 | 110,679 | 120,241 | 141,037 | 158,463 | 176,229 | 185,478 | 224,159 | 250,732 | 262,401 | 284,159 | | |
| Profit Before Depreciation, Interest & Tax (PBITDA) | 9,862 | 15,825 | 16,644 | 12,632 | 12,101 | 13,084 | 21,759 | 35,428 | 41,824 | 52,343 | 54,043 | | |
| Profit Before Tax (PBT) | 9,102 | 14,087 | 14,806 | 9,611 | 7,520 | 6,907 | 16,456 | 30,310 | 36,992 | 47,968 | 49,746 | | |
| Profit After Tax (PAT) | 5,745 | 9,284 | 9,881 | 6,477 | 5,227 | 4,299 | 10,834 | 19,417 | 23,832 | 31,027 | 32,286 | | |
| Net Fixed Assets | 14,332 | 18,102 | 25,952 | 31,067 | 42,040 | 42,530 | 38,905 | 34,873 | 31,467 | 28,491 | 26,927 | | |
| Share Capital | 1,126.51 | 1,126.51 | 1,126.51 | 1,126.51 | 1,126.51 | 1,126.51 | 1,126.51 | 1,126.51 | 1,126.51 | 1,126.51 | 1,126.51 | | |
| Reserves & Surplus | 33,649 | 42,933 | 52,813 | 59,291 | 64,517 | 68,816 | 79,645 | 97,681 | 121,513 | 152,540 | 184,827 | | |
| Net Worth | 34,776 | 44,059 | 53,940 | 60,417 | 65,644 | 69,943 | 80,772 | 98,807 | 122,638 | 153,666 | 185,953 | | |
| Retained Earnings | 5,745 | 9,284 | 9,881 | 6,477 | 5,227 | 4,299 | 10,834 | 19,417 | 23,832 | 31,027 | 32,286 | | |
| Employee cost to sales | 12.74 | 11.75 | 12.68 | 13.16 | 13.52 | 14.05 | 13.27 | 11.17 | 11.17 | 12.49 | 10.59 | | |
| Net Deferred Tax Asset | 512 | 827 | 640 | 440 | 906 | 1,289 | 966 | 837 | 780 | 1,135 | 2,347 | | |
| Capital Investment | 5,416 | 5,473 | 10,293 | 9,668 | 12,899 | 4,759 | 1,472 | 1,309 | 1,111 | 1,641 | 3,084 | | |
| Ratio Analysis | | | | | | | | | | | | | |
| PBT to Total Income (%) | 12.10 | 12.73 | 12.31 | 6.81 | 4.75 | 3.92 | 8.87 | 13.52 | 14.73 | 18.28 | 17.51 | | |
| PAT to Total Income (%) | 7.64 | 8.39 | 8.22 | 4.59 | 3.30 | 2.44 | 5.84 | 8.66 | 9.50 | 11.82 | 11.36 | | |
| Return on Networth (RONW)(%) | 16.52 | 21.07 | 18.32 | 10.72 | 7.96 | 6.15 | 13.41 | 19.65 | 19.43 | 20.19 | 17.36 | | |
| Return on Capital Employed (%) | 26.17 | 31.97 | 27.45 | 15.91 | 11.46 | 9.88 | 20.37 | 30.68 | 30.11 | 31.22 | 26.75 | | |
| Return on Equity(%) | 16.52 | 21.07 | 18.32 | 10.72 | 7.96 | 6.15 | 13.41 | 19.65 | 19.43 | 20.19 | 17.36 | | |
| EPS | 51.00 | 82.41 | 87.71 | 57.50 | 46.40 | 38.16 | 96.17 | 172.89 | 213.72 | 275.66 | 286.72 | | |
| No. of shareholders | 8,710 | 9,171 | 9,145 | 9,490 | 9,432 | 9,225 | 10,723 | 12,974 | 16,290 | 18,607 | 23,240 | | |

Notes/Glossary:

* Sales before Excise duty charged up to FY 2017-18.@Ind AS

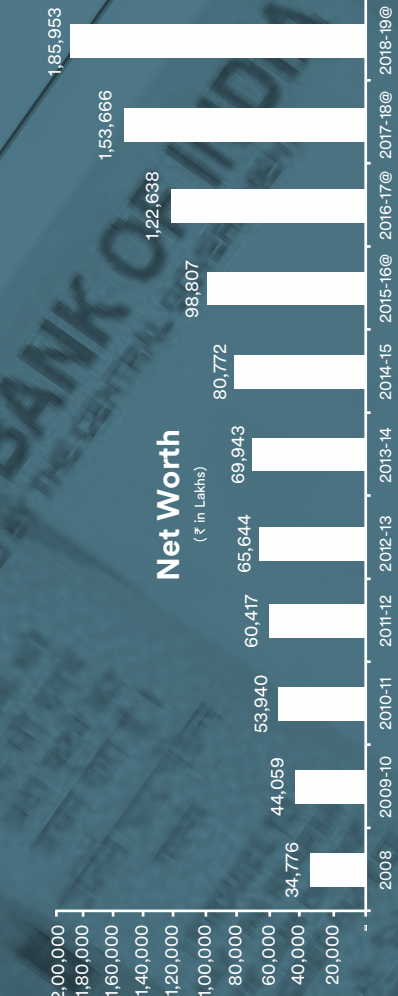
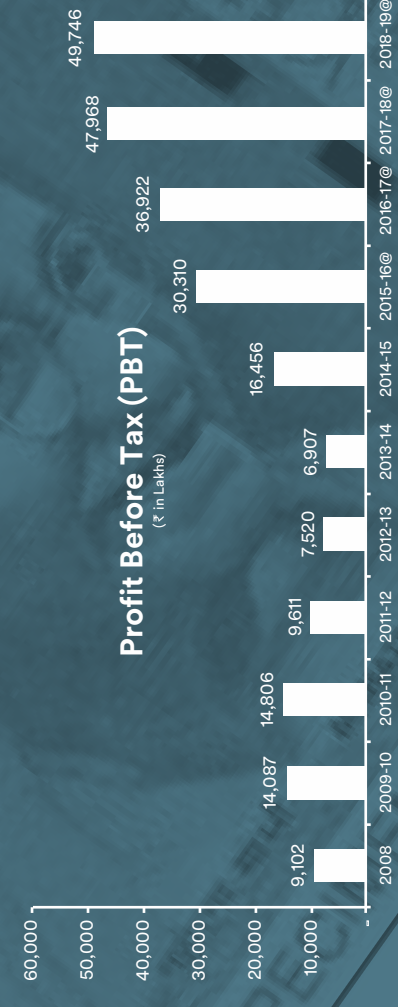
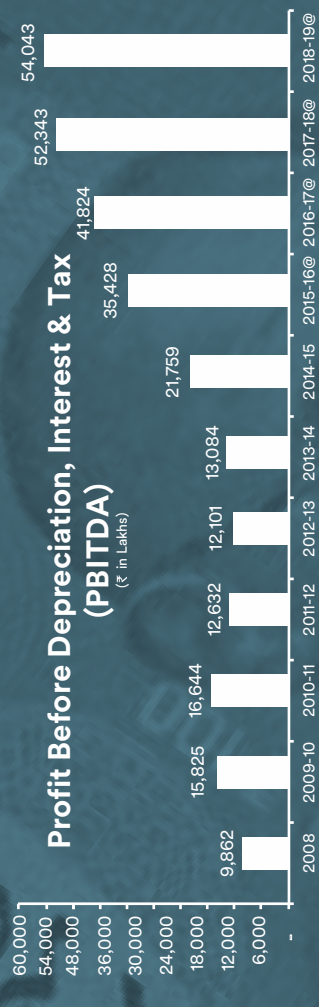
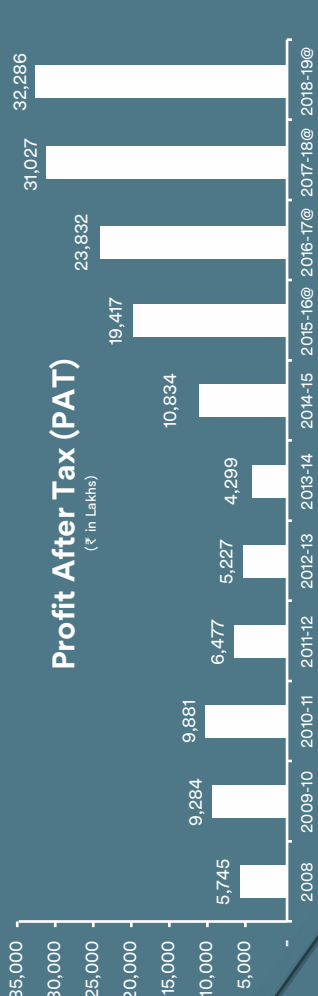
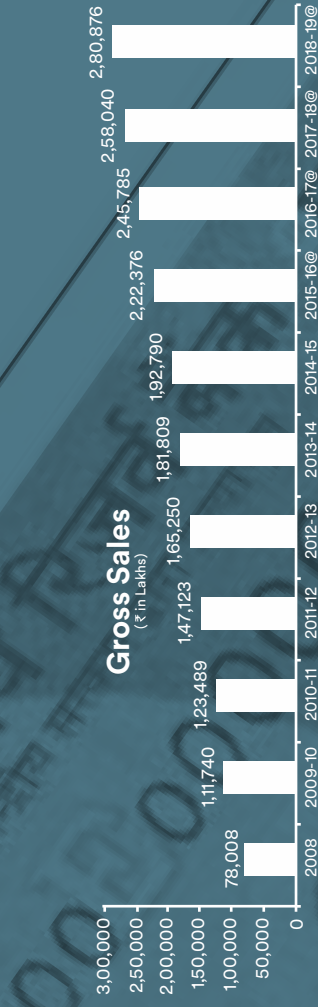
Previous year/period's figures have been regrouped/reclassified wherever necessary to ensure uniformity.

Net worth=Share Capital+ Reserves & Surplus

RONW=PAT/ Networth

Return on Capital Employed(%)=PBT/Capital employed

Return on Equity = PAT/Networth



Board of Directors

Key Managerial Personnel

| | |
|----------------------|--|
| Ms. Mamta Janak Gore | Chief Financial Officer |
| Mr. V. Srinivasan | Company Secretary and Compliance Officer |

Audit Committee

| | |
|---------------------|----------|
| Mr. Biren Gabhawala | Chairman |
| Mr. Bharat D Shah | Member |
| Ms. Radhika Rajan | Member |
| Mr. Jongho Lee | Member |

Stakeholders Relationship Committee

| | |
|----------------------|----------|
| Mr. Bharat D Shah | Chairman |
| Mr. Biren Gabhawala | Member |
| Ms. Debarati Sen | Member |
| (up to May 31, 2019) | |
| Ms. Radhika Rajan | Member |
| Mr. Ramesh Ramadurai | Member |
| (from June 1, 2019) | |

Bankers

BNP Paribas
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

Messrs. B S R & Co. LLP
Chartered Accountants
Maruthi Info-Tech Centre,
11-12/1, Inner Ring Road,
Koramangala, Bengaluru - 560071

Registrar & Transfer Agent

Karvy Fintech Private Limited
(formerly Karvy Computershare Private Limited)
Karvy Selenium Tower-B,
Plot Nos. 31 & 32, Financial District,
Gachibowli, Nanakramguda,
Serilingampally, Hyderabad - 500032

Corporate Social Responsibility Committee

| | |
|-------------------------------|----------|
| Mr. Bharat D Shah | Chairman |
| Ms. Debarati Sen | Member |
| Mr. B.V. Shankaranarayana Rao | Member |
| Mr. Ramesh Ramadurai | Member |

Nomination and Remuneration Committee

| | |
|-------------------------|----------|
| Mr. Biren Gabhawala | Chairman |
| Mr. Albert C Wang | Member |
| (up to August 21, 2018) | |
| Mr. Bharat D Shah | Member |
| Mr. Amit Laroya | Member |
| Ms. Sadhana Kaul | Member |
| (from October 31, 2018) | |

Risk Management Committee (from April 1, 2019)

| | |
|-------------------------------|----------|
| Mr. Biren Gabhawala | Chairman |
| Mr. Bharat D Shah | Member |
| Ms. Radhika Rajan | Member |
| Ms. Debarati Sen | Member |
| (up to May 31, 2019) | |
| Mr. B.V. Shankaranarayana Rao | Member |
| Ms. Sadhana Kaul | Member |
| Mr. Ramesh Ramadurai | Member |
| (from June 1, 2019) | |

Listing on Stock Exchanges

National Stock Exchange of India Limited (NSE)
(Code - 3MINDIA)
BSE Limited (BSE) (Code - 523395)

International Securities Identification Number (ISIN):

INE470A01017

Corporate Identification Number (CIN):

L31300KA1987PLC013543

Website:

www.3m.com/in

Address for correspondence:

Corporate Office,
Concorde Block, UB City,
24, Vittal Mallya Road,
Bengaluru - 560001



Bharat D. Shah
Chairman, Non-Executive
Independent Director



Debarati Sen
Managing Director (up to May 31, 2019)
Non-Executive Director (from June 1, 2019)



Ramesh Ramadurai
Non-Executive Director (up to May 31, 2019)
Managing Director (from June 1, 2019)



Radhika Rajan
Non-Executive
Independent Director



Biren Gabhawala
Non-Executive
Independent Director



B. V. Shankaranarayana Rao
Whole-time Director



Jongho Lee
Non-Executive Director



Amit Laroya
Non-Executive Director



Sadhana Kaul
Non-Executive Director
(from October 31, 2018)

Awards & Achievements

Business Performance and Leadership



Forbes India's Super 50 Companies of 2017
Forbes India



Outlook Business Outperformers'
list of high performing companies
Outlook Business
2nd successive year for consistent
stock return over sensex.



Franchisor of the Year Award – Consumer Services, 2018
Franchise Awards
3M Car Care

Manufacturing Excellence



Gold Award for Manufacturing Excellence
Frost & Sullivan
3M Ranjangaon Plant

Lean & Kaizen



Lean Six Sigma Excellence
Recognised at the CII 12th National Six Sigma Competition

Safety Leadership



Certificate of Merit
National Safety Council
3M Ranjangaon & Pimpri Plants

Women's Leadership



Business Leadership among Women
Recognised at the Future Women Leader Summit & Awards 2018



3M INDIA LIMITED

CIN: L31300KA1987PLC013543

Registered Office: Plot Nos. 48-51, Electronic City, Hosur Road, Bengaluru – 560100

Phone: 080-22231414, Fax: 080-2223 1450, email id: investorhelpdesk.in@mmm.com, website: www. 3m.com/in

NOTICE TO MEMBERS

NOTICE is hereby given that the Thirty Second (32nd) Annual General Meeting of the Company will be held at **11.00 A.M. on Wednesday, the 14th August, 2019 at Trinity Hall, Taj MG Road, 41/3, Mahatma Gandhi Road, Bengaluru – 560 001**, to transact the following business:

ORDINARY BUSINESS:

Adoption of Financial Statements (Standalone and Consolidated) for the financial year ended March 31, 2019.

1. *To consider and, if thought fit, to pass, the following Resolutions as an Ordinary Resolution:*

- (a) “RESOLVED THAT the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2019, together with the Auditors’ Report thereon and the Board’s Report including Secretarial Audit Report be and are hereby received, considered and adopted.”
- (b) “RESOLVED THAT the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2019, together with the Auditors’ Report thereon be and are hereby received, considered and adopted.”

Re-appointment of Mr. Jongho Lee (holding DIN: 06720950), who retires by rotation.

2. *To consider and, if thought fit, to pass, the following Resolution as an Ordinary Resolution:*

“RESOLVED THAT Mr. Jongho Lee (holding DIN-06720950), Director, who retires by rotation at this Annual General Meeting, and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company.”

SPECIAL BUSINESS:

Appointment of Mr. Biren Gabhawala (holding DIN: 03091772) as a Director of the Company.

3. *To consider and, if thought fit, to pass, the following Resolution as an Ordinary Resolution:*

“RESOLVED THAT Mr. Biren Gabhawala (holding DIN:03091772), who was appointed as an Additional Director of the Company from August 5, 2019 and whose appointment has been recommended by the Nomination and Remuneration Committee and by the Board of Directors at their Meetings held on May 28, 2019 for consideration by the Members under Section 160 of the Companies Act, 2013 and the rules made thereunder (including any statutory modifications or amendments or re-enactments thereof) and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature to the office of Director, be and is hereby appointed as a Director of the Company and whose office shall not be liable to retire by rotation.”

Appointment of Ms. Sadhana Kaul (holding DIN: 02589934) as a Director of the Company.

4. *To consider and, if thought fit, to pass, the following Resolution as an Ordinary Resolution:*

“RESOLVED THAT Ms. Sadhana Kaul (holding DIN:02589934), who was appointed as an Additional Director of the Company from October 31, 2018 and whose appointment has been recommended by the Nomination and Remuneration Committee and by the Board of Directors at their Meetings held on October 30, 2018 for consideration by the Members under Section 161(1) of the Companies Act, 2013 and the rules made thereunder (including any statutory modifications or amendments or re-enactments thereof) and Article 115 of the Articles of Association of the Company and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature to the office of Director, be and is hereby appointed as a Director of the Company and whose office shall be liable to determination by retirement of Directors by rotation.”

Ratification of remuneration payable to Messrs. Rao, Murthy & Associates, Cost Auditors for the Financial Year 2019-20.

5. *To consider and, if thought fit, to pass, the following Resolution as an Ordinary Resolution:*

“RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modifications or re-enactment thereof), the remuneration payable to Messrs. Rao, Murthy & Associates, Bengaluru (holding ICAI Registration No. 000065), Cost Auditors, appointed by the Board of Directors based on the recommendation of the Audit Committee of the Company to conduct the audit of the Cost records of the Company for the financial year 2019-20 amounting to Rs. 475,000/- (Rupees Four Lakhs Seventy Five

Thousand only) including applicable taxes and re-imbursement of out of pocket expenses incurred by them in connection with the audit of cost records, be and is hereby ratified and approved.”

Re-appointment of Mr. Biren Gabhawala (holding DIN: 03091772) as an Independent Director of the Company for a second term.

6. To consider and, if thought fit, to pass, the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150 and 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, consent of the Members of the Company be and is hereby accorded to re-appoint Mr. Biren Gabhawala (holding DIN: 03091772) as an Independent Director and whose appointment has been recommended by the Nomination and Remuneration Committee and by the Board of Directors at their Meetings held on May 28, 2019 for consideration by the Members and who has submitted a declaration to the effect that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 and who is eligible for re-appointment to the office of Independent Director, for a second term i.e., to hold office for a period of 5 (five) consecutive years with effect from August 14, 2019 to August 13, 2024, and whose office shall not be liable to retire by rotation.”

Appointment of Mr. Ramesh Ramadurai (holding DIN: 07109252) as Managing Director of the Company.

7. To consider and, if thought fit, to pass, the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 2(54), 196, 197 and 203 and any other applicable provisions, if any, of the Companies Act, 2013, read with Schedule V to the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and subject to the requisite approval of the Central Government, the consent of the Company be and is hereby accorded to the appointment of Mr. Ramesh Ramadurai (holding DIN-07109252), Director of the Company, as the Managing Director of the Company by the Board of Directors for a period from June 1, 2019 to February 12, 2022 (till the date of his superannuation), on the terms and conditions of appointment and remuneration as contained in the agreement, and the Board of Directors is hereby authorized to alter and vary such terms of appointment and remuneration so as to not exceed the limits specified in Schedule V to the Companies Act, 2013 as may be agreed, to by the Board of Directors and Mr. Ramesh Ramadurai, and whose office shall not be liable to retire by rotation.”

By order of the Board

V. Srinivasan

Company Secretary
ACS-16430

Place : Bengaluru

Date : May 28, 2019

Registered Office: Plot Nos. 48-51, Electronic City, Hosur Road, Bengaluru – 560100

NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY / PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY (50) AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN (10) PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY. THE INSTRUMENT OF PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED/LODGED AT THE REGISTERED / CORPORATE OFFICE OF THE COMPANY DULY COMPLETED AND SIGNED NOT LATER THAN 48 HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING. A PROXY FORM IS SENT HERewith. PROXIES SUBMITTED ON BEHALF OF THE COMPANIES, SOCIETIES ETC., MUST BE SUPPORTED BY AN APPROPRIATE RESOLUTION/AUTHORITY, AS APPLICABLE.**
- 2. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, 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 Saturday, August 10, 2019 to Wednesday, August 14, 2019 (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. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company's Registrar and Transfer Agent.**

5. The Registrar and Transfer Agent: Karvy Fintech Private Limited (formerly: Karvy Computershare Private Limited) Karvy Selenium Tower-B, Plot Nos. 31 & 32, Financial District, Gachibowli, Nanakramguda, Serilingampally, Hyderabad- 500 032 is handling registry work in respect of shares held both in physical form and in electronic/demat form.
6. Members are requested to bring their copy of the Annual Report and the Attendance Slip to the Annual General Meeting. **ONLY MEMBERS/ AUTHORISED REPRESENTATIVES OF THE CORPORATE MEMBERS/ PROXIES WILL BE ADMITTED INTO THE HALL FOR THE MEETING.**
7. Members may refer Additional Information on Directors recommended for appointment / re-appointment under the provisions of Listing Regulations.
8. Members holding Shares in electronic form are requested to register their e-mail address with their respective depository participants and members holding shares in Physical form are requested to register their e-mail address with the Company's Registrar and Transfer Agents and participate in the "Green initiative" launched by the Ministry of Corporate Affairs in future. As per rule 3 of Companies (Management & Administration) Rules, 2014, Registers of Members of all the Companies now should have additional details pertaining to e-mail, PAN / CIN, UID, Occupation, Status, Nationality. We request all the Members of the Company to update their details with their respective depository participants in case of shares held in electronic form and with the Company's Registrar and Transfer Agents in the case of physical holding immediately.
9. Members holding shares in physical form are requested to notify to the Company's Registrar and Transfer Agent of any change in their address and update their Bank account details. Members holding Shares in electronic form are requested to notify any change of address and update bank account details to their respective depository participants directly.
10. Pursuant to Section 72 of the Companies Act, 2013, shareholders holding Shares in physical form may file nomination in the prescribed Form SH-13 with the Company's Registrar and Transfer Agent. In respect of Shares held in electronic / demat form, the nomination form may be filed with the respective Depository Participant.
11. Electronic copy of the Notice of the 32nd Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 32nd Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection during normal business hours on all working days except Saturdays, up to and including the date of the Meeting.
12. Voting through electronic voting system (Remote E-Voting) :
Pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Listing Regulations and Secretarial Standards on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide the facility to Members to exercise their right to vote by electronic means. The Members, whose names appear in the Register of Members / list of Beneficial Owners as on [August 9, 2019 \(Friday\)](#) i.e. the date prior to the commencement of Book closure date are entitled to vote on the Resolutions set forth in this Notice. [The remote e-voting period will commence at 9.00 A.M. on August 11, 2019 \(Sunday\) to 5.00 P.M. on August 13, 2019 \(Tuesday\).](#) It is hereby clarified that it is not mandatory for a member to vote using the remote e-voting facility, and a member may avail of the facility at his/her/it discretion, subject to compliance with the instructions prescribed below. The Company has engaged the services of Karvy Fintech Private Limited (Karvy) for facilitating remote e-voting for the Annual General Meeting. The Members desiring to vote through remote e-voting mode may refer to the detailed procedure on e-voting given hereinafter.

INSTRUCTION FOR REMOTE E-VOTING

- (a) Use the following URL for remote e-voting: From Karvy website: <https://evoting.karvy.com>
- (b) Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the record date, may cast their vote electronically.
- (c) Enter the login credentials [i.e., user id and password mentioned in the Notice of the AGM]. The Event No+ Folio No/DP ID-Client ID will be your user ID.
- (d) After entering the details appropriately, click on LOGIN.
- (e) You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a

special character (@, #, \$). The system will prompt you to change your password and update any contact details like mobile, email etc. on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (f) You need to login again with the new credentials.
- (g) On successful login, the system will prompt you to select the EVENT i.e., 3M India Limited and click on SUBMIT.
- (h) Now you are ready for e-voting as “Cast Vote” page opens. On the voting page, the number of shares as held by the shareholder as on August 9, 2019 (Friday) will appear. If you desire to cast all the votes assenting/dissenting to the Resolution, then enter all shares and click FOR / AGAINST as the case may be. You are not required to cast all your votes in the same manner. You may also choose the option ABSTAIN in case you wish to abstain from voting.
- (i) Shareholders holding multiple folios / demat account shall choose the voting process separately for each folios / demat account.
- (j) Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
- (k) Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
- (l) The Companies (Management and Administration) Amendment Rules, 2015 provides that the electronic voting period shall close at 5.00 P.M. on the date preceding the date of the AGM. Accordingly, the Portal will be open for voting from: 9.00 A.M. on August 11, 2019 (Sunday) to 5.00 P.M. on August 13, 2019 (Tuesday). The e-voting module shall be disabled by Karvy at 5.00 P.M. on August 13, 2019 (Tuesday). During this period Shareholders’ of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of August 9, 2019 (Friday), may cast their vote electronically. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (m) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <https://evoting.karvy.com> or contact Mr. Rajeev Kumar of Karvy Fintech Private Limited (Formerly: Computershare Private Ltd) at 040-67161524 OR at Tel No. 1800 345 4001 (toll free).
- (n) The Company has appointed Mr. Vijayakrishna K.T, Practising Company Secretary, who in the opinion of the Board is a duly qualified person, as a Scrutinizer who will collate the electronic voting process in a fair and transparent manner: provided that the scrutinizer so appointed may take assistance of a person who is not in employment of the Company and who is well-versed with the electronic voting system.
- (o) The voting rights of the shareholders shall be in proportion to their Shares of the paid-up equity share capital of the Company as on the cut-off date i.e. August 9, 2019 (Friday).
- (p) The Members, whose names appear in the Register of Members / list of Beneficial Owners as on Friday, August 9, 2019, are entitled to vote on the Resolutions set forth in this Notice.
- (q) Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the Annual Report and holding shares as of the cut-off date i.e. August 9, 2019 (Friday), may obtain the login ID and password by sending an email to evoting@karvy.com / rajeev.kr@karvy.com, by mentioning their Folio No./DP ID and Client ID No. Else, if your Mobile number is registered against Folio No./DP ID-Client ID, the member may send SMS:MYEPWD <space> Event Number + Folio or DP ID Client ID to +91 9212993399.

Example for NSDL :MYEPWD <SPACE> IN12345612345678

Example for CDSL :MYEPWD <SPACE> 1402345612345678

Example for PHYSICAL :MYEPWD <SPACE> XXX1234567

However, if you are already registered with Karvy for remote e-voting then you can use your existing user ID and password for casting your vote. If e-mail or mobile number of the member is registered against Folio No. /DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click “forgot password” and enter Folio No. or DP ID Client ID and PAN to generate as password.

- (r) A member may participate in the meeting even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the meeting.

- (s) **Voting at AGM:** The members who have not cast their votes by remote e-voting can exercise their voting rights at the AGM. The Company will make arrangements of ballot papers/other means in this regard at the AGM Venue.
- (t) The Scrutinizer shall within 48 hours of the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman or designated Director or Key Managerial Personnel of the Company.
- (u) The Results shall be declared within 48 hours of the conclusion of AGM. The results declared along with the Report of the Scrutinizer shall be placed on the website of the Company www.3m.com/in and on <https://evoting.karvy.com> immediately after the result is declared by the Chairman. The Company shall, simultaneously, forward the results to the Stock Exchanges where the Shares are listed.
- (v) In case of joint shareholders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- (w) Institutional members (i.e., other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc., to the Scrutinizer through e-mail at vijaykt@vjkt.in, with a copy marked to evoting@karvy.com. File naming convention should be 'Corporate Name EVENT NO.' The documents should reach the Scrutinizer on or before the close of working hours on [August 13, 2019 \(Tuesday\)](#).
- (x) In case a Member receives physical copy of the Notice of AGM (for members whose email IDs are not registered with the Company/ Depository Participant(s) or requesting physical copy) in the permitted mode:
- (i) Initial password as below is given in the attendance slip for the AGM:

| EVEN (E-Voting Event Number) | USER ID | PASSWORD |
|------------------------------|---------|----------|
| XXXXXXX | XXXXXXX | XXXXXXXX |

- (ii) Please follow all steps from Sl. No. (12)(c) to (12)(j) above to cast your vote.

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT / RE-APPOINTMENT AS PER THE PROVISIONS OF LISTING REGULATIONS:

Item no. 2

In terms of Sections 149, 152 and other applicable provisions of the Companies Act, 2013, for the purpose of determining the Directors liable to retire by rotation, the Independent Directors and Whole-Time Directors shall not be included in the total number of Directors of the Company. Mr. Jongho Lee, Non-Executive Director, shall accordingly retire at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. A brief profile of Mr. Jongho Lee, nature of his expertise in specific functional areas, names of companies in which he holds directorships, memberships of the Board's Committees, shareholding in the Company and relationships between Directors inter-se, as stipulated under the provisions of Listing Regulations are exhibited below:

Mr. Jongho Lee, Non-Executive Director (holding DIN- 06720950): Mr. Jongho Lee (JH), 56 years, was named Finance Director - Asia based out of Hong Kong from April 1, 2017. JH comes with a strong pedigree and regional experience across multiple companies. JH has most recently been 3M Korea Finance Manager since April 1, 2014. Prior to that, he has held several roles in multiple Companies as:

- VP & CFO, Korea Delphi Automotive Component Company
- FP&A Executive, GM Korea
- Korea Controller, GM
- Finance Controller, GM International Operation Manufacturing
- Asia Pacific HQs Strategy Board Planner (Shanghai), GM
- Finance Representative of Daewoo Group Restructuring Committee
- Treasurer, Daewoo Group

He is also the Co-Chairman of the AMCHAM CFO Committee, Korea and a Tax Committee Member of Korea Chamber of Commerce. JH holds an MBA from the University of Michigan, Ann Arbor and a B.A., Seoul National University. He was appointed as a Non-Executive Non-Independent Director of the Company from May 26, 2017.

He is a Member of Audit Committee of the Company. He does not hold any Shares in the Company. There are no inter-se relationship among the Board Members. Kindly refer to the Corporate Governance Report for the details of the Board/ Committee Meetings attended by Mr. Jongho Lee.

Memberships/ Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies including 3M India Limited
– Nil

List of Directorships held in other companies (excluding foreign, private and Section 8 Companies): Nil

Expertise in specific functional areas: Finance and General Management of Business Industry.

The Board of Directors commends the Ordinary Resolution set out at Item no.2 of the accompanying Notice for approval by the Members Except Mr. Jongho Lee, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in Item no. 2.

This Explanatory Statement may also be regarded as a disclosure under Listing Regulations.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

For the details pertaining to Mr. Biren Gabhawala, Ms. Sadhana Kaul and Mr. Ramesh Ramadurai, please refer to the below Explanatory Statements in respect of the Special Business set out at item nos. 3, 4, 6 and 7 of the Notice of Annual General Meeting pursuant to Section 102 of the Companies Act, 2013.

Following Explanatory Statements are furnished in respect of Special Business:

Item nos. 3 and 6

Based on the recommendations of the Nomination and Remuneration Committee and performance evaluation carried out on February 12, 2019, the Board at its Meeting held on May 28, 2019 had appointed Mr. Biren Gabhawala as an Additional Director from August 5, 2019 categorized as Non-Executive Director and he will hold office till this Annual General Meeting. Accordingly, an Ordinary Resolution seeking appointment of Mr. Biren Gabhawala (holding DIN: 03091772) as Director of the Company is included in the Notice convening the Annual General Meeting at Item no. 3.

As per the provisions of Sections 149, 152 and Schedule IV of the Companies Act, 2013 read with the relevant Rules thereunder as amended, the Company had appointed Mr. Biren Gabhawala (holding DIN: 03091772) as an Independent Director as per the requirements of the Companies Act, 2013 at the Annual General Meeting held on August 4, 2014 for a term of five (5) consecutive years. Earlier his first term was effective from August 5, 2014 to August 4, 2019.

Mr. Biren Gabhawala, Independent Director shall be completing his first term of appointment upon completion of five years on August 4, 2019 from his date of his appointment. He is eligible for re-appointment for another term of five (5) consecutive years subject to approval of the Members by way of Special Resolution. He has consented to his re-appointment and confirmed that he does not suffer from any disqualifications which stand in the way of his re-appointment as Independent Director.

The performance evaluation of the Independent Directors was conducted by the full Board of Directors (excluding the Director being evaluated) based on a structured questionnaire.

Accordingly, based on the performance evaluation of the Independent Directors on February 12, 2019, the Nomination and Remuneration Committee and the Board of Directors of the Company at their Meetings held on May 28, 2019, had recommended, re-appointment of Mr. Biren Gabhawala (holding DIN: 03091772) as Independent Director for a second term of five (5) consecutive years commencing from August 14, 2019 to August 13, 2024. During his tenure of appointment, he is not be liable to retire by rotation as provided under Section 152(6) of the Companies Act, 2013. Accordingly, a Special Resolution seeking re-appointment of Mr. Biren Gabhawala as an Independent Director of the Company is included in the Notice convening the Annual General Meeting at Item no. 6.

The Company has also received notice from a Member under Section 160 of the Companies Act, 2013 proposing his appointment and re-appointment as Director.

A copy of the draft letter for re-appointment of the Independent Director setting out the terms and conditions of his re-appointment is available for inspection by the Members at the Corporate Office of the Company during the office hours on all working days other than on Saturdays and Sundays till the date of the Annual General Meeting.

A brief profile of Mr. Biren Gabhawala, nature of his expertise in specific functional areas, names of companies in which he holds directorships, memberships of the Board's Committees, shareholding in the Company and relationships between Directors inter-se, as stipulated under the provisions of Listing Regulations are exhibited below:

Mr. Biren Gabhawala, Independent Director (holding DIN- 03091772): Mr. Biren Gabhawala, 54, was appointed on the Board of the Company as an Additional Director from August 5, 2014. At the Annual General Meeting held on August 4, 2015, he was appointed as an Independent Director for a period of Five (5) years from August 5, 2014. He holds a Bachelor's degree in Commerce from University of Mumbai and is a qualified Chartered Accountant and a fellow member of the Institute of Chartered Accountants of India. He is into practice for last 27 years. He is a Senior Partner of Messrs. C. M. Gabhawala & Co., Chartered Accountants and specializes in Direct and Indirect Taxation, FEMA, International Taxation, Mergers, and Acquisitions.

He does not hold any Shares in the Company. There are no inter-se relationship among the Board Members. Kindly refer to the Corporate Governance Report for the details of the Board/ Committee Meetings attended by Mr. Biren Gabhawala. He is the Chairman of the Risk Management Committee of the Company with effect from April 1, 2019 and is also Chairman of Audit Committee and Nomination and Remuneration Committee of the Company.

Memberships/ Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies including 3M India Limited:

| Name of the Company | Membership of Committee | | Chairmanship of Committees | |
|-------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| | Audit | Stakeholders' Relationship | Audit | Stakeholders' Relationship |
| 3M India Limited | Yes | Yes | Yes | |
| eClerx Services Limited | Yes | Yes | Yes | |

List of Directorships held in other companies (excluding foreign, private and Section 8 companies):

- eClerx Services Limited, Director
- Messrs. C.M. Gabhawala & Co, Partner

Expertise in specific functional areas: Direct and Indirect Taxation, FEMA, International Taxation, Mergers, and Acquisitions.

The Board of Directors commends the Ordinary and Special Resolutions set out at Item nos. 3 and 6 respectively of the accompanying Notice for approval by the Members.

Except Mr. Biren Gabhawala, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in Item nos. 3 and 6.

This Explanatory Statement may also be regarded as a disclosure under Listing Regulations.

Item no. 4

Based on the recommendations of the Nomination and Remuneration Committee, the Board at its Meeting held on October 30, 2018 appointed Ms. Sadhana Kaul (holding DIN: 02589934) as Additional Director of the Company categorized as Non-Executive Non-Independent Director with effect from October 31, 2018 and will hold office till the Annual General Meeting to be held on August 14, 2019.

The Company has also received notice from a Member proposing her appointment as Director.

Accordingly, an Ordinary Resolution seeking appointment of Ms. Sadhana Kaul (holding DIN: 02589934) as Director of the Company is included in the Notice convening the Annual General Meeting at Item no. 4.

A brief profile of Ms. Sadhana Kaul, nature of her expertise in specific functional areas, names of companies in which she holds directorships, memberships of the Board's Committees, shareholding in the Company and relationships between Directors inter-se, as stipulated under the provisions of Listing Regulations are exhibited below:

Ms. Sadhana Kaul (DIN- 02589934): Mrs. Sadhana Kaul, 54, joined the 3M India Limited in the year 2005 as General Counsel and has over 25 years of experience in the legal field, having worked in different capacities in law firms in the US and in India. Prior to joining 3M India limited, she was with GE Medical Systems as Senior Legal Counsel based in Bangalore. She has a History Degree from St. Stephen's College, Delhi University, India and holds a Bachelor's degree in Law from Trinity College Cambridge, UK and a Master's degree in International and Comparative Law from Georgetown University Law Center, Washington D.C.

She was appointed as a Whole-Time Director of the Company from October 09, 2009 and was the General Counsel of the Company till November 1, 2013. She resigned from the offices of Director and Whole-Time Director with effect from November 1, 2013 consequent upon her appointment as General Counsel for South East Asia Region, Singapore. Apart from being General Counsel for South East Asia Region, she also supported Asia Manufacturing and Supply Chain Center of Expertise. She was appointed as a Non-Executive Director

of the Company from February 10, 2014. She resigned as Director of the Company with effect from the closing hours of May 27, 2016 due to her pre-occupation and other commitments.

Ms. Sadhana Kaul has been appointed as Asia Area General Counsel effective September 1, 2018 and will continue to be based out of Singapore where she will oversee the legal operations of 3M in all its Asia Subsidiaries.

She does not hold any Shares in the Company. There are no inter-se relationship among the Board Members. Kindly refer to the Corporate Governance Report for the details of the Board/ Committee Meetings attended by Ms. Sadhana. She is a member of the Nomination and Remuneration Committee and Risk Management Committee of the Company.

Memberships/ Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies including 3M India Limited: Nil

List of Directorships held in other companies (excluding foreign, private and Section 8 Companies): Nil

Expertise in specific functional areas: Law

The Board of Directors commends the Ordinary Resolution set out at Item no. 4 of the accompanying Notice for approval by the Members

Except Ms. Sadhana Kaul, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in Item no. 4.

This Explanatory Statement may also be regarded as a disclosure under Listing Regulations.

Item no. 5

The Board of Directors of the Company at its meeting held on May 28, 2019 had on the recommendation of the Audit Committee, approved the re-appointment and remuneration of Messrs. Rao, Murthy & Associates, Cost Accountants, Bengaluru, (holding Registration No. 000065), to conduct the audit of the cost records of the Company for the financial year ended March 31, 2020 for the products covered as per the Companies (Cost Records and Audit) Rules, 2014, on an remuneration of Rs. 475,000/- plus applicable taxes and out of pocket expenses at actuals.

In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14(a) (ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is to be ratified by the Members of the Company. Accordingly, the Members are requested to ratify the remuneration payable to the Cost Auditors as set out in the Resolution for the aforesaid services to be rendered by them.

None of the Directors, Key Managerial Personnel of the Company and their relatives, is in any way concerned or interested or otherwise, in the resolution set out at Item no.5.

Item no. 7

Based on the recommendations of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on May 28, 2019 has approved the appointment of Mr. Ramesh Ramadurai (holding DIN: 07109252), currently Non-Executive Director, as Managing Director of the Company from June 1, 2019 in place of Ms. Debarati Sen, consequent upon her appointment as Vice President and General Manager in Abrasives Systems Division, Safety and Industrial Business Group from June 1, 2019. He will be a Key Managerial Personnel of the Company from June 1, 2019. This will however, be subject to the approvals of the Members at the ensuing Annual General Meeting and the Central Government.

Approval of the Central Government will be sought for the appointment of Mr. Ramesh Ramadurai as the Managing Director, since he was not staying in India for a continuous period of twelve (12) months immediately preceding the date of his appointment as the Managing Director.

The appointment of Mr. Ramesh Ramadurai is appropriate and in the best interest of the Company. The approval of the members is being sought for the appointment and for the terms, conditions and stipulations for the appointment of Mr. Ramesh Ramadurai as the Managing Director and the remuneration payable to him. The terms and conditions fixed by the Board of Directors at its meeting held on May 28, 2019 are keeping in line with the remuneration package that is necessary to encourage good professional managers with a sound career record to important position as that of the Managing Director.

The terms of appointment and remuneration as contained in the agreement are given below: -

Period of Appointment: From June 1, 2019 to February 12, 2022(till the date of his superannuation).

Salary including allowances and Incentives (excluding Perquisites): Not exceeding Rs. 39 Lakhs per month. (Upper limit for his entire tenure)

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: Contribution to Provident 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.

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 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 financial year during the currency of the tenure of Mr. Ramesh Ramadurai, the Company incurs a loss or its profits are inadequate, the Company, subject to the approval of Central Government, shall pay the same remuneration as stated above but subject to being within the overall limits on managerial remuneration as provided under Section 197 and other applicable provisions of the Companies Act, 2013 including any statutory modification or re-enactment thereof for the time being in force, and the rules framed there under read with Schedule V to the said Act. The Board of Directors shall communicate the Central Government's approval including any revision in the terms of remuneration to Mr. Ramesh Ramadurai for his acceptance.

The Contract of service of Mr. Ramesh Ramadurai is terminable with a notice period of 90 days on either side.

He is not liable to retire by rotation.

No sitting fees shall be paid for attending the meetings of the Board of Directors or Committees thereof.

Accordingly, an Ordinary Resolution seeking appointment of Mr. Ramesh Ramadurai (holding DIN: 07109252) as Managing Director of the Company is included in the Notice convening the Annual General Meeting at Item no. 7.

A brief profile of Mr. Ramesh Ramadurai, nature of his expertise in specific functional areas, names of companies in which he holds directorships, memberships of the Board's Committees, shareholding in the Company and relationships between Directors inter-se, as stipulated under the provisions of Listing Regulations are exhibited below:

Mr. Ramesh Ramadurai, Non-Executive Director (holding DIN- 07109252): Mr. Ramesh Ramadurai, 57, was appointed as Business Director for 3M Industrial Business in July 2014 and is based out of Shanghai responsible for the entire Asia Pacific Area. Prior to this role, Mr. Ramesh Ramadurai served as Managing Director of 3M Philippines from August 2011 until June 2014, based in Manila. He Joined 3M India in 1989 as Sales Engineer and held positions as Country Business Leader in Industrial Business and Electro & Telecommunications. He was seconded to Global Headquarters in St Paul, USA, and worked as Market Segment Manager in Industrial Business, as Global Business Manager for a line of Industrial Tapes, and as International Business Manager for 3M's Packaging, Masking and Specialty Tapes businesses. Prior to 3M, Mr. Ramesh Ramadurai worked for a year as a Production Engineer at an Offshore Oil Production facility, and for about 3 years in a business planning and development role at an automotive parts and motorcycle manufacturer. Mr. Ramesh Ramadurai holds MBA from the Indian Institute of Management in Calcutta and is a Bachelor of Technology in Chemical Engineering from the Indian Institute of Technology, Kanpur. He was appointed as a Non-Executive Non-Independent Director of the Company from March 27, 2015.

He is a Member of Corporate Social Responsibility Committee of the Company and has been appointed as a member of the Stakeholder's Relationship Committee and Risk Management Committee of the Company from June 1, 2019. He does not hold any Shares in the Company. There are no inter-se relationship among the Board Members. Kindly refer to the Corporate Governance Report for the details of the Board/ Committee Meetings attended by Mr. Ramesh Ramadurai.

Memberships/ Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies including 3M India Limited – Nil

List of Directorships held in other companies (excluding foreign, private and Section 8 Companies): Nil

Expertise in specific functional areas: General Management of Business Industry and Marketing

The Board of Directors commends the Ordinary Resolution set out at Item no.7 of the accompanying Notice for approval by the Members

Except Mr. Ramesh Ramadurai, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in Item no. 7.

This Explanatory Statement may also be regarded as a disclosure under Listing Regulations.

By order of the Board

Place : Bengaluru

Date : May 28, 2019

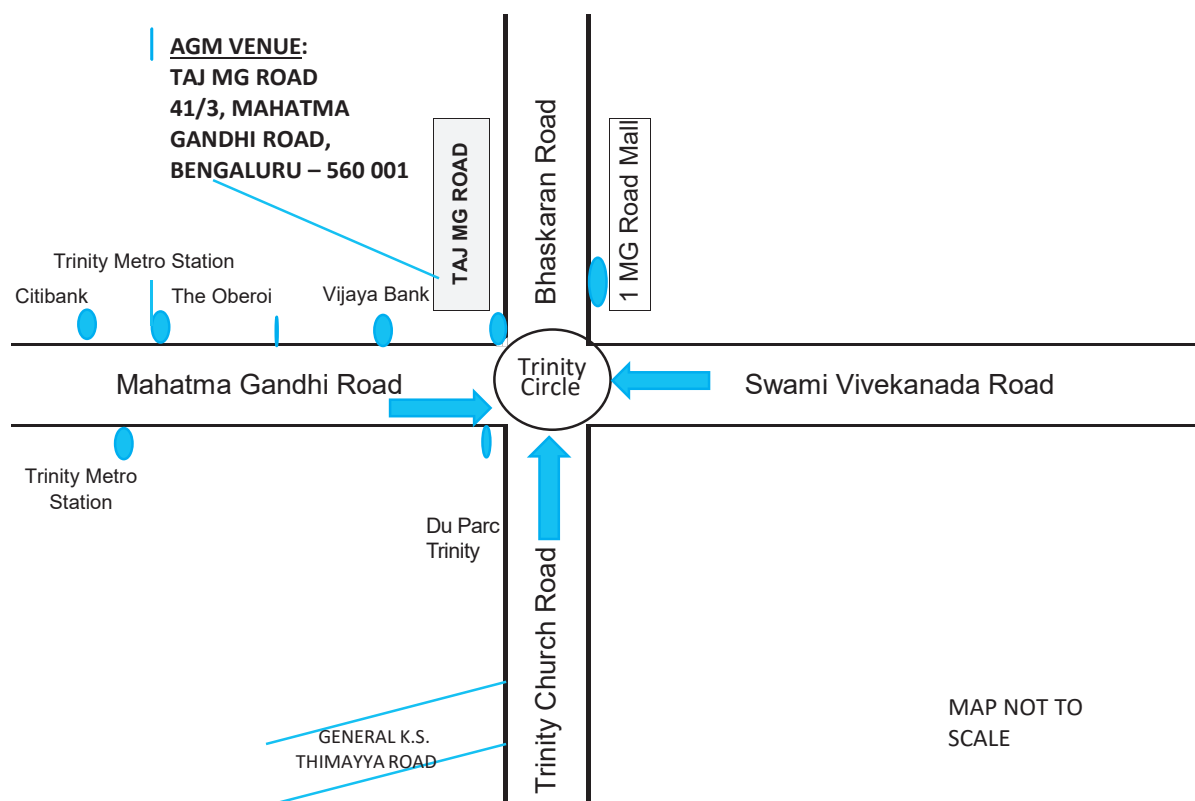
Registered Office: Plot Nos. 48-51, Electronic City, Hosur Road, Bengaluru – 560100

V. Srinivasan

Company Secretary

ACS-16430

**ROUTE MAP TO THE VENUE OF THE ANNUAL GENERAL MEETING OF THE COMPANY
TO BE HELD ON WEDNESDAY, AUGUST 14, 2019 AT 11.00 A.M.
at TRINITY HALL, TAJ MG ROAD, 41/3, MAHATMA GANDHI ROAD, BENGALURU – 560 001.**



To the kind attention of the Members of the Company holding shares in physical form:

As you all aware, the shares of the Company are mandated by the Securities and Exchange Board of India (SEBI) for trading in dematerialized form by all Members.

We give below a brief overview of Depository, Depository Participants and Dematerialization (Demat) of Shares in order to encourage Members of the Company to convert their physical holdings to Demat form.

Depository/ Depository Participant:

A Depository can be compared to a bank. A Depository holds securities (like shares, debentures, bonds, Government Securities, units etc.) of Members in electronic form. Besides holding securities, a Depository also provides services related to transactions in securities. In India National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) are the 2 Depositories.

A Depository interfaces with the members through its agents called **Depository Participants** (DPs). If a member wants to avail the services offered by the Depository, the member has to open an account with a DP. This is similar to opening an account with any branch of a bank in order to utilize the bank's services. NSDL/CDSL provides its services to members through its agents called Depository Participants (DPs).

These agents are appointed by NSDL/CDSL with the approval of SEBI. According to SEBI Regulations, amongst others, 3 categories of entities i.e. Banks, Financial Institutions and Members of Stock Exchanges [brokers] registered with SEBI can become DPs. You can get a list of DPs from NSDL's/CDSL's office or from their respective websites viz., at www.nsdl.co.in and www.cdslindia.com.

You can select your DP to open a Demat account just like you select a bank for opening a savings account. Some of the important factors for selection of a DP can be: *Convenience - Proximity to your office/residence, business hours; Comfort - Reputation of the DP, past association with the organization, whether the DP is in a position to give the specific service you may need? ; Cost - The service charges levied by DP and the service standards.*

You can approach any DP of your choice and fill up an account opening form. At the time of opening an account, you may have to sign an agreement with the DP in a NSDL/CDSL prescribed standard agreement, which details you and your DPs rights and duties. You will have to submit the documents relating to Proof of Identity, Proof of Address, Pass port size photographs etc., with the prescribed account opening form.

Procedure and Benefits of Dematerialization (Demat) of shares are given below:

1. Demat is a process by which shares/securities held in physical form are cancelled and destroyed and the ownership thereof is retained in fungible form in a Depository by way of electronic balances.
2. The benefits of Demat are:
 - *Elimination of bad deliveries;*
 - *Elimination of all risks associated with physical certificates;*
 - *No stamp duty on transfers;*
 - *Immediate transfer and trading of shares;*
 - *Faster disbursement of non-cash corporate benefits like rights, bonus etc.,;*
 - *Periodic status reports and information available on internet;*
 - *Ease related to change of address of member;*
 - *Elimination of problems related to transmission of demat shares and ease in pledging the shares.*
3. *Procedure for getting demat shares in the name of legal heirs in the event of death of sole beneficial owner with nomination:*
 - If the value of shares of the Company as on date of application is up to Rs. 5 Lakhs, the legal heirs should submit the following documents to the DP: *Notarized copy of the death certificate; Transmission Request Form (TRF); Affidavit- to the effect of the claim of legal ownership to the shares; Deed of indemnity – Indemnifying the depository and DP; NOC from legal heirs, if applicable or family settlement deed duly executed by all legal heirs of the deceased beneficial owner.*
 - If the value of the shares of the Company as on date of application is more than Rs. 5 Lakhs, the legal heirs should additionally submit one of the following documents to the DP: *Surety Form; Succession certificate; Probated will and Letter of administration.*

We sincerely hope that the above information is useful and helpful to our Members of the Company. *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.*

The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in physical form can submit their PAN details to the Company's Registrar and Transfer Agent (R&T) – Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot 31-31, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032.

REPORT OF THE BOARD OF DIRECTORS

To the Members of 3M India Limited,

Your Directors have pleasure in presenting the Thirty Second (32nd) Annual Report of the Company. The Standalone and Consolidated Financial Statements of the Company for the financial year ended March 31, 2019 are prepared in compliance with the applicable provisions of the Companies Act, 2013 including Indian Accounting Standards. The audited standalone and consolidated financial statements together with the Auditors' Report thereon form part of the Annual Report.

FINANCIAL HIGHLIGHTS – Standalone and Consolidated

(Rs. in Lakhs)

| Particulars | Standalone | | | Consolidated | | |
|---|---------------------------------|---------------------------------|-------------------------------------|---------------------------------|---------------------------------|-------------------------------------|
| | Year ended March 31, 2019 | Year Ended March 31, 2018 | % age increase / decrease (-) | Year ended March 31, 2019 | Year Ended March 31, 2018 | % age increase / decrease (-) |
| Revenue from Operations | 280,875.97 | 258,039.60 | 8.85% | 301,682.24 | 273,418.82 | 10.34% |
| Of which -Export Sales | 2,696.81 | 1,627.92 | 65.66% | 3,046.68 | 2,382.43 | 27.88% |
| Other Income, net | 3,283.16 | 4,361.54 | -24.72% | 3,683.12 | 4,478.82 | -17.77% |
| Total Income | 284,159.13 | 262,401.14 | 8.29% | 305,365.36 | 277,897.64 | 9.88% |
| Less: Expenditure | 230,116.35 | 210,058.45 | 9.55% | 248,123.58 | 223,557.68 | 10.99% |
| Profit before Interest and Depreciation | 54,042.78 | 52,342.69 | 3.25% | 57,241.78 | 54,339.96 | 5.34% |
| Less: Finance costs | 109.18 | 194.07 | -43.74% | 112.26 | 202.92 | -44.68% |
| Less: Depreciation and amortization expense | 4,187.67 | 4,180.32 | 0.18% | 4,375.63 | 4,350.60 | 0.58% |
| Profit before Taxation | 49,745.93 | 47,968.30 | 3.71% | 52,753.89 | 49,786.44 | 5.96% |
| Less: Tax expense | 17,446.85 | 16,914.74 | 3.15% | 18,439.39 | 17,456.34 | 5.63% |
| Profit for the year | 32,299.08 | 31,053.56 | 4.01% | 36,617.99 | 33,335.08 | 9.85% |
| Less: | | | | | | |
| Profit from discontinued operations | - | - | - | 91.07 | 754.38 | -87.93% |
| Gain on disposal of discontinued operations | - | - | - | 3,171.66 | 905.00 | 250.46% |
| Tax expense of discontinued operations | - | - | - | 959.24 | 654.40 | 46.58% |
| Items that will not be re-classified subsequently to profit or loss | (12.77) | (26.25) | -51.35% | (6.37) | (20.38) | -68.74% |
| Total Comprehensive income for the year | 32,286.31 | 31,027.31 | 4.06% | 36,611.62 | 33,314.70 | 9.90% |

DIVIDEND

Your Board of Directors approved the Dividend Distribution Policy on February 9, 2017 in terms of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015. The Policy was uploaded at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/ and the same is also annexed herewith as "Annexure J".

The Company remains invested in India and sees significant tailwinds from policy and demand in several sectors including electronics where the Company has made its most recent investment through the acquisition of 3M Electro & Communication India Private Limited. The Company remains bullish on investments and growth expectations in India in near term as well as medium term helped by strong fundamentals in the economy and the Company sees itself implementing several initiatives and projects to leverage the same including CAPEX, manpower and related infrastructure. The Company therefore has decided to conserve and retain the earnings and is not proposing a dividend or transfer of any amounts to reserves.

Transfer of dividend to the Investor Education and Protection Fund, if any: NA

TRANSFER TO RESERVES

As it has been decided to conserve and retain the earnings and, therefore, your Board does not propose to transfer any amounts to reserves.

INFORMATION ON THE FINANCIAL PERFORMANCE / FINANCIAL POSITION OF THE SUBSIDIARIES / ASSOCIATES/ JOINT VENTURE

In accordance with Section 129(3) of the Companies Act, 2013, a statement containing salient features of the financial statement of the Subsidiary Company in Form AOC-1 is provided as “Annexure I” to this report.

3M Electro & Communication India Private Limited (3M E&C)

During the year under review, the revenue from operations of 3M E&C increased to Rs. 20,913.04 Lakhs in the financial year 2018-19 compared to Rs.15,450.03 Lakhs in financial year 2017-18. The Profit before tax for the year financial year 2018-19 is Rs. 3,007.96 Lakhs as against Rs. 1,818.14 Lakhs in the financial year 2017-18. The Profit after tax for the financial year 2018-19 is Rs. 4,325.33 Lakhs as against Rs. 2,287.41 Lakhs in the financial year 2017-18.

Brief highlights of 3M E&C:

- The Electrical Business ventured in the extra high voltage segment by localizing the portfolio and leveraging technical and sales competencies. Your Company bagged several wins from utilities and industrial projects.
- Government’s approach to Mobility Transformation has paved the way for Automotive Electrification (AE). 3M is contributing to this by working with stakeholders engaged in AE, including automobile OEMs. A fully dedicated team has been set up which is working in collaboration with Auto OEMs, Design houses, Regulatory Bodies, Battery Manufacturers, EV charger manufacturer to bring about technical advancement in this space.

In accordance with the third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report and Financial Statements of the Subsidiary Company for the financial year 2018-19 have also been placed on the website of the Company. http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

STATE OF COMPANY’S AFFAIRS

The Indian economy continues to be a bright spot in the world with strong growth momentum and favorable indicators. The year 2018 saw several short-term headwinds in the macro economy – dipping inflation, farm distress, liquidity issues, Banking NPAs, etc. Tailwinds were seen in infrastructure, retail, ecommerce markets. India will continue to push the infrastructure agenda for the next several years to bridge the gap of rapid urbanization and quality of life in cities.

Your Company has continued its strong growth trajectory with consistent performance even in the face of short-term headwinds. The Company was able to do so because of its sharp focus on quality of business, portfolio prioritization, operational discipline and continued commitment to ethics and compliance. “Customer first” continues to be at the core of everything that the Company does. Much like the financial year 2017-18, the efforts continue to focus around, and the Board is pleased to highlight that your Company:

- *Geographical penetration:* Has expanded presence with deeper penetration in Tier B & C cities which is the real driver of demand in India.
- *Government and Infrastructure initiatives:* Your Company has aligned with several national infrastructure initiatives through focused work on regulatory, helping in many cases to set national standards in areas such as safety.
- *Channel Transformation:* Has introduced several steps to improve channel health through simplified processes, professional management and rationalization.
- *Market & Segment Growth:* Has gained from strong performances in key growth market segments such as infrastructure, energy and consumer reflecting positive market trends.
- *Winning through localization:* Continues to participate and drive local manufacturing bolstered by robust new product introduction process and value addition.

The year 2018 saw the Company win several prestigious awards and garner industry recognitions in acknowledgment to performance. Your Company continues to go after bigger and bolder opportunities and strives to be a highly valued partner for customers.

The Board of Directors at its meeting held on May 30, 2018 and shareholders through postal ballot on July 26, 2018 approved the investment in the entire equity share capital of 3M Electro & Communication India Private Limited. The investment was completed on December 27, 2018 for a value of Rs. 58,470 Lakhs. The above business combination is a common control transaction and accordingly has been accounted for using the pooling of interest method with effect from April 1, 2017. 3M India Limited acquired net assets of Rs. 9,188 Lakhs resulting in an adjustment of Rs. 49,282 Lakhs in consolidated total reserves. 3M Electro & Communication India Private Limited became a 100 % Subsidiary of the Company with effect from December 27, 2018.

The Company on a standalone basis registered an overall turnover growth of 8.85% at Rs. 280,875.97 Lakhs for the financial year ended March 31, 2019 compared to Rs. 258,039.60 Lakhs in the previous financial year. The Profit before Interest and Depreciation is Rs. 54,042.78 Lakhs compared to Rs. 52,342.69 for the previous financial year. Profit before Tax is Rs. 49,745.93 Lakhs compared to Rs. 47,968.30 Lakhs for the previous financial year. The operating margin for the current year is 19.02% compared to 19.95% for the previous financial year. Total Comprehensive Income is Rs. 32,286.31 Lakhs compared to Rs. 31,027.31 Lakhs for the previous financial year. Portfolio prioritization, operational productivity and lower material costs increased the profitability at all levels for the financial year under review. Export Sales is Rs. 2,696.81 Lakhs for the financial year ended March 31, 2019 compared to Rs. 1,627.92 Lakhs in the previous financial year, an increase of 65.66%, due to increase in demand in global market.

The Industrial business grew by 4.90%; Health Care business grew by 6.60%; Safety and Graphics business grew by 7.91%; Consumer business grew by 11.22% and Energy business grew by 36.01%.

The EPS (Basic and Diluted) of the Company for the financial year 2018-19 was Rs. 286.72 per Share as compared to Rs. 275.66 per Share in the previous financial year, a growth of 4.01%. Detailed analysis of the performance has been discussed in the Management's Discussion and Analysis Section of the Annual Report.

Segment Change from April 1, 2019:

3M's new Business group re-alignment was announced re-aligning from 5 (five) business groups to 4 (four). The new Business Groups are Safety and Industrial Business, Transportation and Electronics Business, Health Care Business and Consumer Business. This was a key first step for the Company in advancing 3M into the future and strengthen our ability to meet the fast-moving needs of the global customers and markets. The new alignment is designed to leverage the Company's business transformation progress, accelerate growth and deliver greater operational efficiencies.

Your Company has also aligned the organization to the new Business Groups and position the organization for the future leading the local execution of go-to-market plans, building on strong relationships with customers and channel partners and representing the voice of customer for our markets.

CONTRIBUTION TO EXCHEQUER:

During the financial year 2018-19, the Company has paid various taxes on account of its business/operation viz., VAT & CST, SGST, CGST, IGST, Direct Taxes and Customs Duty amounting to Rs. 72,938 Lakhs in aggregate.

INVESTMENTS:

Capital Investments during the financial year 2018-19 is Rs. 3,084.21 Lakhs (Net of capital work-in-progress and capital advances) (2017-18: Rs. 1,641.10 Lakhs).

MATERIAL CHANGES AND COMMITMENTS

There have been no material changes and/or commitments affecting the financial position of the Company since the close of the financial year and till the date of this report.

CHANGE IN THE NATURE OF BUSINESS

There were no changes in the nature of business during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report is annexed herewith as "Annexure A".

CORPORATE GOVERNANCE AND SHAREHOLDER INFORMATION

A separate Report on Corporate Governance in terms of Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as "Listing Regulations") along with Certificate from a Practising Company Secretary regarding compliance to the conditions stipulated under Chapter IV of the Listing Regulations is annexed as "Annexure B".

BUSINESS RESPONSIBILITY REPORT

A separate Section on Business Responsibility is annexed as "Annexure C" and forms part of this Annual Report as required under Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

EQUITY SHARES WITH DIFFERENTIAL VOTING RIGHTS

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 Share Capital as at March 31, 2019 is Rs. 11,26,50,700 (divided into 1,12,65,070 Equity Shares of Rs. 10/- each).

During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

LISTING WITH STOCK EXCHANGES

The Company has paid the Annual Listing Fees for the financial year 2019-20 to National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) where the Company's Equity Shares are listed.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Based on the recommendations of the Nomination and Remuneration Committee, the Board at its Meeting held on October 30, 2018 appointed Ms. Sadhana Kaul (DIN: 02589934) as Additional Director of the Company categorized as Non-Executive Non-Independent Director with effect from October 31, 2018 and she will hold office till the Annual General Meeting to be held on August 14, 2019. Accordingly, a resolution seeking appointment of Ms. Sadhana as a Director of the Company is included in the Notice convening the Annual General Meeting. Details of Ms. Sadhana are exhibited in the Explanatory Statement to the Notice of the Annual General Meeting. The Board of Directors recommends her appointment as Director of the Company. The Board once again welcomes Ms. Sadhana Kaul as a Director of the Company.

Mr. Albert C Wang (DIN: 05234667), Non-Executive Non-Independent Director resigned as Director of the Company from the closing hours of August 21, 2018 due to the change in global position and his appointment as General Counsel for Greater China. The Board places on record its appreciation for the contributions made by Mr. Albert Wang to the progress of the Company during his tenure as Director.

Based on the recommendations of the Nomination and Remuneration Committee and performance evaluation carried out on February 12, 2019, the Board at its Meeting held on May 28, 2019 has appointed Mr. Biren Gabhawala (DIN: 03091772) as an Additional Director from August 5, 2019 categorized as Non-Executive Director and will hold office till the Annual General Meeting to be held on August 14, 2019.

Further, Mr. Biren Gabhawala (DIN: 03091772) has also been proposed to be appointed as an Independent Director with effect from August 14, 2019 for second term since his first term ends on August 4, 2019. Accordingly, a Special Resolution seeking re-appointment of Mr. Biren Gabhawala as Independent Director of the Company is included in the Notice convening the Annual General Meeting. Details of Mr. Biren Gabhawala are exhibited in the Explanatory Statement to the Notice of the Annual General Meeting. The Board of Directors recommends his appointment as Director and appointment as an Independent Director of the Company for the second term.

Mr. Jongho Lee (DIN: 06720950) will retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. The details of Mr. Jongho Lee are exhibited in the Explanatory Statement to the Notice of the Annual General Meeting. The Board of Directors recommends his re-appointment.

Based on the recommendations of the Nomination and Remuneration Committee, subject to the requisite approvals from the Members and the Central Government, the Board at its Meeting held on May 28, 2019 has appointed Mr. Ramesh Ramadurai (DIN: 07109252), Director of the Company, as Managing Director of the Company for a period from June 1, 2019 to February 12, 2022 (till the date of his superannuation) in place of Ms. Debarati Sen. The Board of Directors welcomes Mr. Ramesh Ramadurai as Managing Director to the Board. The details of Mr. Ramesh Ramadurai are furnished in the Explanatory Statement to the Notice convening the Annual General Meeting. The Board recommends his appointment. He will be a Key Managerial Personnel of the Company from June 1, 2019.

Ms. Debarati Sen (DIN:07521172) shall cease to be the Managing Director of the Company from the closing hours of May 31, 2019 consequent upon her appointment as Vice President and General Manager in Abrasives Systems Division, Safety and Industrial Business Group and will be based out of St. Paul, USA. The Board expresses its deep appreciation of the valuable contributions made by Ms. Sen during her tenure as Managing Director of the Company to the progress of the Company. Ms. Debarati Sen will continue as Non-Executive Director of the Company from June 1, 2019.

As at the financial year ended March 31, 2019, Ms. Debarati Sen, Managing Director, Mr. B.V. Shankaranarayana Rao, Whole-time Director, Ms. Mamta Janak Gore, Chief Financial Officer and Mr. V. Srinivasan, Company Secretary and Compliance Officer, are the Key Managerial Personnel of the Company.

DECLARATION FROM INDEPENDENT DIRECTORS

The Company has received necessary declarations from each Independent Directors of the Company under the provisions of Section 149(7) of the Companies Act, 2013, that they meet the criteria of their Independence laid down under the provisions of Section 149(6) of the Companies Act, 2013 read with Listing Regulations. All the Independent Directors have also confirmed under Regulation 16(b) of SEBI (LODR) Regulations, 2015 that they are not Non-Independent Director of another Company on the Board of which any Non-Independent Director of the listed entity is an Independent Director.

DETAILS OF BOARD AND COMMITTEE MEETINGS DURING THE YEAR

During the financial year ended March 31, 2019, four (4) Meetings of the Board were held. The date and number of Meetings attended by each Director / Committee Member along with other Committee Meetings details are furnished in the Corporate Governance Report.

COMPOSITION OF AUDIT COMMITTEE

As on the financial year ended March 31, 2019, the Audit Committee of the Company consisted of three (3) Non-Executive Independent Directors and one (1) Non-Executive Director and all of them have financial and accounting knowledge. The Members of the Committee are Mr. Biren Gabhawala (*Chairman*), Mr. Bharat Shah, Ms. Radhika Rajan, and Mr. Jongho Lee. The Board has accepted all the recommendations made by the Audit Committee during the year under review.

NOMINATION AND REMUNERATION COMMITTEE POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a Policy for selection and appointment of Directors, Senior Management and for other employees and their remuneration. The same has been disclosed on the website at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/. The composition, criteria for selection of Directors and the terms of reference of the Nomination and Remuneration Committee is stated in the Corporate Governance Report.

ANNUAL BOARD EVALUATION

The Board of Directors has carried out an annual evaluation of its own performance, its Committees and Directors pursuant to the requirements of the Companies Act, 2013, Listing Regulations and as per the Guidance Note issued by SEBI. Further, the Independent Directors, at their exclusive meeting held during the year, reviewed the performance of the Board, its Chairman and Non-Executive Directors and other items as stipulated under the Listing Regulations. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

DETAILS OF REMUNERATION OF DIRECTORS

Disclosure pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed herewith as "*Annexure D*".

REMUNERATION RECEIVED BY MANAGING / WHOLE TIME DIRECTOR FROM HOLDING OR SUBSIDIARY COMPANY

During the year under review, no Commission or Remuneration was paid to the Executive Directors from Holding / Subsidiary Companies.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3) (c) of the Companies Act, 2013:

- (a) that in the preparation of the annual financial statements for the Financial Year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (b) that such accounting policies as mentioned in Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019 and of the profit of the Company for the year ended on that date;
- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the annual financial statements have been prepared on a going concern basis;
- (e) that proper internal financial controls were in place and that the financial controls were adequate and operating effectively;

- (f) that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY

The Company's Internal controls is aligned to Global 3M's internal control over financial reporting which are based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Controls — Integrated Framework (2013). The internal controls framework essentially has two elements viz., (1) structures, policies and guidelines designed to achieve efficiency and effectiveness in operations and compliance with laws and regulations and (2) an assurance function provided by Internal Audit.

The Directors have laid down internal financial controls to be followed by the Company and such policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

The Company has in place adequate systems of internal controls commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

The Company, through its own Corporate Internal Audit Department, carries out periodic audits to cover all the offices, factories and key areas of business segments based on the plan approved by the Audit Committee and bring out any deviation to internal controls procedures. 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.

DISCLOSURE REGARDING FRAUDS

During the year under review, there were no frauds reported by the Auditor to the Audit Committee or to the Board.

DEPOSITS

During the year under review, the Company has neither accepted nor renewed any deposits from public within the meaning of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has not given any Loans, provided any guarantees or made any Investments covered under Section 186 of the Companies Act, 2013.

RELATED PARTY TRANSACTIONS (RPTs)

All Related Party Transactions (RPTs) which were entered in to, during the financial year were on an arm's length basis and were in the ordinary course of business. All RPTs are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained on a yearly basis for the transactions which are foreseeable and repetitive in nature. A statement exhibiting details of all actual RPTs versus the approval is placed before the Audit Committee for approval on a quarterly basis. A Policy on RPTs as approved by the Board is uploaded on the Company's website at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

The Company being a part of 3M conglomerate, has rights to carry out the business within India and accordingly, has access to Group's synergies, state of the art products and technologies, competencies and "3M" brand name which are very critical and essential to carry out its business operations more efficiently in an increasingly globalized and competitive scenario. As a part of its regular business, the Company purchases, avails/renders services from/to 3M Company, USA and/or its group companies at arm's length basis.

The RPTs are necessary, normal to business, play a significant role in the Company's business operations and also form integral part of the Company's business. An analysis of all the RPTs entered into / by the Company and the basis of charge was undertaken through a third-party professional firm.

The Company has already taken approval from the Shareholders for all material RPTs for the estimated/proposed transactions for three (3) financial years starting from April 1, 2017 to March 31, 2020 at the Annual General Meeting held on August 10, 2017. Form No. AOC-

2 pursuant to Section 134 (3) (h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is annexed herewith as "Annexure E".

CORPORATE SOCIAL RESPONSIBILITY

As part of its initiatives under Corporate Social Responsibility (CSR), the Company has undertaken projects in the areas of Education, Community and Environment. These projects are in accordance with Schedule VII to the Companies Act, 2013.

Education:

❖ *School Readiness Program (Anganwadi)*

The Company continued to support the School Readiness initiative in partnership with United Way of Bengaluru to transform Anganwadis under the ICDS program of Government of India to ensure well rounded development of children under the age of 6, to be ready for school. This is a national program covering 130 centers and is improving the lives of over 11,000 children below the age of 6 years. In its second year of intervention, during FY 2018-19, the program expanded its activities in Anganwadi centers in 7 cities - Bangalore, Pune, Chennai, Delhi, Kolkata and Ahmedabad and Mumbai. The second year focused on stabilizing the program at all locations with uniform interventions and project achievements including the development of qualitative aspects such as learning outcomes and school readiness among children and community mobilization with the mothers' groups' active engagement at Anganwadi centers. This program is working towards achieving the Sustainable Development Goal (SDGs) 4 which is to ensure inclusive and equitable quality education and promotion of lifelong learning opportunities for all.

❖ *Project NanhiKali: Educating the Girl Child*

The Company partnered with K.C. Mahindra Trust to sponsor the education of 2861 girl students from grades 1st to 5th in the rural district of Ambegaon in Pune, Kolkata and Gurgaon and secondary school students in Noida, Uttar Pradesh. The program targets first generation learners who attend Academic Support Centers at Government schools where the students improve their proficiency in English, Maths and the local language. NanhiKalis in secondary school are provided with tablets pre-loaded with audio-visual educational content to enhance their learning of concepts in Math and English. The program works to ensure that the NanhiKalis stay in school and improve their learning levels as they continue their education.

❖ *3M-CII Young Innovators Challenge Awards Program*

The Company is committed to building a community of young innovators who are at the early stage of launching their next generation of sustainable solutions to solve key socio-economic problems. The 5th edition of the Young Innovators Challenge in partnership with the Confederation of Indian Industry (CII) was completed with an all-time high of 500 idea submissions. The four-stage selection process shortlisted 51 semi-finalists, 19 finalists and 7 winning ideas received grants from the Company to further their prototypes. The winners were felicitated at the 13th CII India Innovation Summit.

Community:

❖ *Project Pahal: Skill Development of Community Healthcare Workers*

In line with the Government's priorities towards preventive and promotive health, the Company partnered with various organizations including GE Healthcare and IPE Global to participate in a skilling initiative to empower women community health workers. 400 women Community Health Workers from the Merry Gold Network were mobilized to participate in a 4-day training program with curriculum and teaching aids developed by Wipro GE and 3M India. The training batches were conducted in 14 cities and towns across 2 northern states in India – Rajasthan and Uttar Pradesh, over 6 months. The health care workers were on topics like Hand Hygiene, Wound Management and Cleaning/ Disinfection which were interwoven into the course curriculum. Members of the Professional Services & sales teams volunteered their time to conduct trainings to 15 batches of 400 community health workers (including trainers). The Company continued to support Phase 2 of the skilling program which is scaling up to train up to 6000 Community Health Workers across states such as Orissa, Uttar Pradesh, Rajasthan and Assam.

❖ *3M Young Change Agents for Road Safety Pilot Program*

To harness the learning of children at a young age on road safety awareness, the Company embarked on a unique and innovative initiative to educate children with essential skills to become sensitive, safer road users, by-standers and safe drivers in the future. Moving away from classroom based, non-interactive program, the 3M Young Change Agents in Road Safety (Y-CARS) was launched as a pilot program in three schools in Pune. The program was introduced in partnership with the school management through a combination of workshops, road & road behavior observation and online modules. Through the program, children became observers of the road safety elements around their school and provided an audit of how safe the school is, through a guided process. The observations from the children were collated into a School Safe Zone Design which will be implemented through

road safety improvements by the Company. At the end of this program, children received a certificate while taking a pledge as Young Change Agents for Road Safety committed to spread the learnings to their families and friends.

❖ *Kerala & Kodagu Flood Rehabilitation Program*

During the unprecedented floods that affected several parts of Kerala and Kodagu, the Company responded to the natural disaster with a rehabilitation program to support the families, especially children who suffered great losses due to the floods. Needs assessment was carried out at 10 Anganwadi centers in Aluva block, Ernakulam. Scope of work to refurbish these centers and bring them back to operation for children and families included interiors and exterior improvements, repair works, plumbing & electrical works, learning materials and mural artwork on the walls.

Sustainability:

❖ *Water Conservation Project at Latur*

Water conservation continued to be a strong theme for the Company's CSR efforts. The Company partnered with FIAT India Automobiles Private Limited to undertake Water Conservation program "Jalyukt Shivar Abhiyan" in drought-hit villages of Latur District (Nilanga Tahsil). In this 2nd year of implementation of the project, the Company initiated rainwater harvesting activities namely – desilting and widening of river tributaries and construction of cement nalla bunds at 7 sites covering 4 villages in Deoni, Tahsil, Milanga. The entire project involved the development of 25 sites impacting 17 villages.

❖ *Rejuvenation of Lake Singasandra*

To address the issue of rapid depletion of water bodies in the city of Bangalore, the Company supported the rejuvenation of one of the many lakes in the city - Singasandra Lake, situated in Bommanahalli Zone, in Singasandra, Bengaluru and spread over 11 acres. The state of the lake, before the intervention was left wanting in many ways. Lake restoration activities were taken up in partnership with United Way of Bengaluru and BBPM. The rejuvenation activities included ensuring that the lake was free from garbage, effluents and other pollutants, thereby restoring water quality and the aquatic species. Solar lamps, benches, waste bins including e-waste bins have been installed around the lake. Over 5000 bio-diverse saplings (A mix of medicinal species and herbs such as Vasaka, Nirgundi, Turmeric, Ginger, Lucky, Aloe Vera, Mehandi, etc.) were planted to increase the flora around the lake. Five full-time gardeners were deployed and are working to maintain the lake environment. Increase in the birdlife visiting the lake has been observed. To increase community ownership, a lake committee consisting of community members was formed with engagement activities including a Plog Run (picking up plastic waste as one runs/ jogs), Kannada Rajyotsava, Kere Deepotsava and tree planting.

The Annual Report on CSR activities is annexed herewith as "*Annexure F*".

DETAILS OF REMUNERATION OF EMPLOYEES

Pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, statement showing details of top ten(10) employees in terms of remuneration drawn during the financial year and other employees of the Company employed throughout the year and employees employed for part of the year who were in receipt of remuneration of Rs. 1.02 Crores or more per annum and Rs. 80 Lakhs or more per month respectively is annexed herewith as "*Annexure G*".

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Information on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo stipulated under Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014 is annexed as "*Annexure H*".

RISK MANAGEMENT POLICY

The Company has a Risk Management Policy pursuant to the requirements of Listing Regulations. The details of Committee and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There were no significant and material orders passed during the year by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has an effective vigil mechanism by way of Business Conduct Concern Reporting Policy (Whistle Blower Policy) for upholding 3M's Code of Conduct. The details of the said Policy are stated in the Corporate Governance Report and also available on

the website of the Company http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/

STATUTORY AUDITOR

Messrs. BSR & Co. LLP, Chartered Accountants, Bengaluru (ICAI Firm Registration No. 101248W/W-100022) were appointed as the Statutory Auditor of the Company at the 29th Annual General Meeting held on August 5, 2016 to hold office for a period of five (5) years from the conclusion of the 29th Annual General Meeting till the conclusion of the 34th Annual General Meeting to be held in 2021, subject to ratification of their appointment by the members at every intervening Annual General Meeting held thereafter.

The requirement of seeking ratification of the members for continuance of their appointment has been withdrawn consequent upon the changes made by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Hence the resolution seeking ratification of the members for their appointment is not being placed at the ensuing Annual General Meeting.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company appointed Mr. Vijayakrishna K.T, Company Secretary in practice to undertake the Secretarial Audit of the Company for the financial year 2018-19. The Report of the Secretarial Audit Report is annexed herewith as *"Annexure I"*.

SEBI vide its Circular no. CIR/CFD/CMD1/27/2019 dated February 8, 2019 has mandated all the Listed entities having its Equity Shares Listed on the Stock Exchange(s) to obtain the Annual Secretarial Compliance Report in the prescribed format from a Practising Company Secretary (PCS) from the financial year ended March 31, 2019 onwards and the Report should be submitted to the concerned Stock Exchanges within 60 days of the end of the financial year and be included in the Annual Report. The Annual Secretarial Compliance Report from Mr. Vijayakrishna K.T is annexed herewith as *"Annexure I-1"* which was filed with the Stock exchanges within the prescribed time limit.

EXPLANATIONS IN RESPONSE TO AUDITORS' QUALIFICATIONS

During the year under review, there were no qualifications, reservations or adverse remarks made by the Statutory Auditors / Secretarial Auditor in their respective Reports.

COMPLIANCE WITH SECRETARIAL STANDARDS

During the year 2018-19, your Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual return in Form MGT 9 is annexed as *"Annexure K"*

DISCLOSURES UNDER THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

1. Number of complaints of sexual harassment received in the financial year (April 1, 2018 to March 31, 2019) : 2
2. Number of complaints disposed off during the financial year: 2
3. Number of cases pending for more than 90 days: None
4. Number of workshops or awareness programmes carried out in connection with sexual harassment: 3
5. Remedial measures taken by the Company:
 - Counselling by Internal Committee to both the parties on professional code of conduct. Warning letter given to respondent.
 - Leadership behavior implication for respondent and roles change for respondent to prevent interaction with each other.
 - Respondent (contingent worker) was not deputed on 3M premises and the contract agency was briefed on the same. Counselling given to the complainant.

HUMAN RESOURCES

During the financial year, the Company took many initiatives to increase organizational capability and productivity to be value driven and future-ready. As at March 31, 2019, the Company had employee strength of 1377 personnel.

COST AUDIT

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014, the cost audit records maintained by the Company in respect of the products covered under the said rules are required to be audited by a Cost Accountant. Accordingly, the Board of Directors of the Company at its Meeting held on May 28, 2019 on the recommendation of the Audit Committee, approved re-appointment of Messrs. Rao, Murthy & Associates, Cost Accountants, Bengaluru, (holding Registration No. 000065), to conduct the audit of the cost records of the Company for the financial year ended March 31, 2020 on a remuneration of Rs. 475,000/- plus taxes as applicable and out of pocket expenses at actuals. The Audit Committee has also received a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company.

As required under the Companies Act, 2013, the remuneration payable to the Cost Auditor is required to be placed before the Members at the General Meeting for their ratification. Accordingly, a resolution seeking ratification of the remuneration payable to Messrs. Rao, Murthy & Associates, Cost Accountants, Bengaluru is included in the Notice convening the Annual General Meeting.

Disclosure on Cost Audit: For the financial year ending March 31, 2018, the due date of filing the Cost Audit Report submitted by Messrs. Rao, Murthy & Associates, Cost Accountants, Bengaluru, was September 27, 2018 and the same was filed with the Ministry of Corporate Affairs on August 23, 2018 vide SRN H03455847.

OTHER DISCLOSURES

During the year under review, the Company:

- a. has not bought its own shares nor has given any loan to the employees (including KMPs) of the Company for purchase of the Company shares, and,
- b. has not issued any shares to trustees for benefit of employees.

ENVIRONMENT, HEALTH AND SAFETY

Global health and safety issues are prevalent in workplaces around the world. Creative innovation, technology, education, and collaboration are all critical if we are to tackle these human health and workplace safety concerns.

For decades, 3M has had entire business divisions focused on creating products and services for human health, protection, security, and safety. The Company is committed to helping improve the health and safety of people world-wide.

The Company also embraces this commitment for its own operations, and to that end, will continue to take steps to protect the most important asset – 3M employees.

Environment:

The Company has three (3) Manufacturing Plants in operation in India and all three plants have Environmental Management Systems certified to new ISO 14001: 2015 standard.

Your Company's Management is continuing to step up the leadership towards a more sustainable in its own operations, and in solutions for the customers. Sustainability is at the core of what the Management does at 3M and is committed to improving the business, the planet and every life.

3M's strategies for sustainable development encompass the pursuit of customer satisfaction and commercial success within a framework of environmental, social, and economic values. The Company is committed to complying with all applicable environmental requirements worldwide. Beyond compliance, the Company continues to make significant investments to reduce the environmental footprint of our operations; and the products with sustainable attributes help customers reduce their environmental footprint and help to meet their Sustainability goals. Always, 3M believes environmental policy and regulations should be guided by science-based decision making.

Sustainability Goals which the Company is now pursuing reflect a heightened commitment to going beyond compliance and thinking holistically about how the operations and products affect the world and every life in it. For the 18th consecutive year, 3M was selected as a member of the Dow Jones Sustainability Index, a global stock index that recognizes and tracks the performance of leading Sustainability-driven companies worldwide. And 3M India Plants are contributing and meeting the targets of this global goals.

Sustainability target for the Manufacturing plants were to reduce the Waste, Water and Energy with respect to 2015 Baseline numbers:

- Waste generation reduction by 20.91%
- Water consumption reduced by 57.01%
- Energy Consumption reduced by 28.11%

- Also 2 of the manufacturing plants are utilizing 24% share of its energy consumption through renewable energy.
- Waste generated at Plants is majorly sent for co processing in cement kilns thereby reducing the carbon footprint of the sites.

All plants have sewage / waste water treatment plants and the treated water is recycled for cooling tower make and horticulture with in the facilities. The plants have also installed rain water harvesting systems to divert the rain water for ground water recharging. With the approval from local Pollution Control Boards, plants continued sending non-hazardous waste to cement companies to generate energy. As part of World Environmental day initiative, the plants have taken up various environmental awareness programs including tree plantation in plants as well as public location.

Health and Safety:

The Company continues to reinforce our commitment to leadership in safety and health. All three manufacturing plants have health and safety management systems certified to OHSAS 18001: 2007. Your Company continues to forge ahead with our commitment to leadership in safety and health. Like in the prior year, 3M Corporation recognized two of our manufacturing facilities - Ranjangaon and Electronics city plants, with the highest award for safety excellence – The CEO Award, for consistently upholding safety standards.

Your Company strongly believe that, Safety starts with every individual, while the behavior of every individual defines the culture of the organization.

- All accidents and injuries are preventable
- Everyone in organization is accountable for the safety performance

Safety and Health metrics are driven rigorously through tier level meetings which starts with Safety observations. Each plant has qualified Safety Officer and the representation of Employees at Plant safety committees includes both management and shop-floor employees and the meetings are chaired by the Plant manager. The High hazard activities (HHA) which are carried out at sites are driven through Risk and Prioritization (RAP) review approach. Hierarchy of controls focus firstly on elimination of the hazard followed by substitution, engineering controls and finally PPE with management along with management oversight and STOP work initiates ensures the employees perform the job in the safest possible manner. In addition to EHS risk analysis, the Company has a crisis plan for every single 3M plant. Although the Company never hopes to use the Crisis Management Plans, it is critically important that the Company has them in place, keep them up to date, and drill often to make sure everyone understands what to do should an emergency occur. The Company cares utmost about the safety of our people and communities around the world

The 3M Global Safety and Health Plan (GSHP), which is part of 3M's Environmental, Health, and Safety (EHS) management system, is required to be implemented by global 3M locations. This approach utilizes a well-developed self-assessment process that is categorized into multiple elements addressing various areas and standards related to safety and health. 3M utilizes a variety of tools to manage risks from hazards in the workplace. The Company used specialized tools successfully for several years in the areas of process safety, industrial hygiene, and ergonomics. Each of these disciplines uses a risk management approach to categorize hazard levels and define appropriate levels of control.

The other EHS framework programs which 3M follows are Ergonomics, Industrial hygiene, Process hazard management (PHM), Ventilation programs, Static Management plan, Safety trainings, Health and Wellness Programs which enables us to ensure better and safe work environment to all the employees.

All these efforts translate into the EHS metrics being achieved and notably there has been no Lost Time injuries at any of the three manufacturing sites during this period under consideration.

The Company has led with passion and shared its expertise with the communities, through school outreach, activities with its employees' children and several awareness programs with the customers.

Supported by 3M's highly credentialed Technical trainers, the Company has partnered with industrial facilities across India to drive safety and build confidence amongst the end users through "Safety on Wheels" trucks. This program also offers various training sessions that would include a various Personal Protection Equipment (PPE) demonstrations (through hands on and Videos) on a variety of safety topics.

The Safety on Wheels which also known as Audhyogik Suraksha Rath targets to train over 1 million workers over next 3 years to build awareness and training about safety practices and personal protective equipment and to spread the word about the importance of worker safety across the nation. The Audhyogik Suraksha Rath have travelled across industrial clusters in the country educating more than 95,000 workers on the importance of workplace safety.

AWARDS AND RECOGNITION

- The Company was recognized by Outlook Business Outperformers, a listing by Outlook Business publication, of companies that have consistently delivered high performance. 3M India Limited was recognized for the 2nd consecutive year for stock return over Sensex over the last 5 years.
- The Company was amongst the Top 10 Companies in India by Earnings Per Share (EPS) trailing 12 months as per a compilation by MoneyControl.com.
- Your Company was recognized as amongst Forbes India's Super 50 Companies of 2017 for overall performance.
- The Company's Managing Director, Ms. Debarati Sen featured in Fortune India's annual list of Top 50 Powerful Women in Business for her leadership in strengthening 3M's position and brand in India.
- 3M Car Care was awarded Franchisor of the Year Award – Consumer Services for 2018 by Franchise Awards.
- The Company's manufacturing facility at Ranjangaon was awarded the Gold Award for Manufacturing Excellence by Frost & Sullivan
- The Company was recognized for Lean Six Sigma excellence at the CII 12th National Six Sigma Competition. Two projects presented under Transaction process and Discrete process categories respectively received special recognition.
- The Company's senior women leaders were recognized for Business Leadership among Women at the Future Woman Leader Summit & Awards 2018.
- The Company was recognized for overall performance in the areas of quality, cost, delivery, innovation by top customers in the automotive, utilities and construction sectors.
- The Company's manufacturing facility at Electronics city received 3M Corporate recognition for Quality achievement. This was the Company's 7th consecutive Corporate 3M recognition for Quality.
- The Company also received several accolades for excellence in lean six sigma, marketing, innovation and various support functions with several 3M Corporate and regional level awards.

ACKNOWLEDGEMENT

Your Directors thank and acknowledge with gratitude the co-operation, assistance and support received from the Central Government, State Governments of Karnataka, Maharashtra and Gujarat, Bankers, Shareholders, Dealers, Vendors, Promoters of the Company and all other Stake holders.

The Directors also wish to place on record their sincere appreciation and gratitude towards the contribution made by every employee of the Company.

On behalf of the Board of Directors

Place : Bengaluru
Date : May 28, 2019

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Cautionary Statement:

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

THE COMPANY

The Company is the flagship listed Company of 3M Company, USA in India. 3M Company, USA holds 74.99% equity stake in the Company and is a diversified technology and science Company with a global presence in the following businesses: Industrial; Health Care; Consumer; Safety and Graphics; and Energy and is among the leading manufacturers of products for many of the markets it serves. Most of its products involve expertise in technology, product development, manufacturing and marketing, and are subject to competition from products manufactured and sold by other technologically oriented companies.

The Company has manufacturing facilities in India at Ahmedabad, Bengaluru, Pune and has the Corporate Office and Customer Innovation Center (R&D Center) in Bengaluru. As at March 31, 2019, the Company had employee strength of 1377 personnel. The Company managed its operations in five (5) operating business segments: Industrial; Health Care; Consumer; Safety and Graphics; and Energy. The Company's five business segments bring together common or related 3M technologies, enhancing the development of innovative products and services and providing for efficient sharing of business resources.

3M products are sold through numerous distribution channels, including directly to users via 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 of 3M and its products has been developed through long association skilled marketing & sales teams and this confidence has contributed significantly to 3M India's growth and its position in the marketplace.

Global Economic Overview

Global economy continues to moderate as the recovery in trade and manufacturing activity loses steam. Trade tensions continue to stay elevated. Borrowing costs for emerging markets & developing economies have increased. A strengthening US dollar heightened financial market volatility. Fluctuating energy prices have led to global growth contracting to 3.0% in 2018 vs 3.1% the year before. The Global economy is expected to further contract to 2.9% in 2019 with bulk of the growth coming in from Asian markets.

India Economic Overview

India economy grew 7.2% in 2018 and is expected to grow at 7% in 2019. Growth is led by consumption & investment. India is expected to continue growing at 6.5-7% over next 5+ years. Manufacturing & Automotive sectors are in the midst of severe headwinds. However, Consumer, Health Care, Infra markets are performing strongly. India IIP was pegged at 5.2% in 2018. 2019 is seeing the IIP go down to 4.4%. Core Sector slow down, followed by falling prices is a concern in the near term. Inflation has been hovering around the 2-3% mark – well below the RBI mandate of 4-5%

Some of the key trends in the market are;

- *Continued consumption trend:* With the increasing income in the middle class, we are also seeing a larger use of life style products with Indian consumers.
- *Increased focus on sustainability:* We are seeing a rising focus in the government as well as greater awareness among consumers on green consumption practices, air & water quality, reducing the carbon footprint & single use plastics, etc.
- *Emerging digital go-to-market-models:* Ecommerce and digital go-to-market strategies are helping companies better target their customers, make themselves more relevant and also expand their reach more efficiently into Tier II & III towns.
- *Increased FDI in India:* Several industries have benefitted from initiatives like the Make in India campaign, especially Electronics, Automobiles, Defence and SME sectors. Increased manufacturing in India is also helping improve the Tier I and Tier II supply market in India.

- *Increased spending on urban infrastructure:* City Infrastructure will continue to stay in focus to meet the needs of rapid urbanization and quality of life
- *National Health Care:* The Govt has taken several measure towards providing quality healthcare access to all citizens. Although initial days, the policy will see its maturing over the coming months before the healthcare dream is realized.

RESULTS OF THE OPERATIONS OF THE COMPANY

The Company on a standalone basis registered an overall turnover growth of 8.85% at Rs. 280,875.97 Lakhs for the financial year ended March 31, 2019 compared to Rs. 258,039.60 Lakhs in the previous financial year. The Profit before Interest and Depreciation is Rs. 54,042.78 Lakhs compared to Rs. 52,342.69 for the previous financial year. Profit before Tax is Rs. 49,745.93 Lakhs compared to Rs. 47,968.30 Lakhs for the previous financial year. The operating margin for the current year is 19.02% compared to 19.95% for the previous financial year. Total Comprehensive Income is Rs. 32,286.31 Lakhs compared to Rs. 31,027.31 Lakhs for the previous financial year. Portfolio prioritization, operational productivity and lower material costs increased the profitability at all levels for the financial year under review. Export Sales is Rs. 2,696.81 Lakhs for the financial year ended March 31, 2019 compared to Rs. 1,627.92 Lakhs in the previous financial year, an increase of 65.66%, due to increase in demand in global market.

Other Income:

The other income is Rs. 3,283.16 Lakhs for the financial year 2018-19 compared to Rs. 4,361.54 Lakhs for the previous financial year 2017-18.

Cost of Goods sold:

The % of cost of raw material consumed as against sales for the financial year 2018-19 is higher by 0.66% at 52.32% as against 51.66% for the previous financial year 2017-18, due to product mix and increase in foreign currency exchange rate.

Employee Benefits Expense:

Employee cost as a % of sales for the year 2018-19 stood at 10.59 % (previous financial year was 12.35%) at Rs. 30,106.15 Lakhs (previous financial year: Rs. 32,407.88 Lakhs). Sales per employee have improved by 7.19% to Rs.206.36 Lakhs (no. of employee's 1,377) in the current financial year 2018-19 from Rs. 192.52 Lakhs (no. of employees 1,363) for the previous financial year 2017-18.

Finance Cost:

The interest cost for the financial year 2018-19 is Rs.109.18 Lakhs compared to Rs. 194.07 Lakhs in the previous financial year 2017-18. The interest cost is on account of lease rentals of vehicles and office equipment.

Interest earned:

The Company earned Rs. 2,685.21 Lakhs on the surplus during the financial year 2018-19 when compared to Rs. 3,585.56 Lakhs during the financial year 2017-18 by keeping the funds in deposits with the Banks.

Earnings per Share (EPS):

The EPS (Basic and Diluted) of the Company for the financial year 2018-19 was Rs. 286.72 per share as compared to Rs. 275.66 per share in the previous financial year, a growth of 4.01%.

Share Capital:

The Authorized/Issued/Subscribed and Paid-up Capital as at March 31, 2019 is Rs. 11,26,50,700 (divided into 1,12,65,070 equity shares of Rs. 10 each). During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

Reserves & Surplus:

Entire profit of Rs. 32,286.31 Lakhs is retained in profit and loss account for the year ended March 31, 2019. The Reserves & Surplus is Rs. 184,826.52 Lakhs including the current financial year retained profit.

Shareholder's Fund:

The total shareholder funds increased to Rs. 185,953.03 Lakhs as at March 31, 2019 from Rs. 153,666.72 Lakhs as of the previous financial year 2017-18 end, representing a growth of 21.01% mainly because of retained profits of the current year.

Depreciation:

The depreciation charge for the current year is higher at Rs. 4,187.67 Lakhs as against a charge of Rs. 4,180.32 Lakhs of previous financial year 2017-18 due to new investments.

ANNEXURE 'A' TO REPORT OF THE BOARD OF DIRECTORS

3M India Limited

Fixed Assets-Capital Expenditure:

The gross Fixed Assets as at March 31, 2019 was **Rs. 43,145.90** Lakhs as compared to Rs. 41,093.61 Lakhs of previous financial year 2017-18. Capital Investments during the year 2018-19 were at Rs. **3,084.21** Lakhs (Net of capital work-in-progress and capital advances) (2017-18: Rs. 1,641.10 Lakhs) an increase of **87.93%** year on year.

Inventories:

Inventory as at March 31, 2019 amounted to Rs. **37,918.19** Lakhs as against Rs. 34,728.93 Lakhs of previous financial year 2017-18. The inventory ratio has decreased to **89** days as at March 31, 2019 from 91 days of previous financial year 2017-18.

Trade Receivables:

Trade Receivables as at March 31, 2019 amounted to Rs. **54,613.88** Lakhs as against Rs. 52,963.65 Lakhs of previous financial year 2017-18. The debtor's turnover ratio is **70** days (previous financial year: 66 days).

Cash and Bank balances:

The total balance of cash and bank balances as at March 31, 2019 was **Rs. 47,039.04** Lakhs as compared to Rs. 78,931.24 Lakhs as at March 31, 2018.

Current Ratio: 2.48

Debt Equity Ratio: 0.73%

Overall analysis of the profit and loss (Standalone):

| Particulars | Year Ended March 31, 2019 | | Year Ended March 31, 2018 | |
|---|---------------------------|---------------|---------------------------|---------------|
| | Rs. in Lakhs | % | Rs. in Lakhs | % |
| Revenue from operations | 280,875.97 | 98.84 | 258,039.60 | 98.34 |
| Other income, net | 3,283.16 | 1.16 | 4,361.54 | 1.66 |
| Total Revenue | 284,159.13 | 100.00 | 262,401.14 | 100.00 |
| Cost of Materials consumed | 86,741.34 | 30.53 | 81,163.29 | 30.93 |
| Purchases of stock-in-trade | 63,315.23 | 22.28 | 53,970.94 | 20.57 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | (1,387.67) | (0.49) | (1,999.10) | (0.76) |
| Excise Duty | 0.00 | 0.00 | 2,425.88 | 0.92 |
| Employee benefits expense | 30,106.15 | 10.59 | 32,407.88 | 12.35 |
| Other Expenses | 51,341.30 | 18.07 | 42,089.56 | 16.04 |
| Profit before Finance costs and Depreciation | 54,042.78 | 19.02 | 52,342.69 | 19.95 |
| Finance Costs | 109.18 | 0.04 | 194.07 | 0.07 |
| Depreciation and amortization expense | 4,187.67 | 1.47 | 4,180.32 | 1.59 |
| Total Expenditure | 234,413.20 | 82.49 | 214,432.84 | 81.72 |
| Profit before Tax | 49,745.93 | 17.51 | 47,968.30 | 18.28 |
| Tax | 17,446.85 | 6.14 | 16,914.74 | 6.45 |
| Profit for the year | 32,299.08 | 11.37 | 31,053.56 | 11.83 |
| Items that will not be reclassified subsequently to profit or loss | (12.77) | (0.01) | (26.25) | (0.01) |
| Total comprehensive income for the year | 32,286.31 | 11.36 | 31,027.31 | 11.82 |

Segment wise performance:

The Industrial business grew by 4.90%; Health Care business grew by 6.60%; Safety and Graphics business grew by 7.91%; Consumer business grew by 11.22% and Energy business grew by 36.01%.

(A) INDUSTRIAL BUSINESS:

The Industrial segment serves a broad range of markets, such as automotive original equipment manufacturer (OEM) and automotive aftermarket (auto body shops and retail), electronics, appliance, paper and printing, packaging, food and beverage, and construction. Industrial products include tapes, a wide variety of coated, non-woven and bonded abrasives, adhesives, advanced ceramics, sealants, specialty materials, closure systems for personal hygiene products, acoustic systems products, and components and products that are used in the manufacture, repair and maintenance of automotive, marine, aircraft and specialty vehicles. Major industrial products include vinyl, polyester, foil and specialty industrial tapes and adhesives; Scotch® Masking Tape, Scotch® Filament Tape and Scotch® Packaging Tape; packaging equipment; 3M™ VHB™ Bonding Tapes; conductive, low surface energy, sealants, hot melt, spray and structural adhesives; reclosable fasteners; label materials for durable goods; and coated, nonwoven and microstructured surface finishing and grinding abrasives for the industrial market. Other industrial products include fluoroelastomers for seals, tubes and gaskets in engines.

Major transportation products include insulation components, including Thinsulate™ Acoustic Insulation and components for catalytic converters; functional and decorative graphics; abrasion-resistant films; adhesives; sealants; masking tapes; fasteners and tapes for attaching nameplates, trim, moldings, interior panels and carpeting; coated, nonwoven and microstructured finishing and grinding abrasives; structural adhesives; and other specialty materials. In addition, 3M provides paint finishing and detailing products, including a complete system of cleaners, dressings, polishes, waxes and other products.

Rs. in lakhs

| | | 12 Months Ended 31.03.19 | 12 Months Ended 31.03.18 |
|-----------------------------|--|-----------------------------|-----------------------------|
| Financial Highlights | Segment Revenue | 112,756.90 | 107,493.27 |
| | Profit Before Interest & Tax | 19,540.02 | 19,917.21 |
| | Capital Employed | 33,939.14 | 31,733.44 |
| Highlights | <ul style="list-style-type: none"> Automotive & Aerospace division had a turbulent year marked by automotive build slowdown across PV & 2W segments and rising dealership inventories because of change in regulations (Emissions & ABS), rising interest rates, insurance and fuel costs and natural calamities like the floods in Kerala and Kodagu. The OEM segments (Autocare and Collision Repair) of Automotive Aftermarket Division saw a healthy growth primarily due to new product sales and new customer acquisitions despite the challenges faced because of passenger car sales slow-down. Industrial Adhesive and Tapes Division continued their focus on Passive Fire Portfolio, driving relevance in Construction and strengthened Converter Business Model, increasing penetration in Transportation & Metal working market. The Abrasive Systems Division have reached out to more end customers with their productivity improvement solutions which has reduced lead times, improved output quality, controlled cost per component etc., spanning sectors like Automotive, Auto Comp., Metal Fabrication, Cutting tools, Gear grinding, Aerospace, Windmill segments etc. The Sales team has been equipped with digital tools (3M Sales Aid) to prove & implement Value added processes for productivity improvement. The Company gained share in the Advanced Materials markets with its differentiated offerings from polymer solutions like Polymer Processing Additives for packaging industry, Engineered Specialty Additives for oil and gas industry and friction shims for automotive industry from its ceramics portfolio. Industrial & Safety Market Center made significant strides in the year by driving channel sales growth through a sharp focus on Key Accounts & Long-Tail customers. | | |

(B) HEALTH CARE BUSINESS:

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

Rs. in lakhs

| | | 12 Months Ended 31.03.19 | 12 Months Ended 31.03.18 |
|-----------------------------|--|-----------------------------|-----------------------------|
| Financial Highlights | Segment Revenue | 42,705.35 | 40,062.92 |
| | Profit Before Interest & Tax | 8,429.73 | 7,779.21 |
| | Capital Employed | 10,474.82 | 14,591.74 |
| Highlights | <ul style="list-style-type: none"> 3M Healthcare continues to help emerging hospitals adhere to standards and guidelines that enable them to get accreditation and certification to meet NABH standards with a seamless, cost effective and end-to-end solution. Focused Market development through an online education platform with local and regional content to drive market expansion and demand generation. 3M Healthcare has been continuing efforts in digital space. Sales through e-commerce for both medical and dental products have gained traction and we are seeing continued year on year growth. Improving coverage efficiency through restructured organization structure. | | |

(C) SAFETY AND GRAPHICS BUSINESS:

The Safety & Graphics business serves a broad range of markets that serve to increase the safety, security & productivity of people & improves facility design, aesthetics, hygiene, etc. Major product offerings include personal protection products; traffic safety & security products, border security solutions; public safety & identity management solutions; commercial graphics sheeting & systems; architectural surface & lighting solutions; cleaning & protection products for commercial establishments, etc

Personal protection products include maintenance-free & reusable respirators, personal protective equipment, head & face protection, body protection, hearing protection & protective eyewear. In traffic safety & security, 3M provides reflective sheeting used on highway signs, vehicle license plates, construction work-zone devices, pavement marking systems, electronic surveillance products, films that protect against counterfeiting & reflective materials that are widely used on apparel, footwear & accessories, enhancing visibility in low-light situations. Traffic safety & security also provides remote people-monitoring technologies used for offender-monitoring applications. The portfolio also includes RFID tracking technologies & Automatic Number Plate Recognition (ANPR). Major commercial graphics products include films, inks, digital signage systems & related products used to produce graphics for vehicles, signs & interior surfaces. Other products include spill-control sorbents; nonwoven abrasive materials for floor maintenance & commercial cleaning; floor matting, housekeeping chemicals, etc.

Rs. in lakhs

| | | 12 Months Ended 31.03.19 | 12 Months Ended 31.03.18 |
|-----------------------------|---|-----------------------------|-----------------------------|
| Financial Highlights | Segment Revenue | 71,318.68 | 66,091.17 |
| | Profit Before Interest & Tax | 8,808.37 | 8,507.45 |
| | Capital Employed | 26,976.29 | 20,589.21 |
| Highlights | <ul style="list-style-type: none"> Government continues its efforts to invest heavily in transport infrastructure, specifically - National Highways, Expressways, Rural roads and several Industrial corridors. However, the Indian roads are not considered very safe as we contribute to almost 10% of global fatalities. Transportation Safety Division has been working closely with all stakeholders to reverse this trend. The division continues its growth path in the road safety space with many of its technological products such as Signages & Roadway materials using retro-reflective technology – Overhead signs, Cautionary & mandatory signs, Vehicle Marking Tapes, Solar RPMs, Flexible median markers, Delineators, Road pavement markers, etc. help promote safety on the Indian roads. The division continues to invest heavily in education & awareness of several road safety solutions to key stake holders by way of night demos, training programs including participation in both domestic and International trade shows. | | |

| | |
|------------|---|
| Highlights | <ul style="list-style-type: none"> • Significant penetration has been made with cutting edge solutions for Smart Cities in the areas of urban mobility with Smart Variable Message Signs. The Smart Variable Message Signs provide real time, contextual & automated information to motorists & allow a host of smart sensors to be integrated into a single platform allowing better information dissemination, disaster management & traffic enforcement. • Personal Safety Division continues to drive education on the proper selection and usage of Personal Protection Equipment across all segments requiring attention for occupational health and safety. Pharmaceutical, Automotive, General Engineering and Chemical and several other sectors provide an opportunity for significant growth to the division. The division continues to increase its penetration into the SME segment through various awareness and contact programs and other onsite SME activation Programs. Division's launch of Fall Protection products, Self-Contained Breathing Apparatus and other products provide further opportunity for growth with newer segments like Fire services. • In a bid to raise awareness among the Labour force on the importance of safety measures and proper equipment in the workplace, the Audhyogik Suraksha Rath (mobile industrial safety training van, in association with the Directorate General, Factory Advice Service & Labour Institutes (DGFASLI), Ministry of Labour and Employment) has so far trained close to 1 Lac Workers and visited close to 700 Industries. Over the next three years, the vans will cover one million industrial workers, raising awareness on industrial safety and health through training programs with the message: Safety First. • One of the major causes of deaths is falling from heights, and to train and raise awareness 3M has also launched 2 dedicated Training Vehicles for training workers on Fall Protection. • The division has signed an MOU with the Chest Foundation of India to establish a mutual collaboration that seeks to explore opportunities and provide awareness programs to the medical professionals in India. • Our Personal Safety Division also made significant contributions through awareness building and helping citizens get appropriate respirators during air quality concerns in several cities during the winter months. • Commercial Solutions Division (CSD) through their graphics and architectural market portfolios and cleaning workplace safety portfolio is focused on bringing change to every brand and every customer by creating unique "Brand experience" with the visual impact that it creates with its products and services. Several segments such as Retail, Banking, Hospitality, Railways, Metro rail, Airports, Commercial Offices, IT and ITES, Hotel, Restaurant and Catering (HORECA), Oil and Gas etc., found several solutions from Commercial Solutions division which helped them create a unique brand experience for their consumers. Some of the big brands of our country have gone ahead in refreshing their brand logo and outlet appearances in recent quarters which seen usage of CSD solutions. • Right from graphics to cleaning and work place solutions, this division is trying to touch every life. The division saw a lot of success in retail & office refurbishment, railway new trains & interior refresh, car personalization and styling along with new projects of outlet expansion banking and oil & gas segments. • CSD has also seen growth from geographical penetration to new territories and expansion of graphics manufacturers network across growing cities. Division continues to focus and invest heavily in training and educating end customers, dealers, applicators, graphics manufacturers through series of expertise delivery programs in these growing cities. |
|------------|---|

(D) CONSUMER BUSINESS:

The Consumer segment serves markets that include consumer retail, modern trade, office retail and other emerging retail channels. The products in this segment include office supply products, stationery products, home care products and protective material products. Major consumer products include Scotch® brand products, such as Scotch® Magic™ Tape and Scotch® Glue Stick; Post-it® Products, such as Post-it® Flags, Post-it® Note Pads and Dispensers; home care products, including Scotch-Brite® Scour Pads, Scotch-Brite® Scrub Sponges, Scotch-Brite™ Microfiber Cloth products.

Rs. in lakhs

| | | 12 Months Ended 31.03.19 | 12 Months Ended 31.03.18 |
|-----------------------------|--|-----------------------------|-----------------------------|
| Financial Highlights | Segment Revenue | 30,348.57 | 27,286.70 |
| | Profit Before Interest & Tax | 5,510.35 | 4,796.84 |
| | Capital Employed | 9,213.61 | 9,518.49 |
| Highlights | <ul style="list-style-type: none"> Focus on driving scouring business with new product launch of Silver Sparks and multi-pack drive in Modern Trade. Launch of Command® range of products in Modern Trade. Launch of innovative products like Scotch-Brite Broom, Microfiber cloth and a range of household tapes including wall-safe tapes and student tape. Focus on Air Quality products like respirators and AC Filters to address the air quality issues that Indian consumers face both in outdoor and indoor. Continued growth in the office supplies channels with Post-it & Scotch range of products aimed at office workforce segment. Accelerated growth in Modern Trade by partnering with Key Modern Trade customers for categories in Home Care, Stationery and Command range of products. Distribution expansion program aimed at increasing availability of Home Care range of products in Tier B&C towns through partnership with wholesalers across the country. Partnered with adjacent category & household brands for cross promotional activities thereby expanding household reach for our products. Continued investment in the brands viz "Scotch-Brite®", Post-It®, Scotch® and Command® through various brand building activities in Mass Media, Digital Media and in Point of Sales. Accelerated sales through ecommerce channel with focus on product portfolio, good digital content and on-line demand generation programs. | | |

(E) ENERGY BUSINESS:

Infrastructure Protection Products Division of 3M offers a comprehensive array of products that ensure effective protection against corrosion for a variety of installations and structures. While 3M™ Scotchkote™ Fusion Bonded Epoxy Powders and Scotchkote™ Liquid Epoxy Coatings offer protection for steel pipelines, associated fittings and structures used in the oil, gas, water, industrial and construction markets, the range of 3M™ Scotchcast™ Powder Resins are ideal for OEM electrical insulation applications. 3M Dynatel Locators combine simple interfaces, large backlit high-resolution graphics, excellent balance and ergonomics with precision locating capabilities to quickly and accurately identify underground assets.

In Renewable Energy 3M is helping to transform the fields of Generation & Conservation of Energy. 3M supports solar & wind energy initiatives through product solutions such as films, tapes, coatings, encapsulants and adhesives that help reduce the cost of energy generation. For energy conservation and management needs of customers we provide affordable window film technology that ensures effective health and environment protection.

Rs. in lakhs

| | | 12 Months Ended 31.03.19 | 12 Months Ended 31.03.18 |
|-----------------------------|---|-----------------------------|-----------------------------|
| Financial Highlights | Segment Revenue | 21,051.37 | 15,477.61 |
| | Profit Before Interest & Tax | 3,735.95 | 2,354.96 |
| | Capital Employed | 1,945.05 | 4,874.57 |
| Highlights | <ul style="list-style-type: none"> The corrosion protection business had a strong year because of execution of large oil& gas and water pipeline projects. The year witnessed a strong growth of 3M locator and marker sales as they were used for asset management while implementation of telecom projects. | | |

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. Global campaigns and brand building continue to benefit our business in India.

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. The Company's products involve expertise in product development, manufacturing and marketing and are subject to competition from products manufactured and sold by other technologically oriented companies both within India and outside India. In addition, rupee depreciation, fluctuating oil & high commodity prices 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.

External market headwinds specifically in manufacturing, automotive and infrastructure.

- 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 changes in 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.
- 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 and market uncertainties.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

All key functions and divisions of the Company are independently responsible to monitor risks associated with in their respective areas of operations such as production, supply chain, marketing, finance, accounting, treasury, legal and other areas like health, safety and environment. The Company has identified various risks through an internal self-assessment compliance checklist and has laid out necessary procedures to mitigate the same.

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies. The Company, through its own Corporate Internal Audit Department, carries out periodic audits to cover all the offices, factories and key areas of business segments based on the plan approved by the Audit Committee and bring out any deviation to internal control procedures. The Internal Auditor functionally 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***Talent Development:***

In the year 2018, the Company further strengthened our development framework involving learning for Supervisors, Hi Potentials and Employees.

For the people leaders, the Company has put in place a workshop series called 'India People Leader Journeys' with a curriculum for supervisors based on their roles and experience levels. The workshop series for New Leaders, Evolving Leaders and Experienced leaders is a blend of content that enables supervisors to be better equipped to lead people in today's environment, while also keeping in mind global 3M priorities. Some highlights were programs called 'Your Leadership Experience' and 'Insights Discovery' for our experienced

leaders. Nearly 115 of our supervisors across regions were part of workshops which we believe will be a powerful input to their leadership journeys.

'Arts-An Inspiration for Excellence' was another initiative launched to help our leaders learn from excellence in diverse fields. The Company had the honour of hosting and learning from talks by theatre doyen Ms. Arundhati Nag and award-winning danseuse, Ms. Malavika Sarukkai as part of our learning programs.

In addition to Spark, 3M's learning platform for Hi Potential employees, about a 100 Hi Potentials were part of Strength finder workshops to better appreciate their strengths and how such strengths can be leveraged at work. XChange, our inter corporate program for the best of our Hi Potentials also progressed as per plan with strong action plans emerging from the 5-month learning intervention.

The Master Class learning series was launched in 2018 to teach employees specialized areas that could help them perform their jobs better. Some examples of these workshop series were Finance, Design Thinking and Storytelling workshops for 220+ employees.

As part of strengthening employee experience for the new comers, the Company has significantly changed the onboarding processes. Major change included having employees join at Corporate Office on fixed days of the month while also revamping our Feel@Home program (New employee orientation program). At the Feel@Home program the new employees learn about the Big 3M, Our History and Culture, interact with the senior leaders and teach back their learnings through an engaging competition.

The plant employees were part of workshops called 'Associates Contributing Together'. These workshops facilitated by plant HR involved interesting activities to build learning agility and cross-line collaboration for customer wins.

During festive season last October, HR organization engaged ~1100 employees across regions and plants on development themes connecting to Growth and Transformation. This initiative further reinforces the various learning options available to employees while also interacting with leaders on people development.

Empowering employees to be owners of their own learning, 3M's Develop U platform was further refreshed with updated competency models, employee sign up options for virtual trainings and leadership messages. Our virtual learning calendar gives employees the option of signing up for learning modules in quick bytes at their location, at their convenient time slots.

3M's Coaching program continues to help leaders navigate through accelerated business growth while the 3M Asia Mentoring Program has helped employees connect with and learn from experienced leaders across 3M.

Employee's Relations (ER):

The financial year 2018-2019 has been a year of improvement and positive change on the Industrial Relations (IR) front. The 3M philosophy on IR has always been 'direct engagement and communication with the organization' which stands stronger today. The year went smooth without any unwanted ER/IR instances or man-days loss.

Continued to focus on the Proactive ER strategy firmed on [Connect](#), [Communicate](#) and [Collaborate](#) theme. The Company has strengthened systems to reinforce the culture of respect and fairness. Leaders understand concerns proactively and communicated our philosophy regularly through multiple platforms from time to time.

Some additional actions put in place:

1. As part of robust Employee Engagement framework, the Company has focused on Involvement of Shop floor employees in the Corporate Social Responsibility projects.
2. The Company is taking the IR / ER focus a level higher with a structured employee relations plan - a key element of our growth strategy.
3. An entire plan touching Communication, employee development, career progression and supervisor development has been established. The 3M practice of connecting with families of our shop floor teams continues to be a great look-forward.
4. Processes to address grievances while maintaining a fair and firm stance on discipline is also being worked on.

These plans will be further strengthened through 2019.

HR Business Partner (HRBP):

HR Business Partners were aligned to businesses and supported employee engagement programs (**Build.Develop.Engage**) across businesses and functions. These included Critical Talent mapping of all employees and ensuring right employee life cycle actions were being taken in a timely manner.

HR and other functions were available to engage with and train employees on various processes apart from being available for them on a one on one basis to clear any personal issues they may need support for.

Specific, targeted retention plans were put together and rolled out for certain Functions and Businesses where retention was below expected levels. These plans included training of supervisors, engagement activities and coaching among others.

Meanwhile the team was also actively involved in Organization Design and restructuring activities to ensure talent was placed in the most productive positions and structures supported business needs.

On behalf of the Board of Directors

Place : Bengaluru
Date : May 28, 2019

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

REPORT ON CORPORATE GOVERNANCE

THE COMPANY'S GOVERNANCE PHILOSOPHY

3M's Corporate Governance principles govern how the Company carries on its business daily, enabling the Company to outperform and lead the way to sustainable growth. The governance principles provide enough framework that defines the roles, rights, and responsibilities of different groups within the organization. The Board of Directors oversees the Executive Directors and Senior Management (viz., the Leadership Team) including Key Managerial Personnel and ensures that appropriate procedures and controls are in place covering Managements activities in operating the Company on ethical grounds on a day-to-day basis. The Company has adhered to all the applicable SEBI (LODR) Regulations, 2015 for the financial year ended March 31, 2019.

BOARD OF DIRECTORS

Composition:

The Board comprises of Two (2) Executive Directors, Four (4) Non-Executive Non-Independent Directors and Three (3) Independent Directors. The Board of Directors of the Company is headed by a Non-Executive and Independent Director.

As at the financial year ended March 31, 2019, the Board of Directors of the Company had an optimum combination of Executive and Non-Executive Directors including three (3) Women Directors (viz., Independent Director, Non-Executive Director and Executive Director) and not less than fifty percent (50%) of the Board of Directors comprises Non-Executive Directors and the composition is in conformity with the provisions of the Companies Act, 2013 and the Listing Regulations, 2015. None of the Directors of the Company is related to each other and with any employees of the Company.

The Board of Directors confirms that all the Independent Directors of the Company fulfill the conditions specified under SEBI (LODR) Regulations, 2015 and are Independent of the Management of the Company.

Declaration under Schedule V, Part C, Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018:

All the Directors have confirmed that they are neither debarred nor disqualified from being appointed or continuing as Director by Securities and Exchange Board of India / The Ministry of Corporate Affairs or any such statutory authority. The Company has obtained a Certificate to this effect from Mr. Vijayakrishna K.T., Practising Company Secretary, Bangalore as mandated under Schedule V, Part C, Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018.

Brief Profile of the Directors of the Company:

Mr. Bharat D Shah, Independent Director (holding DIN- 00136969): Mr. Bharat D Shah, 72 years, was duly appointed as an Independent Director for a period of Five (5) years from March 27, 2015. Mr. Bharat Shah has extensive experience and expertise in the fields of banking, finance and securities market. He has been one of the founder members of HDFC Bank Limited and has played a key role in the establishment and consistent growth of the Bank. He is also on the Board of various prominent companies. Before joining the Financial Sector, he worked with Technova, Bradma and Pyrene in London. He has also worked with Leading MNCs viz., Thomas Cook, Citibank and with UBS. Mr. Bharat Shah is the Chairman of HDFC Securities Limited. He has his Bachelor's in Science Degree from the University of Mumbai and also holds a Degree in Applied Chemistry with special reference to metal finishing from Borough Polytechnic, London. He was appointed as Chairman of the Board with effect from May 27, 2016.

Ms. Debarati Sen, Managing Director (holding DIN-07521172) : In her previous role, Ms. Debarati Sen, 51 years, held the position of Director, Corporate Sales Operations for 3M Company, USA leading corporate initiatives critical to growth, sales effectiveness and efficiency and as the Director for 3M's US Atlantic & Pacific Branch Operations (Puerto Rico, Hawaii, Guam & Alaska). Ms. Debarati Sen's career spans over 24 years in Asia and US with over 18 years in 3M in various global, regional and country roles driving marketing, sales and customer engagement, product development, business development, strategy as well as mergers and acquisitions. Prior to that, she headed the global Oil & Gas business for 3M. She has also held the position of Vice President of Global Marketing – Equipment Protection Business at Pentair, Inc. She is on the board of the 3M A3CTION (Asian Employee Resource Network) and an Executive Member of 3M's Women's Leadership Forum. She also volunteers her time in reducing homelessness and poverty in the community and in supporting education and empowerment in women and is on the national governing board of Jeremiah Program, a Minnesota based national charity. Ms. Sen holds a BS/BE in Electronics Engineering, as well as an MBA in Marketing & Finance. Her career with 3M started in India in 1996 where she was the Division Manager for Personal Safety Division for 5 years and also led the Disposable Respirator business for Asia. She was appointed as the Managing Director of the Company from June 1, 2016.

Mr. Amit Laroya, Non-Executive Director (holding DIN-00098933): Mr. Amit Laroya, 54 years, started his career at Asian Paints and moved to 3M India in 1990 as the Division Head of Traffic, safety and Security. He has held positions in 3M India as the Country Business

Leader in Safety & Graphics, Industrial, Electro and Telecommunication in addition to being the first Master Black Belt for India region. He has also held positions as the M&A Manager for India region and General Manager of 3M Lanka. His previous assignment as the Managing Director of 3M Indonesia and 3M India Limited made him well suited to understanding emerging market needs. He also has a good understanding of global corporate strategies at 3M having recently worked in St Paul, USA, as the Global Director-for 3M Strategy & Corporate Development & the Director of International Strategic Planning & M&A. Mr. Amit Laroya is an Economics Honors graduate from the University of Delhi with MBA in Marketing and Finance from XLRI in India. He was the Managing Director of the Company from October 1, 2013 to May 31, 2016. From June 1, 2016, he has been a Non-Executive Non-Independent Director of the Company. He was appointed as President and Managing Director of 3M Korea Limited from June 1, 2016.

Mr. B.V. Shankaranarayana Rao, Whole-time Director (holding DIN-00044840): Mr. B.V. Shankaranarayana Rao, 59 years, holds a bachelor's degree in commerce and a master's degree in Business Administration from Bengaluru University. He has been with the Company since 1990. He has over 30 years of experience in Finance and Corporate Management. He has held various positions during his tenure in 3M India. He has also worked in 3M Asia Pacific, Singapore, prior to heading the Finance Department in 3M India Limited. He was appointed as a Whole-Time Director of the Company from July 24, 2002. Mr. Shankar Rao heads the Business Services Group, Business Transformation and Information Technology.

Ms. Radhika Rajan, Independent Director (holding DIN- 00499485): Ms. Radhika Rajan, 63 years, heads DSP Investments, the umbrella company of the Kothari Family Office, in Mumbai, India. The Kothari portfolio comprises of Indian securities, fixed-income, corporate paper and loans, and some angel and private equity investments. Previously, Ms. Radhika was President of TCG Advisory of the TCG Group, New York. In this capacity, Radhika conceived, set up, structured and managed the operations of TCG's offshore Indian Equities Funds for 7 years. Prior to joining the Fund in 2003, she advised TCG and several other private equity groups on various companies and proposed investments in the US-India corridor. Ms. Radhika Rajan is a US citizen and long-term resident of New York who relocated to India a few years earlier. She has focused on India as an investment destination since 1999, when she became New York based Executive Vice-President of Mphasis. Prior to Mphasis, Ms. Rajan worked as a global macro proprietary trader at Chemical Bank (now JPMorgan)) Itochu, UBS, Bank of America, and Bank of Montreal where she created and managed several profitable trading structures. As a global macro trader, she traded and took proprietary positions in a range of currencies, cash and options and in interest rate and commodity futures and derivatives. Ms. Rajan holds an MBA degree from the Indian Institute of Management Ahmedabad and a MSc (Physics) degree from Indian Institute of Technology, Mumbai. She was a National Science Talent Scholar through her Masters 'degree. Ms. Rajan is an invited author of "The Global Internet Economy," a book published by MIT Press in 2003. She is a charter member of TIE, the global Entrepreneurs organization and served as an Executive Board Member of TIE Tristate for over 5 years. TIE, a global association of entrepreneurs active in accelerating the globalization of Indian business. (www.tie.org and www.tietristate.org). She was appointed as an Independent Director for a period of Five (5) years with effect from May 27, 2016.

Mr. Biren Gabhawala, Independent Director (holding DIN- 03091772): Mr. Biren Gabhawala, 54 years, was appointed on the Board of the Company as an Additional Director with effect from August 5, 2014. At the Annual General Meeting held on August 4, 2015, he was appointed as an Independent Director for a period of Five (5) years with effect from August 5, 2014. He holds a Bachelor's degree in Commerce from University of Mumbai and is a qualified Chartered Accountant and a fellow member of the Institute of Chartered Accountants of India. He is into practice for last 27 years. He is a Senior Partner of Messrs. C. M. Gabhawala & Co., Chartered Accountants and specializes in Direct and Indirect Taxation, FEMA, International Taxation, Mergers, and Acquisitions.

Mr. Ramesh Ramadurai, Non-Executive Director (holding DIN- 07109252): Mr. Ramesh Ramadurai, 57 years, was appointed as Business Director for 3M Industrial Business in July 2014 and is based out of Shanghai responsible for the entire Asia Pacific Area. Prior to this role, Mr. Ramesh Ramadurai served as Managing Director of 3M Philippines from August 2011 until June 2014, based in Manila. He Joined 3M India in 1989 as Sales Engineer and held positions as Country Business Leader in Industrial Business and Electro & Telecommunications. He was seconded to Global Headquarters in St Paul, USA, and worked as Market Segment Manager in Industrial Business, as Global Business Manager for a line of Industrial Tapes, and as International Business Manager for 3M's Packaging, Masking and Specialty Tapes businesses. Prior to 3M, Mr. Ramesh Ramadurai worked for a year as a Production Engineer at an Offshore Oil Production facility, and for about 3 years in a business planning and development role at an automotive parts and motorcycle manufacturer. Mr. Ramesh Ramadurai holds MBA from the Indian Institute of Management in Calcutta and is a Bachelor of Technology in Chemical Engineering from the Indian Institute of Technology, Kanpur. He was appointed as a Non-Executive Non-Independent Director of the Company with effect from March 27, 2015.

Mr. Jongho Lee, Non-Executive Director (holding DIN- 06720950): Mr. Jongho Lee (JH), 56 years, was named Finance Director - Asia based out of Hong Kong from April 1, 2017. JH comes with a strong pedigree and regional experience across multiple companies. JH has most recently been 3M Korea Finance Manager since April 1, 2014. Prior to that, he has held several roles in multiple Companies as:

- VP & CFO, Korea Delphi Automotive Component Company
- FP&A Executive, GM Korea

- Korea Controller, GM
- Finance Controller, GM International Operation Manufacturing
- Asia Pacific HQs Strategy Board Planner (Shanghai), GM
- Finance Representative of Daewoo Group Restructuring Committee
- Treasurer, Daewoo Group

He is also the Co-Chairman of the AMCHAM CFO Committee, Korea and a Tax Committee Member of Korea Chamber of Commerce. JH holds an MBA from the University of Michigan, Ann Arbor and a B.A., Seoul National University. He was appointed as a Non-Executive Non-Independent Director of the Company from May 26, 2017.

Ms. Sadhana Kaul (holding DIN- 02589934): Mrs. Sadhana Kaul, 54years, joined the 3M India Limited in the year 2005 as General Counsel and has over 25 years of experience in the legal field, having worked in different capacities in law firms in the US and in India. Prior to joining 3M India limited, she was with GE Medical Systems as Senior Legal Counsel based in Bangalore. She has a History Degree from St. Stephen's College, Delhi University, India and holds a Bachelor's degree in Law from Trinity College Cambridge, UK and a Master's degree in International and Comparative Law from Georgetown University Law Center, Washington D.C.

She was appointed as a Whole-Time Director of the Company from October 09, 2009 and was the General Counsel of the Company till November 1, 2013. She resigned as Director and Whole-time Director with effect from November 1, 2013 consequent upon her appointment as General Counsel for South East Asia Region, Singapore. Apart from being General Counsel for South East Asia Region, she also supported Asia Manufacturing and Supply Chain Center of Expertise. She was appointed as a Non-Executive Director of the Company from February 10, 2014. She resigned as Director of the Company with effect from the closing hours of May 27, 2016 due to her pre-occupation and other commitments.

Ms. Sadhana Kaul has been appointed as Asia Area General Counsel with effect from September 1, 2018 and will continue to be based out of Singapore where she will oversee the legal operations of 3M in all its Asia Subsidiaries.

Names of other companies/firms in which Directors of the Company hold/held office as Director/Partner are given below (as on March 31, 2019):

Ms. Debarati Sen

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

Ms. Sadhana Kaul (from October 31, 2018)

- 3M Korea Limited

Mr. Ramesh Ramadurai

- Metamorph Learning Private Limited, Director

Mr. Jongho Lee

- Nil

Mr. B.V. Shankaranarayana Rao

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

Ms. Radhika Rajan

- Sonata Software Limited, Director

- Sonata Information Technology Limited, Director

Mr. Amit Laroya

- 3M Korea Limited, President and Managing Director

- Sun Abrasives, Korea, Director

Mr. Biren Gabhawala

- eClerx Services Limited, Director

- Messrs. C.M. Gabhawala & Co, Partner

Mr. Bharat D Shah

- Mahindra Lifespace Developers Limited, Director
- Apollo Munich Health Insurance Company Limited, Director
- HDFC Securities Limited, Chairman
- Hexaware Technologies Limited, Director
- Exide Industries Limited, Chairman
- Salisbury Investments Private Limited, Director
- Strides Pharma Science Limited (Formerly Strides Shasun Limited) Director
- Tata Sky Limited, Director
- Digikredit Finance Private limited (Formerly Amadeus Advisors Private Limited), Director
- Spandana Sphoorty Financial Limited, Director

Names of Committees/Chairmanships held details of the Directors are given below:

| Name of the Director | Name of the Company | Membership of Committee | | Chairmanship of Committees | |
|-------------------------------|---------------------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| | | Audit | Stakeholder's Relationship | Audit | Stakeholder's Relationship |
| Ms. Radhika Rajan | 3M India Limited | Yes | Yes | | |
| | Sonata Software Limited | Yes | | | |
| | Sonata Information Technology Limited | Yes | | | |
| Ms. Sadhana Kaul | Nil | | | | |
| Mr. Ramesh Ramadurai | Nil | | | | |
| Mr. Jongho Lee | 3M India Limited | Yes | | | |
| Mr. B.V. Shankaranarayana Rao | Nil | | | | |
| Mr. Amit Laroya | Nil | | | | |
| Ms. Debarati Sen | 3M India Limited | | Yes | | |
| Mr. Biren Gabhawala | 3M India Limited | Yes | Yes | Yes | |
| | eClerx Services Limited | Yes | Yes | Yes | |
| Mr. Bharat D Shah | 3M India Limited | Yes | Yes | | Yes |
| | Tata Sky Limited | Yes | Yes | | |
| | Spandana Sphoorty Financial Limited | Yes | Yes | | |
| | Strides Pharma Science Limited | Yes | | | |
| | Mahindra Lifespace Developers limited | Yes | | | |

Skills / Expertise/Competencies of the Board of Directors:

The present Board Members have vast and varied experience and possess professional background and experience in General Management of Business, Industry, Marketing, Finance, Taxation and Law. Following is the gist of skills / expertise / competencies identified by the Board of Directors.

- Knowledge on the Company's businesses, policies and culture, risks / threats and opportunities and knowledge of the industry in which the Company operates.
- Behavioral skills - attributes and competencies to use their knowledge, professional skills to contribute effectively to the growth of the Company.
- Business Strategy, Sales & Marketing, Corporate Governance, Forex Management, Administration and Decision Making,
- Financial, Taxation, Law and Management skills

Meetings:

The Meetings of the Board of Directors are normally held at the Company's Corporate Office in Bengaluru. Meetings are generally scheduled well in advance and the notice of each Board / Committee Meetings is given in writing to each Director. The yearly calendar of the Meetings is finalized before the beginning of the year. Additional Meetings are held when necessary. 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 Listing Regulations. The Meetings are governed by a structured agenda. The Board papers, agenda and other explanatory notes are circulated to the Directors seven (7) days prior to the Meetings. In addition, for any business exigencies, the Resolutions are passed by circulation and later placed at the subsequent Board/Committee Meeting for ratification. The Minutes of the Committee Meetings are sent to all Directors individually within the time limits prescribed under the Companies Act, 2013 and are further tabled at the Board Meetings. The Company Secretary is responsible for convening the Board and Committee Meetings, preparation and distribution of Agenda and other documents and recording of the Minutes of the Meetings. He acts as an interface between the Board and the Management and provides required assistance and assurance to the Board and the Management on compliance and governance aspects. During the financial year 2018-19, your Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

Details of Board Meetings during the financial year:

During the financial year 2018-19, four (4) Meetings of the Board were held on *May 30, 2018, August 09, 2018, October 30, 2018 and February 12, 2019*. The last Annual General Meeting (AGM) was held on *August 10, 2018*.

None of the Directors is a Director in more than Eight (8) Listed Companies or Ten (10) Public Limited Companies or acts as an Independent Director in more than Seven (7) Listed Companies. The Managing Director and the Whole-Time Director do not serve as Independent Director on any Listed Company. Further, none of the Directors acts as a member of more than Ten (10) Committees or acts as Chairman of more than Five (5) Committees across all Public Limited Companies in which he/she is a Director.

Particulars of the directorships of Board, membership and office of the Chairman of Board Committees across all Companies as on March 31, 2019 and attendance at the Board Meetings of the Company are exhibited below:

| Name & Designation of the Director | Category | No. of Meetings held during the year under review | | No. of Directorships and Committee Memberships / Chairmanships | | | Whether attended last AGM |
|--|---|---|----------|--|------------------------|--------------------------|---------------------------|
| | | Held | Attended | Directorships held@ | Committee Memberships# | Committee Chairmanships# | |
| Mr. Bharat D Shah (Chairman) | Non-Executive & Independent Director | 4 | 4 | 9 | 8 | 1 | Yes |
| Mr. Biren Gabhawala (Director) | Non-Executive & Independent Director | 4 | 4 | 2 | 4 | 2 | Yes |
| Ms. Radhika Raja (Director) | Non-Executive & Independent Director | 4 | 4 | 3 | 4 | Nil | Yes |
| Ms. Debarati Sen (Managing Director) | Executive Director (Promoter Group) | 4 | 4 | 2@@ | 1 | Nil | Yes |
| Mr. B. V. Shankaranarayana Rao (Whole-time Director) | Executive Director (Promoter Group) | 4 | 4 | 2@@ | Nil | Nil | Yes |
| Mr. Albert C Wang (Director) (up to August 21, 2019) | Non-Executive Director (Promoter Group) | 2 | 2 | 1 | Nil | Nil | Yes |
| Mr. Amit Laroya (Director) | Non-Executive Director (Promoter Group) | 4 | 2 | 3@@@ | Nil | Nil | Yes |
| Mr. Ramesh Ramadurai (Director) | Non-Executive Director (Promoter Group) | 4 | 2 | 1 | Nil | Nil | Yes |
| Mr. Jongho Lee (Director) | Non-Executive Director (Promoter Group) | 4 | 3 | 1 | 1 | Nil | No |
| Ms. Sadhana Kaul (from October 31, 2018) | Non-Executive Director (Promoter Group) | 1 | 1 | 2@@ | Nil | Nil | NA |

@ excludes directorship in private companies and includes directorship in 3M India Limited.

@@ includes directorship in one foreign Body Corporate

@@@ includes directorship in two foreign Body Corporates

excludes committees other than Audit Committee and Stakeholders' Relationship Committee

Attendance details of Board Meetings:

| Name of the Director | May 30, 2018 | August 9, 2018 | October 30, 2018 | February 12, 2019 |
|---|--------------|----------------|------------------|-------------------|
| Mr. Bharat D Shah | Yes | Yes | Yes | Yes |
| Mr. Biren Gabhawala | Yes | Yes | Yes | Yes |
| Ms. Radhika Rajan | Yes | Yes | Yes | Yes |
| Ms. Debarati Sen | Yes | Yes | Yes | Yes |
| Mr. B V Shankaranarayana Rao | Yes | Yes | Yes | Yes |
| Mr. Albert C Wang (up to August 21, 2018) | Yes | Yes | NA | NA |
| Mr. Amit Laroya | LOA | Yes | LOA | Yes |
| Mr. Ramesh Ramadurai | Yes | Yes | LOA | LOA |
| Mr. Jongho Lee | Yes | LOA | Yes | Yes |
| Ms. Sadhana Kaul (from October 31, 2018) | NA | NA | NA | Yes |

Committee of the Board:

With a view to have a more focused attention on business and for better governance and accountability, the Board has constituted the following mandatory committees viz. Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee and from April 1, 2019, constituted a Risk Management Committee. The terms of reference of these Committees are determined by the Board and their relevance reviewed from time to time.

Board Training and Induction

At the time of appointing a Director, a *familiarization programme for Directors of the Company* brochure is handed over which *inter alia* explains the history of the Company, products / divisions of the Company in which it operates, performance of the Company during the last quarter/year, other Directors' profile, Leadership Team details, situation of factories and branch offices etc., role, function, duties and responsibilities expected as a Director of the Company. In the same document, the Director is also explained in detail the compliances required from him under the Companies Act, Listing Regulations and other relevant regulations. The Managing Director of the Company also has a one-to-one discussion with the newly appointed Director. The above initiatives help the Director to understand the Company, its business and the regulatory framework in which the Company operates and equips him to effectively fulfill his role as a Director of the Company. Apart from the above, business heads also make presentations on their respective business and updates the Board. The familiarization document is also disclosed on the website of the Company at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

The Company has issued formal letters of appointment to all the Independent Directors of the Company in the manner as provided in the Companies Act, 2013 including the tenure of appointment. The terms of appointment have also been disclosed on the website of the Company at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

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: http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/. 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, 2018 to March 31, 2019.

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, 2019.

Place: Bengaluru
Date May 13, 2019

(Debarati Sen)
Managing Director
DIN: 07521172

AUDIT COMMITTEE

The Audit Committee of the Company functions in accordance with the requirements of Section 177 of the Companies Act, 2013 and the Listing Regulations.

Terms of Reference of the Audit Committee:

The terms of reference of the Audit Committee as per guidelines set out under the Listing Regulations read with Section 177 of the Companies Act, 2013, is set out below:

1. The Audit Committee shall have minimum Three (3) directors as members. Two-thirds (2/3) of the members of Audit Committee shall be Independent Directors.
2. All members of Audit Committee shall be financially literate and at least One (1) member shall have accounting or related financial management expertise.
3. Chairman of the Audit Committee shall be an Independent Director.
4. The Chairman of the Audit Committee shall be present at Annual General Meeting to answer Shareholder queries.
5. 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 CFO, Internal Auditor and a representative of the Statutory Auditor may be present as invitees for the meetings of the Audit Committee.
6. The Company Secretary shall act as Secretary of the Audit Committee.
7. The Audit Committee shall meet at least four (4) times in a financial year and not more than 120 days shall elapse between two Meetings. The quorum shall be either Two (2) members or one-third (1/3) of the members of the Audit Committee, whichever is higher but there shall be a minimum of two (2) independent members present.

Powers of Audit Committee

The Audit Committee has the following powers:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of Audit Committee

The role of the Audit Committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of statutory auditors and cost auditors of the Company;
3. Approval of payment to Statutory Auditors and Cost Auditors and for any other services rendered by the Statutory Auditors;
4. Reviewing, with the management, the annual financial statements and auditors' report thereon before submission to the Board for approval, with particular reference to:
 - (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub-Section 3 of section 134 of the Companies Act, 2013.
 - (b) Changes, if any, in accounting policies and practices and reasons for the same.
 - (c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - (d) Significant adjustments made in the financial statements arising out of audit findings.
 - (e) Compliance with listing and other legal requirements relating to Financial Statements.
 - (f) Disclosure of any related party transactions.
 - (g) Modified opinion (s) in the draft Audit Report.

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditors' independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. 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;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. 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;
16. 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;
17. 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;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
21. To grant omnibus approval for related party transactions which are in the ordinary course of business and on an arm's length pricing basis.
22. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding INR. 100 crores or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances /investments existing as on the date of coming into force of this provision.

Review of information by the Audit Committee

The Audit Committee reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit Reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

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

As on March 31, 2019, the Audit Committee of the Company consists of Three (3) Non-Executive & Independent Directors and one (1) Non-Executive Director and all of them have financial and accounting knowledge. The members of the Committee are Mr. Biren Gabhawala, Ms. Radhika Rajan, Mr. Bharat D Shah and Mr. Jongho Lee.

Mr. Biren Gabhawala 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, Whole-time Director, the Internal Auditor, the CFO, General Counsel and Statutory Auditors attend the Audit Committee Meetings.

During the financial year 2018-19, four (4) Meetings of the Audit Committee were held on May 30, 2018, August 09, 2018, October 30, 2018 and February 12, 2019. The numbers of Meetings attended during the financial year under review are as under:

| Name of the Committee Members | No. of Meetings held during the year under review | No. of Meetings attended |
|--------------------------------|---|--------------------------|
| Mr. Biren Gabhawala (Chairman) | 4 | 4 |
| Mr. Bharat D Shah | 4 | 4 |
| Ms. Radhika Rajan | 4 | 4 |
| Mr. Jongho Lee | 4 | 3 |

Attendance details of the Audit Committee Meetings:

| Name of the Director | May 30, 2018 | August 9, 2018 | October 30, 2018 | February 12, 2019 |
|----------------------|--------------|----------------|------------------|-------------------|
| Mr. Bharat D Shah | Yes | Yes | Yes | Yes |
| Mr. Biren Gabhawala | Yes | Yes | Yes | Yes |
| Ms. Radhika Rajan | Yes | Yes | Yes | Yes |
| Mr. Jongho Lee | Yes | LOA | Yes | Yes |

NOMINATION AND REMUNERATION COMMITTEE (NRC)

In compliance with Section 178 of the Companies Act, 2013 and the Listing Regulations the Board has formed the "Nomination and Remuneration Committee". The terms of reference of the Committee inter alia, the following:

- (a) *Chairperson:* Chairperson of the Committee shall be an Independent Director as may be elected by the members of the Committee.
- (b) *Quorum:* Quorum for Meeting of the Committee shall be a minimum of Two (2) members provided one (1) of them shall always be an Independent Director.
- (c) *Frequency of Meetings:* The Committee may meet at such times and at such intervals as it may deem necessary and shall at least meet once a year.
- (d) *Role:* The Role of the Committee shall include inter-alia the following:
 - Formulation of criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
 - Formulation of criteria for evaluation of Independent Directors and the Board including carrying out evaluation of every Director's performance;
 - Devising a policy on Board diversity;
 - Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.
 - Such other matters as may be prescribed under the Companies Act, 2013, Listing Regulations and by the Board of Directors of the Company from time to time.
 - Recommend to the Board, all remuneration, in whatever form, payable to senior management.
- (e) *Invitees:* The Committee may invite such executives of the Company and such other persons as it may consider appropriate.
- (f) *Secretary to the Committee:* The Company Secretary shall be the Secretary of the Committee who shall flag actions and serve as executive support to the Committee.

The Remuneration Policy for Directors, Key Managerial Personnel and for other employees has been disclosed in the website of the Company at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

Criteria of selection of Non-Executive Independent Directors

The Non- Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management. The NRC shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively. The NRC shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013. The NRC shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.

- i. *Qualification, expertise and experience of the Directors in their respective fields;*
- ii. *Personal, Professional or business standing;*
- iii. *Diversity of the Board.*

The Diversity of the Board aims to:

- enhance the quality of performance of the Board,
- usher in independence in the performance of the Board,
- achieve sustainable and balanced performance and development in the Company,
- support the attainment of strategic objectives of the Company,
- remove the gender bias in the Board, and,
- Compliance of applicable law/s and good corporate practices.

In case of re-appointment of Directors, the Board shall take into consideration the performance evaluation of the Director and his/her engagement level.

Criteria of selection of Non-Executive and Executive Directors

For the purpose of selection of the Non-Executive and Executive Directors, the incumbent shall possess relevant expertise, experience and leadership qualities required for that position. The NRC will also ensure that the incumbent fulfills such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013.

Criteria of selection of Senior Management personnel (including KMPs)

For the purpose of selection (including internal selection) of the senior management personnel (including KMPs), criteria such as relevant expertise, experience, qualifications are taken into consideration.

Remuneration Policy of the Company

Annually, the Center of Expertise Total Rewards Team (COE TR) team works closely with Mercer & Willis Towers Watson, Salary Consultants to determine the worth of each job by doing a market benchmark study. As a process, the Company conducts job evaluation and job matching process with the help of Salary Consultant(s) appointed by the organization. The COE TR team and the Salary Consultant (s) work closely first to understand all the roles in the organization and map the roles to their frame work. The Company Benchmarks and compares itself with Total Cash which includes Fixed pay and Variable pay. Total Rewards team creates the comparator basket/peer companies list based on the companies 3M recruit and lose talent. These companies become the comparator list to determine the compensation rates.

COE Total Rewards at St. Paul after finalization of peer companies from 3M India list, interact with the Salary Consultants with the shortlisted companies (Peer companies) to understand their roles and map them to their frame work. Post which, they compare the roles and compensation as per the mapping exercise. Upon this exercise, Consultants, based on the mapping provide compensation rates for each level. Total Rewards team based on the market median, draws Market Reference point (MRP).

Based on the above guidelines, each level, starting from the entry to the head of the organization the pay range is determined. The determined pay ranges are shared with the Managing Director and Business/Functional leaders to understand the salary movements and obtain approval on the MRP for the year. The approved MRP is used for the merit increase exercise along with the employee performance rating. The Total Rewards team culls out the Compensation ratio (Distance from the new mid-point) and the proposed increase for each employee and the organization, as a whole. Post completion of this exercise, the increase is discussed with the CFO to find out the affordability and the impact on the Company's Profit and Loss account. Based on the company's objectives and affordability, the overall company increase rates are determined. The calibrated increment value, if any, is taken as the approved increase at a company level. Total Rewards reworks the entire compensation increases by employee-wise based on the available budget. Else, the Company will go as per the increase proposed based on compa ratio, performance rating, salary movements etc.

The final employee wise increases are broken into department/business wise budget for annual Increases. C & B team annually reviews the compensation structure, to ensure that the appropriate mix of fixed and variable pay is considered and also ensures that the compensation structure is in line with the Income tax rules, as applicable.

The above process is followed for all Non-production employees in the Company including the Managing Director, Wholetime Director and Key Management Personnel.

The Company pays Rs. 20,000/- to each Independent Director per Board /Committee Meetings as sitting fees and a fixed Commission not exceeding Rs. 15,00,000/- P.A. to each of the Independent Directors. The Maximum amount payable to all Independent Directors is restricted to one percent (1%) of the net profit of the Company computed as per the provisions of Section 198 of the Companies Act, 2013. The Non-Executive Non-Independent Directors are not paid any Sitting Fees and Commission.

The remuneration by way of commission paid to Independent Directors is commensurate with the activities of the Company, the responsibilities of the Independent Directors under the provisions of Listing Regulations and under the Companies Act, 2013, and the responsibilities as Member/Chairman of the Board and Member/Chairman of committee/s of Board and all other relevant factors.

Composition and details of Nomination and Remuneration Committee Meetings during the financial year:

As on March 31, 2019, the Nomination and Remuneration Committee of the Company consists of two (2) Non-Executive Independent Directors viz., Mr. Bharat D Shah, Mr. Biren Gabhawala and two (2) Non-Executive Directors viz., Mr. Albert C Wang (up to August 21, 2018), Ms. Sadhana Kaul (from October 31, 2018) and Mr. Amit Laroya. Mr. Biren Gabhawala is the Chairman of the Committee. The Company Secretary is the Secretary to the Committee.

During the financial year 2018-19, Three (3) Meetings of the Nomination and Remuneration Committee were held on May 30, 2018, October 30, 2018 and February 12, 2019. The number of Meetings attended during the year under review is as under:

| Name of the Committee Members | No. of Meetings held during the financial year under review | No. of Meetings attended |
|---|---|--------------------------|
| Mr. Biren Gabhawala (Chairman) | 3 | 3 |
| Mr. Bharat D Shah | 3 | 3 |
| Mr. Albert C Wang (up to August 21, 2018) | 1 | 1 |
| Mr. Amit Laroya | 3 | 2 |
| Ms. Sadhana Kaul (from October 31, 2019) | 1 | 1 |

Attendance details of Nomination and Remuneration Committee Meetings:

| Name of the Director | May 30, 2018 | October 30, 2018 | February 12, 2019 |
|---|--------------|------------------|-------------------|
| Mr. Biren Gabhawala | Yes | Yes | Yes |
| Mr. Bharat D Shah | Yes | Yes | Yes |
| Mr. Albert C Wang (up to August 21, 2018) | Yes | NA | NA |
| Mr. Amit Laroya | LOA | Yes | Yes |
| Ms. Sadhana Kaul (from October 31, 2018) | NA | NA | Yes |

Remuneration to Directors:

As at the end of financial year 2018-19, the Company has Two (2) Executive Directors, Ms. Debarati Sen, Managing Director and Mr. B. V. Shankaranarayana Rao, Whole-time Director.

The Managing and Whole-Time Directors of the Company have been appointed on contractual basis and their terms of appointment were fixed by the Board and the appointments pertaining to Ms. Debarati Sen, Managing Director and Mr. B. V. Shankaranarayana Rao, Whole-Time Director were approved by the Members at the Annual General Meetings for tenures up to Five (5) years and Three (3) years and 43 days respectively and by the Central Government also in case of Ms. Debarati Sen, Managing Director.

The elements of the remuneration package of Executive Directors comprise Salaries and 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 serving a notice of Ninety (90) 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 Director 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. 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 financial year ended March 31, 2019:

(a) Executive Directors:

| Name and Designation | No. of Shares Held | Salaries & Allowances (Rs.) | Contribution to Provident Fund (Rs.) | Estimated Value of Benefits (Rs.) | Total (Rs.) | Present term expires on |
|--|--------------------|-----------------------------|--------------------------------------|-----------------------------------|-------------|-------------------------|
| Ms. Debarati Sen (Managing Director) | Nil | 2,11,19,459 | 38,32,572 | 3,18,17,974 | 5,67,70,005 | May 31, 2021 |
| Mr. B.V. Shankaranaryana Rao (Whole-Time Director) | Nil | 2,16,74,818 | 7,68,744 | Nil | 2,24,43,562 | May 13, 2020 |

(b) Non-Executive Independent Directors:

| Name of the Director | No. of Shares Held | Sitting Fees for Board Meetings (Gross) (paid during the FY 2018-19) (Rs.) | Sitting Fees for Committee Meetings (Gross) (paid during the FY 2018-19) (Rs.) | Commission (Gross) (Rs.) | Total (Rs.) |
|----------------------|--------------------|--|--|--------------------------|-------------|
| Mr. Bharat D Shah | Nil | 80,000 | 2,80,000 | 15,00,000** | 18,60,000 |
| Mr. Biren Gabhawala | Nil | 80,000 | 2,40,000 | 15,00,000** | 18,20,000 |
| Ms. Radhika Rajan) | Nil | 80,000 | 1,80,000 | 15,00,000** | 17,60,000 |

****Remuneration by way of Commission for the financial year 2018-19 will be paid to the Independent Directors after the accounts for the financial year 2018-19 have been adopted and approved by the members at the ensuing AGM.**

The Non-Executive Directors viz., Mr. Albert C Wang (up to August 21, 2018), Mr. Amit Laroya, Mr. Ramesh Ramadurai, Ms. Sadhana Kaul (from October 31, 2018) and Mr. Jongho Lee did not receive Sitting Fees and Commission. None of the Non-Executive Directors has any pecuniary relationship with the Company.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

In compliance with the provisions of Section 178(5) of the Companies Act, 2013 and the provisions of the Listing Regulations, the Board has formed the "Stakeholders' Relationship Committee".

The terms of Reference of the Committee are as under:

- To look into the redressal of grievances of shareholders, debenture holders and other security holders including complaints related to transfer of shares, non-receipt of balance sheet and non-receipt of dividends.
- The Committee shall meet every quarter and that quorum for Meeting of the Committee shall be a minimum of Two (2) members with the presence of at least one (1) Independent Director.
- The Company Secretary will be the Secretary of the Committee who shall flag actions and serve as executive support to the Committee.
- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by Shareholders.

6. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
7. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/ statutory notices by the shareholders of the company.

Composition and details of Stakeholders' Relationship Committee Meetings during the financial year:

As on March 31, 2019, the Stakeholders' Relationship Committee of the Company consists of Four (4) Directors, of which Three (3) are Non-Executive and Independent Directors and One (1) is Executive Director. The Members of the Committee are Mr. Bharat Shah, Ms. Debarati Sen, Mr. Biren Gabhawala and Ms. Radhika Rajan. Mr. Bharat Shah is the Chairman of the Committee. The Company Secretary is the Compliance Officer of the Company.

During the financial year 2018-19, Four (4) Meetings of the Stakeholders' Relationship Committee were held on May 30, 2018, August 09, 2018, October 30, 2018 and February 12, 2019. The attendance of the members at the Stakeholders' Relationship Committee Meeting held during the financial year are as under:

| Name of the Committee Members | No. of Meetings held during the year under review | No. of Meetings attended |
|-------------------------------|---|--------------------------|
| Mr. Bharat Shah (Chairman) | 4 | 4 |
| Mr. Biren Gabhawala | 4 | 4 |
| Ms. Radhika Rajan | 4 | 4 |
| Ms. Debarati Sen | 4 | 4 |

Attendance details of Stakeholders' Relationship Committee:

| Name of the Director | May 30, 2018 | August 9, 2018 | October 30, 2018 | February 12, 2019 |
|----------------------|--------------|----------------|------------------|-------------------|
| Mr. Bharat Shah | Yes | Yes | Yes | Yes |
| Mr. Biren Gabhawala | Yes | Yes | Yes | Yes |
| Ms. Radhika Rajan | Yes | Yes | Yes | Yes |
| Ms. Debarati Sen | Yes | Yes | Yes | Yes |

The Company through its Registrar and Share Transfer Agents has addressed / 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 Members complaints received / redressed, during the period under review are as under:

| | |
|--|-----|
| No. of Shareholders' complaints pending as at April 01, 2018. | Nil |
| No. of complaints received during the period April 01, 2018 to March 31, 2019. | 43 |
| No. of Shareholders' complaints resolved during the period April 01, 2018 to March 31, 2019. | 43 |
| No. of Shareholders' complaints pending as on March 31, 2019. | Nil |

The Share Transfer Committee comprises of Ms. Debarati Sen, Managing Director and Mr. B.V. Shankaranarayana Rao, Whole-time Director.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR)

In compliance with the provisions of Section 135 of the Companies Act, 2013, the Board constituted a Corporate Social Responsibility Committee. The CSR Policy of the Company has been disclosed on the website of the Company at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

The terms of Reference of the Committee are as under:

- (a) **Chairman:** Chairman of the CSR Committee shall be an Independent Director as may be elected by the members of the CSR Committee.

- (b) *Quorum:* Quorum of the CSR Committee shall be minimum of Two (2) members provided One (1) of them shall always be an Independent Director.
- (c) *Frequency of Meetings:* The CSR Committee may meet at such times and at such intervals as it may deem necessary.
- (d) *Role:* The Role of the CSR Committee shall include *inter-alia* the following:
- Formulate and recommend to the Board, a Corporate Social Responsibility Policy indicating the activities to be undertaken by the Company from time to time;
 - Recommend the amount of expenditure to be incurred on the activities undertaken as specified in Schedule VII of the Companies Act, 2013;
 - Monitor the Corporate Social Responsibility Policy of the Company from time to time;
 - Perform such functions as may be statutorily required by the CSR Committee;
 - Other matters as may be assigned by the Board from time to time.
- (e) *Invitees:* The CSR Committee may invite such executives of the Company and such other persons as it may consider appropriate.

Composition and details of Corporate Social Responsibility meetings during the financial year:

As on March 31, 2019, the CSR Committee of the Company consists of Four (4) Directors, of which One (1) each are Non-Executive & Independent Director and Non-Executive Director and Two (2) are Executive Directors. The Members of the Committee are Mr. Bharat D Shah, Ms. Debarati Sen, Mr. B.V. Shankaranarayana Rao and Mr. Ramesh Ramadurai. Mr. Bharat D Shah is the Chairman of the CSR Committee.

During the financial year 2018-19, Two (2) Meetings of the CSR Committee were held on *May 30, 2018 and October 30, 2018*. The attendance of the members at the CSR Committee Meeting held during the financial year are as under:

| Name of the Committee Members | No. of Meetings held during the financial year under review | No. of Meetings attended |
|-------------------------------|---|--------------------------|
| Mr. Bharat D Shah (Chairman) | 2 | 2 |
| Ms. Debarati Sen | 2 | 2 |
| Mr. B.V. Shankaranarayana Rao | 2 | 2 |
| Mr. Ramesh Ramadurai | 2 | 1 |

Attendance details of Corporate Social Responsibility Meetings:

| Name of the Director | May 30, 2018 | October 30, 2018 |
|-------------------------------|--------------|------------------|
| Mr. Bharat D Shah | Yes | Yes |
| Ms. Debarati Sen | Yes | Yes |
| Mr. B.V. Shankaranarayana Rao | Yes | Yes |
| Mr. Ramesh Ramadurai | Yes | LOA |

INDEPENDENT DIRECTORS' MEETING

During the financial year under review, the Independent Directors met on *February 12, 2019, inter alia*, to discuss:

- Evaluation of the performance of the Non-Independent Directors and the Board as a whole,
- Evaluation of the performance of the Chairman of the Company, Chairman of the Committee's taking into account the views of the Executive and Non- Executive Directors,
- Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors viz., Mr. Bharat D Shah, Mr. Biren Gabhawala and Ms. Radhika Rajan were present at the Meeting held on February 12, 2019.

PERFORMANCE EVALUATION OF BOARD/COMMITTEE'S /DIRECTORS

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Board carried out the Annual Performance Evaluation of: (i) the Board as a whole, (ii) individual directors (including Independent Directors and Chairperson) and (iii) various Committees of the Board based on SEBI's Guidance Note on Board Evaluation issued in January 2017.

A structured and detailed questionnaire was prepared by the Company internally, covering the following criteria's:

For Board as a whole-

Structure of the Board, Meetings of the Board, Functions of the Board, Board and Management, Professional Development.

For Committees of the Board-

Mandate and Composition, effectiveness of the Committee, structure of the Committee and Meetings, Independence of the Committee from the Board and contributions to decisions of the Board

For Individual Directors and Chairperson (including Chairperson, CEO, Independent Directors, Non-independent directors, etc.)-

Qualifications, experience, knowledge and competency, fulfillment of functions, initiative, availability and attendance, commitment, contribution and integrity.

Following additional criteria for Independent Directors were covered:

Independence and independent views and judgment.

Following additional criteria for Chairperson were covered-

Effectiveness of leadership and ability to steer the meetings, Impartiality, Commitment and ability to keep shareholder's interest in mind.

Based on the above criteria's, rating sheets were filled by each of the Directors with regard to Annual Performance Evaluation of: (i) the Board as a whole, (ii) individual Directors (including Independent Directors and Chairperson) (except for the Director being evaluated) and (iii) various Committees of the Board were sent in a sealed envelope / mailed directly to the Head –HR for summarizing the results.

The Head-HR was invited for the Independent Directors (IDs) meeting held on February 12, 2019 for facilitating, summarizing and sharing the results of the evaluation of the performance of Non-Independent Directors and Board as a whole and of the Chairperson of the Company taking into account the views of Executive directors and Non-Executive directors. The Chairperson of the Meeting of IDs briefed the Nomination and Remuneration Committee (NRC) of the outcome of their Meeting held on February 12, 2019. The NRC evaluated the performance of all the Directors at its Meeting held on February 12, 2019. The Chairman of the NRC briefed the Board of the outcome of its Meeting and the Board evaluated the performance of the Board as a whole and the Independent Director's (excluding the Director to be evaluated). There were some suggestions from the Independent Directors for further improvement in the effectiveness of the Board. All the suggestions were considered, and the Company is in the process implementing the same in a phased manner. The Head-HR facilitated by summarizing and sharing the results from the filled in questionnaire for each of the Independent Directors.

The Directors were satisfied with the evaluations results which reflected the overall engagement and effectiveness of the Board and its Committees.

RISK MANAGEMENT

The Risk Management Policy of the Company is intended to:

- to serve as a document wherein risks affecting the entire organization, at a macro-level are enumerated
- to describe the measures employed by the management in managing these risks across all divisions and functions, and
- to act as a reference to comprehend how mitigation measures employed by 3M India play a role in reducing the impact and likelihood of these risks.

The Management revisits the Policy on a bi-annual basis as determined by the Board of Directors to keep abreast of changes through a process of periodical monitoring of risks and the level of operational efficiency of controls. Newly identified risks shall be assessed, understood and impact measured. An evaluation of checks and balances in place and the need for additional measures shall be considered. This shall be achieved through the collaborative efforts of all heads of business and functional divisions. These business and functional heads also seek information from their respective teams to address critical risks that may arise from the grassroots level. The Company has identified many important risks which may have a significant impact on the business, if ignored. The Company has established a set of proactive and reactive measures to address them. These risks were determined based on detailed analysis of the markets where we operate, nature of our products and services rendered, and inherent risks in various functions.

The Company has constituted a Risk Committee comprising members of the Leadership Team. The members of the Committee shall be jointly responsible for recommending to the Board of Directors the methodology for risk oversight and management.

The members of the Risk Committee are vested with the following responsibilities:

1. Laying down a framework for identification of risk elements which are pertinent to achieving the company's strategic objectives.
2. Reviewing strategies, policies, procedures, systems and processes in place for identification of new risks.
3. Assessing the identified risks vis-à-vis their impact and likelihood on the different business divisions.
4. Determining the adequacy of existing mitigation factors including the infrastructure and resources in place and considering the adoption of new systems and processes, in case necessary.
5. Laying down policies and procedures for timely implementation of the mitigation factors.
6. Setting out the roles and responsibilities of various personnel responsible for the mitigation of risks at different processes.
7. Monitoring compliance with policies and procedures related to risk identification and mitigation.
8. Hold meetings on a bi-annual basis to discuss and evaluate the Risk Management Policy.

The Listing Regulations requires the constitution of Risk Management Committee (RMC) by the top 100 listed entities determined based on market capitalization as at the end of immediate previous financial year. The Companies Act, 2013 does not prescribe any such requirement. Further, the Listing Regulations do not specify the role of RMC. As per the Kotak Committee recommendations, SEBI has accepted the recommendations and has amended the Listing Regulations and that the constitution of RMC would now be applicable to top 500 listed entities and the role of RMC would specifically include cybersecurity effective from April 1, 2019. As the Company falls under the top 500 listed entities, RMC is applicable with effect from April 1, 2019. The majority of members of RMC would consist of members of the Board of Directors. The Chairperson of the RMC should be a member of the Board of Directors. The RMC shall meet at least once in a year. The Board of Directors shall define the role and responsibility of the RMC and may delegate monitoring and reviewing of the Risk Management plan to the Committee and such other functions as it may deem fit.

The Company on February 12, 2019 has constituted a Risk Management Committee (RMC) of the Board effective from April 1, 2019 with following as members of the Committee:

| | |
|-------------------------------|-------------------------------------|
| Mr. Biren Gabhawala | – Independent Director, Chairperson |
| Mr. Bharat Shah | – Independent Director |
| Ms. Radhika Rajan | – Independent Director |
| Ms. Debarati Sen | – Managing Director |
| Mr. B.V. Shankaranarayana Rao | – Whole-Time Director |
| Ms. Sadhana Kaul | – Non-Executive Director |

The Board has delegated the monitoring and reviewing of the Risk Management Plan to the Leadership Team members of the Company, who shall be jointly responsible for recommending to the RMC the methodology for risk oversight and management through a team consisting of members from Business Services group, Sourcing, Corporate Secretarial and Finance.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

In accordance with the requirements of Sections 177(9) and (10) of the Companies Act 2013 read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 and the provisions of Listing Regulations, the Company has established an effective Vigil Mechanism by way of this Business Conduct Concern Reporting Policy (Whistle Blower Policy) for Upholding 3M's Code of Conduct (available at 3M.com/businessconduct), 3M's values and all laws applicable to 3M India Limited's operations in India is the responsibility of everyone acting on 3M's behalf. The Policy sets out ways through which 3M's employees, investors, customers, vendors and other stakeholders can raise concerns that relate to actual or suspected violations of 3M's Code of Conduct, accounting or auditing matters and applicable national and international laws. The details of the website/hotline are as under:

Website: www.3M-Ethics.com or the International Toll-Free Service (ITFS) from India – 000-800-100-1071/000-800-001-6112.

The Company prohibits retaliation against anyone who raises a business conduct concern or cooperates in a Company investigation. Complaints made in good faith will not expose the Concerned Party to any sanctions, regardless of whether the underlying facts prove to be correct or result in any corrective action. If a Concerned Party believes that he /she has faced retaliation of any kind, he /she can report it to any of the persons mentioned in the Policy so that the Company can investigate.

Status update on the above Policy is reported to the Audit Committee every quarter and the Policy has been disclosed in the website of the Company at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

SUBSIDIARY COMPANIES

In accordance with section 129(3) of the Companies Act, 2013, ('Companies Act') a statement containing salient features of the financial statement of the Subsidiary Company in Form AOC-1 is provided as "Annexure I". Secretarial Audit Report is not applicable as it is not a material subsidiary.

RELATED PARTY TRANSACTIONS

The Company has formulated a Policy on materiality of related party transactions and also on dealing with Related Party Transactions. Prior approvals of all Related Party Transactions (RPTs) are obtained from the Audit Committee. The Audit Committee has granted omnibus approval for RPTs for the estimated transactions for the financial years 2017-18, 2018-19 and 2019-20 to be entered into by the Company after considering all the conditions of the provisions of the Listing Regulations. The Company has obtained the approval of the Shareholders of all the material RPTs for the years 2017-18, 2018-19 and 2019-20 at the AGM held on August 10, 2017.

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.

DISCLOSURES

Related Party Transactions:

Details of all material transactions with related parties are disclosed along with the Compliance Report on Corporate Governance. The Company has disclosed the Policy on dealing with Related Party Transactions on its website at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

Accounting Treatment:

The Company's Financial Statements (Standalone and Consolidated) for the financial year ended March 31, 2019 are prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015. All applicable Ind AS have been applied consistently and retrospectively wherever required. The resulting difference between the carrying amounts of the assets and liabilities in the consolidated financial statements under both Ind AS and Indian GAAP as of the transition date have been recognized directly in equity at the transition date.

Proceeds from Public issues, rights issue, preferential issues etc: The Company has not made any capital issues during the financial year 2018-19.

General Body Meetings:

Details of Annual General Meetings (AGM) of the Company held for the last three (3) years:

| Date | Meeting | Location | Time |
|-----------------|---------|---|------------|
| August 5, 2016 | AGM | Trinity Hall, Vivanta by Taj, 41/3, M.G. Road, Bengaluru – 560 001 | 11.00 a.m. |
| August 10, 2017 | AGM | Trinity Hall, Vivanta by Taj, 41/3, M.G. Road, Bengaluru – 560 001 | 11.00 a.m. |
| August 10, 2018 | AGM | Trinity Hall, Vivanta by Taj, 41/3, M.G. Road, Bengaluru – 560 001 | 11.00 a.m. |

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

| | |
|-----------------|---|
| August 5, 2016 | Payment of Remuneration by way of Commission to Non-Executive Directors of the Company for five (5) Financial years commencing from the FY April 1, 2016. |
| August 10, 2017 | Nil |
| August 10, 2018 | Nil |

Particulars of Resolution passed through Postal Ballot during the year 2018-19 :

| Notice dated | Particulars of Resolution | Remarks |
|---------------|--|---|
| June 21, 2018 | Investment in the Equity Share Capital of 3M Electro & Communication India Private Limited | Resolution passed with requisite majority |

Details of voting pattern:

| Particulars | No. of votes contained in | | | | | | |
|-------------------|---------------------------|---------------------------|----------------------|----------------------------|----------------------|----------------------------|--------------------------|
| | Remote E-voting | | Ballot Form | | Total | | % Total valid votes cast |
| | Remote E-voting | No. of votes cast(shares) | No. of members voted | No. of votes cast (shares) | No. of members voted | No. of votes cast (shares) | |
| Assent | 78* | 12,16,828 | 51 | 3,975 | 129 | 12,20,803 | 99.98 |
| Dissent | 3 | 159 | 2 | 91 | 5 | 250 | 0.02 |
| Total | 81 | 12,16,987 | 53 | 4,066 | 134 | 12,21,053 | 100 |
| Invalid/Abstained | 0 | 0 | 3 | 160 | 3 | 160 | NA |

- One shareholder has exercised and voted communicating Assent in respect of part of the shares held by him

Mr. Vijayakrishna K T, Practising Company Secretary was appointed as the scrutinizer for the conduct of Postal Ballot process. The procedure prescribed under Section 110 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, Secretarial Standard 2 and Regulation 44 of SEBI (LODR) Regulations, 2015 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 the Company's website at www.3m.com.in and on the website of Karvy at <https://evoting.karvy.com> pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 on July 27, 2018.

There is one item requiring to be passed as a Special Resolution at the ensuing Annual General Meeting (AGM) to be held on August 14, 2019.

There is no business requiring Resolution by Postal Ballot at the ensuing Annual General Meeting (AGM) to be held on August 14, 2019.

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 the provisions of Listing Regulations. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

Management Discussion and Analysis:

The Management Discussion and Analysis Report on the Company's activities during the financial 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 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, the Company has formulated a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information.

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 The Business Line (All India Edition) and PrajaVani (Bengaluru Edition). The Company's financial results and shareholding pattern are also displayed in the Company's website at : http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/ and are also notified to the Stock Exchanges as required under the Listing Regulation. Shareholding pattern, Compliance on Corporate Governance and other Corporate Announcement are uploaded in the NSE Electronic Application Processing System (NEAPS) and in BSE Listing Centre website. The Company has not made 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.

Secretarial Audit for Reconciliation of Capital:

Secretarial Audits were carried out periodically by a qualified Practising 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 are submitted to the Stock Exchanges and is also placed before the Board of Directors.

NON-MANDATORY REQUIREMENTS**Chairman's Office:**

The Company has a Non-Executive Chairman. However, no separate Chairman's office is maintained at the Company's expense. The Company has separate positions for Chairman and Managing Director.

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 Bengaluru). Significant events of the Company are being disclosed to the Stock Exchanges from time to time. The Company's financial results, shareholding pattern and other corporate announcements are also displayed in the Company's website: http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/ and are also notified to the Stock Exchanges as per the provisions of Listing Regulations. The Company also displays in their website, the quarterly report sent to the Stock Exchanges on the Compliance on Corporate Governance, Shareholding Pattern, quarterly financial results and other corporate announcements. The Shareholding Pattern, Corporate Governance details and other quarterly compliances and corporate announcements are uploaded in the NSE Electronic Application Processing System (NEAPS) and in BSE Listing Centre website.

Audit qualifications:

During the financial year under review, there were no qualifications, reservations or adverse remarks made by the Statutory Auditors / Secretarial Auditors in their respective Reports.

Reporting of Internal Auditor: The Company has an in-house Internal Auditor and reports to the Audit Committee.

General Shareholder information:

| | |
|---|--|
| Annual General Meeting | August 14, 2019, (Wednesday) Trinity Hall, Taj MG Road, 41/3, Mahatma Gandhi Road, Bengaluru – 560 001. <i>Time: 11.00 A.M.</i> |
| Date of Book Closure | August 10, 2019 (Saturday) - August 14, 2019 (Wednesday) (both days inclusive) |
| Cutoff date for eligibility for voting | August 9, 2019 (Friday) |
| Remote e-voting period | August 11, 2019 (Sunday) – August 13, 2019 (Tuesday) |
| Dividend payment date | N. A. |
| Financial Results calendar (Tentative) | <i>Second week of August 2019</i> – Unaudited Results for the quarter and three months ended June 30, 2019. <i>First week of November 2019</i> – Unaudited Results for the quarter and six months ended September 30, 2019. <i>First week of February 2020</i> – Unaudited Results for the quarter and nine months ended December 31, 2019. <i>Last week of May 2020</i> – Audited Results for the year ended March 31, 2020. |
| Listing on Stock Exchanges | National Stock Exchange of India Limited (Code –3MINDIA) BSE Limited (Code - 523395) |
| International Securities Identification Number (ISIN) | INE470A01017 |
| Corporate Identification Number (CIN) | L31300KA1987PLC013543 |

The Company has paid Annual Listing fees, as prescribed, to the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) for the financial year 2019-20.

Annual Custody / Issuer Charges:

The Company has paid the Annual Custody fees for the financial year 2019-20 to Central Depository Services Limited (CDSL) and for the financial year 2018-19 to National Securities Depository Limited (NSDL).

Registrar & Share Transfer Agents:

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

Karvy Fintech Private Limited (Formerly Karvy Computershare Private Limited)

Karvy Selenium Tower-B,

Plot Nos. 31 & 32, Financial District,

Gachibowli, Nanakramguda, Serilingampally,

Hyderabad- 500 032.

Ph: 040-67161524

E-mail: mailmanager@karvy.com, Website: www.karvycomputershare.com, Contact person: Mr. Rajeev Kumar.

Share Transfer System:

Shares sent for transfer in physical form are registered and dispatched within 30 days of receipt of the documents, if documents are found to be in order. Shares under objection are returned within 30 days.

Monitoring of Share Transfers and other investor related matters are dealt with by the Stakeholders' Relationship Committee. The Company's Registrars, Karvy Fintech Private Limited (Formerly 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.

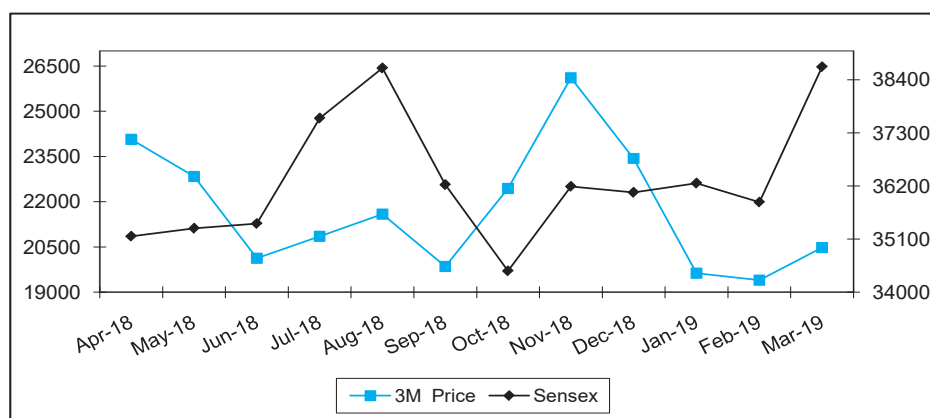
All requests for dematerialization of shares, which are in order, are processed within 21 days and the confirmation is given to the respective depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Stock Price Data for the financial year 2018-19:

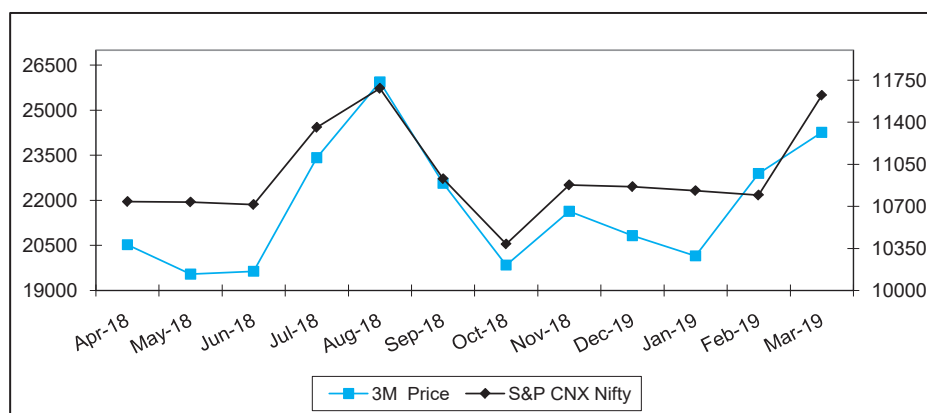
| Month | BSE Limited (BSE)) | | | National Stock Exchange of India Limited (NSE) | | |
|----------------|--------------------|-----------|----------------------|--|-----------|----------------------|
| | High (Rs.) | Low (Rs.) | No. of shares traded | High (Rs.) | Low (Rs.) | No. of shares traded |
| April 2018 | 21,110 | 19,430 | 3,899 | 21,136 | 19,400 | 29,899 |
| May 2018 | 21,035 | 19,029 | 4,822 | 21,030 | 19,199 | 49,195 |
| June 2018 | 20,349 | 18,214 | 4,383 | 20,298 | 18,251 | 32,785 |
| July 2018 | 24,800 | 19,442 | 5,837 | 24,812 | 19,338 | 51,654 |
| August 2018 | 26,200 | 23,241 | 8,454 | 26,459 | 23,220 | 1,02,267 |
| September 2018 | 26,679 | 22,000 | 5,762 | 26,662 | 22,101 | 39,997 |
| October 2018 | 23,700 | 19,150 | 10,177 | 23,800 | 19,015 | 47,051 |
| November 2018 | 21,675 | 19,377 | 2,725 | 21,701 | 19,300 | 22,475 |
| December 2018 | 23,615 | 19,700 | 18,071 | 23,795 | 19,644 | 76,220 |
| January 2019 | 21,380 | 19,501 | 3,364 | 21,176 | 19,802 | 43,004 |
| February 2019 | 24,471 | 20,256 | 4,167 | 24,500 | 20,160 | 55,802 |
| March 2019 | 25,050 | 22,938 | 6,806 | 25,100 | 22,927 | 1,47,308 |

Stock Performance:

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



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

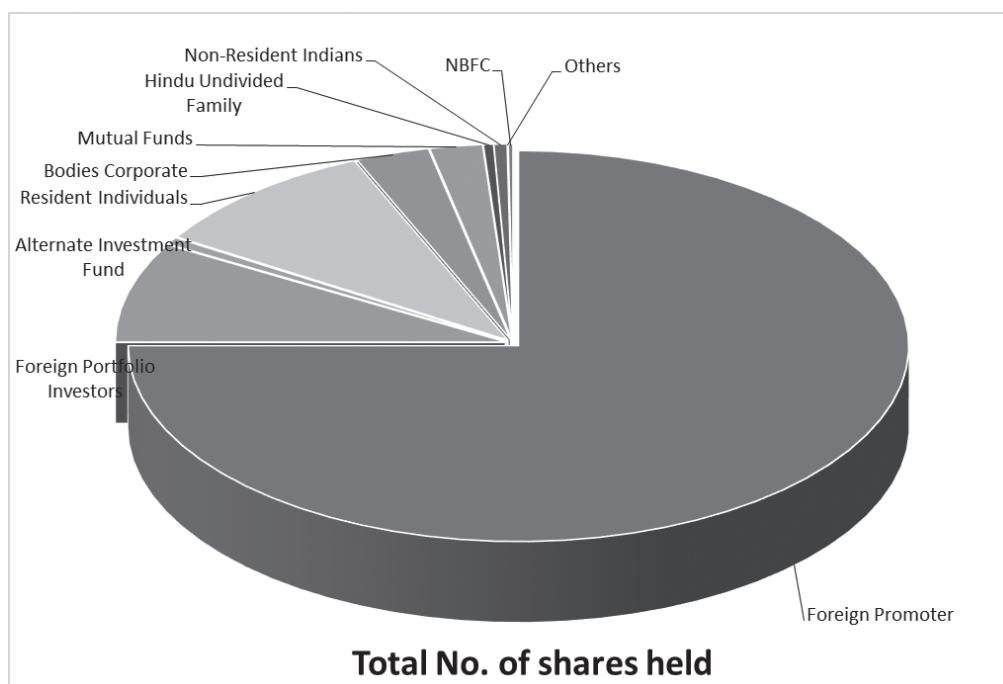


Consolidated Shareholding Pattern as on March 31, 2019:

| Category | No. of Holders | Total Shares | % To Equity |
|-------------------------------------|----------------|--------------------|---------------|
| Foreign Promoters | 1 | 84,48,802 | 74.999996 |
| Resident Individuals | 20,742 | 10,91,941 | 9.693158 |
| Foreign Portfolio - Corp | 66 | 9,33,958 | 8.290743 |
| Bodies Corporates | 623 | 3,43,818 | 3.052072 |
| Mutual Funds | 24 | 2,46,311 | 2.186502 |
| Alternative Investment Fund | 11 | 65,021 | 0.577191 |
| H U F | 754 | 47,899 | 0.425199 |
| Non-Resident Indian Non Repatriable | 383 | 31,715 | 0.281534 |
| Non-Resident Indians | 572 | 29,468 | 0.261587 |
| Nbfc | 11 | 21,595 | 0.191699 |
| Banks | 2 | 3,437 | 0.030510 |
| Trusts | 5 | 422 | 0.003746 |
| Clearing Members | 43 | 420 | 0.003728 |
| Foreign Institutional Investors | 1 | 183 | 0.001624 |
| Insurance Companies | 1 | 60 | 0.000533 |
| Nationalised Banks | 1 | 20 | 0.000178 |
| Total | 23,240 | 1,12,65,070 | 100.00 |

* None of Foreign Promoter Shares has been pledged as on March 31, 2019

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, 2019:

| Category | No. of Holders | Total Shares | % To Equity |
|--------------|----------------|--------------------|---------------|
| PHYSICAL | 1,009 | 70,029 | 0.62 |
| N S D L | 14,375 | 1,07,49,761 | 95.43 |
| C D S L | 7,856 | 4,45,280 | 3.95 |
| TOTAL | 23,240 | 1,12,65,070 | 100.00 |

Top Ten (10) Members of the Company as on March 31, 2019:

| Name of the Members | No. of shares held | % to paid-up capital | Category |
|-----------------------------------|--------------------|----------------------|----------|
| 3M Company | 84,48,802 | 74.999996 | FPR |
| Acacia Partners, LP | 2,10,000 | 1.864170 | FPC |
| Acacia Conservation Fund LP | 2,06,400 | 1.832212 | FPC |
| Acacia Institutional Partners, LP | 1,85,016 | 1.642387 | FPC |
| Bright Star Investments Pvt Ltd | 1,66,700 | 1.479796 | LTD |
| Sbi Equity Hybrid Fund | 1,30,000 | 1.154010 | MUT |
| Acacia Banyan Partners | 1,26,045 | 1.118901 | FPC |
| IDFC Multi Cap Fund | 95,099 | 0.844194 | MUT |
| Govindlal M Parikh | 40,115 | 0.356101 | PUB |
| Nemish S Shah | 25,000 | 0.221925 | PUB |
| Total | 96,33,177 | 85.513692 | |

Distribution Schedule as on March 31, 2019:

| Range of Shares | No. of Cases | % to Cases | Amount (Rs.) | % of Amount |
|------------------|---------------|---------------|---------------------|---------------|
| 1-5000 | 22,842 | 98.29 | 66,33,580 | 5.89 |
| 5001-10000 | 177 | 0.76 | 13,20,870 | 1.17 |
| 10001-20000 | 97 | 0.42 | 13,24,310 | 1.18 |
| 20001-30000 | 34 | 0.15 | 8,32,240 | 0.74 |
| 30001-40000 | 21 | 0.09 | 7,20,690 | 0.64 |
| 40001-50000 | 14 | 0.06 | 6,44,130 | 0.57 |
| 50001-100000 | 29 | 0.12 | 20,90,170 | 1.86 |
| 100001 and above | 26 | 0.11 | 9,90,84,710 | 87.96 |
| TOTAL | 23,240 | 100.00 | 11,26,50,700 | 100.00 |

Dematerialization of Shares and Liquidity:

99.38 % of the total equity capital was held in dematerialised form as on March 31, 2019.

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, Bengaluru – 560 100.
2. Plot No.8, Moraiya Industrial Area; Tal Sanand, Sarkhej Bavla Highway, Ahmedabad –382 213.
3. Plot No. B-20, MIDC; Ranjagaon Industrial Area, Tal: Shirur, Pune- 412 210.

Branch Locations:

1. No.60-61, Udyog Vihar, Phase IV, Gurgaon, Haryana- 122001.
2. Nos.1-10-39 to 44, Gumidelli Towers, 8th Floor, Begumpet, Hyderabad – 500 016.
3. No.636/1, Seshachalam Centre, 11th Floor, Anna Salai, Nandanam, Chennai-600 035.
4. No. 2, Upper Wood Street, Kolkata-700 017.
5. No.1111, 1st Floor, Building 11, Solitaire Corporate Park, Chakala, Andheri, Ghatkopar Link Road, Andheri (East), Mumbai – 400 093
6. No. 145, Mumbai-Pune Road, Pimpri, Pune – 411 018.

Address for correspondence:

Corporate Office: Concorde Block, UB City, 24, Vittal Mallya Road, Bengaluru – 560 001

Designated e-mail id for redressal of investor complaints: investorhelpdesk.in@mmm.com

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

CEO / CFO CERTIFICATION

We the undersigned, in our respective capacities as Managing Director and Chief Financial Officer of 3M India Limited ("the Company") certify that:

- A. We have reviewed Financial Statements and the cash flow statement for the year ending March 31, 2019 and that to the best of our knowledge and belief, we state that:
 1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. We further state that to the best of our knowledge and belief there are no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- C. We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the Auditors and the Audit committee:
 1. Significant changes in internal control over financial reporting during the financial year;
 2. Significant changes in Accounting Policies during the financial year and that the same have been disclosed in the notes to the financial statements; and
 3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Yours Faithfully,

Place : Bengaluru
Date : May 20, 2019

Debarati Sen
Managing Director
DIN: 07521172

Mamta Janak Gore
Chief Financial Officer
PAN: AKIPG9089M

CERTIFICATE OF COMPLIANCE

Certificate from Mr. Vijayakrishna K.T, Practising Company Secretary, Bengaluru confirming compliance with the conditions of Corporate Governance as stipulated under Regulation 34 (3) of the Listing Regulations read with Schedule V is attached to the Board's 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 : Bengaluru
Date : May 28, 2019

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER SEBI (LODR) REGULATIONS, 2015

To
The Members of
3M India Limited
Bangalore

I have examined the compliance of the conditions of Corporate Governance by 3M India Limited for the year ended 31st March, 2019 as stipulated in Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the provisions as stipulated in the provisions as specified in Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to Listing Agreement of the said Company with Stock Exchanges.

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

Place : Bangalore
Date : 28-05-2019

Vijayakrishna K.T
Practising Company Secretary
FCS- 1788
CP-980

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

*(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015)*

To
The Members
3M INDIA LIMITED
Plot No 48-51, Electronic City,
Hosur Road,
Bangalore 560100

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of 3M INDIA LIMITED having CIN L31300KA1987PLC013543 and having Registered Office at Plot No 48-51, Electronic City, Hosur Road, Bangalore 560100 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

ANNEXURE 'B' TO REPORT OF THE BOARD OF DIRECTORS

3M India Limited

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 31st March, 2019 has been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, the Ministry of Corporate Affairs, or any such other Statutory Authority:

| Sr. No. | Name of Director | DIN | Date of appointment in Company |
|---------|--|------------|--------------------------------|
| 1. | Banwaraviashnatharao Shankaranarayana Rao | 0000044840 | 23/02/2003 |
| 2. | Amit Laroya | 0000098933 | 01/10/2013 |
| 3. | Bharat Dhirajlal Shah | 0000136969 | 27/03/2015 |
| 4. | Radhika Govind Rajan | 0000499485 | 27/05/2016 |
| 5. | Sadhana Kaul | 0002589934 | 31/10/2018 |
| 6. | Biren Chandrakant Gabhawala | 0003091772 | 05/08/2014 |
| 7. | Jongho Lee | 0006720950 | 26/05/2017 |
| 8. | Ramadurai Ramesh | 0007109252 | 27/03/2015 |
| 9. | Debarati Sen | 0007521172 | 01/06/2016 |

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the Management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate 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 : 28-05-2019

Vijayakrishna K.T
Practising Company Secretary
FCS- 1788
CP-980

BUSINESS RESPONSIBILITY REPORT*[As per Regulation 34(2) (f) of SEBI (LODR) Regulations, 2015]***SECTION A: GENERAL INFORMATION ABOUT THE COMPANY**

1. Corporate Identity Number (CIN) of the Company: [L31300KA1987PLC013543](#)
2. Name of the Company: [3M INDIA LIMITED](#)
3. Registered address:
[PLOT NOS.48-51, ELECTRONICS CITY, HOSUR ROAD, BANGALORE – 560 100](#)
4. Website: www.3m.com/in
5. E-mail id: [investorhelpdesk.in @mmm](mailto:investorhelpdesk.in@mmm)
6. Financial Year reported: [2018-19](#)
7. Sector(s) that the Company is engaged in (industrial activity code-wise):
[3290 – Other manufacturing n.e.c \(as per NIC 2008\)](#)
8. List three key products/services that the Company manufactures/provides(as in Balance Sheet):
[Abrasive, Fusion bonded epoxy coating and Self- adhesive tapes](#)
9. Total number of locations where business activity is undertaken by the Company
 - (a) Number of International Locations (Provide details of major 5): [Nil](#)
 - (b) Number of National Locations: [3 Plants and 6 Branch Locations across India](#)
10. Markets served by the Company – [Local, State, National and International](#)

SECTION B: FINANCIAL DETAILS OF THE COMPANY (as at March 31, 2019)

1. Paid up Capital (INR): [1,126.51 lakhs](#)
2. Total Turnover (INR): [280,875.97 lakhs](#)
3. Total profit after taxes (INR): [32,286.31 Lakhs](#)
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%): [2.38%](#)
5. List of activities in which expenditure in 4 above has been incurred:-
 - (a) [Education](#)
 - (b) [Social Innovation](#)
 - (c) [Women Empowerment](#)
 - (d) [National Calamity](#)
 - (e) [Sustainability](#)

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies? [Yes](#)
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s): [Yes, one](#)
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]:
[The Company collaborates with all relevant stakeholders by sharing its Ethical Business Practices, Code of Conduct, Anti-Bribery Policy and Supplier Code of Conduct with its contract manufacturers, suppliers and other major third parties associated with the Company.](#)

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

(a) Details of the Director/Director responsible for implementation of the BR policy/policies

1. DIN Number: 00044840
2. Name: B.V. Shankaranarayana Rao
3. Designation: Whole-time Director

(b) Details of the BR head:

| No. | Particulars | Details |
|-----|----------------------------|---------------------------|
| 1 | DIN Number (if applicable) | 00044840 |
| 2 | Name | B.V. Shankaranarayana Rao |
| 3 | Designation | Whole-time Director |
| 4 | Telephone number | 080- 30614801 |
| 5 | e-mail id | rshankar@mmm.com |

2. Principle-wise (as per NVGs) BR Policy/policies:

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine (9) areas of Business Responsibility as under-

- P1 Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- P2 Businesses should provide goods and services that are safe and contribute to sustainability their life cycle
- P3 Businesses should promote the wellbeing of all employees
- P4 Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
- P5 Businesses should respect and promote human rights
- P6 Businesses should respect, protect and make efforts to restore the environment
- P7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- P8 Businesses should support inclusive growth and equitable development
- P9 Businesses should engage with and provide value to their customers and consumers in a responsible manner

(a) Details of compliance (Reply in Y/N)

| No. | Questions | Business Ethics | Sustainability | Employees' well being | Stakeholders' welfare | Human Rights | Environment | Regulatory Policy | Equitable Development | Customer Responsibility |
|-----|--|-----------------|----------------|-----------------------|-----------------------|--------------|-------------|-------------------|-----------------------|-------------------------|
| | | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
| 1 | Do you have a policy/ policies for. | Y | Y | Y | Y | Y | Y | N | Y | Y |
| 2 | Has the policy being formulated in consultation with the relevant stakeholders? | - | - | Y | - | - | Y | - | - | - |
| 3 | Does the policy conform to any national / international standards? If yes, specify? (50 words)\$ | - | - | - | - | | Y | - | - | - |

| | | | | | | | | | | |
|----|--|---|---|---|---|---|---|---|---|---|
| 4 | Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?* | - | - | - | - | - | - | - | Y | - |
| 5 | Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy? | Y | - | Y | - | - | - | - | Y | - |
| 6 | Indicate the link for the policy to be viewed online @ | http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/ | | | | | | | | |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | - | Y | Y |
| 8 | Does the Company have in-house structure to implement the policy/ policies? | Y | Y | Y | Y | Y | Y | - | Y | Y |
| 9 | Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies? | Y | Y | Y | Y | Y | Y | - | Y | Y |
| 10 | Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency? | - | - | Y | - | - | Y | - | - | - |

\$ -ISO 14001, @-except for P7

* -3M India Ltd has a globally accepted Code of Conduct policy approved by the CEO of the Parent Company, 3M Company, U.S.A. which is also followed by the Company, being one of its subsidiaries.

- (b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

| No. | Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|-----|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 | The Company has not understood the Principles | - | - | - | - | - | - | - | - | - |
| 2 | The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles | - | - | - | - | - | - | - | - | - |
| 3 | The Company does not have financial or manpower resources available for the task | - | - | - | - | - | - | - | - | - |
| 4 | It is planned to be done within next 6 months | - | - | - | - | - | - | - | - | - |
| 5 | It is planned to be done within the next 1 year | - | - | - | - | - | - | - | - | - |
| 6 | Any other reason (please specify)# | - | - | - | - | - | - | ✓ | - | - |

The Company through various Industry Forums endeavors for economic reforms and inclusive sustainable business principles. Therefore, the Company currently does not find it necessary to frame a policy on principle #7.

3. Governance related to BR

- (a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year:

Assessment is an ongoing exercise and is an inherent part of corporate function. BR Committee comprises the Whole-time Director, who heads the Committee and three senior managerial personnel, including the Managing Director.

- (b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

This is the Third Business Responsibility Report. It is available also at http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/. and forms part of Annual report. The Global sustainability report can be accessed at <http://www.3m.com/sustainabilityreport>.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1-Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

The Company's Code of Conduct is based primarily on the Code of Conduct of 3M Company, USA, the holding/ Parent Company, which is followed by all 3M Group Companies. The Code has to be adhered by all other stakeholders who do business with the Company.

3M's Code of Conduct is comprised of our core business conduct principles that set forth global corporate expectations for all 3M employees and certain third parties who act on 3M's behalf. 3M's Code of Conduct applies to all "3M People." 3M People are 3M's employees and may include others who act on 3M's behalf. 3M People are expected to live 3M Values. All 3M People are partners in complying with 3M's Code of Conduct and supporting others' compliance. Together, 3M People ensure the continued success of 3M Company and protect 3M's longstanding reputation for doing the right thing, always and everywhere.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.
 - i. No. of complaints received in Ethics point = 25
No. of complaints resolved = 13
 - ii. No. of complaints received from shareholders = 43
No. of complaints resolved = 33

Principle 2- Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

(a) Product Name: Scotch Brite Broom

Product Technical description/ Features/ Benefits:

Scotch Brite brooms are used to sweep floors. Broom consists of Polypropylene Handle with Polypropylene Film spirally wound on four Polypropylene Stems that is attached to a detachable Polypropylene Handle with the help of a connector. The specialty of the broom lies in its flat fibers and friendly design which removes even fine dust and hair giving the flexibility to users to reach corners with less back strain. Product lasts longer than traditional Grass Broom & Competition synthetic broom. Detachable handle which can be reused with new cleaning head refills. Cleaning head is washable & product lasts longer offering sustainable benefit during product use. Lesser use of packaging material due to detachable head design.

Environmental / Social benefits:

1. Entire Product is manufactured from virgin polymers which can be recycled post end of life.
2. Product is lightweight, hence less polymer used for manufacturing & ergonomically designed to reduce stress during use.
3. Shift to Hot Melt bonding from currently used tape bonding – eliminate solvents & reduce energy.
4. Additives are used to bring down polymer weight without impacting product life & performance. The product is Lightweight resulting in less polymer used & ergonomically designed offering lesser strain during use.

(b) Product Name: 3M Scotchkote EA5WB [Black Color]

Product Technical description/ Features/ Benefits:

3M Scotchkote EA5WB is a waterborne epoxy primer for Railway Bogie, underframe and underslung components. This is a zinc phosphate containing coating for high performance corrosion protection. The product provides proven long-term anticorrosion property (up to 2000 Hrs. of salt spray resistance) and having excellent anti-chip and fire resistance properties. This product has application in original equipment manufacturers (OEMs), particularly within water, rail, automotive and commercial transport industries.

Environmental/Social benefits:

3M Scotchkote EA5WB being waterborne coating provides a 120g/L VOC reducing the exposure risk of VOC's to the applicators during processing and application of coating. Being waterborne in nature the thinner used for application is water, so it further

reduces total VOC of the coating during application. The release of volatile organic compounds in environment is very low so the product helps in maintaining a sustainable environment for living compared to solvent-borne coating solutions.

(c) Product Name: 3M Scotchkote EA9WB [White Color]

Product Description/Features/Benefits:

Waterborne anticorrosion epoxy coating EA9WB is applied both as primer and finish coat. The product is applied widely in Railways, Metro, OEMs and other heavy engineering fabrication as well as in civil engineering works e.g. transformers [exterior & interior] etc. It has proven long term corrosion protection property [upto 1000 Hrs. of salt spray resistance] and complies BS476-6 & 7 fire rating. The product is having high chemical resistance to aqueous solution of industrial chemicals.

Environmental/Social benefits:

3M Scotchkote EA9WB being waterborne coating provides a 76.5 g/L VOC which reduced the VOC exposure risk during the processing and application of coating. Being waterborne in nature the thinner used for application is water, so it further reduces total VOC of the coating during application. The release of volatile organic compounds in environment is very low so the product helps in maintaining a sustainable environment for living compared to solvent-borne coating.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

- a. Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain? [Refer point no. 1 above](#)
- b. Reduction during usage by consumers (energy, water) has been achieved since the previous year? [Refer point no. 1 above](#)

3. Does the Company have procedures in place for sustainable sourcing (including transportation)?

If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Yes, the Company has procedures in place for sustainable sourcing, covering areas such as standardized processes for supplier's audits for EHS compliance including conflict Minerals, Paper and pulp and frugal automation to improve sustainability of materials procured. Manufacturing process are selected and improved year on year to consume less energy and resource. The Company has also reduced the transportation cost over the years through various methods.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Company as a policy ensures localization and outsourcing for each of the plants with suppliers who are competitive as well as close to the plants. Localized vendors are preferred, if they meet the quality specifications and EHS Compliance. Technology Investment by suppliers for new products are encouraged by the Company and thereby focusses on increasing the capacity of its suppliers.

5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

3M has a World class program called "Pollution Prevention Pays" popularly known as "3P program" where every effort is a made right from the design stage to reduce waste. Used oil is recycled through authorized recyclers. Spent solvents are recycled through authorized recyclers. Powder residue collected through dust collectors is recycled into product. About 1000 MT of wastes having high calorific value are sent to approved & authorized cement industry for coprocessing as an alternate fuel/ Raw material. This helped in reducing the use of coal (fossil fuel) used as Raw materials for cement kilns and helped in reduction of carbon footprint of 2825MT of CO2 per year.

Principle 3- Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees.
[1,377 employees as on March 31, 2019](#)
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.
[710 employees as on March 31, 2019](#)
3. Please indicate the Number of permanent women employees.
[162 women employees as on March 31, 2019](#)

4. Please indicate the Number of permanent employees with disabilities
Nil
5. Do you have an employee association that is recognized by management?
The Company does not have union for the employees
6. What percentage of your permanent employees is members of this recognized employee association?
Not Applicable
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

| No. | Category | No of complaints filed during the financial year | No of complaints pending as on end of the financial year |
|-----|---|--|--|
| 1 | Child labour/forced labour/involuntary labour | Nil | Nil |
| 2 | Sexual harassment | 2 | Nil |
| 3 | Discriminatory employment | Nil | Nil |

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?
 - (a) Permanent Employees 100%
 - (b) Permanent Women Employees 100%
 - (c) Casual/Temporary/Contractual Employees 100%
 - (d) Employees with Disabilities Nil

Principle 4- Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

1. Has the Company mapped its internal and external stakeholders? Yes
2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders: Yes
3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.

Yes, the Company works with various NGO partners in the following areas to engage with disadvantaged, vulnerable and marginalized stakeholders –

- Improving the infrastructure and learning environment in Government Anganwadis, part of Govt. of India's ICDS program, to help children under the age of 6 years be school ready in cities such as - Kolkata, Bengaluru, Pune, Ahmedabad, Chennai, Delhi, Gurgaon and Mumbai.
- Strengthening the skills set of women community healthcare workers in Rajasthan and Uttar Pradesh through topics related to disease prevention and health promotion.
- Supporting the primary education of first-generation girl children in Government Schools in tribal areas in Ambegaon district in Pune.

Principle 5 – Businesses should respect and promote human rights

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Company's Code of Conduct is based primarily on the Code of Conduct of the 3M Company, USA, which is followed by all the entities in the 3M Group worldwide. The principle of the Code of Conduct is expected to be adhered by other stakeholders including customers and vendors.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management? Nil

Principle 6-Business should respect, protect and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?

The Company's EHS Policy is based primarily on the EHS Policy of 3M Company, USA, the Parent / Holding Company, which is followed by all 3M Group Companies worldwide. The EHS Policy has to be adhered by all other stakeholders who do business with the Company.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc. Yes, http://www.3m.com/3M/en_US/sustainability-report/

3. Does the Company identify and assess potential environmental risks?

Yes, The Risks pertaining to Environment are assessed through a proper Aspect Impact Assessment as per ISO 14001: 2015 Guidelines

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

We are reducing the carbon footprint of the facility by sending the waste streams to a coprocessing kilns which will enables the cement kilns to reduce the Fossil fuel usage at their facility and at the same time we at 3M reduce the inhouse fuel consumption by not opting for Diesel fired incineration. Also, two (2) of the manufacturing plants are utilizing 24% share of its energy consumption through renewable energy there by contributing for the reduction in carbon footprint.

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc., Y/N. If yes, please give hyperlink for web page etc.

Yes: http://www.3m.com/3M/en_US/sustainability-report/

- Waste generation reduced by 20.91%
- Water consumption reduced by 57.01%
- Energy Consumption reduced by 28.11%
- Two (2) of the manufacturing plants are utilizing 24% share of its energy consumption through renewable energy there by contributing for the reduction in carbon footprint.
- Waste generated at Plants is majorly sent for co processing in cement kilns thereby reducing the carbon footprint of the sites.
- All plants have sewage / waste water treatment plants and the treated water is recycled for cooling tower make and horticulture with in the facilities. The plants have also installed rain water harvesting systems to divert the rain water for ground water recharging. With the approval from local Pollution Control Boards, plants continued sending non-hazardous waste to cement companies to generate energy. As part of World Environmental day initiative, the plants have taken up various environmental awareness programs including tree plantation in plants as well as public location.

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes, well within the permissible limits mentioned in the respective Plant's Consent order's / Authorizations.

7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.
None

Principle 7-Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

- (a) Confederation of Indian Industries (CII)
- (b) American Chamber of Commerce in India (AMCHAM)
- (c) National HRD Network
- (d) Bangalore Chamber of Commerce (BCC)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

Yes, on the following broad areas:

- a. Road Safety
- b. Industrial Safety for factory workers
- c. Healthcare Skills Development
- d. Government Supported Incubation Centers

Principle 8-Businesses should support inclusive growth and equitable development.

1. Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

The Company has programmes, inter alia, for providing Education, Social Innovation, Women empowerment and Sustainability.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

The programmes / projects are implemented through a Charitable Trust, United Way of Bengaluru.

3. Have you done any impact assessment of your initiative?

The Company has tied up with Goodera Platform for impact study.

4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

For details, please refer Annual Report on CSR activities section.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

Not Applicable

Principle 9 – Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

There is 1 consumer case pending in different consumer courts/forums as on the end of the financial year and the same are sub-judice.

% age of Customer complaints pending = 2.39% (from CAREs data system)

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)

Yes, apart from the mandated declarations, additional declarations are furnished on the products / labels relating to the products and their safe usage and disposal.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.

No

6. Did your Company carry out any consumer survey/ consumer satisfaction trends?

Yes

On behalf of the Board of Directors

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

Place : Bengaluru
Date : May 28, 2019

Disclosure pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014:

| | |
|--|--|
| 1. The number of permanent employees on the rolls of Company. | 1,377 permanent employees as at March 31, 2019 |
| 2. The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2018-19. | <p><i>Key Managerial Personnel's:</i></p> <p>1. Managing Director = 41.61</p> <p>2. Whole-time Director= 17.04</p> <p>3. Chief Financial officer = 27.52</p> <p>4. Company Secretary = 3.47</p> <p><i>Independent Directors:</i></p> <p>1. Mr. Bharat Shah= 1.46</p> <p>2. Mr. Biren Gabhawala= 1.43</p> <p>3. Ms. Radhika Rajan = 1.38</p> <p>Median remuneration of employees= Rs. 12,72,323 for the financial year 2018-19</p> <p><i>Note: The expression Median means the numerical value separating the higher half of a population from the lower half and the median of a fine list of numbers may be found by arranging all the observations from the lowest value to highest value and picking the middle one and if there is an even number of observations, the median shall be the average of the two middle values.</i></p> |
| 3. The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year 2018-19 | <p>Managing Director = 2%</p> <p>Whole-time Director = Nil</p> <p>Chief Financial Officer= 4%</p> <p>Company Secretary = 3%</p> |
| 4. The percentage increase in the median remuneration of employees in the financial year 2018-19. | 6.2% |
| 5. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year (2017-18) and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration. | <p>FY 2017-18= 10.70%</p> <p>FY 2018-19 = 6.2%</p> <p>Average increase in the remuneration of the employees other than the Managerial Personnel and that of the Managerial Personnel is in line with the Industry practice and is within the normal range.</p> |
| 6. Affirmation that the remuneration is as per the remuneration policy of the Company. | Yes |

On behalf of the Board of Directors

Place : Bengaluru
Date : May 28, 2019

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

FORM NO. AOC.2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain Arm's length transactions under third proviso thereto.

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014).

1. Details of contracts or arrangements or transactions not at arm's length basis - **Nil**
 - (a) Name(s) of the related party and nature of relationship- **Nil**
 - (b) Nature of contracts/arrangements/transactions- **Nil**
 - (c) Duration of the contracts/arrangements/transactions- **Nil**
 - (d) Salient terms of the contracts or arrangements or transactions including the value, if any- **Nil**
 - (e) Justification for entering into such contracts or arrangements or transactions- **Nil**
 - (f) Date(s) of approval by the Board- **Nil**
 - (g) Amount paid as advances, if any: - **Nil**
 - (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188- **Nil**
2. Details of material contracts or arrangement or transactions at Arm's length basis
 - (a) Name(s) of the related party and nature of relationship - **3M Company, USA, Holding (Parent) Company of the Company**
 - (b) Nature of contracts/arrangements/transactions –

| SI No. | Nature of Transactions |
|--------|-------------------------------|
| 1. | Income from Contract Research |
| 2. | Sale of Goods |
| 3. | Purchases of Materials |
| 4. | Royalty |
| 5. | Re-charge (Net) |
| 6. | Corporate Management Fee |

The above transactions are in the ordinary course of business and are on an arm's length basis.

- (c) Duration of the contracts/arrangements/transactions – **ongoing, will be continuous year on year.**
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any-

| SI No. | Nature of Transactions | Salient Terms |
|--------|-------------------------------|--|
| 1. | Income from Contract Research | billing in USD on a yearly basis |
| 2. | Sale of Goods | billing in USD, receipt within 15 days from end of the month |
| 3. | Purchases of Materials | billing in USD, payment to be made within 15 days from end of the month |
| 4. | Royalty | billing in USD, on a quarterly basis |
| 5. | Re-charge (Net) | billing in USD, payment/receipt within 15 days from the end of the month |
| 6. | Corporate Management Fee | billing in USD, yearly |

(Rs. in lakhs)

| Sl No. | Nature of Transactions | Actual value of transactions for the Financial Year 2018-19 (standalone) |
|--------|--------------------------------|--|
| 1. | Income from Contract Research | 2,658.91 |
| 2. | Sale of Goods | 2,696.80 |
| 3. | Re-charge of expenses received | 4,687.94 |
| | Total | 10,043.65 |
| 1. | Purchases of Materials | 88,600.44 |
| 2. | Royalty | 5,096.23 |
| 3. | Re-charge of expenses paid | 950.55 |
| 4. | Corporate Management Fee | 12,713.33 |
| | Total | 107,360.55 |

Terms and Conditions for the transaction are in ordinary course of business and on arm's length basis, which is same for the entire 3M group companies throughout the world.

- (e) Date(s) of approval by the Audit Committee –Omnibus approval for the estimated value of the transactions for the year 2018-19 was obtained at the meeting held on May25, 2017 and review of the actual transactions versus the estimated at the meetings held on August 9, 2018, October 30, 2018, February 12, 2019 and May 28, 2019.
- (f) Amount paid as advances, if any – **Nil**

On behalf of the Board of Directors

Place : Bengaluru
Date : May 28, 2019

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

ANNUAL REPORT ON CSR ACTIVITIES FOR THE YEAR 2018-19

- A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

Objectives

- To engage in outcome-based Corporate Social Responsibility programs that will impact and enrich the communities around the Company's areas of operation.
- To engage 3M India Limited employees to develop social empathy and contribute to the Company's corporate social responsibility initiatives.
- In line with the Company's core values, 3M India Limited CSR strategy will focus on the following three (3) areas:

EDUCATION:

In education, 3M India intervenes at three levels:

- Early child education and development through a sustained intervention at Government Anganwadis to build readiness among children under the age of 6 to attend school and be scholars through their growing years.
- Building science as a life skill through creative and engaging education models that stimulate a spirit of inquiry and creative thinking critical to building the foundation for innovation capability.
- Supporting young scientists, social innovators and entrepreneurs with grants who are working to solve India's problems with innovative solutions with a social relevance.

COMMUNITY:

- 3M India's community efforts are aimed at improving lives in communities around areas we operate and have a presence, with interventions ranging from education, sanitation, skills development, income generation to initiatives to promote public health and safety. 3M India's response to community interventions during times of natural disasters also come under the community initiatives.

ENVIRONMENT:

- In line with 3M's Global Sustainability Goals, 3M India contributes to interventions around the theme of water conservation through initiatives such as rain water harvesting to address drinking water needs in rural homes and to support agricultural needs. Other interventions include water conservation efforts around city lake development programs.
- CSR policy is been displayed at: http://solutions.3mindia.co.in/wps/portal/3M/en_IN/about-3M/information/corporate/financial-facts/summary/.

- The Composition of the CSR Committee.**

- | | |
|---------------------------------|----------|
| ➤ Mr. Bharat D Shah | Chairman |
| ➤ Ms. Debarati Sen | Member |
| ➤ Mr. B.V. Shankaranarayana Rao | Member |
| ➤ Mr. Ramesh Ramadurai | Member |

- Average Net Profit of the Company for last three financial years**

Average of the last 3 financial years= Rs. 38,400.16 Lakhs

- Prescribed CSR Expenditure (two per cent (2%) of the amount as in item 3 above)**

Rs. 768.00 Lakhs

- Details of CSR spent during the financial year.**

Total amount spent for the financial year = Rs. 770.01 Lakhs

- Amount unspent, if any.**

NA

7. Manner in which the amount spent during the financial year is detailed below:

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|-------|------------------------------------|---|---|---|--|--|---|
| S. No | CSR project or activity Identified | Sector in which the Project is covered | Projects or Programs: 1. Local area or other 2. Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount spent on the projects or Programs Sub heads: 1. Direct expenditure on projects or programs 2. Overheads | Cumulative expenditure up to to the reporting period | Amount spent: Direct or through implementing agency * |
| 1. | Education | 1. Support school readiness initiative to enhance the holistic development of 11,000 children in 130 Anganwadis across 8 cities | Bengaluru, Karnataka, Kolkata, West Bengal, Mumbai & Pune, Maharashtra, Ahmedabad, Gujarat, Delhi & Gurgaon, NCR, Chennai, Tamil Nadu | Rs. 304 Lakhs | Rs. 2,97,21,780 | Rs. 2,97,21,780 | Through implementing agency – United Way Bengaluru |
| | | 2. Project Nanhi Kali: Girl Child Education | Pune, Maharashtra | | Rs. 72,00,000 | Rs. 72,00,000 | Spent directly to K.C.Mahindra Trust |
| | | 3. Parivaar residential school expansion project for 100 girl students | Kolkata, West Bengal | | Rs. 46,80,324 | Rs. 46,80,324 | Through implementing agency-United Way, Bengaluru |
| | | 4. Support an Incubation fund program for Young Innovators through a nationwide innovative challenge | Pan India | | Rs. 31,85,493 | Rs. 31,85,493 | Spent directly to Parivaar Education Society |
| 2. | Community | 1. Strengthen community-based health care by providing enhanced skilling and training to 2000 women community health workers | Rajathan, Uttar Pradesh, Odisha | Rs. 152 Lakhs | Rs. 1,60,00,000 | Rs. 1,60,00,000 | Through implementing agency-United Way, Bengaluru |
| | | 2. Road Safety Education and Safe zone School program | Pune, Maharashtra | | Rs. 14,27,110 | Rs. 14,27,110 | Through implementing agency-United Way, Bengaluru |
| 3. | Environmental | 1. Lake rejuvenation activities for Singasandra Kere Lake | Bengaluru, Karnataka | Rs. 228 Lakhs | Rs. 14,27,110 | Rs. 14,27,110 | Through implementing agency-United Way, Bengaluru |
| | | 2. Water Conservation program- Jalyukt Shivar Abhiyan in drought hit villages of Latur District (Nilanga Tahsil) | Latur, Maharashtra | | Rs. 80,03,658 | Rs. 80,03,658 | Through implementing agency-United Way, Bengaluru |
| 4. | Disaster Rehabilitation | Flood disaster rehabilitation for affected areas in Kerala and Kodagu | Ernakulam District, Kerala, Kodagu District, Karnataka | Rs. 86 Lakhs | Rs. 30,00,000 | Rs. 30,00,000 | Through implementing agency-United Way, Bengaluru |
| 5. | CSR Management Services | CSR & volunteering Management on Goodera Technology Platform | | | Rs. 7,81,750 | Rs. 7,81,750 | |
| | Total | | | Rs. 770.00 lakhs | Rs. 7,70,05,315 | Rs. 7,70,05,315 | |

8. Give details of implementing agency:

United Way of Bengaluru: It is a charitable trust registered under the Karnataka Society's Registration Act, 1960 with its registered office at 2nd Floor, Esteem Regency, #6, Richmond Road, Bengaluru – 560025, INDIA, and has its office at #811, 1st Floor, 7th Main, 1st Cross, HAL 2nd Stage, Bengaluru – 560008, INDIA. It is guided by its Governing Board members affiliated with United Way Worldwide, a District of Columbia not for-profit corporation, headquartered at 701 North Fairfax Street, Alexandria, Virginia, USA 22314-2045.

9. In case the company has failed to spend the two (2) per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

NA

10. A responsibility statement of the CSR committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company:

The CSR Committee hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and policy of the Company.

On behalf of the Board of Directors

Place : Bengaluru
Date : May 28, 2019

Bharat D Shah
(Chairman CSR Committee)
DIN: 00136969

Debarati Sen
Member
DIN: 07521172

B.V. Shankaranarayana Rao
Member
DIN: 00044840

ANNEXURE 'G' TO REPORT OF THE BOARD OF DIRECTORS

Information as per Section 197(12) of the Companies Act, 2013, read with the Rule 5(1)(2) & (3) of the Companies (Appointment & Remuneration) Rules, 2014 and forming part of the Report of the Directors for the Year Ended March 31, 2019.

| Sl. No. | Name | Age Yrs | Designation | Remuneration Rs. (Gross) | Qualifications | Date of joining | Date of leaving | Particulars of last employment, Name of the employer and post last held |
|---|-------------------------------|---------|--|--------------------------|--|-----------------|-----------------|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| TOP TEN (10) EMPLOYEES IN TERMS OF REMUNERATION DRAWN DURING THE YEAR | | | | | | | | |
| 1 | Debarati Sen | 51 | Managing Director | 5,29,37,433 | BS/BE in Electronics Engineering, MBA (Mktg & Finance) | 1-Jun-16 | NA | 3M Company, USA, Director, Corporate Sales Operations |
| 2 | Kris Sridhar | 60 | Head-Technical | 3,79,64,727 | Ph.d | 1-May-17 | NA | 3M Company, USA- R & D |
| 3 | Manita Gore | 53 | Chief Financial officer | 3,50,11,652 | CA, Retail Management from IIM | 1-Mar-18 | NA | 3M Gulf, Finance Manager |
| 4 | Shankaranarayana Rao BV | 59 | Whole-Time Director | 2,16,74,818 | B.COM, MBA, ICWA (Inter) | 16-Apr-90 | NA | Mysore Paper Mills limited, Finance Manager |
| 5 | Vijay Krishnan V | 44 | Business Development Manager | 1,89,20,316 | BE MBA | 2-Aug-04 | NA | Grindwell Norton Limited, National Sales Manager |
| 6 | Sanjit Satapathy | 51 | Head - Consumer Business | 1,52,44,642 | B.Sc, PGDM | 4-Nov-98 | NA | Funkood(l) Limited, Area Sales Manager |
| 7 | Atul Shukla | 51 | Head-Safety & Graphics Business | 1,51,94,225 | BE, Masters in Marketing Management | 19-Aug-96 | NA | Color Chem Limited, Marketing Executive |
| 8 | Yogesh Kapur | 54 | Sr.General Manager-Corporate planning and Strategy | 1,37,08,170 | BE, Masters in Marketing Management | 3-Oct-17 | NA | 3M Lanka (Private) Ltd, Vice President |
| 9 | Jayanand Vasudeorao Kagnalkar | 54 | Head- Total Supply Chain & Lean Six Sigma | 1,32,98,567 | BE,PGDM-Operations Management | 11-Jul-07 | NA | TATA CHKK Springs Limited, General Manager Operations |
| 10 | Ninad Gadgil | 48 | Head-Health Care Business | 1,22,65,090 | BE MBA | 15-Jun-98 | NA | The Paper Products Limited, Deputy Manager |
| EMPLOYEES DRAWING A REMUNERATION OF NOT LESS THAN RS. 1.02 CRORES AND EMPLOYED THROUGHOUT THE YEAR | | | | | | | | |
| 1 | Abhijeet Arun Saungkar | 55 | Vice President-Technical | 1,19,40,625 | B.Sc | 1-Aug-09 | NA | Cravatex Limited, Production Supervisor |
| EMPLOYEES DRAWING A REMUNERATION OF NOT LESS THAN RS. 8,50,000 PER MONTH AND EMPLOYED FOR PART OF THE YEAR | | | | | | | | |
| 1 | Mukund P T | 54 | Head-Industrial Business | 1,08,85,028 | BE (Mech) | 18-Sep-89 | 31-Oct-18 | Harita Roloform Private Limited, Marketing Manager |
| 2 | Vijay Kumar Ramamoorthy | 51 | Head-Industrial Business | 1,08,50,589 | BE (Mech), Masters in Finance | 1-Sep-18 | NA | 3M Electro & Communication India Private Limited, Managing Director |
| 3 | Lala Chandrashekhar Das | 53 | Head-Health Care Business | 93,92,968 | BE,PGDBM | 11-Jan-11 | 31-Aug-18 | Nobel Biocare India Private Limited, Country Manager |
| 4 | Jerry Daniel | 51 | Vice President- Eastern Region | 77,54,315 | BE, Diploma in Management | 15-Jan-13 | 1-Feb-19 | Minda Valeo Security Systems Private Limited, Director-Sales & Marketing |
| 5 | Shobhana Nikam | 47 | General Counsel | 69,06,662 | Master of Laws (International & Constitutional Law) | 17-Sep-18 | NA | Fidelity Business Services India private limited,Vice President & Head Legal |
| 6 | Shreya Bhagwanth | 43 | Head- Human Resources | 57,66,513 | BA (Economics),Post Graduate Diploma in PM & IR | 17-Sep-18 | NA | Siemens Limited,HR Business Partner – Corporate Function |

Notes

- Remuneration includes salary, bonus, allowances, company's contribution to superannuation funds, medical reimbursements, leave travel assistance, 3M US Stock option payments, value of other perquisites as per Income Tax Rules.
- No one listed above is related to any of the Directors of the Company and all the above appointments are/were on contractual basis.
- Other terms and conditions are as per rules of the Company and, where required, according to sanctions from the Government.
- None of the employees holds shares of the Company except Ms. Shreya Bhagwanth, Head- Human Resources, who holds 4 shares.

On behalf of the Board of Directors

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

Debarati Sen
Managing Director
DIN: 07521172

Place : Bengaluru
Date : May 28, 2019

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

[Section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014]

CONSERVATION OF ENERGY

Your Company has been very conscious of the need for Conservation of Energy. Energy conservation measures have been implemented across all locations. Examples of specific energy conservation projects include:

1. Installation of energy efficient variable drive air compressors
2. Regular monitoring and plugging of air leakages
3. Replacement of conventional lamps by LED lamps
4. Optimization of HVAC temperatures
5. Low cost automation to lower the cycle time of operations to improve productivity and reduce specific energy consumption
6. Reduction of idle running of machine through auto sensors.
7. Energy saving by installing harmonics filters in electrical systems.
8. Installation of Variable frequency drives to optimize the speed of the motors and help energy saving.
9. Energy reduction in dust collectors
10. Energy reduction through ware house air-conditioning optimization.
11. Machine improvisation to improve output and reduce specific power consumption
12. Replacement of old reciprocating chillers with new technology screw chillers with improved efficiency
13. Installation of day light panels to reduce day time light energy usage.

TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT**A. RESEARCH & DEVELOPMENT:**

1. Specific areas in which Research & Development were carried out by the Company.

Industrial Business:

- ❖ Development of Acoustics solution for Passenger vehicles (Auto OEM solution)
- ❖ Automotive Aftermarket solution targeted at improving Cabin Air Quality (Car Air conditioners) in passenger vehicle
- ❖ Launch of Fire Barrier solutions for construction market.

Safety and Graphics:

- ❖ Launch of Smart Variable messaging signage Systems & comprehensive solutions to integrate into Smart City Management systems.
- ❖ Launch of next generation Road furniture products – Flexible median marker, ellipsoidal metal delineator & Solar Raised Pavement markers to provide increased safety on Indian roads.
- ❖ Launch of various models of Eyewears for personal protection systems for industrial usage.

Health Care Business:

- ❖ Products modifications to provide solutions to address unmet needs for securing the tubes for patients in critical areas of hospital
- ❖ Development of Innovative - ready to use sterile dressing to reduce infection in wounds.

Consumer Business:

- ❖ Development of floor care products targeted for cleaner (dusts free) homes i.e. launch of hard goods -as per requirements of Indian consumers - as part of Home Care product solution.
2. **Benefits derived as a result of the above Research & Development**
- ❖ New products and applications developed to serve specific needs of the Indian market.
 - ❖ New technologies developed relevant to Indian market needs to aid product development.
 - ❖ Improved system cost solutions for our customers and end users.
 - ❖ Supporting growth of business through solutions for Indian customers.
3. **Future plan of action**
- ❖ Build capabilities in technology and product development to serve the needs of Indian customers.
 - ❖ Development of products specific for Indian market, especially in the areas of Vehicular emissions (target to Bharat Stage VI), Corrosion Protection, Automotive, Adhesives and Tapes, Abrasive products for industrial and consumer markets, healthcare products, traffic and personal safety and graphics.
 - ❖ Further localization of manufacturing of products to meet Indian market needs.
4. **Expenditure on Research & Development** (Rs. in Lakhs)
- | | |
|--|----------|
| a) Capital | 162.31 |
| b) Revenue | 5,265.00 |
| c) Total | 5,427.31 |
| d) Total Research & Development expenditure as a percentage of total turnover. | 1.93% |

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION1. **Efforts made :**

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

2. **Benefits derived:**

New products have been introduced in several market segments such as: *Industrial business, Health Care business, Safety and graphics 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 products, retro reflective technology, healthcare products in the area of infection prevention, and nonwovens for consumer, industrial and safety needs. No technology was imported from other companies other than from parent company.

The Company had entered into Intellectual Property agreement with 3M Innovative Properties Company and 3M Company, USA effective July 1, 2006 for the payment of license fees in the form of royalties. Payments were waived off for a period of 3 years effective from July 1, 2006 to June 30, 2009. These payments have been reinstated with effect from July 1, 2009, accordingly the Company has incurred an expenditure of Rs. 5,096.23 Lakhs for the financial year 2018-19 (PY: Rs. 3,021.06 Lakhs).

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. 2,658.91 Lakhs (PY: Rs. 2,320.80 Lakhs) for contract research and Rs. 982.79 Lakhs (PY: Rs. 683.70 Lakhs) for Support Services /Corporate Management Fees.

2. Foreign Exchange Earnings and Outgo:

During the period under review, Foreign Exchange Earnings were Rs.10,375.34 Lakhs (PY: Rs. 7,731.61 Lakhs) and Foreign Exchange Outgo was Rs. 117,774.79 Lakhs (PY: Rs.101,387.86 Lakhs).

On behalf of the Board of Directors

Place : Bengaluru
Date : May 28, 2019

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

SECRETARIAL AUDIT REPORT

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2019

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To

The Members,

3M INDIA LIMITED

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by 3M India Limited (CIN: L31300KA1987PLC013543) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31.03.2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by 3M India Limited for the financial year ended on 31.03.2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (j) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
 - (k) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;
 - (l) Circulars/Guidelines issued thereunder;
- (vi) There are no specific laws applicable to the Company pursuant to the business carried by the Company.
- (vii) The other general laws as may be applicable to the Company including the following:

(1) Employer/Employee Related Laws & Rules:

- i. Industries (Development & Regulation) Act, 1951
- ii. The Factories Act, 1948

- iii. The Employment Exchanges (Compulsory notification of Vacancies) Act, 1959
- iv. The Apprentices Act, 1961
- v. The Employees Provident Fund & Miscellaneous Provisions Act, 1952
- vi. The Employees State Insurance Act, 1948
- vii. The Workmen's Compensation Act, 1923
- viii. The Maternity Benefits Act, 1961
- ix. The Payment of Gratuity Act, 1972
- x. The Payment of Bonus Act, 1965
- xi. The Industrial Disputes Act, 1947
- xii. The Trade Unions Act, 1926
- xiii. The Payment of Wages Act, 1936
- xiv. The Minimum Wages Act, 1948
- xv. The Child Labour (Regulation & Abolition) Act, 1970
- xvi. The Contract Labour (Regulation & Abolition) Act, 1970
- xvii. The Industrial Employment (Standing Orders) Act, 1946
- xviii. Equal Remuneration Act, 1976
- xix. Inter-State Migrant Workmen (Regulation of Employment and Conditions of Services) Act, 1979
- xx. The Sexual Harassment of Women at Work Place (Prevention, Prohibition & Redressal) Act, 2013
- xxi. Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1996
- xxii. Prohibition of Employment as Manual Scavengers and their Rehabilitation Act, 2013
- xxiii. Dangerous Machines (Regulation) Act, 1983
- xxiv. Indian Boilers Act, 1923
- xxv. The Karnataka Shops & Establishments Act, 1961
- xxvi. The Industrial Establishments (National and Festival Holidays) Act, 1963
- xxvii. The Labour Welfare Fund Act, 1965
- xxviii. The Karnataka Daily Wage Employees Welfare Act, 2012
- xxix. The Maharashtra Labour Welfare Fund Act, 1965 & Rules
- xxx. The Employment Exchanges (CNV) Act & Rules
- xxxi. The Karnataka (National & Festival) Holidays Act & Rules
- xxxii. For majority of Central Labour Laws, the State has introduced Rules [names of each of the Rules is not included here]

(2) Environment Related Acts & Rules:

- i. The Environment Protection Act, 1986
- ii. The Water (Prevention & Control of Pollution) Act, 1974
- iii. The Air (Prevention & Control of Pollution) Act, 1981
- iv. The Government Order Under Environment (Protection) Act, 1986
- v. Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.
- vi. The Karnataka Ground Water (Regulation for Protection of Sources of Drinking Water) Act, 1999

(3) Economic/Commercial Laws & Rules:

- i. The Competition Act, 2002
- ii. The Indian Contract Act, 1872
- iii. The Sales of Goods Act, 1930
- iv. The Forward Contracts (Regulation) Act, 1952
- v. The Indian Stamp Act, 1899
- vi. The Transfer of Property Act, 1882

- vii. The Patents Act, 1970
- viii. The Trade Marks Act, 1999

(4) Other Laws:

- i. Explosives Act
- ii. Legal Metrology Act

I have also examined compliances with the applicable clauses of the Secretarial Standards issued by the Institute of Company Secretaries of India on the Board and General Meetings i.e. SS - 1 and SS – 2.

During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above. Certain non-material findings made during the course of the audit relating to Labour Laws were addressed suitably by the Management.

Further, I report that with regard to financial and taxation matters, I have relied on the Audit Report, Limited Review Report and the Internal Audit Report provided by the Statutory/Internal Auditor as the case may be.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the Meeting.

The decisions were carried through majority while the dissenting members' views are captured and recorded as part of the minutes as per the practice followed. However, during the period under report, there was no such case instance.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

(Vijayakrishna K T)

Place : Bangalore
Date : 28-05-2019

FCS-1788
CP-980

Note: This report is to be read with our letter of even date which is annexed as Annexure and forms an integral part of this report.

'Annexure'

My report of even date is to be read along with this letter:

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I have followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company including records under Income Tax Act, Central Excise Act, Customs Act, Central and State Sales Tax Act.
4. Where ever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc as applicable from time to time.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

(Vijayakrishna K T)

Place : Bangalore
Date : 28-05-2019

FCS-1788
CP-980

**SECRETARIAL COMPLIANCE REPORT OF 3M INDIA LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2019.**

I, Vijayakrishna K T, Practising Company Secretary have examined all the documents and records made available to us and explanation provided by 3M INDIA LIMITED having CIN: L31300KA1987PLC013543 and having its Registered Office at Plot No. 48-51, Electronic City, Hosur Road, Bangalore – 560 100 ("the listed entity"), the filings/submissions made by the listed entity to the stock exchanges, website of the listed entity and other document/filing and as may be relevant, which has been relied upon to make this certification for the Financial Year ended 31st March, 2019 ("1st April, 2018 to 31st March, 2019") in respect of compliance with the provisions of :

- (a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- (b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the Circulars/Guidelines issued thereunder, have been examined, include: -

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
- (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;
- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (i) Circulars/Guidelines issued thereunder;

Based on the above examination, I hereby report that, during the Review Period:

- (a) The listed entity has complied with the provisions of the above Regulations and circulars/guidelines issued except in respect of matters specified below: NIL

| Sl. No. | Compliance Requirement (Regulations/circulars/ Guidelines including specific clause) | Deviations | Observations/Remarks of the Practicing Company Secretary |
|----------------|--|------------|--|
| NOT APPLICABLE | | | |

- (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/guidelines issued thereunder insofar as it appears from my examination of those records.
- (c) The following are the details of actions taken against the listed entity/ its Promoters/Directors/Material Subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/Regulations and Circulars/Guidelines issued thereunder:

| Sl. No. | Action taken by | Details of violation | Details of action taken ex. Fines, warning letter, debarment etc. | Observations/Remarks of the Practicing Company Secretary, if any |
|---------|-----------------|----------------------|---|--|
| NIL | | | | |

- (d) The listed entity has taken the following actions to comply with the observations made in previous reports - NA

Place : Bangalore
Date : 28-05-2019

(Vijayakrishna K T)
FCS-1788
CP-980

DIVIDEND DISTRIBUTION POLICY

1. Preamble

- 1.1. 3M India Limited (the **Company**) has formulated this Dividend Distribution Policy (this **Policy**) as required by regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the **Listing Regulations**).
- 1.2. This Policy has been approved by the Board of Directors (**Board**) of the Company at its meeting held on **February 9, 2017**. This Policy may be reviewed by the Board from time to time. This Policy and all amendments thereto will be updated on the Company's website (www.3m.com/in) and in the Company's Annual Report.

2. Policy

- 2.1. The Board shall consider appropriate financial and other parameters, as well as relevant internal and external factors, when determining the quantum, if any, of dividend to be paid out by the Company, which may include, but shall not be restricted to, all or some of the following as the Board in its discretion considers relevant:
 - (a) Revenues and net profits for the relevant financial year and future outlook;
 - (b) Possible current and future cash flow requirements;
 - (c) Liquidity needs including working capital requirements;
 - (d) Capital expenditure plans and requirements, including for expansion, modernization and upgradation of existing operations and infrastructure;
 - (e) Market expansion plans;
 - (f) Product expansion plans;
 - (g) Expenditure on research and development;
 - (h) Possible organic and inorganic growth opportunities, and other usage of cash;
 - (i) Leverage levels;
 - (j) Any restrictions and covenants in agreements with debenture-holders, lenders and others;
 - (k) Comparative tax efficiency of dividend distribution;
 - (l) Provisions for unforeseen events and contingencies;
 - (m) Strategic priorities and objectives;
 - (n) Macroeconomic conditions, local and international; and
 - (o) Any other methods of delivering value to shareholders.
- 2.2. When deliberating on the recommendation of dividend, the Board will seek to balance the benefit to shareholders of the Company with the comparative advantages of retaining profits in the Company which would lead to greater value creation for all stakeholders.
- 2.3. In the event that the Board proposes to recommend dividend on the basis of parameters and factors in addition to those stated in clause 2.1 and 2.2 above, or to change any of the relevant parameters and factors, the changes along with the rationale for the same shall be disclosed in the Company's annual report and on the Company's website (www.3m.com/in).
- 2.4. Recommendation and declaration of dividend, if any, would be in accordance with the Listing Regulations and the Companies Act, 2013 read with the rules issued thereunder.
- 2.5. The shareholders of the Company may expect dividend when the Board, on a consideration of such parameters and factors as it considers relevant, is of the view that it would be in the best interests of the Company and its shareholders as a whole to recommend dividend, and the shareholders approve such dividend at the Annual General Meeting. The Board may not recommend dividend where the future outlook, possible future cash flow requirements, growth opportunities, capital expenditure, macroeconomic conditions or other factors, including as mentioned in clause 2.1 above, in the opinion of the Board, do not warrant recommending any dividend.
- 2.6. The Board's recommendation of dividend would be in the discretion of the Board. Any declaration of dividend pursuant to the Board's recommendation would be subject to the approval of the shareholders at the Annual General Meeting as required by the Companies Act, 2013.
- 2.7. The Board intends that retained earnings, if any, of the Company shall be used in furtherance of the business objectives and operations of the Company.
- 2.8. The Company presently has only one class of shares, being equity shares of face value of INR 10 each.

EXTRACT OF ANNUAL RETURN

As on the financial Year Ended March 31, 2019

[Pursuant to Section 92(3) of the Companies Act, 2013, and Rule 12(1) of the Companies
(Management and Administration) Rules, 2014]

FORM NO. MGT – 9

I. REGISTRATION AND OTHER DETAILS:

- 1 . CIN: L31300KA1987PLC013543
- 2 . Registration Date: July 4, 1987
- 3 . Name of the Company: 3M India Limited
- 4 . Category / Sub-Category of the Company: Company having Share Capital
- 5 . Address of the Registered office and contact details:
Plot No. 48-51, Electronics City, Hosur Road, Bengaluru – 560 100, Ph: 080-3914 3000
- 6 . Whether listed Company: Yes
- 7 . Name, Address and Contact details of Registrar and Transfer Agent, if any:
Karvy Fintech Private Limited
Karvy Selenium Tower-B,
Plot Nos. 31 & 32, Financial District,
Gachibowli, Nanakramguda,
Serilingampally,
Hyderabad- 500 032
Contact person: Mr. Rajeev Kumar, Ph: 040- 67161524

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

| Sl. No. | Name and Description of Main Products / Services | NIC Code of the Product/ Service | % to Total Turnover of the Company |
|---------|--|----------------------------------|------------------------------------|
| Nil | Nil | Nil | Nil |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

| Sl. No. | Name and Address of the Company | CIN/GLN | Holding / Subsidiary / Associate | % of shares held | Applicable Section |
|---------|--|-----------------------|----------------------------------|------------------|--------------------|
| 1 | 3M Company 3M CENTER, St. PAUL, MN, USA-55144-10000 | NA | Holding | 75% | 2(46) |
| 2 | 3M Electro & Communication India Private Limited, Plot no 95 - 97, Sanniyasikuppam, Thirubhu Vanai Main Road, Udhaya Nagar, Sanniyasikuppam, Thirubhuvanai Post, Pondicherry - 605107 | U31909PY1989PTC001156 | Subsidiary | 100% | 2(87) |

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**i) Category-wise Share Holding**

| Category of Shareholders | No. of shares held at the beginning of the year (01/04/2018) | | | | No. of shares held at the end of the year (31/03/2019) | | | | % change during the year |
|--|---|----------|-----------|----------------------|---|----------|-----------|----------------------|--------------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| (a) Individual/HUF | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (b) Central Government | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (c) State Government(s) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (d) Bodies Corporate | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (e) Banks/FI | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (f) Any other. | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Sub Total (A)(1) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (2) Foreign | | | | | | | | | |
| (a) NRI-Individuals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (b) Other-Individuals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (c) Bodies Corporate | 84,48,802 | Nil | 84,48,802 | 75.00 | 84,48,802 | Nil | 84,48,802 | 75.00 | Nil |
| (d) Banks/FI | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (e) Any other. | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Sub Total (A)(2) | 84,48,802 | Nil | 84,48,802 | 75.00 | 84,48,802 | Nil | 84,48,802 | 75.00 | Nil |
| Total Shareholding of Promoters (A)=(A)(1)+(A)(2) | 84,48,802 | Nil | 84,48,802 | 75.00 | 84,48,802 | Nil | 84,48,802 | 75.00 | Nil |
| B. Public Shareholding | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| (a) Mutual Funds/UTI | 2,28,515 | 440 | 2,28,955 | 2.03 | 2,45,871 | 440 | 2,46,311 | 2.19 | 0.16 |
| (b) Banks/FI | 1,988 | 20 | 2,008 | 0.02 | 3,437 | 20 | 3,457 | 0.03 | 0.01 |
| (c) Central Government | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (d) State Government(s) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (e) Venture Capital Funds | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (f) Insurance Companies | Nil | 60 | 60 | 0.00 | Nil | 60 | 60 | 0.00 | Nil |
| (g) FIs | 2,190 | Nil | 2,190 | 0.02 | 183 | Nil | 183 | 0.00 | (0.02) |
| (h) Foreign Venture Capital Funds | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (i) Others(specify) - Foreign Portfolio Investor (Corporate) | 10,30,753 | Nil | 10,30,753 | 9.15 | 9,33,958 | Nil | 9,33,958 | 8.29 | (0.86) |
| Sub-Total (B)(1) | 12,63,446 | 520 | 12,63,966 | 11.22 | 11,83,449 | 520 | 11,83,969 | 10.51 | (0.71) |

| | | | | | | | | | |
|---|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|-------------|
| (2) Non-Institutions | | | | | | | | | |
| (a) Bodies Corporate | | | | | | | | | |
| i. Indian | 3,15,981 | 1,680 | 3,17,661 | 2.82 | 3,42,520 | 1,580 | 3,44,100 | 3.05 | 0.23 |
| ii. Overseas | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (b) Individuals | | | | | | | | | |
| i. Individual Shareholders holding nominal share capital up to Rs. 2 lakh | 9,65,666 | 83,582 | 10,49,248 | 9.31 | 10,06,361 | 67,969 | 10,74,330 | 9.54 | 0.23 |
| ii. Individual Shareholders holding nominal share capital in excess of Rs. 2 lakh | 66,115 | Nil | 66,115 | 0.59 | 65,115 | Nil | 65,115 | 0.58 | (0.01) |
| (c) Others (specify) - Alternate Investment Fund | 20,488 | Nil | 20,488 | 0.18 | 65,021 | Nil | 65,021 | 0.58 | 0.40 |
| i. Shares held by Pakistan citizens vested with the Custodian of enemy property | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| ii. Other Foreign Nationals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| iii. Foreign Bodies | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| iv. NRI/OCBs | 57,570 | Nil | 57,570 | 0.51 | 61,183 | Nil | 61,183 | 0.55 | 0.04 |
| v. Clearing Members/Clearing House | 840 | Nil | 840 | 0.01 | 533 | Nil | 533 | 0.00 | (0.01) |
| vi. Trusts | 372 | Nil | 372 | 0.00 | 422 | Nil | 422 | 0.00 | Nil |
| vii. Limited Liability Partnerships | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| viii. Foreign Portfolio Investor (Corporate) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| ix. Qualified Foreign Investor | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| x. NBFCs Registered with RBI | 40,008 | Nil | 40,008 | 0.36 | 21,595 | Nil | 21,595 | 0.19 | (0.17) |
| Sub Total (B)(2) | 14,67,040 | 85,262 | 15,52,302 | 13.78 | 15,62,750 | 69,549 | 16,32,299 | 14.49 | 0.71 |
| Total Public Shareholding (B)=(B)(1)+(B)(2) | 27,30,486 | 85,782 | 28,16,268 | 25.00 | 27,46,199 | 70,069 | 28,16,268 | 25.00 | Nil |
| C. Shares held by Custodian for GDRs & ADRs | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| GRAND TOTAL(A+B+C) | 1,11,79,288 | 85,782 | 1,12,65,070 | 100.00 | 1,11,95,001 | 70,069 | 1,12,65,070 | 100.00 | Nil |

(ii) Shareholding of Promoters

| Shareholders Name | Shareholding at the beginning of the year (01/04/2018) | | | Shareholding at the end of the year (31/03/2019) | | | % change in shareholding during the year |
|-------------------|--|---------------------------------|--|--|---------------------------------|--|--|
| | No. of shares | %of total shares of the Company | % of Shares Pledged / encumbered to total shares | No. of shares | %of total shares of the Company | % of Shares Pledged / encumbered to total shares | |
| 3M Company, USA | 84,48,802 | 75% | Nil | 84,48,802 | 75% | Nil | Nil |
| Total | 84,48,802 | 75% | Nil | 84,48,802 | 75% | Nil | Nil |

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

| Sl. No. | | Shareholding at the beginning of the year (01/04/2018) | | Cumulative Shareholding during the year (31/03/2019) | |
|---------|--|--|----------------------------------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | At the beginning of the year | No Change | | | |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.,) | No Change | | | |
| | At the end of the year | No Change | | | |

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| Sl. No. | For each of the Top 10 Shareholders | Shareholding at the beginning of the year (01/04/2018) | | Increase during the year (+) (market purchase) | Decrease during the year (-) (market sale) | Date | Shareholding at the end of the year (31/03/2019) | |
|---------|---|--|----------------------------------|--|--|--|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| 1. | Acacia Partners, LP | 3,26,032 | 2.89 | Nil | 3,032 4,200 2,600 13,600 1,000 637 173 6,000 20,590 12,100 5,100 7,100 4,000 21,900 4,900 9,100 | 06/04/2018 13/04/2018 20/04/2018 04/05/2018 18/05/2018 25/05/2018 01/06/2018 10/08/2018 17/08/2018 24/08/2018 31/08/2018 07/09/2018 14/09/2018 14/12/2018 01/03/2019 08/03/2019 | 2,10,000 | 1.86 |
| 2. | Acacia Institutional Partners, LP | 2,43,100 | 2.16 | Nil | 8,315 2,000 15,785 27,200 4,784 | 14/12/2018 08/03/2019 15/03/2019 22/03/2019 29/03/2019 | 1,85,016 | 1.64 |
| 3. | Acacia Conservation Fund, LP | 2,06,400 | 1.83 | Nil | Nil | Nil | 2,06,400 | 1.83 |
| 4. | Bright Star Investments Private Limited | 1,66,700 | 1.48 | Nil | Nil | Nil | 1,66,700 | 1.48 |
| 5. | SBI Equity Hybrid Fund | 1,00,000 | 0.89 | 30,000 | Nil | 14/12/2018 | 1,30,000 | 1.15 |
| 6. | Acacia Banyan Partners | 1,26,045 | 1.12 | Nil | Nil | Nil | 1,26,045 | 1.12 |

| | | | | | | | | |
|-----|--------------------------------------|----------|------|-------------------------------------|------------------------------|--|--------|------|
| 7. | IDFC Multi Cap Fund | 1,04,808 | 0.93 | | 5,504 1,427 402 400 | 20/07/2018 27/07/2018 10/08/2018 17/08/2018 30/11/2018 14/12/2018 28/12/2018 27/02/2019 01/03/2019 15/03/2019 22/03/2019 | 95,099 | 0.84 |
| | | | | 50 25 257 100 400 | | | | |
| 8. | Govindlal M Parikh | 41,115 | 0.36 | Nil | 710 290 | 07/09/2018 14/09/2018 | 41,115 | 0.36 |
| 9. | Nemish S Shah | 25,000 | 0.22 | Nil | Nil | Nil | 25,000 | 0.22 |
| 10. | IIFL Focussed Equity Strategies Fund | 14,700 | 0.13 | 761 160 4,999 524 3,185 | Nil | 15/06/2018 22/06/2018 29/06/2018 20/07/2018 19/10/2018 | 24,329 | 0.22 |

(v) **Shareholding of Directors and Key Managerial Personnel:**

| Sl. No. | For Each of the Directors and KMP | Shareholding at the beginning of the year (01/04/2018) | | Cumulative Shareholding during the year (31/03/2019) | |
|---------|---|--|----------------------------------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | At the beginning of the year | • Directors and KMPs -Nil | | | |
| | Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | Increase in shareholding details • Directors and KMPs -Nil Decrease in shareholding details • Directors and KMPs -Nil | | | |
| | At the End of the year | • Directors and KMPs -Nil | | | |

V. INDEBTEDNESS**Indebtedness of the Company including interest outstanding/accrued but not due for payment**

| | Secured Loans excluding deposits (Rs.) | Unsecured Loans (Rs.) | Deposits (Rs.) | Total Indebtedness (Rs.) |
|---|--|-----------------------|----------------|--------------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | Nil | Nil | Nil | Nil |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| Total (i+ii+iii) | Nil | Nil | Nil | Nil |
| Change in Indebtedness during the financial year | | | | |
| • Addition | Nil | Nil | Nil | Nil |
| • Deletion | Nil | Nil | Nil | Nil |
| Net Change | Nil | Nil | Nil | Nil |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | Nil | Nil | Nil | Nil |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| Total (i+ii+iii) | Nil | Nil | Nil | Nil |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**A. Remuneration to Managing Director (MD), Whole-time Directors (WTD) and/or Manager:**

| Sl. no. | Particulars of Remuneration | Managing Director (Rs.) | Whole-time Director (Rs.) | Total Amount (Rs.) |
|-------------------------------------|---|--|---------------------------|--------------------|
| 1. | Gross salary | | | |
| | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 2,11,19,459 | 1,77,43,724 | 3,88,63,183 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 3,18,17,974 | Nil | 3,18,17,974 |
| | (c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961 | Nil | Nil | Nil |
| 2. | Stock Option | Nil | Nil | Nil |
| 3. | Sweat Equity | Nil | Nil | Nil |
| 4. | Commission | | | |
| | - As a % of profit | Nil | Nil | Nil |
| | - Others, specify | | | |
| 5. | Others, Please specify | | | |
| | - Restricted Stock Units(RSU's) and Stock Appreciation Rights(SARs) of the Parent Company | Nil | 39,31,094 | 39,31,094 |
| | - Contribution to Provident Fund | 38,32,572 | 7,68,744 | 46,01,316 |
| TOTAL (A) (Rs.) | | 5,67,70,005 | 2,24,43,562 | 7,92,13,567 |
| Ceiling as per the Act(Section 197) | | The remuneration payable to an individual Managing Director or Whole-time Director shall not exceed 5% of the Net Profits and if there is more than one such Director, remuneration shall not exceed 10% of the net profit to all such Directors taken together. The remuneration paid is well within the prescribed limits. The limit as per the Act is Rs. 49.75 crores. | | |

B. Remuneration to other Directors:

| Particulars of Remuneration | Name of the Directors | | | Total Amount (Rs.) |
|---|-----------------------|---------------------|-------------------|--------------------|
| | Mr. Bharat D Shah | Mr. Biren Gabhawala | Ms. Radhika Rajan | |
| Independent Directors | | | | |
| Fee for attending Board / Committee meetings | 3,60,000 | 3,20,000 | 2,60,000 | 9,40,000 |
| Commission for the year FY 2015-16 (to be paid in the FY 2016-17) | 15,00,000 | 15,00,000 | 15,00,000 | 45,00,000 |
| Others, please specify | Nil | Nil | Nil | Nil |
| Total (1) (Rs.) | 18,60,000 | 18,20,000 | 17,60,000 | 54,40,000 |

| Particulars of Remuneration | Name of the Directors | | | | | Total Amount (Rs.) |
|--|---|---|----------------------|----------------|--|--------------------|
| | Mr. Albert C Wang (up to August 21, 2018) | Mr. Amit Laroya | Mr. Ramesh Ramadurai | Mr. Jongho Lee | Ms. Sadhana Kaul (from October 31, 2018) | |
| Other Non-Executive Directors | | | | | | |
| Fee for attending Board / Committee meetings | Nil | Nil | Nil | Nil | Nil | Nil |
| Commission for the year FY 2018-19(to be paid in the FY 2019-20) | Nil | Nil | Nil | Nil | Nil | Nil |
| Others, please specify | Nil | Nil | Nil | Nil | Nil | Nil |
| Total (2) | Nil | Nil | Nil | Nil | Nil | Nil |
| Total (B) = (1+2) (Rs.) | | | | | | 54,40,000 |
| Ceiling as per the Act (Section 197) | | The remuneration payable to all Non-Executive Directors and Independent Directors shall not exceed 1% of the Net Profits of the Company. The remuneration paid is well within the prescribed limits. The limit as per the Act is Rs.4.97crores. | | | | |
| Overall ceiling as per the Act (Section 197) | | The total managerial remuneration payable to its Directors, including Managing Director and Whole-time Director and its Manager in respect of any financial year shall not exceed 11% of the Net Profits of the Company. The remuneration paid is well within the overall limits. The limit as per the Act is Rs. 54.72 crores. | | | | |

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

| Sl. No. | Particulars of Remuneration | Chief Financial Officer Rs. | Company Secretary Rs. |
|---------|--|-----------------------------------|-------------------------|
| 1. | Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | 1,79,25,010 1,70,86,642 Nil | 44,20,140 Nil Nil |
| 2. | Stock Option | Nil | Nil |
| 3. | Sweat Equity | Nil | Nil |
| 4. | Commission - as % of profit - others, specify | Nil Nil | Nil Nil |
| 5. | Others, please specify- - Restricted Stock Units (RSU's) and Stock Appreciation Rights(SARs) of the Parent Company - Contribution to Provident Fund | Nil 14,50,170 | Nil 1,97,208 |
| | Total (C) | 3,64,61,822 | 46,17,348 |

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment / Compounding fees imposed | Authority [RD/NCLT/ COURT] | Appeal made, if any (give Details) |
|------------------------------|------------------------------|-------------------|--|----------------------------|------------------------------------|
| A. COMPANY | | | | | |
| Penalty | | | None | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. DIRECTORS | | | | | |
| Penalty | | | None | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | | | None | | |
| Punishment | | | | | |
| Compounding | | | | | |

On behalf of the Board of Directors

Place : Bengaluru
Date : May 28, 2019

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

Details of Subsidiaries, Associates and Joint Ventures**Form AOC 1**

(Pursuant to the provisions of Section 129(3) of the Act, read with Rule 5 of Companies (Accounts) Rules, 2014.

Statement containing as on March 31, 2019 salient features of the financial statement of subsidiaries/associate companies/Joint ventures**PART A: Subsidiaries***Rs. in Lakhs*

| Name of the Subsidiary | Financial year ended | Currency | Closing exchange rate | Average exchange rate | Share Capital | Reserves and Surplus | Total Assets | Total Liabilities |
|---|----------------------|----------|-----------------------|-----------------------|---------------|----------------------|--------------|-------------------|
| 3M Electro & Communication India Private Limited* | March 31, 2019 | INR | 1 | - | 50.00 | 15,750.54 | 21,052.51 | 5,251.97 |

Rs. in Lakhs

| Investments | Turnover | Profit/(loss) before taxation | Provision for taxation | Profit/(loss) after taxation | Proposed dividend | % of share holding | Country |
|-------------|-----------|-------------------------------|------------------------|------------------------------|-------------------|--------------------|---------|
| Nil | 20,913.04 | 3,007.96 | 992.54 | 4,325.31 | Nil | 100 | India |

Note: * became a subsidiary with effect from December 27, 2018

Part B: Associates and Joint Ventures

Nil

On behalf of the Board of Directors

Place : Bengaluru
Date : May 28, 2019

Debarati Sen
Managing Director
DIN: 07521172

B.V. Shankaranarayana Rao
Whole-time Director
DIN: 00044840

INDEPENDENT AUDITORS' REPORT

To the Members of 3M India Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of 3M India Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2019, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current year. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

Investment in 3M Electro & Communication India Private Limited

See note 3(d) and 6 to the standalone financial statements

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| <ul style="list-style-type: none"> During the year, the Company acquired 100% stake in 3M Electro & Communication India Private Limited from its existing shareholders (related parties of the Company) at a consideration of INR 58,470 lakhs. We identified the above investment transaction as a key audit matter given it involved compliance with various regulations and fair valuation of the acquiree. | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessment of the controls to identify and disclose related party relationships and transactions in accordance with the relevant accounting standards. Assessment of compliance with the regulations under the Companies Act, 2013 and the listing regulations with respect to the investment. Evaluating the work of the external expert for fair valuation of the acquired entity, reasonableness of the methodology and the underlying assumptions used in the valuation. Evaluating the accounting and disclosures of the investment in a subsidiary in compliance with the accounting standards. |

Revenue Recognition

See note 3 (h) and 20 to the standalone financial statements

| The key audit matter | How the matter was addressed in our audit |
|--|---|
| <ul style="list-style-type: none"> The Company recognises revenue when control is transferred to the customer i.e. on delivery to customer. The Company tracks proof of delivery and reverses the value of goods not delivered by the balance sheet date. We identified revenues recognised closer to the balance sheet date as a key audit matter given it is a significant key performance indicator and there is a risk of overstatement of revenues at the balance sheet date. | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the revenue recognition accounting policies in compliance with the accounting standards. Tested the design and operating effectiveness of relevant key controls with respect to revenue recognition on a sample basis. We performed substantive testing by selecting samples (using statistical sampling) of revenue transactions, recorded during the year by testing the underlying documents. Analytical procedures on revenue recognised during the year to identify and inquire on unusual variances, if any. Independent confirmation on a sample basis of customer invoice balances at the balance sheet date using statistical sampling. Obtaining supporting documentation, on a sample basis for sales transactions recorded near to balance sheet date as well as credit notes issued subsequent to the balance sheet date to determine whether revenue was recognised in the correct period. Tested, on a sample basis using statistical sampling, manual journal entries relating to revenues to identify and inquire on unusual items, if any. |

Other Information

The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone financial statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
 - (A) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and 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 it appears from our examination of those books.

- c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 36 to the standalone financial statements;
 - ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses ;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):
- In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/W-100022

Amit Somani

Partner

Membership Number: 060154

Place : Paris

Date : May 28, 2019

ANNEXURE – A TO THE INDEPENDENT AUDITORS' REPORT

With reference to the Annexure A referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report to the Members of the Company on the Standalone financial statements for the year ended 31 March 2019, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are physically verified in a phased manner over a period of three years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets have been physically verified during the year and no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

In respect of immovable properties been taken on lease and disclosed as property, plant and equipment in the standalone financial statements, the lease agreements are in the name of the Company. Also refer explanatory note (a) of Note (4) to the Standalone financial statements.

- (ii) The inventory, except goods-in-transit and stocks lying with third parties has been physically verified by the Management during the year. In our opinion, the frequency of such physical verification is reasonable. The discrepancies noticed on physical verification between the physical stock and the book records were not material and have been appropriately dealt with in the books of accounts. For stocks lying with third parties at the year end, written confirmations have been obtained by the Management.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 186 of the Act in respect of investments made. Further, there are no loans, guarantees and security given in respect of which provisions of Sections 185 and 186 of the Act are applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public in accordance with the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable to the Company.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government of India for maintenance of cost records under section 148(1) of the Act in respect of products manufactured and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees State Insurance, Income-tax, Duty of customs, Goods and Services tax, Cess and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales-tax, Service-tax, Duty of excise and Value added tax during the year. Also refer note 36 to the financial statements.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees State Insurance, Income-tax, Duty of customs, Goods and Services tax, Cess and any other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the particulars of dues of Income-tax, Sales-tax, Service-tax, Duty of customs, Duty of excise and Value added tax as at 31 March 2019 which have not been deposited by the Company on account of disputes are mentioned in Appendix-1.
- (viii) In our opinion and according to the information and explanations given to us, the Company did not have any loans or borrowings from financial institutions or banks or government and there were no dues to debenture holders during the year.

- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instrument) and term loans during the year. Accordingly, para 3(ix) of the Order is not applicable to the Company.
- (x) According to the information and explanations given to us, no material fraud on the Company by its officers and employees or fraud by the Company has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us and based on examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) According to the information and explanations given to us, in our opinion the Company is not a Nidhi Company as prescribed under Section 406 of the Act. Accordingly, para 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with Section 177 and 188 of the Act, where applicable, and details of all transactions have been disclosed in the Standalone financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or issued fully or partly convertible debentures during the year. Accordingly, para 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him/ her. Accordingly, para 3(xv) of the Order is not applicable to the Company.
- (xvi) According to the information and explanations given to us and in our opinion the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For B S R & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/W-100022

Amit Somani

Partner

Membership Number: 060154

Place : Paris

Date : May 28, 2019

Appendix 1 to the Annexure A to the Independent Auditor's Report

| Statute / Nature of dues | Demand amount (Rs. in lakhs) | Payment under protest | Net amount (Rs. in lakhs) | Period to which it pertains | Forum where the dispute is pending |
|--|------------------------------------|-----------------------------|---------------------------------|-----------------------------------|--|
| Income tax | 13,140.09 | 1,965.31 | 11,174.78 | 2010-2016 | Commissioner of Income Tax (Appeals) |
| | 2,062.56 | 561.79 | 1,500.77 | 2006-2013 | Income Tax appellate tribunal |
| Sales tax/ Value added tax / Central Sales tax | 11,675.84 | 1,522.13 | 10,153.70 | 2004-2015 | Appellate Authority up to Commissioner's level |
| | 2,813.59 | 1,451.49 | 1,362.10 | 2006-2013 | Sales Tax appellate tribunal |
| Excise (including service tax) | 193.23 | - | 193.23 | 2010-2017 | Commissioner- Appeals |
| | 1,956.61 | 117.26 | 1,839.35 | 2006-2015 | Customs, Excise and service tax appellate tribunal |
| Custom duty | 1,961.51 | - | 1,961.51 | 2005-2010 | Customs, Excise and service tax appellate tribunal |
| | 16,387.03 | 577.01 | 15,810.02 | 2011-2014 | Directorate of Revenue Intelligence |

**Annexure B to the Independent Auditors' report on the standalone financial statements of
3M India Limited for the year ended 31 March 2019**

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of
Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 1 (A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to standalone financial statements of 3M India Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to standalone financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Place : Paris
Date : May 28, 2019

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022
Amit Somani
Partner
Membership Number: 060154

STANDALONE BALANCE SHEET

3M India Limited

(Rs. in lakhs)

| As at | Note | 31 March 2019 | 31 March 2018 |
|--|------|-------------------|-------------------|
| I. Assets | | | |
| (1) Non-current assets | | | |
| (a) Property, plant and equipment | 4 | 26,927.06 | 28,491.27 |
| (b) Capital work-in-progress | 4 | 1,019.45 | 575.17 |
| (c) Intangible assets | 5 | 20.95 | 31.17 |
| (d) Financial assets | | | |
| (i) Investments | 6 | 58,470.00 | - |
| (ii) Loans receivable | 8 | 939.81 | 1,204.26 |
| (e) Deferred tax assets, (net) | 37 | 2,347.42 | 1,134.80 |
| (f) Income tax assets, (net) | 37 | 5,519.96 | 4,330.16 |
| (g) Other non-current assets | 10 | 5,127.82 | 3,581.09 |
| Total non-current assets | | 100,372.47 | 39,347.92 |
| (2) Current assets | | | |
| (a) Inventories | 11 | 37,918.19 | 34,728.93 |
| (b) Financial assets | | | |
| (i) Trade receivables | 7 | 54,613.88 | 52,963.65 |
| (ii) Cash and cash equivalents | 12 | 47,039.04 | 78,931.24 |
| (iii) Loans receivable | 8 | 458.24 | 195.99 |
| (iv) Other financial assets | 9 | 3,023.48 | 4,114.09 |
| (c) Other current assets | 10 | 5,943.02 | 3,253.43 |
| Total current assets | | 148,995.85 | 174,187.33 |
| Total assets | | 249,368.32 | 213,535.25 |
| II. Equity and liabilities | | | |
| Equity | | | |
| (a) Equity share capital | 13 | 1,126.51 | 1,126.51 |
| (b) Other equity | 14 | 184,826.52 | 152,540.21 |
| Total equity | | 185,953.03 | 153,666.72 |
| Liabilities | | | |
| (1) Non-current liabilities | | | |
| (a) Financial liabilities | | | |
| - Borrowings | 15 | 745.44 | 487.74 |
| (b) Provisions | 16 | 2,645.21 | 2,167.35 |
| Total non-current liabilities | | 3,390.65 | 2,655.09 |
| (2) Current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Trade payables | | | |
| - Total outstanding dues of micro and small enterprises | 17 | 1,825.38 | 1,241.18 |
| - Total outstanding dues of creditors other than micro and small enterprises | 17 | 30,509.76 | 30,838.77 |
| (ii) Other financial liabilities | 18 | 15,167.72 | 14,579.10 |
| (b) Other current liabilities | 19 | 4,085.12 | 2,465.35 |
| (c) Provisions | 16 | 6,648.73 | 6,220.72 |
| (d) Income tax liabilities, (net) | 37 | 1,787.93 | 1,868.32 |
| Total current liabilities | | 60,024.64 | 57,213.44 |
| Total liabilities | | 63,415.29 | 59,868.53 |
| Total equity and liabilities | | 249,368.32 | 213,535.25 |
| Significant accounting policies | 3 | | |

See accompanying notes to the standalone financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen
Managing Director
[DIN: 07521172]

Mamta Gore
Chief Financial Officer
[PAN: AKIPG9089M]

B V Shankaranarayana Rao
Whole-time Director
[DIN – 00044840]

V. Srinivasan
Company Secretary
[ACS – 16430]

STANDALONE STATEMENT OF PROFIT AND LOSS

3M India Limited

(Rs. in lakhs)

| For the year ended | Note | 31 March 2019 | 31 March 2018 |
|--|------|-------------------|-------------------|
| Income | | | |
| Revenue from operations | 20 | 280,875.97 | 258,039.60 |
| Other income | 21 | 3,283.16 | 4,361.54 |
| Total income | | 284,159.13 | 262,401.14 |
| Expenses | | | |
| Cost of materials consumed | 22 | 86,741.34 | 81,163.29 |
| Excise duty | | - | 2,425.88 |
| Purchases of stock-in-trade | 23 | 63,315.23 | 53,970.94 |
| Changes in inventories of finished goods, stock-in-trade and work-in-progress | 24 | (1,387.67) | (1,999.10) |
| Employee benefits expense | 25 | 30,106.15 | 32,407.88 |
| Finance costs | 26 | 109.18 | 194.07 |
| Depreciation and amortisation expense | 4, 5 | 4,187.67 | 4,180.32 |
| Other expenses | 27 | 51,341.30 | 42,089.56 |
| Total expenses | | 234,413.20 | 214,432.84 |
| Profit before tax | | 49,745.93 | 47,968.30 |
| Tax expense : | | | |
| (i) Current tax | 37 | 18,652.61 | 17,256.13 |
| (ii) Deferred tax | 37 | (1,205.76) | (341.39) |
| | | 17,446.85 | 16,914.74 |
| Profit for the year | | 32,299.08 | 31,053.56 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to the statement of profit or loss</i> | | | |
| Remeasurements of net defined benefit (liability) / asset | | (19.63) | (40.13) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | | 6.86 | 13.88 |
| Other comprehensive income, net of tax | | (12.77) | (26.25) |
| Total comprehensive income for the year | | 32,286.31 | 31,027.31 |
| Earnings per share (Nominal value of Rs. 10 each) | 29 | | |
| - Basic (in Rs.) | | 286.72 | 275.66 |
| - Diluted (in Rs.) | | 286.72 | 275.66 |
| Weighted average number of equity shares used in computing earnings per share : | | | |
| - Basic | | 1,12,65,070 | 1,12,65,070 |
| - Diluted | | 1,12,65,070 | 1,12,65,070 |
| Significant accounting policies | 3 | | |

See accompanying notes to the standalone financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen
Managing Director
[DIN: 07521172]

Mamta Gore
Chief Financial Officer
[PAN: AKIPG9089M]

B V Shankaranarayana Rao
Whole-time Director
[DIN – 00044840]

V. Srinivasan
Company Secretary
[ACS – 16430]

STANDALONE STATEMENT OF CHANGE IN EQUITY

3M India Limited

(Rs. in lakhs)

| Particulars | Equity share capital | Other equity | | | | Total Other Equity | Total equity attributable to equity holders of the Company |
|---|----------------------|--------------------|-----------------|-------------------|--|--------------------|--|
| | | Surplus | | | Other comprehensive income | | |
| | | Securities premium | General Reserve | Retained earnings | Remeasurement of the net defined benefit liability / asset, net of tax | | |
| Balance as at 1 April 2017 | 1,126.51 | 949.90 | 32.25 | 120,834.57 | (303.82) | 121,512.90 | 122,639.41 |
| Changes in equity for the year ended 31 March 2018 | | | | | | | |
| Remeasurement of the net defined benefit liability / asset, net of tax effect | - | - | - | - | (26.25) | (26.25) | (26.25) |
| Profit for the year | - | - | - | 31,053.56 | - | 31,053.56 | 31,053.56 |
| Balance as at 31 March 2018 | 1,126.51 | 949.90 | 32.25 | 151,888.13 | (330.07) | 152,540.21 | 153,666.72 |

| Particulars | Equity share capital | Other equity | | | | Total Other Equity | Total equity attributable to equity holders of the Company |
|---|----------------------|--------------------|-----------------|-------------------|--|--------------------|--|
| | | Surplus | | | Other comprehensive income | | |
| | | Securities premium | General Reserve | Retained earnings | Remeasurement of the net defined benefit liability / asset, net of tax | | |
| Balance as at 1 April 2018 | 1,126.51 | 949.90 | 32.25 | 151,888.13 | (330.07) | 152,540.21 | 153,666.72 |
| Changes in equity for the year ended 31 March 2019 | | | | | | | |
| Remeasurement of the net defined benefit liability / asset, net of tax effect | - | - | - | - | (12.77) | (12.77) | (12.77) |
| Profit for the year | - | - | - | 32,299.08 | - | 32,299.08 | 32,299.08 |
| Balance as at 31 March 2019 | 1,126.51 | 949.90 | 32.25 | 184,187.21 | (342.84) | 184,826.52 | 185,953.03 |

See accompanying notes to the standalone financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen

Managing Director

[DIN: 07521172]

Mamta Gore

Chief Financial Officer

[PAN: AKIPG9089M]

B V Shankaranarayana Rao

Whole-time Director

[DIN – 00044840]

V. Srinivasan

Company Secretary

[ACS – 16430]

STANDALONE STATEMENT OF CASH FLOW

3M India Limited

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|--------------------|------------------|
| Cash flow from operating activities | | |
| Profit before tax | 49,745.93 | 47,968.30 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation expense | 4,187.67 | 4,180.32 |
| Provision for doubtful debts created | 1,027.17 | 744.99 |
| Liabilities no longer required written back, net | (597.95) | (534.39) |
| Unrealised net gain on foreign currency transactions and translation | (390.27) | (7.29) |
| Loss on disposal of property, plant and equipment | 1.40 | 8.91 |
| Interest income | (2,685.21) | (3,585.56) |
| Finance costs | 109.18 | 194.07 |
| | 51,397.92 | 48,969.35 |
| Movements in working capital | | |
| Increase / (decrease) in trade payables | 1,016.81 | (7,362.13) |
| Increase in provisions | 876.81 | 424.02 |
| Increase / (decrease) in other financial liabilities and other liabilities | 2,322.93 | (1,795.30) |
| Increase in trade receivables | (2,687.15) | (12,916.98) |
| Increase in inventories | (3,189.26) | (1,551.13) |
| Increase in loans, other financial assets, other current and non current assets | (3,083.71) | (3,391.90) |
| Cash generated from operations activities | 46,654.35 | 22,375.93 |
| Income tax paid (net of refund) | (19,922.80) | (19,433.93) |
| Net cash from operating activities (A) | 26,731.55 | 2,942.00 |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (3,824.18) | (1,576.09) |
| Proceeds from sale of property, plant and equipment | 25.29 | 113.36 |
| Investment in subsidiary | (58,470.00) | - |
| Interest received | 3,286.18 | 3,262.18 |
| Net cash / (used in) from investing activities (B) | (58,982.71) | 1,799.45 |
| Cash flow from financing activities | | |
| Movement in finance lease liability | 403.40 | (32.03) |
| Interest paid | (44.44) | (194.08) |
| Net cash from / (used in) financing activities (C) | 358.96 | (226.11) |

STANDALONE STATEMENT OF CASH FLOW

3M India Limited

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|--------------------|------------------|
| Net (decrease)/ increase in cash and cash equivalents (A+B+C) | (31,892.20) | 4,515.34 |
| Cash and cash equivalents at the beginning of the year | 78,931.24 | 74,415.90 |
| Cash and cash equivalents at the end of the year | 47,039.04 | 78,931.24 |
| Cash and cash equivalents comprise of (refer note 12): | | |
| Balances with banks: | | |
| - in current accounts | 47,039.04 | 18,931.24 |
| - deposits accounts (original maturity of less than three months) | - | 60,000.00 |
| | 47,039.04 | 78,931.24 |
| Debt reconciliation statement in accordance with Ind AS 7 | | |
| Non Current borrowings and current maturities of long term borrowings | | |
| Opening balance | 946.17 | 978.20 |
| Movement in finance lease liability | 403.40 | (32.03) |
| Closing balance | 1,349.57 | 946.17 |
| Significant accounting policies (Refer Note 3) | | |

See accompanying notes to the standalone financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen

Managing Director

[DIN: 07521172]

Mamta Gore

Chief Financial Officer

[PAN: AKIPG9089M]

B V Shankaranarayana Rao

Whole-time Director

[DIN – 00044840]

V. Srinivasan

Company Secretary

[ACS – 16430]

1. Reporting entity

3M India Limited ('the Company') is a subsidiary of 3M Company, USA. The Company manages its operations in five operating segments: Industrial, Health Care, Safety and Graphics, Consumer and Energy. In India, the Company has manufacturing facilities at Ahmedabad, Bangalore, Pune and has a R&D Center in Bangalore. 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 domiciled in India with its registered office situated at Plot Nos. 48-51, Electronic City, Hosur Road, Bengaluru - 560 100 and is listed on the Bombay Stock Exchange Ltd (BSE) and the National Stock Exchange Ltd (NSE).

2. Basis of preparation**A. Statement of compliance**

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015, as amended notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The financial statements were authorised for issue by the Company's Board of Directors on 28 May 2019.

Details of the Company's significant accounting policies are included in Note 3.

B. Functional & presentation currency

These financial statements are presented in Indian Rupees (Rs.), which is also the Company's functional currency. All amounts have been rounded-off to two decimal places to the nearest lakhs, unless otherwise indicated.

C. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

| Items | Measurement basis |
|--|---|
| Certain financial assets and liabilities | Fair value |
| Liabilities for cash settled shared-based payment arrangements | Fair value |
| Net defined benefit asset / (liability) | Fair value of plan assets less present value of defined benefit obligations |

D. Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 28 - leases: whether an arrangement contains a lease; and

- Note 28 - lease classification;

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2020 is included in the following notes:

- Note 4 and 5 - useful life of property, plant and equipment and intangible assets;

- Note 7 to 9 and 40 - impairment of financial assets;

- Note 32 - measurement of defined benefit obligations: key actuarial assumptions;

- Note 36 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 37 - recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used.

E. Measurement of fair values

Certain accounting policies and disclosures of the Company require the measurement of fair values, for both financial and non financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into a different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in the measuring fair values is included in the following notes:

- Note 31 - share-based payment arrangements and
- Note 40 - financial instruments

3. Significant accounting policies

(a) Financial instruments

i. Recognition and initial measurement

The Company initially recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at-

Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

iii. *Derecognition of financial instruments*

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and a new financial liability with modified terms is recognised in the statement of profit and loss.

iv. *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or realise the asset and settle the liability simultaneously.

(b) *Property, plant and equipment*i. *Recognition and measurement*

Items of property, plant and equipment, are measured at cost, which includes capitalised borrowing cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of profit or loss.

ii. *Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iii. *Depreciation*

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method, and is recognised in the statement of profit and loss.

Leasehold improvements are amortised over the period of lease or the estimated useful life (3-10 years) whichever is lower. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

| Asset | Useful lives |
|---------------------------|-----------------------|
| Buildings | 10/ 20 and 30 years |
| Plant and machinery | 3/ 7/ 10 and 15 years |
| Data processing equipment | 3 years |
| Office equipment | 5 years |
| Furniture and fixtures | 10 years |
| Vehicles | 5 years |

Depreciation/amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that the estimates of useful lives as given above best represent the period over which management expects to use these assets and are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013 for some assets.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

(c) *Intangible assets*

Internally generated : Research and development

Expenditure on research activities is recognised in statement of profit or loss as incurred.

Development expenditure is capitalised as part of the cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in statement of profit or loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

Others

Other intangible assets are stated at acquisition cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation in statement of profit and loss. The amortisation rates used are:

| Asset | Useful life |
|-------------------|-------------|
| Computer software | 3 years |

(d) *Investment in subsidiaries*

Investment in equity shares in subsidiaries is carried at cost less impairment if any, in the financial statements.

(e) *Impairment*

(i) *Financial assets*

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in the statement of profit or loss.

(ii) *Non-financial assets**Intangible assets and property, plant and equipment*

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash generating units (CGUs) to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the Statement of Profit and Loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(f) *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 First-In-First-Out 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.

The comparison of cost and net realisable value is made on an item-by-item basis.

The provision for inventory obsolescence is ascertained regularly based on estimated usage of the products.

(g) *Foreign currency transactions*

Transactions in foreign currencies are initially recorded by the Company at their functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the balance sheet date. Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date of the Company's monetary items at the closing rates are recognised as income or expenses in the period in which they arise. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rates at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(h) *Revenue recognition*

Effective April 1, 2018, the Company has applied Ind AS 115: Revenue from Contracts with Customers which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue. The Company has adopted Ind AS 115 using the cumulative effect method (without the practical expedient), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). The adoption of the standard did not have any material impact on the financial statements of the Company.

Revenue from sale of goods is recognised when control of the products being sold is transferred to the customer and when there are no longer any unfulfilled obligations.

The Performance Obligations in the contracts are fulfilled at the time of dispatch, delivery or upon formal customer acceptance depending on customer terms.

Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the government such as goods and services tax, etc. Accumulated experience is used to estimate the provision for such discounts and rebates. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

Customers have the contractual right to return goods. An estimate is made of goods that will be returned and a liability is recognised for this amount using a best estimate based on accumulated experience.

Income from services rendered is recognised based on agreements/arrangements with the customers as the service is performed and there are no unfulfilled obligations.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Other contract assets are classified as other assets. Unearned and deferred revenue ("contract liability") is recognised when there is billings in excess of revenues. Advances received for goods and services are reported as liabilities until all conditions for revenue recognition are met.

The Company has determined that the revenues as disclosed in Note 20 are disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Interest income is recognized using the effective interest rate (EIR) method.

Dividend income on investments is recognised when the right to receive dividend is established.

(i) *Employee benefits*

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of profit or loss in the periods during which the related services are rendered by employees.

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.

Superannuation

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

Defined benefit plans

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 (using the Projected Unit Credit method). Actuarial losses/ gains are recognised in 'Other Comprehensive Income' in the year in which they arise.

Compensated absences

The Company provides for the encashment/ availment 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 (using the Projected Unit Credit method). Actuarial losses / gains are recognised in 'Other Comprehensive Income' in the year in which they arise.

(j) *Share-based payments*

The fair value of the amount payable to employees in respect of share appreciation rights (SARs) and restricted stock units (RSUs) which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to the payment. The Company measures compensation expense for SARs at their fair value determined using Black-Scholes Model and RSUs based on fair market value of shares of 3M Company, USA on the date of the grant. Any change in the fair value of the liability are recognised in the Statement of profit and loss.

(k) *Income taxes*i. *Current tax*

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

ii. *Deferred tax*

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax asset are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

(l) *Borrowing costs*

Borrowing costs attributable to the assets acquired on finance lease are expensed in the period in which they incur in the statement of profit and loss.

(m) *Provisions and contingent liabilities*i. *General*

Provisions are recognised when the Company has a present obligation (legal or constructive) 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 a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

ii. *Contingent liabilities*

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

iii. *Onerous contracts*

Provision for onerous contracts. i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

(n) *Leases*i. *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.

The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted in accordance with the accounting policy applicable to similar owned assets.

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.

ii. *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 generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

(o) *Segment reporting**Operating segments*

The Company publishes the unconsolidated financial statements of the Company along with the consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the consolidated financial statements.

(p) *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

(q) *Earnings per share*

Basic Earnings Per Share ('EPS') is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit/ loss for the period attributable to the equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

(r) *Cash flow statement*

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Company are segregated.

(s) *Recent Indian Accounting Standards :*i. *Ind AS 116 - Leases*

The Company is required to adopt IND AS 116 Leases from 1 April 2019. IND AS 116 replaces existing leases guidance, including IND AS 17 Leases. IND AS 116 introduces a single Balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items.

Leases in which the Company is a lessee:

Under the new standard, the Company will be required to recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right of use assets and interest expense on lease liabilities. Previously, the Company recognised operating

lease expense over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. The Company is in the process of evaluating the potential impact of the adoption of Ind AS 116 on accounting policies followed in its financial statements. The quantitative impact of adoption of Ind AS 116 on the financial statements in the period of initial application is not reasonably estimable as at present.

Transition

The Company plans to apply IND AS 116 using the modified retrospective method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2019) in retained earnings. As a result, the Company will not present individual line items appearing under comparative period presentation.

ii. *Ind AS 19 – Plan Amendment, Curtailment or Settlement*

The amendment clarifies that when determining past service cost, or a gain or loss on settlement due to plan amendment, curtailment or settlement, an entity shall remeasure the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions, including current market interest rates and other current market prices, reflecting:

- (a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and
- (b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Further, if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect any significant impact of this amendment on its financial statements.

(Rs. in lakhs)

4 Property, plant and equipment and capital work-in-progress

| Particulars | Freehold land | Buildings | Plant and machinery | Furniture & fixtures | Office equipment | Data processing equipment | Vehicles | Leasehold improvements | Leased Assets | | | | Total |
|-----------------------------|---------------|-----------|---------------------|----------------------|------------------|---------------------------|----------|------------------------|-------------------------|---------------------------|------------------------|----------|-----------|
| | | | | | | | | | Leasehold land Note (a) | Data processing equipment | Leasehold improvements | Vehicles | |
| Balance at 31 March 2017 | 227.95 | 15,219.38 | 20,153.07 | 1,296.22 | 694.14 | 58.26 | 2.87 | 606.03 | 387.17 | 1,262.24 | 31.84 | 708.30 | 40,647.47 |
| Additions | - | - | 633.98 | 13.07 | 58.07 | - | - | - | - | 435.79 | - | 158.61 | 1,299.52 |
| Disposals | - | (0.06) | (90.36) | (0.15) | (2.59) | - | - | - | - | (472.06) | (31.84) | (256.32) | (853.38) |
| Balance at 31 March 2018 | 227.95 | 15,219.32 | 20,696.69 | 1,309.14 | 749.62 | 58.26 | 2.87 | 606.03 | 387.17 | 1,225.97 | - | 610.59 | 41,093.61 |
| Additions | - | 24.20 | 1,260.66 | 211.19 | 67.70 | - | - | - | - | 959.18 | - | 100.20 | 2,623.13 |
| Disposals | - | - | (83.56) | (29.55) | (12.05) | - | - | (8.90) | - | (279.87) | - | (156.91) | (570.84) |
| Balance at 31 March 2019 | 227.95 | 15,243.52 | 21,873.79 | 1,490.78 | 805.27 | 58.26 | 2.87 | 597.13 | 387.17 | 1,905.28 | - | 553.88 | 43,145.90 |
| Accumulated depreciation | | | | | | | | | | | | | |
| Balance at 31 March 2017 | - | 1,273.85 | 5,236.03 | 404.81 | 540.18 | 58.26 | 2.41 | 567.76 | 7.82 | 717.52 | 31.84 | 339.87 | 9,180.34 |
| Depreciation for the year | - | 635.24 | 2,593.66 | 207.83 | 127.74 | - | 0.45 | 37.38 | 5.04 | 370.85 | - | 174.91 | 4,153.10 |
| Disposals | - | (0.01) | (29.63) | (0.09) | (2.59) | - | - | - | - | (472.06) | (31.84) | (194.89) | (731.11) |
| Balance at 31 March 2018 | - | 1,909.08 | 7,800.06 | 612.55 | 665.33 | 58.26 | 2.86 | 605.14 | 12.86 | 616.31 | - | 319.89 | 12,602.33 |
| Depreciation for the year | - | 636.20 | 2,607.21 | 221.93 | 55.35 | - | 0.01 | 0.78 | 2.52 | 486.12 | - | 150.53 | 4,160.65 |
| Disposals | - | - | (67.60) | (18.82) | (12.05) | - | - | (8.90) | - | (279.87) | - | (156.91) | (544.14) |
| Balance at 31 March 2019 | - | 2,545.28 | 10,339.67 | 815.66 | 708.63 | 58.26 | 2.87 | 597.02 | 15.38 | 822.56 | - | 313.51 | 16,218.83 |
| Carrying value (net) | | | | | | | | | | | | | |
| As at 31 March 2018 | 227.95 | 13,310.24 | 12,896.63 | 696.59 | 84.29 | - | 0.01 | 0.89 | 374.31 | 609.66 | - | 290.70 | 28,491.27 |
| As at 31 March 2019 | 227.95 | 12,698.24 | 11,534.12 | 675.12 | 96.64 | - | - | 0.11 | 371.79 | 1,082.72 | - | 240.37 | 26,927.06 |
| Capital work-in-progress | | | | | | | | | | | | | |
| Balance at 31 March 2017 | | | | | | | | | | | | | 242.69 |
| Additions during the year | | | | | | | | | | | | | 1,039.41 |
| Capitalised during the year | | | | | | | | | | | | | 706.93 |
| Balance at 31 March 2018 | | | | | | | | | | | | | 575.17 |
| Additions during the year | | | | | | | | | | | | | 1,983.91 |
| Capitalised during the year | | | | | | | | | | | | | 1,539.63 |
| Balance at 31 March 2019 | | | | | | | | | | | | | 1,019.45 |

Note:

- (a) 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 had received a demand of Rs. 181.77 Lakhs from MIDC in the financial year 2011-12. 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 had filed a Civil writ petition in the High Court at Mumbai ("the Court"). The Court vide an Order dated 5 February 2015 granted interim relief to the Company by inter-alia directing MIDC to effect the change of name in its records subject to certain conditions mentioned in the order. During current financial year, the Company has paid transfer fee of INR 14,30,250 to MIDC duly acknowledged by MIDC. A formal transfer order is awaited from MIDC.
- (b) Also refer to note 15, 18, 28(a)

5 Intangible assets

(Rs. in lakhs)

| Particulars | Computer Software |
|---|-------------------|
| Balance at 1 April 2017 | 137.74 |
| Additions | 9.10 |
| Balance at 31 March 2018 | 146.84 |
| Balance at 1 April 2018 | 146.84 |
| Additions | 16.80 |
| Balance at 31 March 2019 | 163.64 |
| Accumulated depreciation as on 1 April 2017 | 88.45 |
| Amortisation for the year | 27.22 |
| Balance at 31 March 2018 | 115.67 |
| Amortisation for the year | 27.02 |
| Balance at 31 March 2019 | 142.69 |
| Carrying value (net) | |
| As at 31 March 2018 | 31.17 |
| As at 31 March 2019 | 20.95 |

6 Investments

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|------------------|---------------|
| Non current investment | | |
| Unquoted, carried at cost less provision for other than temporary impairment | | |
| Investment in equity instruments of subsidiary; | | |
| 3M Electro & Communication India Private Limited [100% Subsidiary] [5,00,000 equity shares of Rs. 10/- each fully paid up] | 58,470.00 | - |
| | 58,470.00 | - |
| Aggregate book value of unquoted investment | 58,470.00 | - |
| Aggregate amount of impairment in value of investment | - | - |
| Investment carried at cost | 58,470.00 | - |

During the year ended 31 March 2019, the Company has invested Rs. 58,470 Lakhs to acquire 100% equity interest in 3M Electro & Communication India Private Limited (the entity) (Refer note 33).

7 Trade receivables
(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Considered good | | |
| Trade receivables - secured* | 699.82 | 976.54 |
| Trade receivables - unsecured | 55,208.98 | 53,345.64 |
| Less: Provision for impairment | (1,294.92) | (1,358.53) |
| | 54,613.88 | 52,963.65 |
| Credit impaired | 2,583.78 | 1,654.28 |
| Less: Provision for impairment | (2,583.78) | (1,654.28) |
| | 54,613.88 | 52,963.65 |
| Of the above, trade receivables from related parties are as below (also refer note 33): | | |
| Total trade receivables from related parties (also refer note 33) | 849.23 | 461.55 |
| Net trade receivables | 849.23 | 461.55 |

*These are secured against deposits taken from customers.

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in note 40.

8 Loans receivable
(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|--------------------------------|-----------------|-----------------|
| Non - current | | |
| Unsecured, considered good | | |
| Security deposits - unsecured | 914.85 | 1,183.85 |
| Loans to employees - unsecured | 24.96 | 20.41 |
| Unsecured, considered doubtful | | |
| Security Deposits | 67.51 | 67.51 |
| Less: Provision for impairment | (67.51) | (67.51) |
| | 939.81 | 1,204.26 |
| Current | | |
| Security deposits - unsecured | 411.32 | 136.42 |
| Loans to employees - unsecured | 46.92 | 59.57 |
| | 458.24 | 195.99 |
| | 1,398.05 | 1,400.25 |

9 Other financial assets
(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Current | | |
| Unsecured, considered good | | |
| Unbilled revenue | 1,157.85 | 1,039.07 |
| Interest accrued but not due | - | 600.97 |
| Others receivables from related parties (refer note 33) | 1,859.20 | 2,452.57 |
| Others receivables | 6.43 | 21.48 |
| | 3,023.48 | 4,114.09 |

10 Other assets

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|------------------|-----------------|
| Non current | | |
| Capital advances | 689.32 | 28.55 |
| <i>Advances other than capital advances</i> | | |
| Payments under protest* | | |
| Unsecured, considered good | 4,438.50 | 3,552.54 |
| Unsecured, considered doubtful | 171.50 | 179.72 |
| Less: Allowance for doubtful advances | (171.50) | (179.72) |
| | 5,127.82 | 3,581.09 |
| Current | | |
| Prepayments | 922.21 | 662.41 |
| Advance for supply of goods | 1,121.76 | 483.44 |
| Balances with Government authorities | | |
| Unsecured, considered good | 3,899.05 | 1,865.22 |
| Unsecured, considered doubtful | 554.04 | 796.40 |
| Less : Allowance for doubtful receivables | (554.04) | (554.04) |
| | 5,943.02 | 3,253.43 |
| | 11,070.84 | 6,834.52 |

* The above security deposits represents deposits given to government authorities.

11 Inventories*

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| Raw materials | 11,599.67 | 9,942.23 |
| [Including in - transit Rs. 3,524.19 lakhs (2018: Rs. 3,708.83 lakhs)] | | |
| Packing materials | 714.44 | 570.29 |
| Work-in-progress | 1,248.60 | 1,388.41 |
| Finished goods | 13,006.15 | 12,546.57 |
| Stock-in-trade | 11,349.33 | 10,281.43 |
| [Including in - transit Rs. 4,005.52 lakhs (2018: Rs. 4,871.33 lakhs)] | | |
| | 37,918.19 | 34,728.93 |

* Refer note 3(f) for mode of valuation of inventories

The write down of inventories to net realisable value during the year amounted to Rs. 268.87 lakhs (31 March 2018 : Rs. 188.92 lakhs). The provision estimated by the management for obsolete stock during the year amounted to Rs. 779.52 lakhs (31 March 2018 : Rs. 770.32 lakhs). The write down, reversal and provision for obsolete stock are included in the costs of materials consumed or changes in inventories of finished goods and work-in-progress.

12 Cash and cash equivalents

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| <i>Balances with banks</i> | | |
| - In current accounts | 47,039.04 | 18,931.24 |
| - Deposit accounts (original maturity of less than three months) | - | 60,000.00 |
| | 47,039.04 | 78,931.24 |

13 Equity share capital
(Rs. in lakhs except for number of shares)

| As at | 31 March 2019 | 31 March 2018 |
|--|-----------------|-----------------|
| Authorised : | | |
| Equity shares | 1,126.51 | 1,126.51 |
| [1,12,65,070 equity shares of Rs. 10/- each (31 March 2018 : 1,12,65,070 equity shares of Rs. 10/- each)] | | |
| | <u>1,126.51</u> | <u>1,126.51</u> |
| Issued, subscribed and paid up: | | |
| Equity shares fully paid up | 1,126.51 | 1,126.51 |
| [1,12,65,070 equity shares of Rs. 10/- each (31 March 2018 : 1,12,65,070 equity shares of Rs. 10/- each)] | | |
| | <u>1,126.51</u> | <u>1,126.51</u> |

(a) Reconciliation of shares outstanding at the beginning and at the end of the reporting year

| | 31 March 2019 | | 31 March 2018 | |
|--|--------------------|-----------------|--------------------|-----------------|
| | Number of shares | Amount | Number of shares | Amount |
| Opening balance at the beginning of the year | 1,12,65,070 | 1,126.51 | 1,12,65,070 | 1,126.51 |
| Shares issued during the year | - | - | - | - |
| Closing balance at the end of the year | <u>1,12,65,070</u> | <u>1,126.51</u> | <u>1,12,65,070</u> | <u>1,126.51</u> |

(b) Rights, preferences and restrictions attached to the equity shares

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

(c) Shares held by holding Company

| | 31 March 2019 | | 31 March 2018 | |
|-----------------|------------------|--------|------------------|--------|
| | Number of shares | Amount | Number of shares | Amount |
| 3M Company, USA | 84,48,802 | 844.88 | 84,48,802 | 844.88 |

(d) Details of shareholders holding more than 5 % of total number of equity shares

| | 31 March 2019 | | 31 March 2018 | |
|-----------------------------------|------------------|-----------|------------------|-----------|
| | Number of shares | % holding | Number of shares | % holding |
| 3M Company, USA (Holding Company) | 84,48,802 | 75% | 84,48,802 | 75% |

(e) There has been no buyback of shares, issues of shares by way of bonus shares or issue of shares pursuant to contract without payment being received in cash for the period of five years immediately preceding the date of the balance sheet.

14 Other equity

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|-------------------|-------------------|
| Securities premium reserve | 949.90 | 949.90 |
| General reserve | 32.25 | 32.25 |
| Remeasurement of defined benefit plans, net of tax effect | (342.84) | (330.07) |
| Retained earnings | 184,187.21 | 151,888.13 |
| | 184,826.52 | 152,540.21 |

Nature and purpose of other equity**(i) Securities premium reserve**

Securities premium reserve is used to record the premium received on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

(ii) General reserve

General reserve comprises of the reserve generally available to the shareholders of the Company.

(iii) Retained earnings:

The cumulative gain or loss arising from the operations which is retained by the Company is recognised and accumulated under the heading of retained earnings. At the end of the year, the profit after tax is transferred from the statement of profit and loss to retained earnings.

(iv) Other comprehensive income:

Differences between the interest income on plan assets and the return actually achieved, and any changes in the liabilities over the year due to changes in actuarial assumptions or experience adjustments within the plans, are recognised in 'Other equity' and subsequently not reclassified to the Statement of Profit and Loss and will be reclassified to retained earnings.

Financial liabilities**15 Borrowings**

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Secured | | |
| Long term maturities of finance lease obligations (refer note below) | 745.44 | 487.74 |
| | 745.44 | 487.74 |

Note: Rate of interest for finance lease obligations ranges from 3.40% to 13.90% per annum. Finance lease obligations are secured by hypothecation of assets underlying the leases. Finance lease obligations are payable on monthly / quarterly payment of equated monthly installments beginning from the month subsequent to taking the lease. Period of maturity for the lease obligations of vehicles is 4 years and for equipments it ranges from 2 years to 5 years. Also refer note 28(a).

16 Provisions

(Rs. in lakhs)

| As at | 31 March 2019 | | 31 March 2018 | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Current | Non current | Current | Non current |
| Provision for employee benefits | | | | |
| Gratuity (refer note 32(b)) | - | 2,107.94 | - | 1,577.80 |
| Compensated absences | 57.30 | 446.72 | 55.07 | 429.62 |
| Others (refer note 38) | | | | |
| Provision for warranty | - | - | 12.20 | 69.43 |
| Provision for asset retirement obligation | - | 90.55 | - | 90.50 |
| Sales tax, service tax and other issues | 3,179.85 | - | 2,048.15 | - |
| Provision for credit notes and sales return | 3,411.58 | - | 4,105.30 | - |
| | 6,648.73 | 2,645.21 | 6,220.72 | 2,167.35 |

17 Trade payables
(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Total outstanding dues to micro and small enterprises (Refer note below) | 1,825.38 | 1,241.18 |
| Total outstanding dues to creditors other than micro and small enterprises* | 30,509.76 | 30,838.77 |
| | 32,335.14 | 32,079.95 |

Note

- The principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year:

| | | |
|-------------|----------|----------|
| - Principal | 1,825.38 | 1,241.18 |
| - Interest | 39.61 | 23.64 |
- The amount of interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 alongwith the amount of the payment made to the supplier beyond the appointed date during the year:

| | | |
|-------------|-----------|----------|
| - Interest | - | - |
| - Principal | 12,120.98 | 1,176.60 |
- 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 year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.

| | | |
|--|---|---|
| | - | - |
|--|---|---|
- The amount of interest accrued and remaining unpaid at the end of each accounting year

| | | |
|--|-------|-------|
| | 39.61 | 23.64 |
|--|-------|-------|
- The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006

| | | |
|--|--------|-------|
| | 127.38 | 87.77 |
|--|--------|-------|

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

* Includes due to related party (refer note 33)

The Company's exposure to currency and liquidity risks related to trade payables is disclosed in note 40.

18 Other financial liabilities
(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Current maturities of finance lease obligations (refer note 15) | 604.13 | 458.43 |
| Deposits from customers | 974.23 | 990.64 |
| Creditors for capital goods | 32.72 | 111.92 |
| Payroll related liabilities | 5,194.24 | 5,553.17 |
| Intercompany payables (refer note 33) | 1,429.70 | 1,317.91 |
| Accrued expenses | 6,430.85 | 5,902.59 |
| Other payables | 501.85 | 244.44 |
| | 15,167.72 | 14,579.10 |

*The Company's exposure to currency and liquidity risks related to other financial liabilities are disclosed in note 40.

19 Other current liabilities

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|------------------------|-----------------|-----------------|
| Advance from customers | 281.65 | 563.57 |
| Statutory liabilities | 3,803.47 | 1,901.78 |
| | 4,085.12 | 2,465.35 |

20 Revenue from operations

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---------------------------|-------------------|-------------------|
| Sale of products | | |
| Finished goods | 154,523.50 | 137,521.76 |
| Traded goods | 122,497.53 | 117,419.78 |
| Sale of services* | 3,610.96 | 3,004.50 |
| Other operating revenue | | |
| Income from duty drawback | 111.43 | - |
| Scrap sales | 132.55 | 93.56 |
| | 280,875.97 | 258,039.60 |

* Sale of services includes income from contract research Rs. 2,658.91 lakhs (31 March 2018 : Rs. 2,320.80 lakhs) (refer note 30 (c)) and management support service fee of Rs. 952.05 lakhs (31 March 2018 : Rs. 683.70 lakhs).

Disaggregation of revenue from operations:

| Business Segments | 31 March 2019 | 31 March 2018 |
|---------------------|-------------------|-------------------|
| Industrial | 112,756.90 | 107,493.27 |
| Health Care | 42,705.35 | 40,062.92 |
| Safety and Graphics | 71,318.68 | 66,091.17 |
| Consumer | 30,348.57 | 27,286.70 |
| Energy | 21,051.37 | 15,477.61 |
| Others | 2,695.10 | 1,627.93 |
| Total | 280,875.97 | 258,039.60 |

Reconciliation of revenue from sale of products with the Contracted Price

| | | |
|---|-------------------|-------------------|
| Contracted Price | 298,021.82 | 274,462.16 |
| Less: Reduction towards volume rebates | (11,502.70) | (9,825.13) |
| Less: Reduction primarily towards sales returns | (5,643.15) | (6,597.43) |
| Revenue recognised | 280,875.97 | 258,039.60 |

While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially satisfied) performance obligations, along with the broad time band for the expected time to recognize those revenues, the Company has applied the practical expedient in Ind AS 115. Accordingly, the Company has not disclosed the aggregate transaction price allocated to unsatisfied (or partially satisfied) performance obligations which pertain to contracts where revenue recognised corresponds to the value transferred to customer typically involving event based contracts.

21 Other income

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Interest income from financial assets carried at amortised cost | 2,685.21 | 3,585.56 |
| Liabilities no longer required written back, net | 597.95 | 534.39 |
| Exchange gain on foreign currency transactions, net* | - | 241.59 |
| | 3,283.16 | 4,361.54 |

* Includes unrealised gain amounting to Rs. NIL (31 March 2018: Rs. 7.29 lakhs)

22 Cost of materials consumed
(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Inventory of materials at the beginning of the year | 10,512.52 | 10,178.22 |
| Add: Purchases | 88,542.93 | 81,497.59 |
| Less: Inventory of materials at the end of the year | (12,314.11) | (10,512.52) |
| | 86,741.34 | 81,163.29 |

23 Purchases of stock-in-trade
(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|--------------------------------------|------------------|------------------|
| Abrasive | 8,903.57 | 6,683.00 |
| Fusion bonded epoxy coating | 4,819.74 | 2,921.37 |
| Medical surgical and dental products | 5,883.04 | 4,591.21 |
| Self adhesive films | 14,857.77 | 16,567.73 |
| Others | 28,851.11 | 23,207.63 |
| | 63,315.23 | 53,970.94 |

24 Changes in inventories of finished goods, stock-in-trade and work-in-progress
(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|-------------------|-------------------|
| Opening inventory | | |
| - Finished goods | 12,546.57 | 7,466.85 |
| - Stock-in-trade | 10,281.43 | 14,478.78 |
| - Work-in-progress | 1,388.41 | 1,053.95 |
| | 24,216.41 | 22,999.58 |
| Closing inventory | | |
| - Finished goods | 13,006.15 | 12,546.57 |
| - Stock-in-trade | 11,349.33 | 10,281.43 |
| - Work-in-progress | 1,248.60 | 1,388.41 |
| | 25,604.08 | 24,216.41 |
| (Increase) in inventory | (1,387.67) | (1,216.83) |
| Less : Excise duty on opening stock of finished goods | - | (782.27) |
| Add : Excise duty on closing stock of finished goods | - | - |
| (Decrease) in excise duty | - | (782.27) |
| | (1,387.67) | (1,999.10) |

25 Employee benefits expense
(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Salaries, wages and bonus | 25,688.70 | 25,764.63 |
| Contribution to provident and other funds (refer note 32) | 1,937.67 | 1,882.14 |
| Share based payment expenses (refer note 31) | 341.44 | 2,795.19 |
| Staff welfare expenses | 2,138.34 | 1,965.92 |
| | 30,106.15 | 32,407.88 |

26 Finance costs

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Finance costs on finance lease obligations | 44.44 | 73.13 |
| Interest expense on financial liability measured at amortised cost | 64.74 | 32.82 |
| Interest on shortfall of advance tax | - | 88.12 |
| | 109.18 | 194.07 |

27 Other expenses

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| Consumption of stores and spares | 735.35 | 620.93 |
| Power and fuel* | 1,643.80 | 1,476.90 |
| Water charges* | 35.10 | 32.15 |
| Rent (refer note 28(b))* | 1,942.29 | 1,906.62 |
| Repairs and maintenance | | |
| - Plant and machinery | 787.52 | 678.64 |
| - Building* | 409.32 | 448.28 |
| - Others * | 110.63 | 199.12 |
| Insurance | 213.49 | 244.31 |
| Rates and taxes | 1,365.75 | 420.64 |
| Communication expenses * | 243.87 | 230.01 |
| Travel and conveyance | 2,991.81 | 2,947.35 |
| Legal and professional charges (refer note (a) below) | 936.41 | 1,155.81 |
| Selling, distribution and advertisement expenses | 8,398.23 | 6,853.51 |
| Commission | 361.62 | 516.40 |
| Freight outward | 6,006.82 | 5,495.73 |
| Royalty (refer note 30 (a)) | 5,096.23 | 3,078.73 |
| Corporate management fees (refer note 30 (b)(i)) | 12,713.33 | 10,519.56 |
| Directors' sitting fees | 9.40 | 0.12 |
| Provision for doubtful debts (net of write back) | 1,027.17 | 744.99 |
| Exchange loss on foreign currency transactions, net** | 1,223.50 | - |
| Expenditure towards corporate social responsibility activities (refer note 35) | 770.05 | 564.51 |
| Loss on sale of property, plant and equipment, (net) | 1.40 | 8.91 |
| Miscellaneous expenses | 4,318.21 | 3,946.34 |
| | 51,341.30 | 42,089.56 |

* Net of recoveries amounting to Rs. 201.57 lakhs (31 March 2018: Rs. 191.69 lakhs) and including payment of Rs. Nil (31 March 2018: Rs. 2.13 lakhs) from / to 3M Electro & Communication India Private Limited, a wholly owned subsidiary of 3M India Ltd.

** Unrealised forex gain Rs. 390.27 lakhs (31 March 2018 Rs. Nil)

(a) Payment to auditors #

| | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| As auditors: | | |
| Audit fee | 96.00 | 62.50 |
| Tax audit fee | 8.00 | 7.00 |
| In other capacity: | | |
| Reimbursement of out-of-pocket expenses | 3.00 | - |
| Total | 107.00 | 69.50 |

Excluding goods and service tax.

28 (a) Finance lease obligations

The Company has taken vehicles, leasehold improvements and data processing equipment under finance lease agreements. The minimum lease rental payments under the finance leases are as under:

(Rs. in lakhs)

| | 31 March 2019 | | | 31 March 2018 | | |
|----------------------------|-------------------------------------|-------------------------|---|-------------------------------------|-------------------------|---|
| | Future minimum lease payments (MLP) | Interest element of MLP | Present value of minimum lease payments | Future minimum lease payments (MLP) | Interest element of MLP | Present value of minimum lease payments |
| Within less than one year | 639.72 | 35.59 | 604.13 | 498.99 | 40.56 | 458.43 |
| Between one and five years | 773.50 | 28.06 | 745.44 | 516.75 | 29.01 | 487.74 |
| | 1,413.22 | 63.65 | 1,349.57 | 1,015.74 | 69.57 | 946.17 |

(b) Operating leases**A. Leases as lessee**

The Company has taken office premises, warehouse and residential premises 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.

i. Future minimum lease payments

At 31 March, the future minimum lease payments to be made under non-cancellable operating leases are as follows:

| | 31 March 2019 | 31 March 2018 |
|------------------------------------|-----------------|-----------------|
| Payable in less than one year | 1,385.64 | 1,599.86 |
| Payable between one and five years | 1,546.30 | 2,412.17 |
| | 2,931.94 | 4,012.03 |

ii. Amounts recognised in profit or loss

| | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Lease expenses – minimum lease payments | 1,942.29 | 1,906.62 |
| | 1,942.29 | 1,906.62 |

29 Earnings per share

(Rs. in lakhs except for number of shares)

| For the year ended | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Net profit attributable to equity shareholders | 32,299.08 | 31,053.56 |
| Weighted average number of equity shares outstanding during the year | 1,12,65,070 | 1,12,65,070 |
| Nominal value of equity shares (Rs.) | 10 | 10 |
| Basic earnings per share (Rs.) | 286.72 | 275.66 |
| Diluted earnings per share (Rs.) | 286.72 | 275.66 |

30 Inter Company agreements and arrangements

- a) *Intellectual property agreement* – The Company has entered into Intellectual Property agreement with 3M Innovative Properties Company and 3M Company, USA effective 1 July 2006 for the payment of license fees in the form of royalties. Payments were waived off for a period of 3 years effective from 1 July 2006 to 30 June 2009. These payments have been reinstated with effect from 1 July 2009. The Intellectual Property Agreement with 3M Innovative Properties Company and 3M Company, USA has been revised effective 1 July 2013. Accordingly, the Company has incurred an expenditure of Rs. 5,096.23 lakhs for the year ended 31 March 2019 (31 March 2018: Rs. 3,078.73 lakhs).
- b)(i) *Support services and 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 1 April 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 1 January 2003 which was terminated on 31 March 2009.

The Company has also entered into support services agreement with 3M Hong Kong Ltd with effect from 1 January 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 1 April 2009.

The Company has incurred the following expenditure:

| | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| - Laboratory and technical assistance manufacturing services | 1,106.89 | 887.57 |
| - Selling and marketing services | 5,808.09 | 5,224.68 |
| - Information technology services | 3,027.44 | 2,845.22 |
| - Other managerial services | 2,770.91 | 1,562.09 |
| | 12,713.33 | 10,519.56 |
| - Foreign services employees expense are included in employee costs amounting to | 919.81 | 438.55 |

The Company has accrued an amount of Rs. 3,445.19 lakhs (31 March 2018 : Rs.2,948.75 lakhs) in respect of estimated liability for the above services during period 1 January 2019 to 31 March 2019, the actual liability would be ascertained by December 2019.

- (ii) The support service agreement enables the Company to recharge expenses relating to Foreign Service Employees (FSEs) of 3M Company and its affiliates. Accordingly the Company has charged Rs. 1,442.94 lakhs (31 March 2018: Rs. 1,476.51 lakhs).
- c) *Contract research agreement* – The Company has entered into contract research agreement with 3M Innovative Properties Company and 3M Company, USA effective 1 July 2006 for carrying out contract research activities. During the year, Company has recognized an income of Rs. 2,658.91 lakhs (31 March 2018 : Rs. 2,320.80 lakhs).

31 Employee stock option plan

A. Description of share based payment arrangements

i) Share purchase plan (equity-settled)

3M Company, USA, the parent Company has offered 'General Employees Stock Purchase Plan' to all the employees of the Company, under which the employees of the Company are eligible to purchase the shares of 3M Company, USA at 85% of the market price of the share. Under the plan, the Company deducts the amount from the monthly salary of the employees and remits the amount to 3M Company, USA. In accordance with the plan, the Company during the year has deducted for remittance a sum of Rs. 319.96 lakhs (2018: Rs. 262.13 lakhs) and cumulatively amounting to Rs. 1,313.06 lakhs (2018: Rs. 993.10 lakhs) from the salary of the employees who have opted for the plan. As of the year end a sum of Rs. 32.17 lakhs (2018: Rs. 30.88 lakhs) is pending remittance to the holding Company and the same is included under 'Other financial liabilities' (refer note 18).

ii) Stock appreciation rights and Restricted stock units (cash-settled)

3M Company, USA has established 3M Company Long Term Incentive Plan (LTIP). As a part of the plan, Executive Directors and Senior Executives of the Company are eligible to acquire shares of 3M Company, USA 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. Exercise price of SARs and RSUs will be Nil. As of the year end a sum of Rs. 3,644.91 lakhs (2018: Rs. 4,160.73 lakhs) is liability and the same is included under 'Other financial liabilities' (refer note 18).

B. Measurement of fair values

The Company measures compensation expense for stock appreciation rights (SARs) at their fair value determined using Black - Scholes Model and restricted stock units (RSUs) based on fair market value of shares of 3M Company, USA on the date of the grant.

The fair value of the cash settled SARs and the inputs used in the measurement of fair value at grant date and measurement date of the SARs are as follows:

| | 31 March 2019 | 31 March 2018 |
|-----------------------------|---------------|---------------|
| Fair value (in \$) | 38.93 | 36.23 |
| Share price (in \$) | 201.12 | 233.63 |
| Expected volatility (%) | 20.35% | 21.04% |
| Expected life (years) | 6.55 years | 6.54 years |
| Expected dividends (%) | 2.50% | 2.44% |
| Risk free interest rate (%) | 2.58% | 2.66% |

The expected term of the SARs is estimated based on the vesting term and contractual term of the SARs, as well as expected exercise behaviour of the employee who receives the SAR. Expected volatility during the expected term is based on historical volatility of the observed market prices of the 3M Company USA's publicly traded equity shares particularly over the historical period commensurate with the expected term.

C. Reconciliation of outstanding share options

The activity in the cash-settled share based payment transactions during the year ended 31 March 2019 is set out below:

| | 31 March 2019 | | 31 March 2018 | |
|---|-------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
| | Shares arising out of options | Weighted average exercise price (Rs.) | Shares arising out of options | Weighted average exercise price (Rs.) |
| Stock appreciation right | | | | |
| Outstanding at the beginning | 73,756 | - | 80,289 | - |
| Granted | 9,315 | - | 9,824 | - |
| Exercised | 10,244 | - | 16,357 | - |
| Transferred from 3M Electro & Communication India Pvt. Ltd. | 2,535 | - | - | - |
| Outstanding at the end | <u>75,362</u> | <u>-</u> | <u>73,756</u> | <u>-</u> |
| Exercisable at the end | 61,228 | | 57,208 | |
| Restricted stock unit | | | | |
| Outstanding at the beginning | 7,258 | - | 9,134 | - |
| Granted | 2,578 | - | 1,745 | - |
| Exercised | 3,717 | - | 3,621 | - |
| Outstanding at the end | <u>6,119</u> | <u>-</u> | <u>7,258</u> | <u>-</u> |
| Exercisable at the end | 3,543 | | 4,887 | |

D. Expense recognised in Statement of profit and loss

An amount of Rs. 341.44 lakhs (31 March 2018: Rs. 2,795.19 lakhs) has been debited to the Statement of profit and loss for the year and included under Employee benefits expense.

E. The weighted average share price at the date of exercise with regards to SARs and RSUs exercised during the year is USD 203.81 and USD 199.23 respectively.

The above disclosures have been made to the extent information is available with the Company.

32 Employee benefits**(a) Defined contribution plan**

The Company offers its employees defined contribution plans in the form of Provident Fund (PF), Superannuation Fund (SF), Employees' State Insurance (ESI). Contribution to SF is made to 3M India Superannuation Fund. Other contributions are made to the Government's funds. While both the employees and the Company pay predetermined contributions into the Provident Fund and the ESI Scheme, contributions into superannuation fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary.

During the year, the Company has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds:

(Rs. in lakhs)

| Benefits (contribution to) | 31 March 2019 | 31 March 2018 |
|--------------------------------------|-----------------|-----------------|
| Provident fund | 1,296.74 | 1,276.93 |
| Superannuation fund | 129.93 | 116.17 |
| Employee State Insurance Corporation | 0.43 | 4.18 |
| | <u>1,427.10</u> | <u>1,397.28</u> |

(b) Defined benefit plan

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company contributes all ascertained liabilities

towards gratuity to the 3M India Limited Employees Gratuity Fund Trust. Trustees administer contributions made to the trust. As of 31 March 2019 and 31 March 2018, the plan assets have been primarily invested in insurer managed funds.

(Rs. in lakhs)

| A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation | 31 March 2019 | 31 March 2018 |
|---|----------------------|----------------------|
| Obligation at the beginning of the year | 3,867.21 | 3,506.28 |
| Current service cost | 390.65 | 373.06 |
| Interest cost | 285.93 | 245.95 |
| Actuarial loss / (gains) - experience | (26.94) | 231.09 |
| Actuarial loss / (gains) - financial assumptions | - | (144.30) |
| Benefits paid | (226.19) | (344.87) |
| Obligation at the end of the year | 4,290.66 | 3,867.21 |
| B. Reconciliation of opening and closing balances of the fair value of plan assets | 31 March 2019 | 31 March 2018 |
| Plan assets at the beginning of the year | 2,289.41 | 1,953.41 |
| Interest income on plan assets | 166.01 | 134.15 |
| Contribution by the Company | 0.06 | 500.06 |
| Remeasurements- Return on plan assets excluding amounts included in interest income | (46.57) | 46.66 |
| Benefits paid | (226.19) | (344.87) |
| Plan assets at the end of the year | 2,182.72 | 2,289.41 |
| C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognized in the Balance Sheet | 31 March 2019 | 31 March 2018 |
| Present value of obligation at the end of the year | 4,290.66 | 3,867.21 |
| Fair value of plan assets at the end of the year | (2,182.72) | (2,289.41) |
| Liability recognised in balance sheet | 2,107.94 | 1,577.80 |
| D. Expenses recognized in the Statement of profit and loss | 31 March 2019 | 31 March 2018 |
| Current service cost | 390.65 | 373.06 |
| Interest cost | 285.93 | 245.95 |
| Interest income on plan assets | (166.01) | (134.15) |
| | 510.57 | 484.86 |
| E. Remeasurements recognized in Other comprehensive income | 31 March 2019 | 31 March 2018 |
| Actuarial (gains) / losses on defined benefit obligation | (26.94) | 86.79 |
| Actuarial losses / (gains) on plan assets | 46.57 | (46.66) |
| | 19.63 | 40.13 |
| F. Investment details of plan assets | 31 March 2019 | 31 March 2018 |
| Government securities | 0.00% | 0.00% |
| High quality corporate bonds (including public sector bonds) | 0.00% | 0.00% |
| Equity shares of listed companies | 0.00% | 0.00% |
| Property | 0.00% | 0.00% |
| Cash (including Special deposits) | 1.58% | 2.81% |
| Fund balance with Insurance companies | 98.42% | 97.19% |
| | 100.00% | 100.00% |

| G. | Assumptions | 31 March 2019 | 31 March 2018 |
|-----------------------|---|---|---|
| | Discount rate (per annum) | 7.60% | 7.60% |
| | Rate of escalation in salary (per annum) | 6.00% | 6.00% |
| | Retirement age (in years) | 60 years | 60 years |
| | Mortality rates | Indian Assured Lives Mortality (2006-08) (modified) Ult. | Indian Assured Lives Mortality (2006-08) (modified) Ult. |
| | Withdrawal rates | | |
| | Under 30 years | 15.00% | 15.00% |
| | 31-34 years | 10.00% | 10.00% |
| | 35-44 years | 5.00% | 5.00% |
| | 45-50 years | 3.00% | 3.00% |
| | 51-54 years | 2.00% | 2.00% |
| | 55-60 years | 1.00% | 1.00% |
| <i>(Rs. in lakhs)</i> | | | |
| H. | Sensitivity analysis | 31 March 2019 | 31 March 2018 |
| | The sensitivity analysis of significant actuarial assumptions as of end of reporting period is shown below. | | |
| | A. Discount rate | | |
| | Effect on defined benefit obligation due to 1% increase in discount rate | (349.74) | (326.14) |
| | Effect on defined benefit obligation due to 1% decrease in discount rate | 403.96 | 377.50 |
| | B. Salary escalation rate | | |
| | Effect on defined benefit obligation due to 1% increase in Salary escalation rate | 406.64 | 380.01 |
| | Effect on defined benefit obligation due to 1% decrease in Salary escalation rate | (357.97) | (333.81) |
| <i>(Rs. in lakhs)</i> | | | |
| I. | Maturity profile of defined benefit obligation | Amount | |
| | 1. March 31, 2020 | 238.54 | |
| | 2. March 31, 2021 | 386.80 | |
| | 3. March 31, 2022 | 401.42 | |
| | 4. March 31, 2023 | 476.42 | |
| | 5. March 31, 2024 | 274.58 | |
| | 6. March 31, 2025 to March 31, 2029 | 3,329.05 | |

Notes :

- The discount rate is based on the prevailing market yield on Government securities as at the balance sheet date for the estimated term of obligations.
- The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- As per the best estimate of the management, contribution of Rs. Nil (31 March 2018 : Rs. Nil) is expected to be paid to the plans during the year ending 31 March 2020.

33 Related party transaction

Names of related parties and nature of relationship:

| | | |
|---|---|--|
| i) Holding company | 3M Company, USA | |
| ii) Wholly owned subsidiary | 3M Electro & Communication India Private Limited (w.e.f. 27 December, 2018) | |
| iii) Fellow subsidiaries (with whom transactions have occurred during the year) | 3M China Limited | 3M Belgium S.A./N.V. |
| | 3M Thailand Limited | 3M Mexico, S.A. de C.V. |
| | 3M France S.A.S. | 3M Singapore Pte. Ltd. |
| | 3M Gulf Limited | Sumitomo 3M Limited |
| | 3M Asia Pacific Pte. Ltd | 3M Film Construction(Shanghai) Co Limited |
| | P.T. 3M Indonesia | 3M Taiwan Limited |
| | 3M APAC RDC Pte Limited | 3M Technologies (S) Pte Ltd |
| | 3M Argentina S.A.C.I.F.I.A. | 3M Philippines, Inc. |
| | 3M Australia Pty. Limited | 3M Pakistan Private Limited |
| | 3M Canada Company | 3M Cogent Systems (Shenzhen) Inc. |
| | 3M Do Brasil Limitada | 3M International Trading (Shanghai) Co., Ltd |
| | 3M EMEA, GmbH | 3M Panama S.A |
| | 3M Espana, S.A. | 3M Traffic Manufacturing (Shanghai) Co. Ltd. |
| | 3M Hong Kong Limited | 3M Vietnam Limited |
| | 3M Innovation Singapore Pte Limited | 3M Hellas Limited |
| | 3M Italia S.P.A. | 3M Kenya Ltd. |
| | 3M Malaysia Sdn. Bhn. | 3M Innovation (Thailand) Co. Ltd. |
| | 3M Svenska AB | 3M Germany Hilden GmbH |
| | 3M Sanayi AS Ticaret | 3M Hellas Limited |
| | 3M Korea Limited | 3M Kenya Ltd. |
| | 3M Korea Health & Safety Ltd | 3M CN Shenzhen |
| | 3M Korea High Tech, Korea | 3M Germany Hilden GmbH |
| | 3M United Kingdom PLC | 3M Hellas Limited |
| | 3M ESPE Dental AG | 3M Kenya Ltd. |
| | Dyneon GmbH | 3M CN Shenzhen |
| | 3M Unitek Corporation | 3M Germany Hilden GmbH |
| | 3M Material Tech(Guangzhou) Co., Limited | 3M UK Holdings Limited |
| | 3M Wroclaw SP. Z O.O. | 3M Wendt GmbH |
| | Wendt Boart S.A | 3M Winterthur Technologies AG |
| | 3M Saudi Arabia | 3M Touch System Singapore PTE |
| | 3M Peru S.A | 3M South Africa (Pty) Ltd |
| | 3M Lanka Private Limited | 3M South Asia Manufacturing Company Private Limited |
| | Dyneon B.V. | 3M International Group BV |
| | 3M Sweden | 3M Speciality Materials (Shanghai) Co. Ltd. |
| | Emfi Sas | 3M India Limited Employees Superannuation Fund Trust |
| iv) Post employment benefit plan entities | 3M India Limited Employees Gratuity Fund Trust | |

- v) Key management personnel
- Executive Directors**
Debarati Sen (Managing Director)
B V Shankaranarayana Rao (Whole- time Director)
- Non-executive Directors**
Amit Laroya
Bharat D. Shah
Biren Gabhawala
Radhika Rajan
Albert C. Wang (Resigned effective 21 August 2018)
Sadhana Kaul (Appointed effective 31 October 2018)
Ramesh Ramadurai
Manuel B. Pardo (Resigned effective 26 May 2017)
Jongho Lee (Appointed effective 26 May 2017)
- Others**
Mamta Gore (Appointed effective 01 March 2018 as Chief Financial Officer)
Panagiotis Goulakos (Resigned effective 31 December 2017 as Chief Financial Officer)
V. Srinivasan (Company Secretary)

The details of the amounts due to or due from related parties are as follows:

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Trade payables | | |
| 3M Company, USA | 7,356.55 | 6,765.71 |
| 3M APAC RDC Pte Limited | 2,106.99 | 1,841.21 |
| 3M Australia Pty. Limited | - | 0.31 |
| 3M Canada Company | 773.75 | 339.86 |
| 3M China Limited | 489.75 | 665.84 |
| 3M Do Brazil Limitada | 202.10 | 145.41 |
| 3M Electro & Communication India Private Limited | 5.34 | 4.77 |
| 3M EMEA, GmbH | 1,732.05 | 2,535.12 |
| 3M France S.A.S. | - | 365.82 |
| 3M Gulf Limited | - | 21.10 |
| 3M Hong Kong Limited | 2.96 | 32.07 |
| 3M Hellas Limited | - | 151.59 |
| 3M International Trading (Shanghai) Co. Ltd. | 16.97 | - |
| 3M Italia S.P.A. | - | 22.11 |
| 3M Korea | 597.13 | 856.78 |
| 3M Korea Health & Safety Ltd | - | 118.92 |
| 3M Korea High Tech Ltd, Korea | 303.53 | 200.63 |
| 3M Material Tech(Guangzhou) Co., Limited | 70.06 | 14.30 |
| 3M Panama S.A | - | 11.23 |
| 3M Panama Pacifico S Der L | 12.81 | - |
| 3M Philippines, Inc. | - | 3.12 |
| 3M Singapore Pte. Ltd. | 7,193.40 | 5,949.84 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| 3M Speciality Materials (Shanghai) Co. Ltd. | 275.52 | - |
| 3M Taiwan Limited | 2.86 | 1.88 |
| 3M Thailand Limited | 47.63 | 7.14 |
| 3M Unitek Corporation | 20.51 | 72.77 |
| 3M Wroclaw Sp. Z O.O. | - | 9.27 |
| Dyneon GmbH | - | 14.53 |
| Dyneon B.V. | 16.27 | - |
| Emfi Sas | 314.10 | - |
| Sumitomo 3M Limited | 1,977.07 | 2,364.97 |
| P.T. 3M Indonesia | - | 0.02 |
| | 23,517.35 | 22,516.32 |
| Other financial liabilities | | |
| 3M Company, USA | 1,331.60 | 1,215.98 |
| 3M Electro & Communication India Private Limited | 11.97 | 1.16 |
| 3M Singapore Pte. Ltd. | 86.13 | 100.77 |
| | 1,429.70 | 1,317.91 |
| Trade receivables | | |
| 3M Company, USA | 13.29 | 84.44 |
| 3M China Limited | - | 0.83 |
| 3M Electro & Communication India Private Limited | 101.26 | 1.17 |
| 3M EMEA, GmbH | 74.66 | 34.57 |
| 3M Gulf Limited | 13.49 | - |
| 3M Hong Kong Limited | 15.52 | 8.29 |
| 3M Italia S.P.A. | - | 43.98 |
| 3M Korea Limited | - | 51.68 |
| 3M Lanka Private Limited | 44.06 | 68.58 |
| 3M Malaysia Sdn. Bhn. | 1.28 | - |
| 3M Pakistan Private Limited | - | 27.28 |
| 3M Philippines, Inc. | 0.04 | 9.31 |
| 3M Singapore PTE Ltd | 6.04 | 5.46 |
| 3M Speciality Materials (Shanghai) Co. Ltd. | 7.73 | 7.73 |
| 3M Sanayi As Ticaret | - | 20.42 |
| 3M Taiwan Limited | 6.14 | 0.30 |
| 3M Thailand Limited | 106.70 | 76.43 |
| 3M Vietnam Limited | 37.64 | 11.30 |
| 3M Saudi Arabia | 364.80 | - |
| P.T. 3M Indonesia | 52.16 | 6.74 |
| Sumitomo 3M Limited | 4.42 | 3.04 |
| | 849.23 | 461.55 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|---|----------------------|----------------------|
| Other financial assets | | |
| 3M Company, USA | 203.85 | - |
| 3M China Limited | 553.41 | 516.40 |
| 3M Kenya Ltd. | - | 12.20 |
| 3M Korea Limited | 462.19 | 492.34 |
| 3M Innovation Singapore Pte Ltd | - | 78.31 |
| 3M Thailand Limited | 35.98 | 26.53 |
| 3M Lanka Private Limited | - | 130.21 |
| P.T. 3M Indonesia | 213.67 | 292.64 |
| 3M Speciality Materials (Shanghai) Co. Ltd. | - | 22.94 |
| 3M United Kingdom Plc | - | 9.39 |
| 3M France S.A.S. | - | 96.68 |
| 3M Belgium S.A/N.V | - | 18.82 |
| 3M Argentina S.A.C.I.F.I.A. | - | 710.85 |
| 3M Cogent Systems (Shenzhen) Inc. | - | 10.65 |
| 3M Malaysia Sdn. Bhn. | 27.37 | - |
| 3M APAC RDC Pte Limited | - | 0.04 |
| 3M International Trading (Shanghai) Co. Ltd. | 345.25 | 31.34 |
| 3M South Asia Manufacturing Company Private Limited | 17.48 | - |
| 3M Traffic Manufacturing (Shanghai) Co. Ltd. | - | 3.23 |
| | 1,859.20 | 2,452.57 |
| Investment in shares of subsidiary company | 31 March 2019 | 31 March 2018 |
| 3M Electro & Communication India Private Limited | 58,470.00 | - |
| | 58,470.00 | - |

Details of the related party transactions entered into by the Company are as follows:

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|-----------------|---------------|
| Remuneration paid to Key management personnel # | | |
| Debarati Sen | 567.70 | 474.96 |
| B V Shankaranarayana Rao | 224.44 | 183.53 |
| Mamta Gore | 364.62 | 15.33 |
| Panagiotis Goulakos | - | 179.74 |
| V. Srinivasan | 46.17 | 43.42 |
| | 1,202.93 | 896.98 |

Excludes contributions to employee retirement / post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis.

Sitting fees and commission paid to Key management personnel

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|-----------------------|---------------|---------------|
| Bharat D. Shah | 18.60 | 18.40 |
| Biren Gabhawala | 18.20 | 18.00 |
| Radhika Rajan | 17.60 | 17.00 |
| | 54.40 | 53.40 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|---|------------------|-----------------|
| Sales of products (net of returns) | | |
| 3M Company, USA | 218.33 | 320.66 |
| 3M Gulf Limited | 110.37 | 92.93 |
| 3M Thailand Limited | 448.02 | 304.66 |
| 3M Malaysia Sdn Bhd | 2.62 | 311.77 |
| 3M Korea Limited | 39.01 | 69.86 |
| P.T. 3M Indonesia | 144.46 | 50.13 |
| 3M Italia S.P.A | - | 127.25 |
| 3M EMEA, GmbH | 219.09 | 13.97 |
| 3M Pakistan Private Limited | 35.55 | 61.83 |
| 3M Lanka Private Limited | 39.92 | 42.98 |
| 3M China Limited | 18.79 | 30.41 |
| 3M Electro & Communication India Private Limited | 94.58 | 70.83 |
| 3M Hong Kong Limited | 54.26 | 12.88 |
| 3M Taiwan Limited | 6.18 | 0.30 |
| 3M Philippines, Inc | 0.04 | 25.56 |
| 3M Australia Pty. Limited | - | 9.32 |
| 3M Vietnam Limited | 102.96 | 10.09 |
| 3M Sanay AS Ticaret | - | 20.52 |
| 3M Singapore Pte. Ltd. | 7.82 | 10.53 |
| 3M Mexico, S.A. de C.V. | - | 1.74 |
| Sumitomo 3M Limited | 75.07 | 8.12 |
| 3M Saudi Arabia | 1,018.02 | 31.39 |
| 3M South Africa (Pty) Ltd | - | 0.19 |
| 3M Asia Pacific Pte Ltd | 0.38 | - |
| 3M Do Brasil Limitada | 61.33 | - |
| | 2,696.80 | 1,627.92 |
| Contributions during the year | | |
| 3M India Limited Employees Gratuity Fund Trust | 0.06 | 500.06 |
| 3M India Ltd Employees Superannuation Fund Trust | 129.93 | 116.17 |
| | 129.99 | 616.23 |
| Investment in shares of subsidiary company | | |
| 3M International Group B.V. | 28,650.30 | - |
| 3M Company, USA | 29,819.70 | - |
| | 58,470.00 | - |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Income from contract research | | |
| 3M Company, USA | 2,658.91 | 2,320.80 |
| | 2,658.91 | 2,320.80 |
| Income from management support services | | |
| 3M Company, USA | 895.38 | 553.49 |
| 3M South Asia Manufacturing Company Private Limited | 87.41 | - |
| 3M Lanka Private Limited | - | 130.21 |
| | 982.79 | 683.70 |
| Reimbursement of expenses received | | |
| 3M Company, USA | 2,060.64 | 1,096.11 |
| P.T. 3M Indonesia | 419.37 | 390.72 |
| 3M Korea Limited | 444.97 | 476.11 |
| 3M Singapore PTE Ltd | 145.82 | 165.38 |
| 3M Film Construction (Shanghai) Co Limited | - | 390.68 |
| 3M Thailand Limited | 37.04 | 23.22 |
| 3M Kenya Ltd. | - | 12.07 |
| 3M Malaysia SDN. BHD | 66.42 | - |
| 3M China Limited | 329.32 | - |
| 3M Electro & Communication India Private Limited | 201.57 | 191.69 |
| | 3,705.15 | 2,745.98 |
| Sale of capital goods | | |
| 3M Svenska AB | - | 4.73 |
| | - | 4.73 |
| Purchase of materials (net of returns) | | |
| 3M Company, USA | 34,029.77 | 30,457.89 |
| 3M APAC RDC Pte Limited | 6,719.52 | 6,444.44 |
| 3M Belgium S.A./N.V. | 7.71 | 10.85 |
| 3M Canada Company | 993.51 | 405.56 |
| 3M China Limited | 975.42 | 800.20 |
| 3M CN Shenzhen | - | 1.63 |
| 3M Do Brasil Limitada | 375.93 | 236.91 |
| 3M EMEA, GmbH | 2,663.06 | 3,334.14 |
| 3M Espana, S.A. | 777.60 | 105.10 |
| 3M ESPE Dental AG | 173.33 | 601.26 |
| 3M France S.A.S. | 876.91 | 806.64 |
| 3M Germany Hilden GmbH | 2,562.77 | - |
| 3M Hong Kong Limited | 13.20 | 8.71 |
| 3M Innovation (Thailand) Co. Ltd. | 2.68 | 0.76 |
| 3M Innovation Singapore Pte Limited | 23,638.31 | 15,580.58 |
| 3M Italia S.P.A. | 39.51 | 45.59 |
| 3M Korea Health & Safety Ltd | 0.91 | 577.09 |
| 3M Korea Limited | 1,469.47 | 2,090.18 |
| 3M Malaysia Sdn. Bhn. | 6.40 | - |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| 3M Material Tech(Guangzhou) Co., Limited | 73.80 | 0.14 |
| 3M Panama S.A | 20.99 | 18.53 |
| 3M Philippines, Inc. | - | 3.38 |
| 3M Speciality Materials (Shanghai) Co. Ltd. | 526.14 | 357.43 |
| 3M Taiwan Limited | 10.16 | 13.20 |
| 3M Thailand Limited | 162.43 | 209.32 |
| 3M UK Holdings Limited | 896.03 | 1,539.64 |
| 3M United Kingdom PLC | - | 10.92 |
| 3M Unitek Corporation | 68.88 | 230.49 |
| 3M Wendt GmbH | 47.03 | 131.00 |
| 3M Winterthur Technologies AG | 1,014.90 | 336.07 |
| 3M Wroclaw SP. Z O.O. | 484.59 | 203.30 |
| Dyneon B.V. | - | 23.05 |
| Dyneon GmbH | 1,349.36 | 1,395.48 |
| 3M International Trading (Shanghai) Co., Ltd | 33.30 | 108.98 |
| 3M Korea High Tech, Korea | 416.96 | 550.34 |
| 3M Singapore Pte. Ltd. | 296.60 | 1.30 |
| 3M Technologies (S) Pte Ltd | - | 25.46 |
| 3M Touch System Singapore PTE | 1.96 | 4.08 |
| Wendt Boart S.A | - | 0.34 |
| 3M Sweden | 42.54 | 553.97 |
| 3M Peru S.A | 63.41 | - |
| P.T. 3M Indonesia | - | 10.29 |
| Sumitomo 3M Limited | 7,753.16 | 7,412.55 |
| 3M Electro & Communication India Private Limited | 12.19 | - |
| | 88,600.44 | 74,646.79 |
| Corporate management fees (excluding ineligible portion of Goods and Service Tax) | | |
| 3M Company, USA | 12,713.33 | 10,311.42 |
| 3M Hong Kong Limited | - | 32.07 |
| | 12,713.33 | 10,343.49 |
| Royalty (excluding ineligible portion of Goods and Service Tax) | | |
| 3M Company, USA | 5,096.23 | 3,021.06 |
| | 5,096.23 | 3,021.06 |
| Recharges of expenses paid | | |
| 3M Company, USA | 684.79 | 339.37 |
| 3M Hellas Limited | - | 99.18 |
| 3M Lanka Private Limited | 30.74 | - |
| 3M Gulf Limited | 235.02 | - |
| | 950.55 | 438.55 |

34 Segment Reporting

In accordance with Ind AS 108 'Operating segments', segment information are included in the consolidated financial statement of the Company and therefore no separate disclosure on segment information has been given in these standalone financial statements.

35 Corporate social responsibility

During the year, the amount required to be spent on corporate social responsibility activities amounted to Rs. 768.00 lakhs (31 March 2018: Rs. 557.92 lakhs) in accordance with Section 135 of the Companies Act, 2013. The following amounts were spent during the current and previous year:

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| Amount spent other than for construction / acquisition of any asset | 770.05 | 564.51 |
| Total | 770.05 | 564.51 |

36 Contingent liabilities and commitments:

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| a) Guarantees: | | |
| - Issued by Company's bankers | 4,279.47 | 2,196.94 |
| b) Claims against the Company not acknowledged as debts: | | |
| - Income tax demand (including interest) (refer note (i) below) | 12,768.35 | 9,351.26 |
| - Custom duty demands (refer note (ii) and (iii) below) | 18,348.54 | 18,348.54 |
| - Sales tax matters (refer note (iv) below) | 5,963.47 | 6,363.17 |
| - Service tax matters (refer note (v) below) | 917.01 | 782.15 |
| - Central excise duty matters (refer note (vi) below) | 1,206.27 | 1,128.30 |
| c) Bills discounted | 118.33 | 109.97 |

Notes:

- (i) Income tax matters mainly relate to intercompany charges.
- (ii) The Company during the year 2012-13 had received an order from The Commissioner of Customs demanding differential duty, interest and penalty of Rs.1,961.50 lakhs, contending the availment of concessional import duty in respect of some of its products for which a demand notice was served on the Company for payment of the above amount. The Company has filed an appeal against the order including for obtaining a stay against any recovery proceedings that may be initiated and accordingly no liability has been recognised in the books.
- (iii) The Company was issued a Show Cause Notice dated 8th December 2016 by the Directorate of Revenue Intelligence (DRI) in relation to levy of customs duty on inter-company transactions for import of goods and services and hence proposing to demand differential duty of customs covering the transactions during the period 8th December 2011 to 7th February 2014. The Company has received an order in original on 1st October 2017 from Additional Director General – DRI (Adjudication), Mumbai confirming the demand raised for customs duty in show cause notice to the tune of Rs.7,693.52 lakhs along with penalty equivalent to the customs duty amount and additional penalty and interest of Rs.1,000 lakhs. The Company has filed an appeal against this order with CESTAT, Mumbai after making payment of mandatory deposit of Rs.577 lakhs.
- (iv) Sales tax cases primarily pertains to Maharashtra Value Added Tax Act, 2002 and Karnataka Value Added Tax Act, 2003. These are pertaining to the years from 2005-06 to 2013-14. These cases are with respect to the applicable rate of tax for various products and matters pertaining to declaration forms.
- (v) Service tax matters relates to cases with respect to manner of apportionment of credit availed by the Company without registering as an Input service distributor.
- (vi) Excise matters relates to penalty for allegedly dealing in goods liable to confiscation under Rule 26 of the Central Excise Act.
- (vii) The Supreme court of India in the month of February 2019 had passed a judgement relating to definition of wages under the Provident Fund Act, 1952. However, considering that there are numerous interpretative issues relating to this judgement and in the absence of reliable measurement of the provision for the earlier periods, the Company has made a provision for provident fund contribution pursuant to the judgement only for the current year. The Company will evaluate its position

and update its provision, if required, on receiving further clarity on the subject. The Company does not expect any material impact of the same.

| Capital commitments | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Estimated value of contracts in capital account remaining to be executed | 982.64 | 365.81 |

During the year ended 31 March 2019 no material foreseeable loss (previous year: nil) was incurred for any long-term contract including derivative contracts.

37 Tax expenses

(a) Amount recognised in Statement of profit and loss

(Rs. in lakhs)

| | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Current tax | 18,652.61 | 17,256.13 |
| Deferred tax expense / (income) related to: | | |
| Origination and reversal of temporary differences | (1,205.76) | (341.39) |
| Tax expense for the year | 17,446.85 | 16,914.74 |

(b) Reconciliation of effective tax rate

(Rs. in lakhs)

| | 31 March 2019 | 31 March 2018 |
|---|-------------------------|-------------------------|
| Profit before tax | 49,745.93 | 47,968.30 |
| Tax at statutory income tax rate 34.94% (31 March 2018 - 34.61%) | 34.944% 17,383.22 | 34.610% 16,601.83 |
| <i>Tax effects of amounts which are not deductible / (taxable) in calculating taxable income:</i> | | |
| Non-deductible expenses | 0.30% 147.40 | 0.91% 438.64 |
| Others | -0.17% (83.77) | -0.26% (125.73) |
| Income tax expense | 35.07% 17,446.85 | 35.26% 16,914.74 |

(c) Deferred tax assets and liabilities are attributable to the following:

(Rs. in lakhs)

| Particulars | Deferred tax assets | | Deferred tax liabilities | | Deferred tax (assets) / liabilities net | |
|-------------------------------|---------------------|-----------------|--------------------------|-----------------|---|-------------------|
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| Property, plant and equipment | - | - | 2,009.81 | 2,087.37 | 2,009.81 | 2,087.37 |
| Employee benefits expense | 1,011.74 | 888.93 | - | - | (1,011.74) | (888.93) |
| Provisions | 3,345.49 | 2,333.24 | - | - | (3,345.49) | (2,333.24) |
| | 4,357.23 | 3,222.17 | 2,009.81 | 2,087.37 | (2,347.42) | (1,134.80) |

(d) Movement in temporary differences

(Rs. in lakhs)

| Particulars | Balance as at 1 April 2017 | Recognised in profit or loss | Recognised in OCI | Recognised directly in equity | Others | Balance as at 31 March 2018 |
|-------------------------------|----------------------------|------------------------------|-------------------|-------------------------------|----------|-----------------------------|
| Property, plant and equipment | 2,206.27 | (118.90) | - | - | - | 2,087.37 |
| Employee benefits expense | (834.52) | (40.53) | (13.88) | - | - | (888.93) |
| Provisions | (2,093.01) | (240.23) | - | - | - | (2,333.24) |
| Other items | (58.27) | 58.27 | - | - | - | - |
| | (779.53) | (341.39) | (13.88) | - | - | (1,134.80) |

(Rs. in lakhs)

| Particulars | Balance as at 1 April 2018 | Recognised in profit or loss | Recognised in OCI | Recognised directly in equity | Others | Balance as at 31 March 2019 |
|-------------------------------|----------------------------|------------------------------|-------------------|-------------------------------|----------|-----------------------------|
| Property, plant and equipment | 2,087.37 | (77.56) | - | - | - | 2,009.81 |
| Employee benefits expense | (888.93) | (115.95) | (6.86) | - | - | (1,011.74) |
| Provisions | (2,333.24) | (1,012.25) | - | - | - | (3,345.49) |
| | <u>(1,134.80)</u> | <u>(1,205.76)</u> | <u>(6.86)</u> | <u>-</u> | <u>-</u> | <u>(2,347.42)</u> |

(e) Details of income tax assets and income tax liabilities

(Rs. in lakhs)

| | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Income tax assets (net) | 5,519.96 | 4,330.16 |
| Current tax liabilities (net) | (1,787.93) | (1,868.32) |
| Net current income tax asset/ (liability) at the end of the year | 3,732.03 | 2,461.84 |

(f) The gross movement in the current income tax asset / (liability)

(Rs. in lakhs)

| | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Net current income tax asset / (liability) at the beginning of the year | 2,461.84 | 284.04 |
| Income tax paid | 19,922.80 | 19,433.93 |
| Current income tax expense | (18,652.61) | (17,256.13) |
| Net current income tax asset/ (liability) at the end of the year | 3,732.03 | 2,461.84 |

38 Provision movement

(Rs. in lakhs)

| Particulars | 1 April 2018 | Addition | Utilisation/ reversals | 31 March 2019 |
|--|-----------------|-----------------|------------------------|-----------------|
| a) Warranty | 81.63 | - | 81.63 | - |
| b) Asset retirement obligation | 90.50 | 0.05 | - | 90.55 |
| c) Sales tax, service tax and other issues | 2,048.15 | 1,221.34 | 89.64 | 3,179.85 |
| d) Credit notes and sales return | 4,105.30 | 3,411.58 | 4,105.30 | 3,411.58 |
| | <u>6,325.58</u> | <u>4,632.97</u> | <u>4,276.57</u> | <u>6,681.98</u> |

| Particulars | 1 April 2017 | Addition | Utilisation/ reversals | 31 March 2018 |
|--|-----------------|-----------------|------------------------|-----------------|
| a) Warranty | 233.40 | - | 151.77 | 81.63 |
| b) Asset retirement obligation | 90.47 | 0.03 | - | 90.50 |
| c) Sales tax, service tax and other issues | 1,627.30 | 420.85 | - | 2,048.15 |
| d) Credit notes and sales return | 3,888.64 | 4,105.30 | 3,888.64 | 4,105.30 |
| | <u>5,839.81</u> | <u>4,526.18</u> | <u>4,040.41</u> | <u>6,325.58</u> |

39 Capital management

The Company's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio.

For the purpose of debt to total equity ratio, debt is debt as considered under long-term and short-term borrowings which is on account of finance lease on office equipment and vehicles. Total equity comprise of issued share capital and all other equity reserves.

The capital structure as of 31 March 2019 and 31 March 2018 was as follows:

(Rs. in lakhs)

| Particulars | 31 March 2019 | 31 March 2018 |
|----------------------------|---------------|---------------|
| Debt | 1,349.57 | 946.17 |
| Total equity | 185,953.03 | 153,666.72 |
| Debt to total equity ratio | 0.73% | 0.62% |

40 Financial Instruments - Fair values and risk management

A. Accounting classification and fair values

The following table shows the carrying amounts of financial assets and financial liabilities as at 31 March 2019

(Rs. in lakhs)

| | Carrying amount | | | | | Total carrying amount |
|--|-----------------|-------------------------------|------------------------|--------------------------|---|-----------------------|
| | Note | Mandatorily at FVTPL - others | FVOCI-debt instruments | FVOCI-equity instruments | Other financial assets - amortised cost | |
| Financial assets not measured at fair value | | | | | | |
| Trade receivables | 7 | - | - | - | 54,613.88 | 54,613.88 |
| Loans to employees | 8 | - | - | - | 71.88 | 71.88 |
| Security deposits | 8 | - | - | - | 1,326.17 | 1,326.17 |
| Other financial assets | 9 | - | - | - | 3,023.48 | 3,023.48 |
| Cash and cash equivalents | 12 | - | - | - | 47,039.04 | 47,039.04 |
| | | - | - | - | 106,074.45 | 106,074.45 |
| Financial liabilities not measured at fair value | | | | | | |
| Finance lease obligation | 15,18 | - | - | - | 1,349.57 | 1,349.57 |
| Trade payables | 17 | - | - | - | 32,335.14 | 32,335.14 |
| Other financial liabilities | 18 | - | - | - | 14,563.59 | 14,563.59 |
| | | - | - | - | 48,248.30 | 48,248.30 |

The fair value of financial assets and financial liabilities approximates to their carrying amount largely due to the short-term nature of these instruments.

The following table shows the carrying amounts of financial assets and financial liabilities as at 31 March 2018

(Rs. in lakhs)

| | Carrying amount | | | | | Total carrying amount |
|---|-----------------|------------------------|------------------------|--------------------------|------------------------------------|-----------------------|
| | Note | Mandatorily at FVTPL - | FVOCI-debt instruments | FVOCI-equity instruments | Other financial assets - amortised | |
| Financial assets not measured at fair value | | | | | | |
| Trade receivables | 7 | - | - | - | 52,963.65 | 52,963.65 |
| Loans to employees | 8 | - | - | - | 79.99 | 79.99 |
| Security deposits | 8 | - | - | - | 1,320.27 | 1,320.27 |
| Other financial assets | 9 | - | - | - | 4,114.09 | 4,114.09 |
| Cash and cash equivalents | 12 | - | - | - | 78,931.24 | 78,931.24 |
| | | - | - | - | <u>137,409.24</u> | <u>137,409.24</u> |
| Financial liabilities not measured at fair value | | | | | | |
| Finance lease obligation | 15, 18 | - | - | - | 946.17 | 946.17 |
| Trade payables | 17 | - | - | - | 32,079.95 | 32,079.95 |
| Other financial liabilities | 18 | - | - | - | 14,120.67 | 14,120.67 |
| | | - | - | - | <u>47,146.79</u> | <u>47,146.79</u> |

The fair value of financial assets and financial liabilities approximates to their carrying amount largely due to the short-term nature of these instruments.

B. Financial Risk Management

The Company has exposure to the following risk arising from financial instruments

- Credit risk
- Liquidity risk
- Market risk

i. Risk management framework

The Company's principal financial liabilities comprise finance lease obligations, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, cash and cash equivalents that are derived directly from its operations.

ii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

(a) Financial assets that are not credit impaired

The Company has financial assets which are in the nature of cash and cash equivalents, loans to employees, unbilled revenue from related party, interest accrued on fixed deposits and receivables from related parties which are not credit impaired. These are contractually agreed with either banks, related parties or employees where the probability of default is negligible.

(b) Financial assets that are credit impaired

Trade receivables

The Credit services team has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available. Sale limits are established for each customer and reviewed yearly.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade receivables.

The maximum exposure to credit risk for trade receivables by geographic region is as follows: *(Rs. in lakhs)*

| | Carrying amount | |
|---------------|------------------|------------------|
| | 31 March 2019 | 31 March 2018 |
| India | 57,744.61 | 55,514.91 |
| Other regions | 747.97 | 461.55 |
| | 58,492.58 | 55,976.46 |

The maximum exposure to credit risk for trade receivables by type of counterparty is as follows:

(Rs. in lakhs)

| | Carrying amount | |
|--|------------------|------------------|
| | 31 March 2019 | 31 March 2018 |
| Distributors | 30,146.05 | 31,004.37 |
| Other | 28,346.53 | 24,972.09 |
| | 58,492.58 | 55,976.46 |
| Less: Receivables from related party, secured receivables and receivables not considered for credit risk | 3,939.45 | 1,438.09 |
| Net receivables | 54,553.13 | 54,538.37 |

Expected credit loss assessment for the Company as 31 March 2018 and 2019.

The Company has divided all the debtors outstanding for the last twelve quarters into age brackets of not due, 0-90 days, 91-180 days, 181-270 days, 271-365 days and amounts outstanding for more than one year.

The Company has calculated the impairment loss arising on account of past trends in the default rate for time bucket.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information. Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Out of the total trade receivables of Rs. 58,492.58 lakhs (31 March 2018: 55,976.46 lakhs), the exposure considered for expected credit loss is Rs. 54,553.13 lakhs (31 March 2018 :Rs. 54,538.37). The balance which is not considered for impairment pertains to intercompany receivables and secured debtors.

The following table provides information about the exposure to credit risk and expected credit loss for trade and other receivables:

(Rs. in lakhs)

| | Gross carrying amount | Weighted average loss rate | Loss allowance |
|------------------------|-----------------------|----------------------------|-----------------|
| 31 March 2019 | | | |
| Current (not past due) | 41,020.47 | 1.60% | 656.45 |
| 0-90 days | 10,526.91 | 5.38% | 566.11 |
| 91-180 days | 220.66 | 32.79% | 72.36 |
| 181-270 days | 684.90 | 70.61% | 483.59 |
| 271-360 days | 638.24 | 100.00% | 638.24 |
| > 360 days | 1,461.95 | 100.00% | 1,461.95 |
| | 54,553.13 | | 3,878.70 |

| | Gross carrying amount | Weighted average loss rate | Loss allowance |
|------------------------|-----------------------|----------------------------|-----------------|
| 31 March 2018 | | | |
| Current (not past due) | 45,804.07 | 1.62% | 741.62 |
| 0-90 days | 5,745.68 | 6.19% | 355.87 |
| 91-180 days | 1,237.74 | 21.09% | 261.04 |
| 181-270 days | 193.83 | 62.30% | 120.76 |
| 271-360 days | 392.07 | 94.00% | 368.55 |
| > 360 days | 1,164.98 | 100.00% | 1,164.97 |
| | 54,538.37 | | 3,012.81 |

Movements in the allowance for impairment in respect of trade and other receivables

The movement in the allowance for impairment in respect of trade and other receivables is as follows: *(Rs. in lakhs)*

| | 31 March 2019 | 31 March 2018 |
|----------------------------|-----------------|-----------------|
| Balance as at 1 April | 3,012.81 | 2,267.82 |
| Utilised during the year | (161.28) | - |
| Impairment loss recognised | 1,027.17 | 744.99 |
| Balance as at 31 March | 3,878.70 | 3,012.81 |

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities: *(Rs. in lakhs)*

| Particulars | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
|---|------------------|---------------|---------------|-------------------|------------------|
| 31 March 2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Finance lease obligations | 604.13 | 474.03 | 271.41 | - | 1,349.57 |
| Trade and other payables | 46,898.73 | - | - | - | 46,898.73 |
| | 47,502.86 | 474.03 | 271.41 | - | 48,248.30 |
| 31 March 2018 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Finance lease obligations | 458.43 | 296.43 | 191.31 | - | 946.17 |
| Trade and other payables | 46,200.62 | - | - | - | 46,200.62 |
| | 46,659.05 | 296.43 | 191.31 | - | 47,146.79 |

iv. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables. The Company is exposed to market risk primarily related to foreign exchange rate risk. Thus, the exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management is as follows:

(Rs. in lakhs)

| | 31 March 2019 | | | | 31 March 2018 | | |
|--|------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|
| | USD | EURO | SGD | Others | USD | EURO | Others |
| Trade and other payables | 13,219.72 | 2,187.53 | 7,279.53 | 2,757.78 | 18,812.07 | 3,146.66 | 2,833.05 |
| Trade and other receivables | 2,589.69 | | - | | 2,912.95 | - | - |
| Net exposure in respect of recognised assets and liabilities | <u>10,630.03</u> | <u>2,187.53</u> | <u>7,279.53</u> | <u>2,757.78</u> | <u>15,899.12</u> | <u>3,146.66</u> | <u>2,833.05</u> |

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US Dollar or Euro or SGD against all other currencies as at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

(Rs. in lakhs)

| | Profit or loss | | Equity, net of tax | |
|--------------------------|----------------|-----------------|--------------------|-----------------|
| | Strengthening | Weakening | Strengthening | Weakening |
| 31 March 2019 | | | | |
| USD (for 1% movement) | 106.30 | (106.30) | 69.15 | (69.15) |
| EURO (for 1% movement) | 21.88 | (21.88) | 14.23 | (14.23) |
| SGD (for 1% movement) | 72.80 | (72.80) | 47.36 | (47.36) |
| Others (for 1% movement) | 27.58 | (27.58) | 17.94 | (17.94) |
| | <u>228.56</u> | <u>(228.56)</u> | <u>148.68</u> | <u>(148.68)</u> |
| 31 March 2018 | | | | |
| USD (for 1% movement) | 158.99 | (158.99) | 103.90 | (103.90) |
| EURO (for 1% movement) | 31.47 | (31.47) | 20.56 | (20.56) |
| Others (for 1% movement) | 28.33 | (28.33) | 18.51 | (18.51) |
| | <u>218.79</u> | <u>(218.79)</u> | <u>142.97</u> | <u>(142.97)</u> |

41 Research and development expenses

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---------------------|-----------------|-----------------|
| Capital expenditure | 162.31 | 235.00 |
| Revenue expenditure | 5,265.00 | 5,656.60 |
| | <u>5,427.31</u> | <u>5,891.60</u> |

- 42** The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 2019.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen

Managing Director

[DIN: 07521172]

Mamta Gore

Chief Financial Officer

[PAN: AKIPG9089M]

B V Shankaranarayana Rao

Whole-time Director

[DIN – 00044840]

V. Srinivasan

Company Secretary

[ACS – 16430]

INDEPENDENT AUDITORS' REPORT

To the Members of 3M India Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 3M India Limited (hereinafter referred to as the 'Holding Company') and its subsidiary (Holding Company and its subsidiary together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2019, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

Investment in 3M Electro & Communication India Private Limited

See note 3(b) and 42 to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|--|---|
| <ul style="list-style-type: none"> During the year, the Holding Company acquired 100% stake in 3M Electro & Communication India Private Limited from its existing shareholders (related parties of the Holding Company) at a consideration of INR 58,470 lakhs. This acquisition has been accounted as a common control transaction in the consolidated financial statements. As a result, the Holding Company has consolidated the book value of net assets acquired of INR 9,188 lakhs and the excess consideration paid has been adjusted in the consolidated "other equity" as on the beginning of the comparative period i.e. 1 April 2017. We identified the above investment transaction as a key audit matter given it involved compliance with various regulations and fair valuation of the acquiree. | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessment of the controls to identify and disclose related party relationships and transactions in accordance with the relevant accounting standards. Assessment of compliance with the regulations under the Companies Act, 2013 and the listing regulations with respect to the investment. Evaluating the work of the external expert for fair valuation of the acquired entity, reasonableness of the methodology and the underlying assumptions used in the valuation. Evaluating the accounting and disclosures of the business combination transaction amongst common controlled entities in compliance with the accounting standards. |

Revenue Recognition

See note 3(i) and 19 to the Consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|--|---|
| <ul style="list-style-type: none"> The Group recognises revenue when control is transferred to the customer i.e. on delivery to customer. The Group tracks proof of delivery and reverses the value of goods not delivered by the balance sheet date. We identified revenues recognised closer to the balance sheet date as a key audit matter given it is a significant key performance indicator and there is a risk of overstatement of revenues at the balance sheet date. | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the revenue recognition accounting policies in compliance with the accounting standards. Tested the design and operating effectiveness of relevant key controls with respect to revenue recognition on a sample basis. We performed substantive testing by selecting samples (using statistical sampling) of revenue transactions, recorded during the year by testing the underlying documents. Analytical procedures on revenue recognised during the year to identify and inquire on unusual variances, if any. Independent confirmation on a sample basis of customer invoice balances at the balance sheet date using statistical sampling. Obtaining supporting documentation, on a sample basis for sales transactions recorded near to balance sheet date as well as credit notes issued subsequent to the balance sheet date to determine whether revenue was recognised in the correct period. Tested, on a sample basis using statistical sampling, manual journal entries relating to revenues to identify and inquire on unusual items, if any. |

Other Information

The Holding Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material

misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group (company and subsidiary) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entity included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we

determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- A. As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:
- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
 - The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.
 - On the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its Subsidiary Company, none of the directors of the Group companies, is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - With respect to the adequacy of the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- The consolidated financial statements disclose the impact of pending litigations as at 31 March 2019 on the consolidated financial position of the Group. Refer Note 35 to the consolidated financial statements;
 - The Group did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2019;
 - There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Holding Company or its subsidiary company, during the year ended 31 March 2019; and
 - The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2019.
- C. With respect to the matter to be included in the Auditors' report under section 197(16):
- In our opinion and according to the information and explanations given to us the remuneration paid during the current year by the Holding Company and its subsidiary company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to/ provided for any director by the Holding Company and its subsidiary company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
 Firm Registration No: 101248W/W-100022
Amit Somani
Partner
 Membership Number: 060154

Place : Paris
 Date : May 28, 2019

Annexure A to the Independent Auditors' report on the consolidated financial statements of 3M India Limited for the year ended 31 March 2019

Report on the internal financial controls with reference to the aforesaid consolidated financial statements
under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of 3M India Limited as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of 3M India Limited (hereinafter referred to as "the Holding Company") and such company incorporated in India under the Companies Act, 2013 which is its subsidiary company, as of that date.

In our opinion, the Holding Company and such company incorporated in India which is its subsidiary company, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the Auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Place : Paris
Date : May 28, 2019

For BSR & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022
Amit Somani
Partner
Membership Number: 060154

CONSOLIDATED BALANCE SHEET

3M India Limited

(Rs. in lakhs)

| As at | Note | 31 March 2019 | 31 March 2018 |
|--|------|-------------------|-------------------|
| I. Assets | | | |
| (1) Non-current assets | | | |
| (a) Property, plant and equipment | 4 | 28,580.31 | 30,301.70 |
| (b) Capital work-in-progress | 4 | 1,238.16 | 591.37 |
| (c) Intangible assets | 5 | 25.90 | 41.09 |
| (d) Financial assets | | | |
| (i) Trade receivables | 6 | - | 77.26 |
| (ii) Loans receivable | 7 | 975.24 | 1,237.69 |
| (e) Deferred tax assets, (net) | 36 | 3,071.79 | 1,887.07 |
| (f) Income tax assets, (net) | 36 | 6,460.97 | 5,234.80 |
| (g) Other non-current assets | 9 | 5,797.45 | 4,059.58 |
| Total non-current assets | | 46,149.82 | 43,430.56 |
| (2) Current assets | | | |
| (a) Inventories | 10 | 41,126.40 | 36,747.54 |
| (b) Financial assets | | | |
| (i) Trade receivables | 6 | 58,655.97 | 56,808.77 |
| (ii) Cash and cash equivalents | 11 | 55,746.66 | 85,465.25 |
| (iii) Loans receivable | 7 | 472.67 | 217.06 |
| (iv) Other financial assets | 8 | 3,247.46 | 4,323.18 |
| (c) Other current assets | 9 | 6,433.28 | 3,487.26 |
| Sub - total | | 165,682.44 | 187,049.06 |
| Assets held for sale | | - | 579.89 |
| Total current assets | | 165,682.44 | 187,628.95 |
| Total assets | | 211,832.26 | 231,059.51 |
| II. Equity and liabilities | | | |
| Equity | | | |
| (a) Equity share capital | 12 | 1,126.51 | 1,126.51 |
| (b) Other equity | 13 | 142,157.06 | 105,545.44 |
| Total equity | | 143,283.57 | 106,671.95 |
| Liabilities | | | |
| (1) Non-current liabilities | | | |
| (a) Financial liabilities | | | |
| - Borrowings | 14 | 760.54 | 523.92 |
| (b) Provisions | 15 | 2,890.09 | 2,369.11 |
| Total non-current liabilities | | 3,650.63 | 2,893.03 |
| (2) Current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Trade payables | | | |
| - Total outstanding dues of micro and small enterprises | 16 | 2,098.21 | 1,293.36 |
| - Total outstanding dues of creditors other than micro and small enterprises | 16 | 33,483.33 | 34,364.26 |
| (ii) Other financial liabilities | 17 | 16,030.26 | 74,293.37 |
| (b) Other current liabilities | 18 | 4,268.30 | 2,763.87 |
| (c) Provisions | 15 | 7,182.29 | 6,863.50 |
| (d) Income tax liabilities, (net) | 36 | 1,835.67 | 1,916.17 |
| Total current liabilities | | 64,898.06 | 121,494.53 |
| Total liabilities | | 68,548.69 | 124,387.56 |
| Total equity and liabilities | | 211,832.26 | 231,059.51 |
| Significant accounting policies | 3 | | |

See accompanying notes to the Consolidated financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen

Managing Director

[DIN: 07521172]

Mamta Gore

Chief Financial Officer

[PAN: AKIPG9089M]

B V Shankaranarayana Rao

Whole-time Director

[DIN - 00044840]

V. Srinivasan

Company Secretary

[ACS - 16430]

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

3M India Limited

(Rs. in lakhs)

| For the year ended | Note | 31 March 2019 | 31 March 2018 |
|---|------|-------------------|-------------------|
| Continuing Operations | | | |
| Income | | | |
| Revenue from operations | 19 | 301,682.24 | 273,418.82 |
| Other income | 20 | 3,683.12 | 4,478.82 |
| Total income | | 305,365.36 | 277,897.64 |
| Expenses | | | |
| Cost of materials consumed | 21 | 93,854.23 | 86,679.96 |
| Excise duty | | - | 2,436.13 |
| Purchases of stock-in-trade | 22 | 68,516.82 | 55,137.42 |
| Changes in inventories of finished goods, stock-in-trade and work-in-progress | 23 | (2,353.52) | (1,529.33) |
| Employee benefits expense | 24 | 33,020.88 | 35,604.95 |
| Finance costs | 25 | 112.26 | 202.92 |
| Depreciation and amortisation expense | 4, 5 | 4,375.63 | 4,350.60 |
| Other expenses | 26 | 55,085.17 | 45,228.55 |
| Total expenses | | 252,611.47 | 228,111.20 |
| Profit before tax from continuing operations | | 52,753.89 | 49,786.44 |
| Tax expense : | | | |
| (i) Current tax | 36 | 19,620.63 | 17,973.15 |
| (ii) Deferred tax | 36 | (1,181.24) | (516.81) |
| | | 18,439.39 | 17,456.34 |
| Profit after tax from continuing operations | | 34,314.50 | 32,330.10 |
| Discontinued Operations: | 41 | | |
| Profit from discontinued operations | | 91.07 | 754.38 |
| Gain on disposal of discontinued operations | | 3,171.66 | 905.00 |
| Tax expense of discontinued operations | | 959.24 | 654.40 |
| Profit after Tax from discontinued operations | | 2,303.49 | 1,004.98 |
| Profit for the year | | 36,617.99 | 33,335.08 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to consolidated statement of profit or loss</i> | | | |
| Remeasurements of net defined benefit liability / asset | | (9.85) | (31.15) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | | 3.48 | 10.77 |
| Other comprehensive income, net of tax | | (6.37) | (20.38) |
| Total comprehensive income for the year | | 36,611.62 | 33,314.70 |
| Earnings per share for continuing operations (Nominal value of Rs. 10 each) | 28 | | |
| - Basic (in Rs.) | | 304.61 | 286.99 |
| - Diluted (in Rs.) | | 304.61 | 286.99 |
| Earnings per share for discontinued operations (Nominal value of Rs. 10 each) | 28 | | |
| - Basic (in Rs.) | | 20.45 | 8.92 |
| - Diluted (in Rs.) | | 20.45 | 8.92 |
| Earnings per share for total operations (Nominal value of Rs. 10 each) | 28 | | |
| - Basic (in Rs.) | | 325.06 | 295.91 |
| - Diluted (in Rs.) | | 325.06 | 295.91 |
| Weighted average number of equity shares used in computing earnings per share : | | | |
| - Basic | | 1,12,65,070 | 1,12,65,070 |
| - Diluted | | 1,12,65,070 | 1,12,65,070 |
| Significant accounting policies | 3 | | |

See accompanying notes to the Consolidated financial statements
As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen

Managing Director
[DIN: 07521172]

Mamta Gore

Chief Financial Officer
[PAN: AKIPG9089M]

B V Shankaranarayana Rao

Whole-time Director
[DIN – 00044840]

V. Srinivasan

Company Secretary
[ACS – 16430]

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3M India Limited

(Rs. in lakhs)

| Particulars | Equity share capital | Other equity | | | | Total Other Equity | Total equity attributable to equity holders of the Company |
|---|----------------------|--------------------|-----------------|--------------------|--|--------------------|--|
| | | Surplus | | | Other comprehensive income | | |
| | | Securities premium | General Reserve | Retained earnings* | Remeasurement of the net defined benefit liability / asset, net of tax | | |
| Balance as at 1 April 2017 | 1,126.51 | 949.90 | 303.98 | 71,310.66 | (333.80) | 72,230.74 | 73,357.25 |
| Changes in equity for the year ended 31 March 2018 | | | | | | | |
| Remeasurement of the net defined benefit liability / asset, net of tax effect | - | - | - | - | (20.38) | (20.38) | (20.38) |
| Profit for the year | - | - | - | 33,335.08 | - | 33,335.08 | 33,335.08 |
| Balance as at 31 March 2018 | 1,126.51 | 949.90 | 303.98 | 104,645.74 | (354.18) | 105,545.44 | 106,671.95 |

| Particulars | Equity share capital | Other equity | | | | Total Other Equity | Total equity attributable to equity holders of the Company |
|---|----------------------|--------------------|-----------------|--------------------|--|--------------------|--|
| | | Surplus | | | Other comprehensive income | | |
| | | Securities premium | General Reserve | Retained earnings* | Remeasurement of the net defined benefit liability / asset, net of tax | | |
| Balance as at 1 April 2018 | 1,126.51 | 949.90 | 303.98 | 104,645.74 | (354.18) | 105,545.44 | 106,671.95 |
| Changes in equity for the year ended 31 March 2019 | | | | | | | |
| Remeasurement of the net defined benefit liability / asset, net of tax effect | - | - | - | - | (6.37) | (6.37) | (6.37) |
| Profit for the year | - | - | - | 36,617.99 | - | 36,617.99 | 36,617.99 |
| Balance as at 31 March 2019 | 1,126.51 | 949.90 | 303.98 | 141,263.73 | (360.55) | 142,157.06 | 143,283.57 |

* During the year, the Company has acquired net assets of Rs. 9,188 lakhs, of 3M Electro & Communication India Private Limited, resulting in an adjustment of Rs. 49,282 lakhs in consolidated retained earnings as on 1 April 2017. Refer note 42.

See accompanying notes to the Consolidated financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen

Managing Director

[DIN: 07521172]

B V Shankaranarayana Rao

Whole-time Director

[DIN – 00044840]

Mamta Gore

Chief Financial Officer

[PAN: AKIPG9089M]

V. Srinivasan

Company Secretary

[ACS – 16430]

CONSOLIDATED STATEMENT OF CASH FLOW

3M India Limited

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|--------------------|------------------|
| Cash flow from operating activities | | |
| Profit before tax | 52,753.89 | 49,786.44 |
| Profit before tax discontinuing operation | 3,262.73 | 1,659.38 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation expense | 4,375.63 | 4,443.31 |
| Provision for doubtful debts created | 1,073.01 | 1,257.34 |
| Liabilities no longer required written back, net | (777.98) | (534.39) |
| Unrealised net gain on foreign currency transactions and translation | (418.94) | (17.22) |
| (Gain) / Loss on disposal of property, plant and equipment | (50.29) | 6.84 |
| Interest income | (2,853.45) | (3,658.62) |
| Gain on disposal of discontinued operations | (3,171.66) | (905.00) |
| Finance costs | 112.26 | 202.92 |
| | 54,305.20 | 52,241.00 |
| Movements in working capital: | | |
| Increase / (decrease) in trade payables | 891.81 | (7,660.79) |
| Increase in provisions | 822.82 | 331.92 |
| Increase / (decrease) in other financial liabilities and other liabilities | 1,855.39 | (2,251.65) |
| Increase in trade receivables | (2,854.97) | (13,515.11) |
| Increase in inventories | (4,378.86) | (1,073.30) |
| Increase in loans, other financial assets, other current and non current assets | (3,456.68) | (3,193.53) |
| Cash generated from operations activities | 47,184.71 | 24,878.54 |
| Income tax paid (net of refund) | (21,886.54) | (21,259.00) |
| Net cash from operating activities (A) | 25,298.17 | 3,619.54 |
| Cash flow from investing activities | | |
| Investment in subsidiary | (58,470.00) | - |
| Purchase of property, plant and equipment and intangible assets | (4,192.72) | (1,871.06) |
| Proceeds from sale of property, plant and equipment | 76.20 | 117.76 |
| Interest received | 3,474.27 | 3,321.48 |
| Proceeds from sale of discontinued operations | 3,771.00 | 942.05 |
| Net cash (used in) / from investing activities (B) | (55,341.25) | 2,510.23 |

CONSOLIDATED STATEMENT OF CASH FLOW

3M India Limited

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|--------------------|------------------|
| Cash flow from financing activities | | |
| Movement in finance lease liability | 372.01 | (3.10) |
| Interest paid | (47.52) | (202.92) |
| Net cash from / (used in) financing activities (C) | 324.49 | (206.02) |
| Net (decrease) / increase in cash and cash equivalents (A+B+C) | (29,718.59) | 5,923.75 |
| Cash and cash equivalents at the beginning of the year | 85,465.25 | 79,541.50 |
| Cash and cash equivalents at the end of the year | 55,746.66 | 85,465.25 |
| Cash and cash equivalents comprise of (refer note 11): | | |
| Balances with banks: | | |
| - in current accounts | 55,746.66 | 22,465.25 |
| - deposits accounts (original maturity of less than three months) | - | 63,000.00 |
| | 55,746.66 | 85,465.25 |
| Debt reconciliation statement in accordance with Ind AS 7 | | |
| Non Current borrowings and current maturities of long term borrowings | | |
| Opening balance | 1,007.49 | 1,010.59 |
| Movement in finance lease liability | 372.01 | (3.10) |
| Closing balance | 1,379.50 | 1,007.49 |

Significant accounting policies (Refer Note 3)

See accompanying notes to the Consolidated financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen

Managing Director

[DIN: 07521172]

Mamta Gore

Chief Financial Officer

[PAN: AKIPG9089M]

B V Shankaranarayana Rao

Whole-time Director

[DIN – 00044840]

V. Srinivasan

Company Secretary

[ACS – 16430]

1. Reporting entity

3M India Limited ('the Company') is a subsidiary of 3M Company, USA. The Company manages its operations in five operating segments: Industrial, Health Care, Safety and Graphics, Consumer and Energy. In India, the Company has manufacturing facilities at Ahmedabad, Bangalore, Pune and has a R&D Center in Bangalore. 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 domiciled in India with its registered office situated at Plot Nos. 48-51, Electronic City, Hosur Road, Bengaluru - 560 100 and is listed on the Bombay Stock Exchange Ltd (BSE) and the National Stock Exchange Ltd (NSE).

Subsidiary Information:

3M Electro & Communication India Private Limited (3M E&C or 'subsidiary') is a wholly owned subsidiary of 3M India Limited. 3M E&C is a Private Limited Company domiciled in India with its registered office at Plot No. 95-97, Sanniyasikuppam, Udhaya Nagar, Thirubhuvanai main road, Thirubhuvanai Post, Pondicherry - 605107. 3M E&C offers a complete range of products that include the Cable jointing kits ranging from 1.1Kv to 132 KV, Heatshrinks, Coldshrinks, Kastex, Electrical Insulation Tapes, Busbar tubes, DIY Electrical kits, various kinds of water filters, water softeners, Hi flo filters, Wholehouse filters, Zeta +. In India, 3M E&C has manufacturing facilities at Pune.

These consolidated financial statements comprise the Company and its subsidiary referred to collectively as "the Group".

2. Basis of preparation and consolidation**A. Statement of compliance**

These consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015, as amended notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The consolidated financial statements were authorised for issue by the Group's Board of Directors on 28 May 2019.

Details of the Group's significant accounting policies are included in Note 3.

B. Functional & presentation currency

These consolidated financial statements are presented in Indian Rupees (Rs.), which is also the Group's functional currency. All amounts have been rounded-off to two decimal places to the nearest lakhs, unless otherwise indicated.

C. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

| Items | Measurement basis |
|--|---|
| Certain financial assets and liabilities | Fair value |
| Liabilities for cash settled shared-based payment arrangements | Fair value |
| Net defined benefit asset / (liability) | Fair value of plan assets less present value of defined benefit obligations |

D. Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 27 - leases: whether an arrangement contains a lease; and
- Note 27 - lease classification;

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2020 is included in the following notes:

- Note 4 and 5 - useful life of property, plant and equipment and intangible assets;
- Note 6 to 8 and 39 - impairment of financial assets;
- Note 31 - measurement of defined benefit obligations: key actuarial assumptions;
- Note 35 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 36 - recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used.

E. Measurement of fair values

Certain accounting policies and disclosures of the Group require the measurement of fair values, for both financial and non financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into a different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in the measuring fair values is included in the following notes:

- Note 30 - share-based payment arrangements and
- Note 39 - financial instruments

3. Significant accounting policies

(a) Basis of Consolidation

The Company consolidates entities which it owns or controls. The consolidated financial statements comprise the financial statements of the Company and its subsidiary as disclosed in Note 42. Control exists when the parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

The financial statements of the Group companies are consolidated on a line-by-line basis and intragroup balances and transactions including unrealized gain / loss from such transactions are eliminated upon consolidation. These financial statements are prepared by applying uniform accounting policies in use at the Group.

(b) Business combination - common control transactions

Business combinations involving entities that are controlled by the Group are accounted for using the pooling of interests method as follows:

1. The assets and liabilities of the combining entities are reflected at their carrying amounts.
2. No adjustments are made to reflect fair values, or recognize any new assets or liabilities. Adjustments are only made to harmonize accounting policies.

3. The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is re-stated only from that date.
4. The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserves.
5. The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.
6. The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

(c) *Financial Instruments*

i. *Recognition and initial measurement*

The Group initially recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

ii. *Classification and subsequent measurement*

Financial assets

On initial recognition, a financial asset is classified as measured at-

Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

iii. *Derecognition of financial instruments*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and a new financial liability with modified terms is recognised in the consolidated statement of profit and loss.

iv. *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or realise the asset and settle the liability simultaneously.

(d) *Property, plant and equipment*

i. *Recognition and measurement*

Items of property, plant and equipment, are measured at cost, which includes capitalised borrowing cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. *Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. *Depreciation*

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method, and is recognised in the consolidated statement of profit and loss.

Leasehold improvements are amortised over the period of lease or the estimated useful life (3-10 years) whichever is lower. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

| Asset | Useful lives |
|---------------------------|-----------------------|
| Buildings | 10/ 20 and 30 years |
| Plant and machinery | 3/ 7/ 10 and 15 years |
| Data processing equipment | 3 years |
| Office equipment | 5 years |
| Furniture and fixtures | 10 years |
| Vehicles | 5 years |

Depreciation/amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that the estimates of useful lives as given above best represent the period over which management expects to use these assets and are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013 for some assets.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

(e) *Intangible assets*

Internally generated : Research and development

Expenditure on research activities is recognised in the consolidated statement of profit or loss as incurred.

Development expenditure is capitalised as part of the cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the consolidated statement of profit or loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

Others

Other intangible assets are stated at acquisition cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation in the consolidated statement of profit and loss. The amortisation rates used are:

| Asset | Useful life |
|-------------------|-------------|
| Computer software | 3 years |

(f) *Impairment*(i) *Financial assets*

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as an impairment gain or loss in the consolidated statement of profit or loss.

(ii) *Non-financial assets**Intangible assets and property, plant and equipment*

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash generating units (CGUs) to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the consolidated statement of profit and loss, is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the consolidated statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(g) *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 First-In-First-Out 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.

The comparison of cost and net realisable value is made on an item-by-item basis.

The provision for inventory obsolescence is ascertained regularly based on estimated usage of the products.

(h) *Foreign currency transactions*

Transactions in foreign currencies are initially recorded by the Group at their functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the balance sheet date. Exchange differences that arise on settlement of monetary items or on reporting at each balance sheet date of the Group's monetary items at the closing rates are recognised as income or expenses in the period in which they arise. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rates at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(i) *Revenue recognition*

Effective April 1, 2018, the Group has applied Ind AS 115: Revenue from Contracts with Customers which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces erstwhile guidance on revenue recognition including Ind AS 18 Revenue. The Group has adopted Ind AS 115 using the cumulative effect method (without the practical expedient), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). The adoption of the standard did not have any material impact on the financial statements of the Group.

Revenue from sale of goods is recognised when control of the products being sold is transferred to the customer and when there are no longer any unfulfilled obligations.

The Performance Obligations in the contracts are fulfilled at the time of dispatch, delivery or upon formal customer acceptance depending on customer terms.

Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the government such as goods and services tax, etc. Accumulated experience is used to estimate the provision for such discounts and rebates. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

Customers have the contractual right to return goods. An estimate is made of goods that will be returned and a liability is recognised for this amount using a best estimate based on accumulated experience.

Income from services rendered is recognised based on agreements/arrangements with the customers as the service is performed and there are no unfulfilled obligations.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Other contract assets are classified as other assets. Unearned and deferred revenue ("contract liability") is recognised when there are billings in excess of revenues. Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

The Group has determined that the revenues as disclosed in Note 19 are disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Interest income is recognized using the effective interest rate (EIR) method.

Dividend income on investments is recognised when the right to receive dividend is established.

(j) *Employee benefits**Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the consolidated statement of profit or loss in the periods during which the related services are rendered by employees.

Provident fund

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

Superannuation

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

*Defined benefit plans**Gratuity*

The Group has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The Group has an Employees Gratuity Fund where the investments are administered by a Fund Manager. The Group accounts for the liability of gratuity benefits payable in future based on an independent actuarial valuation (using the Projected Unit Credit method). Actuarial losses/ gains are recognised in 'Other Comprehensive Income' in the year in which they arise.

Compensated absences

The Group provides for the encashment/ availment 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 (using the Projected Unit Credit method). Actuarial losses / gains are recognised in 'Other Comprehensive Income' in the year in which they arise.

(k) *Share-based payments*

The fair value of the amount payable to employees in respect of share appreciation rights (SARs) and restricted stock units (RSUs) which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to the payment. The Group measures compensation expense for SARs at their fair value determined using Black-Scholes Model and RSUs based on fair market value of shares of 3M Company, USA on the date of the grant. Any change in the fair value of the liability are recognised in the consolidated statement of profit and loss.

(l) *Income taxes*i. *Current tax*

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period. The Group offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

ii. *Deferred tax*

Deferred income tax is recognized using the balance sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in consolidated financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Group offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

(m) *Borrowing costs*

Borrowing costs attributable to the assets acquired on finance lease are expensed in the period in which they incur in the consolidated statement of profit and loss.

(n) *Provisions and contingent liabilities*i. *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed. The expense relating to a provision is presented in the consolidated statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

ii. *Contingent liabilities*

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

iii. *Onerous contracts*

Provision for onerous contracts. i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

(o) *Leases*i. *Finance leases*

The Group leases certain tangible assets and such leases where the Group 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.

The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted in accordance with the accounting policy applicable to similar owned assets.

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 consolidated 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.

ii. *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 generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

(p) *Segment reporting**Operating segments*

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director of the Group is responsible for allocating resources and assessing performance of the operating segments and accordingly is identified as the CODM. Refer note 33 for segment information presented.

(q) *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

(r) *Earnings per share*

Basic Earnings Per Share ('EPS') is computed by dividing the net profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit/ loss for the period attributable to the equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

(s) *Cash flow statement*

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Group are segregated.

(t) *Recent Indian Accounting Standards :*(i) *Ind AS 116 - Leases*

The Group is required to adopt Ind AS 116 Leases from 1 April 2019. Ind AS 116 replaces existing leases guidance, including Ind AS 17 Leases. Ind AS 116 introduces a single Balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items.

Leases in which the Group is a lessee:

Under the new standard, the Group will be required to recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right of use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. The Group is in the process of evaluating the potential impact of the adoption of Ind AS 116 on accounting policies followed in its financial statements. The quantitative impact of adoption of Ind AS 116 on the financial statements in the period of initial application is not reasonably estimable as at present.

Transition

The Group plans to apply IND AS 116 using the modified retrospective method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2019) in retained earnings. As a result, the Group will not present individual line items appearing under comparative period presentation.

As per Ind AS 115 revenue has been recognised when a customer has obtained the control of the goods.

For certain contracts that permit the customer to return an item, revenue is currently recognised when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. If a reasonable estimate cannot be made, then revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

(ii) *Ind AS 19 – Plan Amendment, Curtailment or Settlement*

The amendment clarifies that when determining past service cost, or a gain or loss on settlement due to plan amendment, curtailment or settlement, an entity shall remeasure the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions, including current market interest rates and other current market prices, reflecting:

- (a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and
- (b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Further, if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group does not expect any significant impact of this amendment on its consolidated financial statements.

4 Property, plant and equipment and capital work-in-progress

(Rs. in lakhs)

| Particulars | Freehold land | Buildings | Plant and machinery | Furniture & fixtures | Office equipment | Data processing equipment | Electrical installations | Vehicles | Leasehold improvements | Leased Assets | | | | Total |
|--|---------------|-----------|---------------------|----------------------|------------------|---------------------------|--------------------------|----------|------------------------|-------------------------|---------------------------|------------------------|----------|-----------|
| | | | | | | | | | | Leasehold land Note (a) | Data processing equipment | Leasehold improvements | Vehicles | |
| Balance at 31 March 2017 | 988.72 | 15,667.77 | 21,569.07 | 1,352.67 | 727.12 | 58.27 | 9.97 | 2.87 | 606.03 | 387.17 | 1,262.24 | 31.84 | 761.22 | 43,424.96 |
| Balance at 1 April 2017 | 988.72 | 15,667.77 | 21,569.07 | 1,352.67 | 727.12 | 58.27 | 9.97 | 2.87 | 606.03 | 387.17 | 1,262.24 | 31.84 | 761.22 | 43,424.96 |
| Additions | - | - | 942.62 | 51.52 | 58.07 | - | - | - | - | - | 435.79 | - | 212.79 | 1,700.79 |
| Deletion on account of discontinued operations | - | - | (819.84) | (1.05) | (3.91) | - | - | - | - | - | - | - | - | (824.80) |
| Disposals | - | (0.06) | (96.47) | (0.15) | (3.27) | - | - | - | - | - | (472.06) | (31.84) | (256.32) | (860.17) |
| Balance at 31 March 2018 | 988.72 | 15,667.71 | 21,595.38 | 1,402.99 | 778.01 | 58.27 | 9.97 | 2.87 | 606.03 | 387.17 | 1,225.97 | - | 717.69 | 43,440.78 |
| Additions | - | 24.20 | 1,305.15 | 211.19 | 67.70 | - | - | - | - | - | 959.18 | - | 100.20 | 2,667.62 |
| Disposals | - | - | (86.31) | (30.35) | (13.80) | - | - | - | (8.90) | - | (279.87) | - | (200.28) | (619.51) |
| Balance at 31 March 2019 | 988.72 | 15,691.91 | 22,814.22 | 1,583.83 | 831.91 | 58.27 | 9.97 | 2.87 | 597.13 | 387.17 | 1,905.28 | - | 617.61 | 45,488.89 |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2017 | - | 1,350.75 | 5,589.35 | 419.94 | 555.55 | 58.27 | 7.47 | 2.41 | 567.76 | 7.82 | 717.52 | 31.84 | 362.13 | 9,670.81 |
| Depreciation for the year | - | 676.44 | 2,778.26 | 215.35 | 133.81 | - | 1.24 | 0.45 | 37.38 | 5.04 | 370.85 | - | 192.91 | 4,411.73 |
| Deletion on account of discontinued operations | - | - | (202.94) | (1.05) | (3.92) | - | - | - | - | - | - | - | - | (207.91) |
| Disposals | - | (0.01) | (33.44) | (0.09) | (3.22) | - | - | - | - | - | (472.06) | (31.84) | (194.89) | (735.55) |
| Balance at 31 March 2018 | - | 2,027.18 | 8,131.23 | 634.15 | 682.22 | 58.27 | 8.71 | 2.86 | 605.14 | 12.86 | 616.31 | - | 360.15 | 13,139.08 |
| Depreciation for the year | - | 673.28 | 2,723.56 | 230.95 | 59.13 | - | 0.83 | 0.01 | 0.78 | 2.52 | 486.12 | - | 166.46 | 4,343.64 |
| Disposals | - | - | (67.60) | (19.62) | (17.71) | - | - | - | (8.90) | - | (279.87) | - | (180.44) | (574.14) |
| Balance at 31 March 2019 | - | 2,700.46 | 10,787.19 | 845.48 | 723.64 | 58.27 | 9.54 | 2.87 | 597.02 | 15.38 | 822.56 | - | 346.17 | 16,908.58 |
| Carrying value (net) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 March 2018 | 988.72 | 13,640.53 | 13,464.15 | 768.84 | 95.79 | - | 1.26 | 0.01 | 0.89 | 374.31 | 609.66 | - | 357.54 | 30,301.70 |
| As at 31 March 2019 | 988.72 | 12,991.45 | 12,027.03 | 738.35 | 108.27 | - | 0.43 | - | 0.11 | 371.79 | 1,082.72 | - | 271.44 | 28,580.31 |
| Capital work-in-progress | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2017 | - | - | - | - | - | - | - | - | - | - | - | - | - | 279.74 |
| Additions during the year | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,039.41 |
| Capitalised during the year | - | - | - | - | - | - | - | - | - | - | - | - | - | 727.78 |
| Balance at 31 March 2018 | - | - | - | - | - | - | - | - | - | - | - | - | - | 591.37 |
| Additions during the year | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,186.42 |
| Capitalised during the year | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,539.63 |
| Balance at 31 March 2019 | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,238.16 |

Note:

- (a) 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 had received a demand of Rs. 181.77 Lakhs from MIDC in the financial year 2011-12. 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 had filed a Civil writ petition in the High Court at Mumbai ("the Court"). The Court vide an Order dated 5 February 2015 granted interim relief to the Company by inter-alia directing MIDC to effect the change of name in its records subject to certain conditions mentioned in the order. During current financial year, the Company has paid The Standard Transfer Fee of INR 14,30,250 to MIDC duly acknowledged by MIDC. A formal transfer order is awaited from MIDC.
- (b) Also refer to note 14, 17, 27(a)

5 Intangible assets

(Rs. in lakhs)

| Particulars | Computer Software |
|---------------------------------|-------------------|
| Balance at 1 April 2017 | 137.74 |
| Additions | 23.38 |
| Balance at 31 March 2018 | 161.12 |
| Additions | 16.80 |
| Balance at 31 March 2019 | 177.92 |
| Accumulated amortisation | |
| Balance at 31 March 2017 | 88.45 |
| Amortisation for the year | 31.58 |
| Balance at 31 March 2018 | 120.03 |
| Amortisation for the year | 31.99 |
| Balance at 31 March 2019 | 152.02 |
| Carrying value (net) | |
| As at 31 March 2018 | 41.09 |
| As at 31 March 2019 | 25.90 |

6 Trade receivables

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|--------------------------------|------------------|------------------|
| Considered Good | | |
| Trade receivables - secured* | 699.82 | 976.54 |
| Trade receivables - unsecured | 59,552.92 | 57,396.07 |
| Less: Provision for impairment | (1,596.77) | (1,486.58) |
| Credit impaired | 3,142.99 | 2,341.45 |
| Less: Provision for impairment | (3,142.99) | (2,341.45) |
| Net trade receivables | 58,655.97 | 56,886.03 |
| Non-current | - | 77.26 |
| Current | 58,655.97 | 56,808.77 |
| | 58,655.97 | 56,886.03 |

*Secured against deposits received from customers.

Of the above, trade receivables from related parties are as below (also refer note 32):

| | | |
|---|---------------|---------------|
| Total trade receivables from related parties (also refer note 32) | 801.92 | 725.37 |
| Net trade receivables | 801.92 | 725.37 |

The Group's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in note 39.

7 Loans receivable

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---------------------------------|-----------------|-----------------|
| Non - current | | |
| Unsecured, considered good | | |
| Security deposits | 948.28 | 1,217.28 |
| Loans to employees | 26.96 | 20.41 |
| Unsecured, considered doubtful | | |
| Security Deposits | 67.51 | 67.51 |
| Less : Provision for impairment | (67.51) | (67.51) |
| | 975.24 | 1,237.69 |
| Current | | |
| Unsecured, considered good | | |
| Security deposits | 424.20 | 157.49 |
| Loans to employees | 48.47 | 59.57 |
| Unsecured, considered doubtful | | |
| Security Deposits | 15.40 | 15.40 |
| Less : Provision for impairment | (15.40) | (15.40) |
| | 472.67 | 217.06 |
| | 1,447.91 | 1,454.75 |

8 Other financial assets

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Current | | |
| Unsecured, considered good | | |
| Unbilled revenue | 1,371.83 | 1,192.03 |
| Interest accrued but not due | - | 620.82 |
| Others receivables from related parties (refer note 32) | 1,869.20 | 2,488.85 |
| Others receivables | 6.43 | 21.48 |
| | 3,247.46 | 4,323.18 |

9 Other assets

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|------------------|-----------------|
| Non current | | |
| Capital advances | 796.36 | 28.55 |
| <i>Advances other than capital advances</i> | | |
| Payments under protest* | | |
| Unsecured, considered good | 5,001.09 | 4,031.03 |
| Unsecured, considered doubtful | 284.80 | 272.03 |
| Less: Allowance for doubtful advances | (284.80) | (272.03) |
| | 5,797.45 | 4,059.58 |
| Current | | |
| Prepayments | 956.88 | 724.73 |
| Advance for supply of goods | 1,329.90 | 499.68 |
| Balances with government authorities | | |
| Unsecured, considered good | 4,146.50 | 2,020.49 |
| Unsecured, considered doubtful | 554.04 | 796.40 |
| Less : Allowance for doubtful receivables | (554.04) | (554.04) |
| | 6,433.28 | 3,487.26 |
| | 12,230.73 | 7,546.84 |

* The above payments represents deposits given to government authorities.

10 Inventories*

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| Raw materials | 12,567.85 | 10,675.43 |
| [Including in - transit Rs. 3,692.98 lakhs (2018: Rs. 3,748.63 lakhs)] | | |
| Packing materials | 737.90 | 604.98 |
| Work-in-progress | 1,609.33 | 1,515.35 |
| Finished goods | 14,010.95 | 13,157.56 |
| Stock-in-trade | 12,200.37 | 10,794.22 |
| [Including in - transit Rs. 4,501.00 lakhs (2018: Rs. 5,028.91 lakhs)] | | |
| | 41,126.40 | 36,747.54 |

* Refer note 3(g) for mode of valuation of inventories

The write down of inventories to net realisable value during the year amounted to Rs. 283.73 lakhs (31 March 2018 : Rs. 193.36 lakhs). The provision estimated by the management for obsolete stock during the year amounted to Rs. 902.72 lakhs (31 March 2018 : Rs. 822.99 lakhs). The write down, reversal and provision for obsolete stock are included in the costs of materials consumed or changes in inventories of finished goods and work-in-progress.

11 Cash and cash equivalents

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| <i>Balances with banks</i> | | |
| - In current accounts | 55,746.66 | 22,465.25 |
| - Deposit accounts (original maturity of less than three months) | - | 63,000.00 |
| | 55,746.66 | 85,465.25 |

12 Share capital

(Rs. in lakhs except for number of shares)

| As at | 31 March 2019 | 31 March 2018 |
|--|-----------------|-----------------|
| Authorised : | | |
| Equity shares | 1,126.51 | 1,126.51 |
| [1,12,65,070 equity shares of Rs. 10/- each (31 March 2018 : 1,12,65,070 equity shares of Rs. 10/- each)] | | |
| | 1,126.51 | 1,126.51 |
| Issued, subscribed and paid up: | | |
| Equity shares fully paid up | 1,126.51 | 1,126.51 |
| [1,12,65,070 equity shares of Rs. 10/- each (31 March 2018 : 1,12,65,070 equity shares of Rs. 10/- each)] | | |
| | 1,126.51 | 1,126.51 |

(a) Reconciliation of shares outstanding at the beginning and at the end of the reporting year

| | 31 March 2019 | | 31 March 2018 | |
|--|--------------------|-----------------|--------------------|-----------------|
| | Number of shares | Amount | Number of shares | Amount |
| Opening balance at the beginning of the year | 1,12,65,070 | 1,126.51 | 1,12,65,070 | 1,126.51 |
| Shares issued during the year | - | - | - | - |
| Closing balance at the end of the year | 1,12,65,070 | 1,126.51 | 1,12,65,070 | 1,126.51 |

(b) Rights, preferences and restrictions attached to the equity shares

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

(c) Shares held by holding Company

| | 31 March 2019 | | 31 March 2018 | |
|-----------------|------------------|--------|------------------|--------|
| | Number of shares | Amount | Number of shares | Amount |
| 3M Company, USA | 84,48,802 | 844.88 | 84,48,802 | 844.88 |

(d) Details of shareholders holding more than 5 % of total number of equity shares

| | 31 March 2019 | | 31 March 2018 | |
|-----------------------------------|------------------|-----------|------------------|-----------|
| | Number of shares | % holding | Number of shares | % holding |
| 3M Company, USA (Holding Company) | 84,48,802 | 75% | 84,48,802 | 75% |

- (e) There has been no buyback of shares, issues of shares by way of bonus shares or issue of shares pursuant to contract without payment being received in cash for the period of five years immediately preceeding the date of the balance sheet.

13 Other equity*(Rs. in lakhs)*

| As at | 31 March 2019 | 31 March 2018 |
|--|-------------------|-------------------|
| Securities premium reserve | 949.90 | 949.90 |
| General reserve | 303.98 | 303.98 |
| Remeasurment of defined benefit plans, net of tax effect | (360.55) | (354.18) |
| Retained earnings | 141,263.73 | 104,645.74 |
| | <u>142,157.06</u> | <u>105,545.44</u> |

Nature and purpose of other equity**(i) Securities premium reserve**

Securities premium reserve is used to record the premium received on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

(ii) Retained earnings:

The cumulative gain or loss arising from the operations which is retained by the Group is recognised and accumulated under the heading of retained earnings. At the end of the year, the profit after tax is transferred from the statement of profit and loss to retained earnings. Also refer note 42.

(iii) Other comprehensive income:

Differences between the interest income on plan assets and the return actually achieved, and any changes in the liabilities over the year due to changes in actuarial assumptions or experience adjustments within the plans, are recognised in 'Other equity' and subsequently not reclassified to the Statement of Profit and Loss and will be reclassified to retained earnings.

14 Borrowings*(Rs. in lakhs)*

| As at | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Secured | | |
| Long term maturities of finance lease obligations (refer note below) | 760.54 | 523.93 |
| | <u>760.54</u> | <u>523.93</u> |

Note: Rate of interest for finance lease obligations ranges from 2.77% to 13.90% per annum. Finance lease obligations are secured by hypothecation of assets underlying the leases. Finance lease obligations are payable on monthly / quarterly payment of equated monthly installments beginning from the month subsequent to taking the lease. Period of maturity for the lease obligations of vehicles is 4 years and for equipments it ranges from 2 years to 5 years. Also refer note 27(a).

15 Provisions

(Rs. in lakhs)

| As at | 31 March 2019 | | 31 March 2018 | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Current | Non current | Current | Non current |
| Provision for employee benefits | | | | |
| Gratuity (refer note 31(b)) | - | 2,301.65 | - | 1,725.06 |
| Compensated absences | 63.67 | 497.89 | 64.08 | 484.12 |
| Others (refer note 37) | | | | |
| Provision for warranty | - | - | 12.20 | 69.43 |
| Provision for asset retirement obligation | - | 90.55 | - | 90.50 |
| Sales tax, service tax and other issues | 3,516.85 | - | 2,483.31 | - |
| Provision for credit notes and sales return | 3,601.77 | - | 4,303.91 | - |
| | <u>7,182.29</u> | <u>2,890.09</u> | <u>6,863.50</u> | <u>2,369.11</u> |

16 Trade payables

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Total outstanding dues to micro and small enterprises (Refer note below) | 2,098.21 | 1,293.36 |
| Total outstanding dues to creditors other than micro and small enterprises* | 33,483.33 | 34,364.26 |
| | <u>35,581.54</u> | <u>35,657.62</u> |

Note

- The principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year:

| | | |
|-------------|----------|----------|
| - Principal | 2,098.21 | 1,293.36 |
| - Interest | 39.65 | 23.72 |
- The amount of interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 alongwith the amount of the payment made to the supplier beyond the appointed date during the year:

| | | |
|-------------|-----------|----------|
| - Interest | - | - |
| - Principal | 13,418.75 | 1,300.64 |
- 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 year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.

| | | |
|--|---|---|
| | - | - |
|--|---|---|
- The amount of interest accrued and remaining unpaid at the end of each accounting year.

| | | |
|--|-------|-------|
| | 40.80 | 25.61 |
|--|-------|-------|
- The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

| | | |
|--|--------|-------|
| | 131.81 | 91.01 |
|--|--------|-------|

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

* Includes due to related party (refer note 32)

The Group's exposure to currency and liquidity risks related to trade payables is disclosed in note 39.

17 Other financial liabilities

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Current maturities of finance lease obligations (refer note 14) | 618.96 | 483.57 |
| Deposits from customers | 983.17 | 999.76 |
| Creditors for capital goods | 40.80 | 134.51 |
| Payroll related liabilities | 5,349.98 | 6,074.30 |
| Intercompany payables (refer note 32) | 1,543.65 | 1,562.00 |
| Accrued expenses | 6,980.77 | 6,322.29 |
| Other payables | 512.93 | 246.94 |
| Payable to subsidiary Company's Shareholders (refer note 42) | - | 58,470.00 |
| | 16,030.26 | 74,293.37 |

The Groups exposure to currency and liquidity risks related to other financial liabilities is disclosed in note 39.

18 Other current liabilities

(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|------------------------|-----------------|-----------------|
| Advance from customers | 307.66 | 636.44 |
| Statutory liabilities | 3,939.01 | 2,042.45 |
| Other Liabilities | 21.63 | 84.98 |
| | 4,268.30 | 2,763.87 |

19 Revenue from operations

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---------------------------|-------------------|-------------------|
| Sale of products | | |
| Finished goods | 167,622.88 | 148,196.94 |
| Traded goods | 129,379.79 | 121,458.03 |
| Sale of services* | 4,435.59 | 3,670.29 |
| Other operating revenue | | |
| Income from duty drawback | 111.43 | - |
| Scrap sales | 132.55 | 93.56 |
| | 301,682.24 | 273,418.82 |

* Sale of services includes income from contract research Rs. 2,794.01 lakhs (31 March 2018 : Rs. 2,491.51 lakhs) (refer note 29 (c)) and management support service fee of Rs. 1,672.32 lakhs (31 March 2018 : Rs. 1,178.78 lakhs).

Disaggregation of revenue from operations:

| Business Segments | 31 March 2019 | 31 March 2018 |
|---|--------------------|--------------------|
| Industrial | 1,17,540.64 | 1,10,566.28 |
| Health Care | 42,705.35 | 40,062.92 |
| Safety and Graphics | 71,255.90 | 66,091.17 |
| Consumer | 30,348.57 | 27,286.70 |
| Electronics & Energy | 36,751.02 | 27,783.80 |
| Others | 3,080.76 | 1,627.95 |
| Total | 3,01,682.24 | 2,73,418.82 |
| Contracted Price | 3,19,288.21 | 2,90,581.98 |
| Less: Reduction towards volume rebates | (11,732.76) | (10,195.43) |
| Less: Reduction primarily towards sales returns | (5,873.21) | (6,967.73) |
| Revenue recognised | 3,01,682.24 | 2,73,418.82 |

While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially satisfied) performance obligations, along with the broad time band for the expected time to recognize those revenues, the Group has applied the practical expedient in Ind AS 115. Accordingly, the Group has not disclosed the aggregate transaction price allocated to unsatisfied (or partially satisfied) performance obligations which pertain to contracts where revenue recognised corresponds to the value transferred to customer typically involving event based contracts.

20 Other income (Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Interest income from financial assets carried at amortised cost | 2,853.45 | 3,658.62 |
| Liabilities no longer required written back, net | 777.98 | 534.39 |
| Profit on sale of property, plant and equipment | 51.69 | 2.07 |
| Exchange gain on foreign currency transactions, net* | - | 280.29 |
| Others | - | 3.45 |
| | 3,683.12 | 4,478.82 |

* Includes unrealised gain amounting to Rs. Nil (31 March 2018: Rs. 17.22 lakhs)

21 Cost of materials consumed (Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Inventory of materials at the beginning of the year | 11,280.41 | 10,938.53 |
| Add: Purchases | 95,879.57 | 87,021.84 |
| Less: Inventory of materials at the end of the year | (13,305.75) | (11,280.41) |
| | 93,854.23 | 86,679.96 |

22 Purchases of stock-in-trade (Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|--------------------------------------|------------------|------------------|
| Abrasive | 7,710.81 | 6,683.00 |
| Fusion bonded epoxy coating | 4,319.83 | 2,921.37 |
| Medical surgical and dental products | 5,092.46 | 4,591.21 |
| Self adhesive films | 21,435.45 | 16,567.73 |
| Others | 29,958.27 | 24,374.11 |
| | 68,516.82 | 55,137.42 |

23 Changes in inventories of finished goods, stock-in-trade and work-in-progress (Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|-------------------|-------------------|
| Opening inventory | | |
| - Finished goods | 13,157.56 | 8,464.41 |
| - Stock-in-trade | 10,794.22 | 15,118.38 |
| - Work-in-progress | 1,515.35 | 1,152.92 |
| | 25,467.13 | 24,735.71 |
| Closing inventory | | |
| - Finished goods | 14,010.95 | 13,157.56 |
| - Stock-in-trade | 12,200.37 | 10,794.22 |
| - Work-in-progress | 1,609.33 | 1,515.35 |
| | 27,820.65 | 25,467.13 |
| (Increase) in inventory | (2,353.52) | (731.42) |
| Less : Excise duty on opening stock of finished goods | - | (797.91) |
| Add : Excise duty on closing stock of finished goods | - | - |
| Increase/ (decrease) in excise duty | - | (797.91) |
| | (2,353.52) | (1,529.33) |

24 Employee benefits expense
(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Salaries, wages and bonus | 28,563.52 | 28,410.00 |
| Contribution to provident and other funds (refer note 31) | 2,143.94 | 2,099.73 |
| Share based payment expenses (refer note 30) | 60.35 | 3,012.20 |
| Staff welfare expenses | 2,253.07 | 2,083.02 |
| | 33,020.88 | 35,604.95 |

25 Finance costs
(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Finance costs on finance lease obligations | 44.44 | 73.13 |
| Interest expense on financial liability measured at amortised cost | 64.74 | 32.82 |
| Interest on shortfall of advance tax | - | 88.12 |
| Other interest expenses | 3.08 | 8.85 |
| | 112.26 | 202.92 |

26 Other expenses
(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| Consumption of stores and spares | 854.17 | 666.91 |
| Power and fuel | 1,811.22 | 1,605.30 |
| Water charges | 35.10 | 32.15 |
| Rent (refer note 27(b)) | 1,986.20 | 1,942.30 |
| Repairs and maintenance | | |
| - Plant and machinery | 839.11 | 712.49 |
| - Building | 458.42 | 500.93 |
| - Others | 126.34 | 199.95 |
| Insurance | 228.56 | 264.11 |
| Rates and taxes | 1,399.21 | 468.53 |
| Communication expenses | 263.26 | 248.10 |
| Travel and conveyance | 3,303.75 | 3,166.26 |
| Legal and professional charges (refer note (a) below) | 1,053.39 | 1,265.70 |
| Selling, distribution and advertisement expenses | 8,679.03 | 7,036.39 |
| Commission | 396.01 | 529.85 |
| Freight outward | 6,244.53 | 5,687.82 |
| Royalty (refer note 29 (a)) | 5,472.36 | 3,448.02 |
| Corporate management fees (refer note 29 (b)(i)) | 13,180.95 | 10,985.60 |
| Directors' sitting fees | 9.40 | 0.12 |
| Contract Services | 896.79 | 536.05 |
| Provision for doubtful debts (net of write back) | 1,073.01 | 1,257.34 |
| Exchange loss on foreign currency transactions, net* | 1,580.88 | - |
| Expenditure towards corporate social responsibility activities (refer note 34) | 807.05 | 564.51 |
| Loss on sale of fixed assets | 1.40 | 8.91 |
| Miscellaneous expenses | 4,385.02 | 4,101.21 |
| | 55,085.17 | 45,228.55 |

*Includes unrealised gain Rs. 418.94 lakhs (31 March 2018 Rs.: Nil)

(a) Payment to auditors #

| | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| As auditors: | | |
| Audit fee | 109.00 | 75.00 |
| Tax audit fee | 11.00 | 9.50 |
| In other capacity: | | |
| Reimbursement of out-of-pocket expenses | 3.83 | 0.78 |
| Total | 123.83 | 85.28 |

#Excluding goods and service tax.

27 (a) Finance lease obligations

The Group has taken vehicles, leasehold improvements and data processing equipment under finance lease agreements. The minimum lease rental payments under the finance leases are as under:

(Rs. in lakhs)

| | 31 March 2019 | | | 31 March 2018 | | |
|----------------------------|-------------------------------------|-------------------------|---|-------------------------------------|-------------------------|---|
| | Future minimum lease payments (MLP) | Interest element of MLP | Present value of minimum lease payments | Future minimum lease payments (MLP) | Interest element of MLP | Present value of minimum lease payments |
| Within less than one year | 655.43 | 36.47 | 618.96 | 526.16 | 42.59 | 483.57 |
| Between one and five years | 788.90 | 28.36 | 760.54 | 554.32 | 30.40 | 523.92 |
| | 1,444.33 | 64.83 | 1,379.50 | 1,080.48 | 72.99 | 1,007.49 |

27 (b) Operating leases**A. Leases as lessee**

The Group has taken office premises, warehouse and residential premises 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.

i. Future minimum lease payments

At 31 March, the future minimum lease payments to be made under non-cancellable operating leases are as follows:

| | 31 March 2019 | 31 March 2018 |
|------------------------------------|-----------------|-----------------|
| Payable in less than one year | 1,385.64 | 1,599.86 |
| Payable between one and five years | 1,546.30 | 2,412.17 |
| | 2,931.94 | 4,012.03 |

ii. Amounts recognised in profit or loss

| | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Lease expenses – minimum lease payments | 1,986.20 | 1,942.30 |
| | 1,986.20 | 1,942.30 |

28 Earnings per share

(Rs. in lakhs except for number of shares)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| Net profit attributable to equity shareholders (for continuing operations) | 34,314.50 | 32,330.10 |
| Weighted average number of equity shares outstanding during the year | 1,12,65,070 | 1,12,65,070 |
| Nominal value of equity shares (Rs.) | 10.00 | 10.00 |
| Basic earnings per share (Rs.) | 304.61 | 286.99 |
| Diluted earnings per share (Rs.) | 304.61 | 286.99 |
| For the year ended | 31 March 2019 | 31 March 2018 |
| Net profit attributable to equity shareholders (for discontinued operations) | 2,303.49 | 1,004.98 |
| Weighted average number of equity shares outstanding during the year | 1,12,65,070 | 1,12,65,070 |
| Nominal value of equity shares (Rs.) | 10.00 | 10.00 |
| Basic earnings per share (Rs.) | 20.45 | 8.92 |
| Diluted earnings per share (Rs.) | 20.45 | 8.92 |
| For the year ended | 31 March 2019 | 31 March 2018 |
| Net profit attributable to equity shareholders (for total operations) | 36,617.99 | 33,335.08 |
| Weighted average number of equity shares outstanding during the year | 1,12,65,070 | 1,12,65,070 |
| Nominal value of equity shares (Rs.) | 10.00 | 10.00 |
| Basic earnings per share (Rs.) | 325.06 | 295.91 |
| Diluted earnings per share (Rs.) | 325.06 | 295.91 |

29 Inter Company agreements and arrangements

- a) *Intellectual property agreement* – The Group has entered into Intellectual Property agreement with 3M Innovative Properties Company and 3M Company, USA effective 1 July 2006 for the payment of license fees in the form of royalties. Payments were waived off for a period of 3 years effective from 1 July 2006 to 30 June 2009. These payments have been reinstated with effect from 1 July 2009. The Intellectual Property Agreement with 3M Innovative Properties Company and 3M Company, USA has been revised effective 1 July 2013. Accordingly, the group has incurred an expenditure of Rs. 5,472.36 lakhs for the year ended 31 March 2019 (31 March 2018: Rs. 3,448.02 lakhs).
- b)(i) *Support services/ corporate management fees* - The Group 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 1 April 2009. The Group 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 Group with 3M Asia Pacific Pte Limited dated 1 January 2003 which was terminated on 31 March 2009.

The Group has also entered into support services agreement with 3M Hong Kong Ltd with effect from 1 January 2011. The Group 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 Group with 3M Company USA dated 1 April 2009.

The Group has incurred the following expenditure:

| | (Rs. in lakhs) | |
|--|------------------|------------------|
| | 31 March 2019 | 31 March 2018 |
| - Laboratory and technical assistance manufacturing services | 1,214.51 | 1,025.04 |
| - Selling and marketing services | 5,954.84 | 5,376.09 |
| - Information technology services | 3,045.78 | 2,863.60 |
| - Other managerial services | 2,965.82 | 1,720.87 |
| | 13,180.95 | 10,985.60 |
| - Foreign services employees expense are included in employee costs amounting to | 919.81 | 438.55 |

The Group has accrued an amount of Rs. 3,574.97 lakhs (31 March 2018 : Rs. 3,070.69 lakhs) in respect of estimated liability for the above services during period 1 January 2019 to 31 March 2019, the actual liability would be ascertained by December 2019.

- (ii) The support service agreement enables the Group to recharge expenses relating to Foreign Service Employees (FSEs) of 3M Company and its affiliates. Accordingly the Group has charged Rs. 1,442.94 lakhs (31 March 2018 : Rs. 1,476.51 lakhs).
- c) *Contract research agreement* – The Group has entered into contract research agreement with 3M Innovative Properties Company and 3M Company, USA effective 1 July 2006 for carrying out contract research activities. During the year, Group has recognized an income of Rs. 2,794.01 lakhs (31 March 2018 : Rs. 2,491.51 lakhs).

30 Employee stock option plan

A. Description of share based payment arrangements

i) Share purchase plan (equity-settled)

3M Company, USA, the parent Company has offered 'General Employees Stock Purchase Plan' to all the employees of the Group, under which the employees of the Group are eligible to purchase the shares of 3M Company, USA at 85% of the market price of the share. Under the plan, the Group deducts the amount from the monthly salary of the employees and remits the amount to 3M Company, USA. In accordance with the plan, the Group during the year has deducted for remittance a sum of Rs. 351.03 lakhs (2018: Rs. 290.30 lakhs) and cumulatively amounting to Rs. 1,428.20 lakhs (2018: Rs. 1,077.17 lakhs) from the salary of the employees who have opted for the plan. As of the year end a sum of Rs. 43.25 lakhs (2018: Rs. 33.38 lakhs) is pending remittance to the holding Company and the same is included under 'Other financial liabilities' (refer note 17).

ii) Stock appreciation rights and Restricted stock units (cash-settled)

3M Company, USA has established 3M Company Long Term Incentive Plan (LTIP). As a part of the plan, Executive Directors and Senior Executives of the Group are eligible to acquire shares of 3M Company, USA 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. Exercise price of SARs and RSUs will be Nil. As of the year end a sum of Rs. 3,713.62 lakhs (2018: Rs. 4,570.16 lakhs) is liability and the same is included under 'Other financial liabilities' (refer note 17).

B. Measurement of fair values

The Group measures compensation expense for stock appreciation rights (SARs) at their fair value determined using Black - Scholes Model and restricted stock units (RSUs) based on fair market value of shares of 3M Company, USA on the date of the grant.

The fair value of the cash settled SARs and the inputs used in the measurement of fair value at grant date and measurement date of the SARs are as follows:

| | 31 March 2019 | 31 March 2018 |
|-----------------------------|---------------|---------------|
| Fair value (in \$) | 38.93 | 36.23 |
| Share price (in \$) | 201.12 | 233.63 |
| Expected volatility (%) | 20.35% | 21.04% |
| Expected life (years) | 6.55 years | 6.54 years |
| Expected dividends (%) | 2.50% | 2.44% |
| Risk free interest rate (%) | 2.58% | 2.66% |

The expected term of the SARs is estimated based on the vesting term and contractual term of the SARs, as well as expected exercise behaviour of the employee who receives the SAR. Expected volatility during the expected term is based on historical volatility of the observed market prices of the 3M Company USA's publicly traded equity shares particularly over the historical period commensurate with the expected term.

C. Reconciliation of outstanding share options

The activity in the cash-settled share based payment transactions during the year ended 31 March 2019 is set out below:

| | 31 March 2019 | | 31 March 2018 | |
|---------------------------------|-------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
| | Shares arising out of options | Weighted average exercise price (Rs.) | Shares arising out of options | Weighted average exercise price (Rs.) |
| Stock appreciation right | | | | |
| Outstanding at the beginning | 78,558 | - | 85,499 | - |
| Granted | 9,967 | - | 9,824 | - |
| Forfeited and expired | - | - | - | - |
| Exercised | 11,818 | - | 16,765 | - |
| Outstanding at the end | <u>76,707</u> | - | <u>78,558</u> | - |
| Exercisable at the end | 61,980 | | 62,010 | |
| Restricted stock unit | | | | |
| Outstanding at the beginning | 8,141 | - | 10,027 | - |
| Granted | 2,578 | - | 1,991 | - |
| Forfeited and expired | 304 | - | - | - |
| Exercised | 3,937 | - | 3,877 | - |
| Outstanding at the end | <u>6,478</u> | - | <u>8,141</u> | - |
| Exercisable at the end | 3,738 | | 5,248 | |

D. Expense recognised in Statement of profit and loss

An amount of Rs. 60.35 lakhs (31 March 2018: Rs. 3,012.20 lakhs) has been debited to the consolidated statement of profit and loss for the year and included under Employee benefits expense.

E. The weighted average share price at the date of exercise with regards to SARs and RSUs exercised during the year is USD 203.96 and USD 199.22 respectively.

The above disclosures have been made to the extent information is available with the Group.

31 Employee benefits**(a) Defined contribution plan**

The Group offers its employees defined contribution plans in the form of Provident Fund (PF), Superannuation Fund (SF), Employees' State Insurance (ESI). Contribution to SF is made to 3M India Limited Employees Superannuation Fund Trust and 3M E&C Employees India Superannuation Fund Trust. Other contributions are made to the Government's funds. While both the employees and the Group pay predetermined contributions into the Provident Fund and the ESI Scheme, contributions into superannuation fund are made only by the Group. The contributions are normally based on a certain proportion of the employee's salary.

During the year, the Group has recognised the following amounts in the consolidated statement of profit and loss, which are included in contribution to provident and other funds:

| (Rs. in lakhs) | | |
|--------------------------------------|-----------------|-----------------|
| Benefits (contribution to) | 31 March 2019 | 31 March 2018 |
| Provident fund | 1,431.78 | 1,414.65 |
| Superannuation fund | 144.66 | 133.44 |
| Employee State Insurance Corporation | 0.70 | 5.63 |
| | <u>1,577.14</u> | <u>1,553.72</u> |

(b) Defined benefit plan

The Group provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Company. The Group contributes all ascertained liabilities towards gratuity to the 3M India Limited Employees Gratuity Fund Trust and 3M E&C Employees Gratuity Fund Trust. Trustees administer contributions made to the trust. As of 31 March 2019 and 31 March 2018, the plan assets have been primarily invested in insurer managed funds.

| (Rs. in lakhs) | | |
|--|------------------------|------------------------|
| A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation | 31 March 2019 | 31 March 2018 |
| Obligation at the beginning of the year | 4,283.69 | 3,881.86 |
| Current service cost | 435.69 | 414.28 |
| Interest cost | 314.67 | 272.26 |
| Actuarial loss / (gains) - experience | (38.00) | 239.66 |
| Actuarial loss / (gains) - financial assumptions | - | (161.04) |
| Benefits paid | (302.87) | (363.33) |
| Obligation at the end of the year | <u>4,693.18</u> | <u>4,283.69</u> |
| B. Reconciliation of opening and closing balances of the fair value of plan assets | 31 March 2019 | 31 March 2018 |
| Plan assets at the beginning of the year | 2,558.63 | 2,051.87 |
| Interest income on plan assets | 183.56 | 140.53 |
| Contribution by the Company | 0.06 | 682.09 |
| Remeasurements- Return on plan assets excluding amounts included in interest income | (47.85) | 47.47 |
| Benefits paid | (302.87) | (363.33) |
| Plan assets at the end of the year | <u>2,391.53</u> | <u>2,558.63</u> |
| C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognized in the Balance Sheet | 31 March 2019 | 31 March 2018 |
| Present value of obligation at the end of the year | 4,693.18 | 4,283.69 |
| Fair value of plan assets at the end of the year | (2,391.53) | (2,558.63) |
| Liability / (net asset) recognised in balance sheet | <u>2,301.65</u> | <u>1,725.06</u> |

(Rs. in lakhs)

| D. Expenses recognized in the Statement of profit and loss | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current service cost | 435.69 | 414.28 |
| Interest cost | 314.67 | 272.26 |
| Interest income on plan assets | (183.56) | (140.53) |
| | 566.80 | 546.01 |
| E. Remeasurements recognized in Other comprehensive income | 31 March 2019 | 31 March 2018 |
| Actuarial losses / (gains) on defined benefit obligation | (38.00) | 78.62 |
| Actuarial losses / (gains) on plan assets | 47.85 | (47.47) |
| | 9.85 | 31.15 |
| F. Investment details of plan assets | 31 March 2019 | 31 March 2018 |
| Government securities | 0.00% | 0.00% |
| High quality corporate bonds (including public sector bonds) | 0.00% | 0.00% |
| Equity shares of listed companies | 0.00% | 0.00% |
| Property | 0.00% | 0.00% |
| Cash (including Special deposits) | 3.15% | 3.88% |
| Fund balance with Insurance companies | 96.85% | 96.12% |
| | 100.00% | 100.00% |
| G. Assumptions | 31 March 2019 | 31 March 2018 |
| Discount rate (per annum) | 7.60% | 7.60% |
| Rate of escalation in salary (per annum) | 6.00% | 6.00% |
| Retirement age (in years) | 60 years | 60 years |
| Mortality rates | Indian Assured Lives Mortality (2006-08) (modified) Ult. | Indian Assured Lives Mortality (2006-08) (modified) Ult. |
| Withdrawal rates | | |
| Under 30 years | 15.00% | 15.00% |
| 31-34 years | 10.00% | 10.00% |
| 35-44 years | 5.00% | 5.00% |
| 45-50 years | 3.00% | 3.00% |
| 51-54 years | 2.00% | 2.00% |
| 55-60 years | 1.00% | 1.00% |
| H. Sensitivity analysis | 31 March 2019 | 31 March 2018 |
| The sensitivity analysis of significant actuarial assumptions as of end of reporting period is shown below. | | |
| A. Discount rate | | |
| Effect on defined benefit obligation due to 1% increase in discount rate | (386.65) | (364.01) |
| Effect on defined benefit obligation due to 1% decrease in discount rate | 446.70 | 421.28 |
| B. Salary escalation rate | | |
| Effect on defined benefit obligation due to 1% increase in Salary escalation rate | 449.66 | 424.08 |
| Effect on defined benefit obligation due to 1% decrease in Salary escalation rate | (395.75) | (372.57) |

(Rs. in lakhs)

| I. Maturity profile of defined benefit obligation | Amounts |
|---|----------|
| 1. March 31, 2020 | 261.26 |
| 2. March 31, 2021 | 409.91 |
| 3. March 31, 2022 | 440.94 |
| 4. March 31, 2023 | 508.25 |
| 5. March 31, 2024 | 301.28 |
| 6. March 31, 2025 to March 31, 2029 | 3,615.24 |

Notes :

- The discount rate is based on the prevailing market yield on Government securities as at the balance sheet date for the estimated term of obligations.
- The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- As per the best estimate of the management, contribution of Rs. Nil (31 March 2018 : Rs. Nil) is expected to be paid to the plans during the year ending 31 March 2020.

32 Related party transaction

Names of related parties and nature of relationship:

| | | |
|---|--|---|
| i) Holding company | 3M Company, USA | |
| ii) Wholly owned subsidiary | 3M Electro & Communication India Private Limited (w.e.f. 27 December 2018) | |
| iii) Fellow subsidiaries (with whom transactions have occurred during the year) | 3M China Limited | 3M Belgium S.A./N.V. |
| | 3M Thailand Limited | 3M Mexico, S.A. de C.V. |
| | 3M France S.A.S. | 3M Singapore Pte. Ltd. |
| | 3M Gulf Limited | Sumitomo 3M Limited |
| | 3M APAC RDC Pte Limited | 3M Film Construction(Shanghai) Co Limited |
| | 3M Argentina S.A.C.I.F.I.A. | 3M Taiwan Limited |
| | 3M Australia Pty. Limited | 3M Technologies (S) Pte Ltd |
| | 3M Canada Company | 3M Philippines, Inc. |
| | 3M Do Brasil Limitada | 3M Pakistan Private Limited |
| | 3M EMEA, GmbH | 3M Cogent Systems (Shenzhen) Inc. |
| | 3M Espana, S.A. | 3M International Trading (Shanghai) Co., Ltd. |
| | 3M Hong Kong Limited | 3M Panama S.A |
| | 3M Innovation Singapore Pte Limited | 3M Speciality Materials (Shanghai) Co. Ltd. |
| | 3M Italia S.P.A. | 3M Traffic Manufacturing (Shanghai) Co. Ltd. |
| | 3M Malaysia Sdn. Bhn. | 3M Vietnam Limited |
| | 3M International Group B.V. | 3M Hellas Limited |
| | 3M Svenska AB | 3M Kenya Ltd. |
| | 3M Sanayi AS Ticaret | 3M Germany Hilden GmbH |

| | | |
|---|---|--|
| | 3M Korea Limited | 3M Innovation (Thailand) Co. Ltd. |
| | 3M Korea Health & Safety Ltd | 3M UK Holdings Limited |
| | 3M Korea High Tech, Korea | 3M Wendt GmbH |
| | 3M United Kingdom PLC | 3M Winterthur Technologies AG |
| | 3M ESPE Dental AG | 3M Touch System Singapore PTE |
| | EMFI SAS | 3M South Africa (Pty) Ltd |
| | Dyneon GmbH | 3M Afrique Francophone |
| | 3M Unitek Corporation | 3M Panama Pacifico S Der L. |
| | 3M Material Tech(Guangzhou) Co., Limited | 3M Peru S.A |
| | 3M Wroclaw SP. Z O.O. | 3M Technologies (S) Private Limited |
| | 3M Sweden | Cuno Inc (USA) |
| | Wendt Boart S.A | Cuno K.K (Japan) |
| | 3M Saudi Arabia | Cuno Pacific Pty Ltd Australia |
| | 3M Chile | Cuno Shanghai Co Ltd (China) |
| | 3M Cn Shenzhen China | Cuno 3M Germany |
| | 3M Colombia S.A | Cuno 3M Poland |
| | 3M South Asia Manufacturing Company Private Limited | Cuno 3M Trading Shanghai China |
| | 3M Telecommunications, France | Dyneon B.V. |
| | 3M Lanka Private Limited | Cuno Europe (France) |
| iv) Post employment benefit plan entities | 3M India Limited Employees Gratuity Fund Trust | 3M India Limited Employees Superannuation Fund Trust |
| | 3M E&C Employees Gratuity Fund Trust | 3M E&C Employees Superannuation Fund Trust |

v) Key management personnel

Executive Directors

Debarati Sen (Managing Director)

B V Shankaranarayana Rao (Whole- time Director)

Non-executive Directors

Amit Laroya

Bharat D. Shah

Biren Gabhawala

Radhika Rajan

Albert C. Wang (Resigned effective 21 August 2018)

Sadhana Kaul (Appointed effective 31 October 2018)

Ramesh Ramadurai

Manuel B. Pardo (Resigned effective 26 May 2017)

Jongho Lee (Appointed effective 26 May 2017)

Others

Mamta Gore (Appointed effective 01 March 2018 as Chief Financial Officer)

Panagiotis Goulakos (Resigned effective 31 December 2017 as Chief Financial Officer)

V. Srinivasan (Company Secretary)

The details of the amounts due to or due from related parties are as follows:

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| Trade payables | | |
| 3M Company, USA | 8,132.67 | 7,711.60 |
| 3M APAC RDC Pte Limited | 2,156.56 | 1,969.61 |
| 3M Australia Pty. Limited | - | 0.31 |
| 3M Canada Company | 773.75 | 339.86 |
| 3M China Limited | 1,070.63 | 1,247.03 |
| 3M Do Brazil Limitada | 296.36 | 328.90 |
| 3M EMEA, GmbH | 2,188.65 | 3,054.86 |
| 3M France S.A.S. | - | 365.82 |
| 3M Germany Hilden GmbH | - | 2.93 |
| 3M Gulf Limited | - | 21.10 |
| 3M Hong Kong Limited | 2.96 | 32.07 |
| 3M Hellas Limited | - | 151.59 |
| 3M Innovation Singapore Pte Limited | 7,193.40 | 6,152.10 |
| 3M Singapore Pte Ltd. | 27.58 | - |
| 3M International Trading (Shanghai) Co. Ltd. | 16.97 | - |
| 3M Italia S.P.A. | - | 44.22 |
| 3M Korea | 598.00 | 856.78 |
| 3M Korea Health & Safety Ltd | - | 118.92 |
| 3M Korea High Tech Ltd, Korea | 331.10 | 217.16 |
| 3M Material Tech(Guangzhou) Co., Limited | 89.55 | 15.64 |
| 3M Panama Pacifico S Der L | 49.03 | - |
| 3M Panama S.A | - | 11.23 |
| 3M Philippines, Inc. | - | 3.12 |
| 3M Speciality Materials (Shanghai) Co. Ltd. | 275.52 | - |
| 3M Taiwan Limited | 19.38 | 21.47 |
| 3M Thailand Limited | 47.63 | 7.14 |
| 3M United Kingdom Plc | - | 2.48 |
| 3M Unitek Corporation | 20.51 | 72.77 |
| 3M Wroclaw Sp. Z O.O. | - | 9.27 |
| Dyneon GmbH | - | 14.53 |
| Dyneon B.V. | 16.27 | - |
| Emfi Sas | 314.10 | - |
| 3M Poland Sp. Z O.O | - | 1.94 |
| 3M South Africa Limited | 0.31 | 0.05 |
| Sumitomo 3M Limited | 1,980.60 | 2,377.09 |
| Cuno Filtration France | - | 0.28 |
| Cuno Pacific Pty Ltd Australia | 32.32 | 2.40 |
| P.T. 3M Indonesia | - | 0.02 |
| | 25,633.85 | 25,154.28 |
| Other financial liabilities | | |
| 3M Company, USA | 1,457.52 | 1,461.23 |
| 3M Singapore Pte. Ltd. | 86.13 | 100.77 |
| | 1,543.65 | 1,562.00 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| Trade receivables | | |
| 3M Company, USA | 14.62 | 95.33 |
| 3M Australia Pty Limited | 1.00 | - |
| 3M China Limited | - | 0.83 |
| 3M EMEA, GmbH | 96.78 | 140.21 |
| 3M Gulf Limited | 20.07 | 13.19 |
| 3M Hong Kong Limited | 15.52 | 8.29 |
| 3M Italia S.P.A. | - | 43.98 |
| 3M Korea Limited | - | 51.68 |
| 3M Lanka Private Limited | 44.06 | 68.58 |
| 3M Malaysia Sdn. Bhn. | 1.35 | - |
| 3M Pakistan Private Limited | - | 27.28 |
| 3M Philippines, Inc. | 0.04 | 9.31 |
| 3M Singapore PTE Ltd | 6.04 | 5.46 |
| 3M Speciality Materials (Shanghai) Co. Ltd. | 7.73 | 7.73 |
| 3M Sanayi As Ticaret | - | 20.42 |
| 3M Taiwan Limited | 6.14 | 0.30 |
| 3M Thailand Limited | 106.70 | 76.43 |
| 3M Vietnam Limited | 37.64 | 38.65 |
| 3M Saudi Arabia | 365.20 | - |
| 3M Afrique Francophone | - | 37.21 |
| 3M Telecommunications, France | 0.29 | 0.73 |
| 3M Chile | 19.91 | 4.92 |
| 3M Hellas Limited | - | 58.11 |
| 3M United Kingdom Plc | 1.75 | 6.95 |
| P.T. 3M Indonesia | 52.16 | 6.74 |
| 3M Peru S.A | 0.50 | - |
| Sumitomo 3M Limited | 4.42 | 3.04 |
| | 801.92 | 725.37 |
| Other financial assets | | |
| 3M Company, USA | 203.85 | - |
| 3M China Limited | 553.41 | 516.42 |
| 3M Kenya Ltd. | - | 12.20 |
| 3M Korea Limited | 462.19 | 492.34 |
| 3M Innovation Singapore Pte Ltd | - | 78.31 |
| 3M Thailand Limited | 35.98 | 26.53 |
| 3M Lanka Private Limited | - | 159.74 |
| P.T. 3M Indonesia | 213.67 | 292.64 |
| 3M Speciality Materials (Shanghai) Co. Ltd. | - | 22.94 |
| 3M United Kingdom Plc | - | 9.39 |
| 3M France S.A.S. | - | 96.68 |
| 3M Belgium S.A/N.V | - | 18.82 |
| 3M Argentina S.A.C.I.F.I.A. | - | 710.85 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| 3M Cogent Systems (Shenzhen) Inc. | - | 10.65 |
| 3M CN Shenzhen | - | 3.78 |
| Cuno Shanghai Co Ltd (China) | - | 0.96 |
| 3M APAC RDC Pte Limited | - | 0.04 |
| 3M International Trading (Shanghai) Co. Ltd. | 345.25 | 31.34 |
| 3M Technologies (S) Private Limited | - | 0.13 |
| 3M Telecommunications, France | - | 1.86 |
| 3M Malaysia Sdn. Bhn. | 27.37 | - |
| 3M South Asia Manufacturing Company Private Limited | 17.48 | - |
| 3M Traffic Manufacturing (Shanghai) Co. Ltd. | - | 3.23 |
| Lala Das Chandrashekar | 10.00 | - |
| | 1,869.20 | 2,488.85 |

Details of the related party transactions entered into by the Company are as follows:

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|-----------------|---------------|
| Remuneration paid to Key management personnel # | | |
| Debarati Sen | 567.70 | 474.96 |
| B V Shankaranarayana Rao | 224.44 | 183.53 |
| Mamta Gore | 364.62 | 15.33 |
| Panagiotis Goulakos | - | 179.74 |
| V. Srinivasan | 46.17 | 43.42 |
| | 1,202.93 | 896.98 |

Excludes contributions to employee retirement / post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis

Sitting fees and commission paid to Key management personnel

| Name of related party | 31 March 2019 | 31 March 2018 |
|-----------------------|---------------|---------------|
| Bharat D. Shah | 18.60 | 18.40 |
| Biren Gabhawala | 18.20 | 18.00 |
| Radhika Rajan | 17.60 | 17.00 |
| | 54.40 | 53.40 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| Sales of Products (net of returns) | | |
| 3M Company, USA | 220.49 | 333.03 |
| 3M Gulf Limited | 120.59 | 119.47 |
| 3M Thailand Limited | 448.02 | 304.66 |
| 3M Malaysia Sdn Bhd | 4.59 | 328.83 |
| 3M Korea Limited | 39.92 | 71.41 |
| P.T. 3M Indonesia | 144.46 | 50.13 |
| 3M Hellas Limited | 90.74 | 112.28 |
| 3M Italia S.P.A | - | 137.49 |
| 3M EMEA, GmbH | 416.92 | 355.96 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|------------------|-----------------|
| 3M Pakistan Private Limited | 35.55 | 61.83 |
| 3M Lanka Private Limited | 63.04 | 45.77 |
| 3M China Limited | 18.79 | 30.41 |
| 3M Hong Kong Limited | 54.26 | 12.88 |
| 3M Taiwan Limited | 6.18 | 0.30 |
| 3M Philippines, Inc | 0.04 | 25.56 |
| 3M Australia Pty. Limited | 2.02 | 10.55 |
| 3M Vietnam Limited | 164.93 | 139.25 |
| 3M Sanay AS Ticaret | - | 20.52 |
| 3M Singapore Pte. Ltd. | 7.82 | 10.53 |
| 3M Mexico, S.A. de C.V. | - | 1.74 |
| Sumitomo 3M Limited | 75.07 | 8.12 |
| 3M Saudi Arabia | 1,020.79 | 39.06 |
| 3M Afrique Francophone | - | 61.77 |
| 3M Chile S.A | 71.75 | 46.24 |
| 3M Argentina S.A.C.I.F.I.A | - | 1.53 |
| 3M Peru S.A | 0.50 | 19.58 |
| 3M United Kingdom Plc | - | 6.93 |
| 3M Colombia S.A | - | 25.94 |
| 3M Telecommunications, France | - | 0.26 |
| 3M Russia | - | 0.20 |
| 3M South Africa (Pty) Ltd | - | 0.19 |
| 3M Asia Pacific Pte. Ltd. | 0.38 | - |
| 3M Do Brasil Limitada | 61.33 | - |
| | 3,068.18 | 2,382.42 |
| Contributions during the year | | |
| 3M India Ltd Employees Gratuity Fund Trust | 0.06 | 500.06 |
| 3M India Ltd Employees Superannuation Fund Trust | 129.63 | 116.17 |
| 3M E&C Employees Gratuity Fund Trust | - | 182.03 |
| 3M E&C Employees Superannuation Fund Trust | 14.73 | 17.27 |
| | 144.42 | 815.53 |
| Investment in subsidiary company | | |
| 3M International Group B.V. | 28,650.30 | - |
| 3M Company, USA | 29,819.70 | - |
| | 58,470.00 | - |
| Income from contract research | | |
| 3M Company, USA | 2,794.01 | 2,491.51 |
| | 2,794.01 | 2,491.51 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Income from management support services | | |
| 3M Company, USA | 1,584.91 | 1,048.57 |
| 3M South Asia Manufacturing Company Private Limited | 87.41 | - |
| 3M Lanka Private Limited | - | 130.21 |
| | 1,672.32 | 1,178.78 |
| Reimbursement of expenses received | | |
| 3M Company, USA | 2,060.64 | 1,096.11 |
| P.T. 3M Indonesia | 419.37 | 390.72 |
| 3M Korea Limited | 444.97 | 476.11 |
| 3M Singapore PTE Ltd | 145.82 | 165.38 |
| 3M Flim Contrcution(Shanghai) Co Limited | - | 390.68 |
| 3M Thailand Limited | 37.04 | 23.22 |
| 3M Kenya Ltd. | - | 12.07 |
| 3M Malaysia SDN. BHD | 66.42 | - |
| 3M China Limited | 329.32 | - |
| | 3,503.58 | 2,554.29 |
| Sale of capital goods | | |
| 3M Svenska AB | - | 4.73 |
| | - | 4.73 |
| Purchase of materials (net of returns) | | |
| 3M Company, USA | 35,093.06 | 31,201.92 |
| 3M APAC RDC Pte Limited | 6,964.22 | 6,765.76 |
| 3M Belgium S.A./N.V. | 7.71 | 10.85 |
| 3M Canada Company | 993.51 | 405.56 |
| 3M China Limited | 1,976.66 | 1,000.66 |
| 3M CN Shenzhen, China | - | 144.81 |
| 3M Cogent Systems (Shenzhen) Inc. | - | 242.58 |
| 3M Do Brasil Limitada | 704.08 | 422.91 |
| 3M EMEA, GmbH | 2,663.06 | 3,336.51 |
| 3M Espana, S.A. | 777.60 | 105.10 |
| 3M ESPE Dental AG | 173.33 | 601.26 |
| 3M France S.A.S. | 909.31 | 806.64 |
| 3M Germany Hilden GmbH | 2,562.77 | - |
| 3M Hong Kong Limited | 13.20 | 8.71 |
| 3M Innovation (Thailand) Co. Ltd. | 2.68 | 0.76 |
| 3M Innovation Singapore Pte Limited | 23,884.24 | 15,792.74 |
| 3M Italia S.P.A. | 520.08 | 55.04 |
| 3M Korea Health & Safety Ltd | 0.91 | 577.09 |
| 3M Korea Limited | 1,483.72 | 2,114.14 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|------------------|------------------|
| 3M Malaysia Sdn. Bhn. | 6.40 | - |
| 3M Material Tech(Guangzhou) Co., Limited | 170.47 | 134.16 |
| 3M Panama S.A | 123.32 | 97.53 |
| 3M Philippines, Inc. | - | 3.38 |
| 3M Speciality Materials (Shanghai) Co. Ltd. | 526.14 | 357.43 |
| 3M Taiwan Limited | 92.87 | 55.66 |
| 3M Thailand Limited | 162.43 | 209.32 |
| 3M UK Holdings Limited | 896.03 | 1,539.64 |
| 3M United Kingdom PLC | 132.66 | 12.14 |
| 3M Unitek Corporation | 68.88 | 230.49 |
| 3M Wendt GmbH | 47.03 | 131.00 |
| 3M Winterthur Technologies AG | 1,014.90 | 336.07 |
| 3M Wroclaw SP. Z O.O. | 484.59 | 203.30 |
| Dyneon B.V. | - | 23.05 |
| Dyneon GmbH | 1,349.36 | 1,395.48 |
| 3M International Trading (Shanghai) Co., Ltd | 33.30 | 108.98 |
| 3M Korea High Tech, Korea | 437.93 | 550.34 |
| 3M Singapore Pte. Ltd. | 296.60 | 1.30 |
| 3M Technologies (S) Pte Ltd | - | 25.46 |
| 3M Touch System Singapore PTE | 1.96 | 4.08 |
| Wendt Boart S.A | - | 0.34 |
| 3M Sweden | 42.54 | 553.97 |
| Cuno 3M Germany | 197.25 | 287.91 |
| Cuno 3M Poland | 106.28 | 54.90 |
| Cuno 3M Trading Shanghai China | - | 328.07 |
| Cuno Europe (France) | 10.39 | 22.68 |
| Cuno Inc (USA) | 1,746.10 | 773.21 |
| Cuno K.K (Japan) | 11.83 | 11.04 |
| 3M Peru S.A | 63.41 | - |
| 3M Mexico, SA d e c v | - | 2.33 |
| 3M South Africa (Pty) Limited | 0.13 | 10.17 |
| 3M Telecommunications, France | 2.42 | - |
| P.T. 3M Indonesia | - | 10.29 |
| Sumitomo 3M Limited | 7,764.72 | 7,414.27 |
| Cuno Pacific Pty Ltd Australia | 115.35 | 31.92 |
| | 94,635.43 | 78,512.95 |
| Corporate management fees (excluding ineligible portion of Goods and Service tax) | | |
| 3M Company, USA | 13,180.95 | 10,777.46 |
| 3M Hong Kong Limited | - | 32.07 |
| | 13,180.95 | 10,809.53 |

(Rs. in lakhs)

| Name of related party | 31 March 2019 | 31 March 2018 |
|--|-----------------|-----------------|
| Royalty (excluding ineligible portion of Goods and Service tax) | | |
| 3M Company, USA | 5,472.36 | 3,390.35 |
| | 5,472.36 | 3,390.35 |
| Recharges of expenses paid | | |
| 3M Company, USA | 684.79 | 339.37 |
| 3M Hellas Limited | - | 99.18 |
| 3M Lanka Private Limited | 30.74 | - |
| 3M Gulf Limited | 235.02 | - |
| | 950.55 | 438.55 |

33 Segment Reporting**A. Basis for segmentation**

Ind AS 108 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. Based on the “management approach” as defined in Ind AS 108, the Chief Operating Decision Maker (CODM) evaluates the Company’s performance and allocates resources based on an analysis of various performance indicators by segments. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

The Group 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. The Group has five reportable segments, as described below.

For each of the segments, the Company’s Managing Director reviews internal management reports on at least a quarterly basis.

Segment revenue, results, assets and liabilities 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 Group as a whole.

The following summary describes the products included in each of the Group’s reportable segment:

| Reportable segments | Products |
|----------------------|---|
| Industrial | 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. |
| Health care | Major products include medical and surgical supplies, medical devices, skin & wound care and infection prevention products & solutions, drug delivery systems, dental and orthodontic products and food safety products. |
| Safety and Graphics | Major product under this segment include personal protection products, brand & asset protection solutions, border control products, passive fire protection products for industries and commercial establishments, track and trace products, cleaning and hygiene products for the hospitality industry. Graphics business consists of four divisional subsets- the Traffic Safety Systems Division (TSSD), the Commercial Graphics Division (CGD), the Architectural Markets Division (AMD) and the Mobile Interactive Solutions Division (MISD). TSSD products include retro reflective traffic signs for highways and cities, pavement marking and vehicle registration products and services. CGD portfolio includes products like films, inks and digital signage products. AMD products includes wall and glass cladding products coupled with architectural interior services and environmental graphics for home and office spaces. MISD products include projection systems, computer and ATM-screen privacy filters and brightness enhancement films for television, avionics and automotive displays. |
| Consumer | Consumer and Office business includes products such as Scotch brand, addressing the Home & Office tapes, Adhesives, Packaging protection platforms, Post-it brand with a product range of Note Pads, Dispensers, Flagging solution, Labels and Scotchguard brand addressing the stain protection market. |
| Electronics & Energy | Energy business includes products such as Fusion Bonded Epoxy coatings, Sun films and renewable energy. Major products in this segment includes the Cable jointing kits ranging from 1.1Kv to 132 KV, Heatshrink, Coldshrink, Kastex, Electrical Insulation Tapes, Busbar tubes, DIY Electrical kits. |

B. Information about reportable segments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (before tax), as included in the internal management reports that are reviewed by the CODM. Segment profit is used to

measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(Rs. in lakhs)

| | 31March2019 | 31March2018 |
|---|-------------------|-------------------|
| Segment revenue (revenue from operations) | | |
| a) Industrial | 117,540.64 | 110,566.28 |
| b) Health Care | 42,705.35 | 40,062.92 |
| c) Safety and Graphics | 71,255.90 | 66,091.17 |
| d) Consumer | 30,348.57 | 27,286.70 |
| e) Electronics & Energy | 36,751.02 | 27,783.80 |
| f) Others | 3,080.76 | 1,627.95 |
| Revenue from continuing operations | 301,682.24 | 273,418.82 |
| Revenue from discontinued Operations | 782.93 | 4,874.51 |
| Total revenue | 302,465.17 | 278,293.33 |
| Segment results | | |
| a) Industrial | 20,379.73 | 20,163.75 |
| b) Health Care | 8,429.73 | 7,779.21 |
| c) Safety and Graphics | 8,808.37 | 8,507.45 |
| d) Consumer | 5,510.35 | 4,796.84 |
| e) Electronics & Energy | 5,327.43 | 3,818.67 |
| f) Others | 727.42 | 444.62 |
| Segment results from continuing operations | 49,183.03 | 45,510.54 |
| Segment results from discontinuing operations | 3,262.73 | 1,659.38 |
| Total segment results | 52,445.76 | 47,169.92 |
| Less : Interest expense | 112.26 | 202.92 |
| Add: Other un-allocable income net off un-allocable expenditure | 3,683.12 | 4,478.82 |
| Profit before tax | 56,016.62 | 51,445.82 |
| Tax expense | 19,398.63 | 18,110.74 |
| Profit after tax | 36,617.99 | 33,335.08 |
| Segment assets | | |
| a) Industrial | 51,321.06 | 48,113.84 |
| b) Health Care | 18,311.12 | 19,352.14 |
| c) Safety and Graphics | 31,370.00 | 30,293.45 |
| d) Consumer | 11,445.99 | 11,883.36 |
| e) Electronics & Energy | 15,013.57 | 13,037.48 |
| f) Unallocated corporate assets | 84,370.52 | 106,574.32 |
| Total assets | 211,832.26 | 229,254.59 |
| Assets of discontinued operations | - | 1,804.92 |
| Total assets | 211,832.26 | 231,059.51 |
| Segment liability | | |
| a) Industrial | 15,465.99 | 15,996.89 |
| b) Health Care | 7,836.30 | 4,760.40 |
| c) Safety and Graphics | 4,393.71 | 9,704.24 |
| d) Consumer | 2,232.37 | 2,364.87 |
| e) Electronics & Energy | 9,226.58 | 5,317.08 |
| f) Unallocated corporate liabilities | 29,393.74 | 85,266.31 |
| Liabilities of continuing operations | 68,548.69 | 123,409.79 |
| Liabilities of discontinued operations | - | 977.77 |
| Total liabilities | 68,548.69 | 124,387.56 |

(Rs. in lakhs)

| | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Capital expenditure | | |
| a) Industrial | 1,657.22 | 685.97 |
| b) Health Care | 151.62 | 210.06 |
| c) Safety and Graphics | 290.98 | 192.04 |
| d) Consumer | 448.51 | 233.59 |
| e) Electronics & Energy | 417.64 | 96.13 |
| f) Unallocated corporate liabilities | 1,226.75 | 454.66 |
| Total capital expenditure | 4,192.72 | 1,872.46 |
| Depreciation and amortisation expenses | | |
| a) Industrial | 1,654.34 | 1,573.01 |
| b) Health Care | 721.46 | 734.62 |
| c) Safety and Graphics | 468.11 | 486.58 |
| d) Consumer | 577.81 | 574.16 |
| e) Electronics & Energy | 465.54 | 337.90 |
| f) Unallocated depreciation / amortisation expenses | 488.37 | 644.33 |
| Depreciation / amortisation expenses continued operations | 4,375.63 | 4,350.60 |
| Depreciation / amortisation expenses discontinued operations | - | 92.71 |
| Total depreciation / amortisation expenses | 4,375.63 | 4,443.31 |
| Non cash expenses other than depreciation and amortisation expense | | |
| a) Industrial | 425.13 | 84.28 |
| b) Health Care | 136.02 | - |
| c) Safety and Graphics | 353.78 | - |
| d) Consumer | 74.44 | - |
| e) Electronics & Energy | 83.64 | 354.38 |
| f) Unallocated non cash expenses | - | 818.68 |
| Total non cash expenses | 1,073.01 | 1,257.34 |

34 Corporate social responsibility

During the year, the amount required to be spent on corporate social responsibility activities amounted to Rs. 820.49 lakhs (31 March 2018: Rs. 603.76 lakhs) in accordance with Section 135 of the Companies Act, 2013. The following amounts were spent during the current and previous year:

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| (i) Amount spent other than for construction / acquisition of any asset | 807.05 | 564.51 |
| (ii) Amount not spent | 13.49 | 45.84 |
| Total | 820.54 | 610.35 |

35 Contingent liabilities and commitments:
(Rs. in lakhs)

| As at | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| a) Guarantees: | | |
| - Issued by Groups bankers | 5,518.16 | 3,436.00 |
| b) Claims against the Group not acknowledged as debts: | | |
| - Trade claims/ demands | 74.23 | 94.22 |
| - Income tax demand (including interest) (refer note (i) below) | 13,436.22 | 9,844.54 |
| - Custom duty demands (refer note (ii) and (iii) below) | 18,348.54 | 18,348.54 |
| - Sales tax matters (refer note (iv) below) | 6,339.92 | 9,440.20 |
| - Service tax matters (refer note (v) below) | 917.01 | 782.15 |
| - Central excise duty matters (refer note (vi) below) | 4,203.23 | 2,512.82 |
| c) Bills discounted | 118.33 | 109.97 |

Notes:

- (i) Income tax matters mainly relate to intercompany charges.
- (ii) The Group during the year 2012-13 had received an order from The Commissioner of Customs demanding differential duty, interest and penalty of Rs.1,961.50 lakhs, contending the availment of concessional import duty in respect of some of its products for which a demand notice was served on the Group for payment of the above amount. The Group has filed an appeal against the order including for obtaining a stay against any recovery proceedings that may be initiated and accordingly no liability has been recognised in the books.
- (iii) The Group was issued a Show Cause Notice dated 8th December 2016 by the Directorate of Revenue Intelligence (DRI) in relation to levy of customs duty on inter-company transactions for import of goods and services and hence proposing to demand differential duty of customs covering the transactions during the period 8th December 2011 to 7th February 2014. The Group has received an order in original on 1st October 2017 from Additional Director General – DRI (Adjudication), Mumbai confirming the demand raised for customs duty in show cause notice to the tune of Rs.7,693.52 lakhs, penalty equivalent to the customs duty amount and additional penalty and interest of Rs.1,000 lakhs. The Group has filed an appeal against this order with CESTAT, Mumbai after making payment of mandatory deposit of Rs.577 lakhs.
- (iv) Sales tax cases primarily pertains to Maharashtra Value Added Tax Act, 2002 and Karnataka Value Added Tax Act, 2003. These are pertaining to the years from 2005-06 to 2013-14. These cases are with respect to the applicable rate of tax for various products and matters pertaining to declaration forms.
- (v) Service tax matters relates to cases with respect to manner of apportionment of credit availed by the Group without registering as an Input service distributor.
- (vi) Excise matters relates to penalty for allegedly dealing in goods liable to confiscation under Rule 26 of the Central Excise Act and valuation / allowability of CENVAT credit under the Central Excise Act.
- (vii) The Supreme court of India in the month of February 2019 had passed a judgement relating to definition of wages under the Provident Fund Act, 1952. However, considering that there are numerous interpretative issues relating to this judgement and in the absence of reliable measurement of the provision for the earlier periods, the Group has made a provision for provident fund contribution pursuant to the judgement only for the current year. The Group will evaluate its position and update its provision, if required, on receiving further clarity on the subject. The Group does not expect any material impact of the same.

| Capital commitments | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| Estimated value of contracts in capital account remaining to be executed | 1,016.19 | 377.84 |

During the year ended 31 March 2019 no material foreseeable loss (previous year: nil) was incurred for any long-term contract including derivative contracts.

36 Tax expenses**(a) Amount recognised in Statement of profit and loss***(Rs. in lakhs)*

| | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| Current tax | 19,620.63 | 17,973.15 |
| Current period (for continuing operations) | 959.24 | 654.40 |
| Current period (for discontinuing operations) | | |
| Deferred tax expense / (income) related to: | | |
| Origination and reversal of temporary differences | (1,181.24) | (516.81) |
| Tax expense for the year | 19,398.63 | 18,110.74 |

(b) Reconciliation of effective tax rate*(Rs. in lakhs)*

| | 31 March 2019 | 31 March 2018 |
|---|-------------------------|-------------------------|
| Profit before tax | 56,016.62 | 51,445.82 |
| Tax at statutory income tax rate 34.944% (31 March 2018 - 34.61%) | 34.94% 19,574.45 | 34.61% 17,805.40 |
| <i>Tax effects of amounts which are not deductible / (taxable) in calculating taxable income:</i> | | |
| Non-deductible expenses | 0.27% 153.15 | 0.85% 438.64 |
| Effect of differential tax rates | -0.65% (365.21) | 0.00% (0.08) |
| Others | 0.06% 36.24 | -0.26% (133.22) |
| Income tax expense | 34.62% 19,398.63 | 35.20% 18,110.74 |

(c) Deferred tax assets and liabilities are attributable to the following:*(Rs. in lakhs)*

| Particulars | Deferred tax assets | | Deferred tax liabilities | | Deferred tax (assets), net | |
|-------------------------------|---------------------|-----------------|--------------------------|-----------------|----------------------------|-------------------|
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| Property, plant and equipment | 174.69 | 142.71 | 2,009.81 | 2,087.37 | 1,835.12 | 1,944.66 |
| Employee benefits expense | 1,109.81 | 998.73 | - | - | (1,109.81) | (998.73) |
| Statutory dues | 123.17 | 180.36 | - | - | (123.17) | (180.36) |
| Provisions | 3,673.93 | 2,652.64 | - | - | (3,673.93) | (2,652.64) |
| | 5,081.60 | 3,974.44 | 2,009.81 | 2,087.37 | (3,071.79) | (1,887.07) |

(d) Movement in temporary differences**31 March 2018***(Rs. in lakhs)*

| Particulars | Balance as at 1 April 2017 | Recognised in profit or loss | Recognised in OCI | Recognised directly in equity | Others | Balance as at 31 March 2018 |
|-------------------------------|----------------------------|------------------------------|-------------------|-------------------------------|----------|-----------------------------|
| Property, plant and equipment | 2,079.83 | (135.17) | - | - | - | 1,944.66 |
| Employee benefits expense | (971.89) | (16.07) | (10.77) | - | - | (998.73) |
| Statutory dues | (165.83) | (14.53) | - | - | - | (180.36) |
| Provisions | (2,229.33) | (423.31) | - | - | - | (2,652.64) |
| Other items | (72.27) | 72.27 | - | - | - | - |
| | (1,359.49) | (516.81) | (10.77) | - | - | (1,887.07) |

31 March 2019

(Rs. in lakhs)

| Particulars | Balance as at 1 April 2018 | Recognised in profit or loss | Recognised in OCI | Recognised directly in equity | Others | Balance as at 31 March 2019 |
|-------------------------------|----------------------------|------------------------------|-------------------|-------------------------------|----------|-----------------------------|
| Property, plant and equipment | 1,944.66 | (109.53) | - | - | - | 1,835.13 |
| Employee benefits expense | (998.73) | (100.86) | (3.48) | - | - | (1,103.07) |
| Statutory dues | (180.36) | 50.43 | - | - | - | (129.93) |
| Provisions | (2,652.64) | (1,021.28) | - | - | - | (3,673.92) |
| | <u>(1,887.07)</u> | <u>(1,181.24)</u> | <u>(3.48)</u> | <u>-</u> | <u>-</u> | <u>(3,071.79)</u> |

(e) Details of income tax assets and income tax liabilities

(Rs. in lakhs)

| | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Income tax assets (net) | 6,460.97 | 5,234.80 |
| Current tax liabilities (net) | (1,835.67) | (1,916.17) |
| Net current income tax asset/ (liability) at the end of the year | 4,625.30 | 3,318.63 |

(f) The gross movement in the current income tax asset / (liability)

(Rs. in lakhs)

| | 31 March 2019 | 31 March 2018 |
|---|-----------------|-----------------|
| Net current income tax asset / (liability) at the beginning of the year | 3,318.63 | 687.16 |
| Income tax paid | 21,886.54 | 21,259.00 |
| Current income tax expense | (20,579.87) | (18,627.54) |
| Net current income tax asset/ (liability) at the end of the year | 4,625.30 | 3,318.63 |

37 Provision movement

(Rs. in lakhs)

| Particulars | 1 April 2018 | Addition | Utilisation/ reversals | 31 March 2019 |
|--|-----------------|-----------------|------------------------|-----------------|
| a) Warranty | 81.63 | - | 81.63 | - |
| b) Asset retirement obligation | 90.50 | 0.05 | - | 90.55 |
| c) Sales tax, service tax and other issues | 2,483.31 | 1,262.67 | 229.13 | 3,516.85 |
| d) Credit notes and sales return | 4,303.91 | 3,601.77 | 4,303.91 | 3,601.77 |
| | <u>6,959.35</u> | <u>4,684.49</u> | <u>4,614.67</u> | <u>7,209.17</u> |

| Particulars | 1 April 2017 | Addition | Utilisation/ reversals | 31 March 2018 |
|--|-----------------|-----------------|------------------------|-----------------|
| a) Warranty | 233.40 | - | 151.77 | 81.63 |
| b) Asset retirement obligation | 90.47 | 0.03 | - | 90.50 |
| c) Sales tax, service tax and other issues | 2,028.46 | 454.85 | - | 2,483.31 |
| d) Credit notes and sales return | 4,090.25 | 4,303.91 | 4,090.25 | 4,303.91 |
| | <u>6,442.58</u> | <u>4,758.79</u> | <u>4,242.02</u> | <u>6,959.35</u> |

38 Capital management

The Group's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio.

For the purpose of debt to total equity ratio, debt is debt as considered under long-term and short-term borrowings which is on account of finance lease on office equipment and vehicles. Total equity comprise of issued share capital and all other equity reserves.

The capital structure as of 31 March 2019 and 31 March 2018 was as follows:

(Rs. in lakhs)

| Particulars | 31 March 2019 | 31 March 2018 |
|----------------------------|---------------|---------------|
| Debt | 1,379.50 | 1,007.49 |
| Total equity | 143,283.57 | 106,671.95 |
| Debt to total equity ratio | 0.96% | 0.94% |

39 Financial Instruments - Fair values and risk management

A. Accounting classification and fair values

The following table shows the carrying amounts of financial assets and financial liabilities as at 31 March 2019

(Rs. in lakhs)

| | | Carrying amount | | | | |
|---|--------|-------------------------------------|-------------------------------|---------------------------------|--|-----------------------------|
| | Note | Mandatorily at FVTPL - others | FVOCI- debt instruments | FVOCI- equity instruments | Other finan- cial assets - amortised cost | Total carrying amount |
| Financial assets not measured at fair value | | | | | | |
| Trade receivables | 6 | - | - | - | 58,655.97 | 58,655.97 |
| Loans to employees | 7 | - | - | - | 75.43 | 75.43 |
| Security deposits | 7 | - | - | - | 1,372.48 | 1,372.48 |
| Other financial assets | 8 | - | - | - | 3,247.46 | 3,247.46 |
| Cash and cash equivalents | 11 | - | - | - | 55,746.66 | 55,746.66 |
| | | - | - | - | <u>119,098.00</u> | <u>119,098.00</u> |
| Financial liabilities not measured at fair value | | | | | | |
| Finance lease obligation | 14, 17 | - | - | - | 1,379.50 | 1,379.50 |
| Trade payables | 16 | - | - | - | 35,581.54 | 35,581.54 |
| Other financial liabilities | 17 | - | - | - | 15,411.30 | 15,411.30 |
| | | - | - | - | <u>52,372.34</u> | <u>52,372.34</u> |

The fair value of financial assets and financial liabilities approximates to their carrying amount largely due to the short-term nature of these instruments.

The following table shows the carrying amounts of financial assets and financial liabilities as at 31 March 2018

(Rs. in lakhs)

| | | Carrying amount | | | | |
|---|--------|-------------------------------------|-------------------------------|---------------------------------|---|-----------------------------|
| | Note | Mandatorily at FVTPL - others | FVOCI- debt instruments | FVOCI- equity instruments | Other financial assets - amortised | Total carrying amount |
| Financial assets not measured at fair value | | | | | | |
| Trade receivables | 6 | - | - | - | 56,886.03 | 56,886.03 |
| Loans to employees | 7 | - | - | - | 79.98 | 79.98 |
| Security deposits | 7 | - | - | - | 1,374.77 | 1,374.77 |
| Other financial assets | 8 | - | - | - | 4,323.18 | 4,323.18 |
| Cash and cash equivalents | 11 | - | - | - | 85,465.25 | 85,465.25 |
| | | - | - | - | 148,129.21 | 148,129.21 |
| Financial liabilities not measured at fair value | | | | | | |
| Finance lease obligation | 14, 17 | - | - | - | 1,007.49 | 1,007.49 |
| Trade payables | 16 | - | - | - | 35,657.62 | 35,657.62 |
| Other financial liabilities | 17 | - | - | - | 73,809.80 | 73,809.80 |
| | | - | - | - | 110,474.91 | 110,474.91 |

The fair value of financial assets and financial liabilities approximates to their carrying amount largely due to the short-term nature of these instruments.

B. Financial Risk Management

The Group has exposure to the following risk arising from financial instruments

- Credit risk
- Liquidity risk
- Market risk

i. Risk management framework

The Group's principal financial liabilities comprise finance lease obligations, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, cash and cash equivalents that are derived directly from its operations.

ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(a) Financial assets that are not credit impaired

The Group has financial assets which are in the nature of cash and cash equivalents, loans to employees, unbilled revenue from related party, interest accrued on fixed deposits and receivables from related parties which are not credit impaired. These are contractually agreed with either banks, related parties or employees where the probability of default is negligible.

(b) Financial assets that are credit impaired

Expected credit loss assessment for the Group as at 31 March 2018 and 2019:

The Group has divided all the debtors outstanding for the last twelve quarters into age brackets of not due, 0-90 days, 91-180 days, 181-270 days, 271-365 days and amounts outstanding for more than one year.

The Group has calculated the impairment loss arising on account of past trends in the default rate for time bucket.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Out of the total trade receivables of Rs. 63,395.73 lakhs (31 March 2018: 60,714.06 lakhs), the exposure considered for expected credit loss is Rs. 59,372.58 lakhs (31 March 2018 :Rs. 58,736.31). The balance which is not considered for impairment primarily pertains to intercompany receivables and secured debtors.

Trade receivables

The Credit services team has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available. Sale limits are established for each customer and reviewed yearly.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables by geographic region is as follows:

(Rs. in lakhs)

| | Carrying amount | |
|---------------|------------------|------------------|
| | 31 March 2019 | 31 March 2018 |
| India | 62,593.81 | 59,988.67 |
| Other regions | 801.92 | 725.38 |
| | <u>63,395.73</u> | <u>60,714.06</u> |

The maximum exposure to credit risk for trade receivables by type of counterparty is as follows:

(Rs. in lakhs)

| | Carrying amount | |
|--|------------------|------------------|
| | 31 March 2019 | 31 March 2018 |
| Distributors | 32,668.90 | 33,524.45 |
| Other | 30,726.83 | 27,189.61 |
| | 63,395.73 | 60,714.06 |
| Less: receivables from related party, secured receivables and other receivables not considered for credit risk | 4,023.15 | 1,977.75 |
| Net trade receivables | 59,372.58 | 58,736.31 |

The following table provides information about the exposure to credit risk and expected credit loss for trade and other receivables -

(Rs. in lakhs)

| | Gross carrying amount | Weighted average loss rate | Loss allowance |
|------------------------|-----------------------|----------------------------|-----------------|
| 31 March 2019 | | | |
| Current (not past due) | 43,666.18 | 1.70% | 740.40 |
| 0-90 days | 11,728.12 | 5.55% | 651.26 |
| 91-180 days | 595.01 | 34.47% | 205.11 |
| 181-270 days | 815.74 | 70.54% | 575.45 |
| 271-360 days | 811.83 | 100.00% | 811.83 |
| > 360 days | 1,755.71 | 100.00% | 1,755.71 |
| | 59,372.58 | | 4,739.76 |
| 31 March 2018 | | | |
| Current (not past due) | 48,187.30 | 1.62% | 782.84 |
| 0-90 days | 6,562.75 | 5.86% | 384.39 |
| 91-180 days | 1,515.51 | 21.07% | 319.35 |
| 181-270 days | 208.54 | 60.97% | 127.14 |
| 271-360 days | 874.38 | 94.52% | 826.50 |
| > 360 days | 1,387.82 | 100.00% | 1,387.81 |
| | 58,736.31 | | 3,828.03 |

Movements in the allowance for impairment in respect of trade and other receivables

The movement in the allowance for impairment in respect of trade and other receivables is as follows:

(Rs. in lakhs)

| | 31 March 2019 | 31 March 2018 |
|----------------------------|-----------------|-----------------|
| Balance as at 1 April | 3,828.03 | 2,570.69 |
| Utilised during the year | (161.28) | - |
| Impairment loss recognised | 1,073.01 | 1,257.34 |
| Balance as at 31 March | 4,739.76 | 3,828.03 |

iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities -

(Rs. in lakhs)

| Particulars | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
|---|---------------------|---------------|---------------|----------------------|-------------------|
| 31 March 2019 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Finance lease obligations | 618.96 | 488.51 | 277.03 | - | 1,379.50 |
| Trade and other payables | 50,992.84 | - | - | - | 50,992.84 |
| | <u>51,611.80</u> | <u>488.51</u> | <u>272.03</u> | <u>-</u> | <u>52,372.34</u> |
| 31 March 2018 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Finance lease obligations | 483.57 | 331.50 | 192.42 | - | 1,007.49 |
| Trade and other payables | 109,467.42 | - | - | - | 109,467.42 |
| | <u>109,950.99</u> | <u>331.50</u> | <u>192.42</u> | <u>-</u> | <u>110,474.91</u> |

iv. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables. The Group is exposed to market risk primarily related to foreign exchange rate risk. Thus, the exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management is as follows:

(Rs. in lakhs)

| | 31 March 2019 | | | | 31 March 2018 | | |
|--|------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|
| | USD | EURO | SGD | Others | USD | EURO | Others |
| Trade and other payables | 15,048.59 | 2,678.51 | 7,279.53 | 2,831.59 | 20,688.82 | 3,691.43 | 3,054.26 |
| Trade and other receivables | 2,643.64 | - | - | - | 3,182.72 | - | - |
| Net exposure in respect of recognised assets and liabilities | <u>12,404.95</u> | <u>2,678.51</u> | <u>7,279.53</u> | <u>2,831.59</u> | <u>17,506.10</u> | <u>3,691.43</u> | <u>3,054.26</u> |

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US Dollar or Euro or SGD against all other currencies as at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

(Rs. in lakhs)

| | Profit or loss | | Equity, net of tax | |
|--------------------------|----------------|-----------------|--------------------|-----------------|
| | Strengthening | Weakening | Strengthening | Weakening |
| 31 March 2019 | | | | |
| USD (for 1% movement) | 124.05 | (124.05) | 80.70 | (80.70) |
| EURO (for 1% movement) | 26.79 | (26.79) | 17.43 | (17.43) |
| SGD (for 1% movement) | 72.80 | (72.80) | 47.36 | (47.36) |
| Others (for 1% movement) | 28.32 | (28.32) | 18.42 | (18.42) |
| | <u>251.96</u> | <u>(251.96)</u> | <u>163.91</u> | <u>(163.91)</u> |
| 31 March 2018 | | | | |
| USD (for 1% movement) | 175.06 | (175.06) | 114.47 | (114.47) |
| EURO (for 1% movement) | 36.91 | (36.91) | 24.14 | (24.14) |
| Others (for 1% movement) | 30.54 | (30.54) | 19.97 | (19.97) |
| | <u>242.51</u> | <u>(242.51)</u> | <u>158.58</u> | <u>(158.58)</u> |

40 Research and development expenses

(Rs. in lakhs)

| For the year ended | 31 March 2019 | 31 March 2018 |
|---------------------|-----------------|-----------------|
| Capital expenditure | 170.81 | 235.00 |
| Revenue expenditure | 5,676.77 | 6,111.06 |
| | <u>5,847.58</u> | <u>6,346.06</u> |

41 Discontinued Operations

During the current year the Group has sold the Communications markets division for a total consideration of 3,771.00 lakhs as a part of the transaction the Group transferred fixed assets having a book value of 599.34 lakhs. The transaction resulted in a total gain of 3,171.66 lakhs to the Group.

During the previous year the Group has sold Cogent Division (part of Others segment) to Gemalto Digital Securities Private Limited as part of a global sale initiated by the Ultimate Holding Company for a total consideration of Rs. 942.00 lakhs during the year. As part of the transaction, the Group transferred fixed assets having a book value of Rs. 37.00 lakhs. This transaction resulted in a total gain of Rs. 905.00 lakhs to the Group.

(Rs. in lakhs)

| Results of discontinuing operation | 31 March 2019 | 31 March 2018 |
|--|----------------------|----------------------|
| Revenues | 782.93 | 4,874.51 |
| Expenses | 691.86 | 4,120.13 |
| Profit before tax | <u>91.07</u> | <u>754.38</u> |
| Gain on disposal | 3,171.66 | 905.00 |
| Profit from discontinuing operations before tax | <u>3,262.73</u> | <u>1,659.38</u> |
| Income tax | 959.24 | 654.40 |
| Profit after tax | <u>2,303.49</u> | <u>1,004.98</u> |
| Cashflows from discontinuing operations | 31 March 2019 | 31 March 2018 |
| Cash flow from Operating activities | 91.07 | 662.28 |
| Sales consideration received | 3,771.00 | 942.05 |
| Net Cashflows for the year | <u>3,862.07</u> | <u>1,604.33</u> |

(Rs. in lakhs)

42. Business combination

During the current year, the board of directors at their meeting held on 30 May 2018 and shareholders through postal ballot on 26 July 2018, approved the investment of 100% shareholding in 3M Electro & Communications India Private Limited. Accordingly, the Company has entered into Share purchase agreement dated 31 October 2018 to acquire 100% equity interest in 3M Electro & Communications India Private Limited for a total consideration of Rs. 58,470 lakhs. The above business combination is a common control transaction and has been accounted for using the pooling of interest method with effect from 1 April 2017. The Company as part of the business combination has acquired net assets of Rs. 9,188 lakhs resulting in an adjustment of Rs. 49,282 lakhs in the consolidated retained earnings as at 1 April 2017.

43. Additional information pursuant to para 2 of general instructions for preparation of the consolidated financial statements

| Name of the entity | Net assets, i.e., Total assets minus Total liabilities | | Share in profit or loss | |
|---|---|-------------------|---|------------------|
| | As a % of consolidated net assets | Amount | As a % of consolidated net assets | Amount |
| Parent | | | | |
| 3M India Limited | 130% | 185,953.03 | 88% | 32,286.31 |
| Subsidiary | | | | |
| 3M Electro & Communications India Private Limited | 11% | 15,800.54 | 12% | 4,325.31 |
| Adjustment arising out of consolidation | -41% | (58,470.00) | 0% | - |
| Total | | 143,283.57 | | 36,611.62 |

- 44.** The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these consolidated financial statements since the requirement does not pertain to financial year ended 2019.

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

Amit Somani

Partner

Membership No: 060154

Place: Paris

Date: May 28, 2019

Place: Bangalore

Date: May 28, 2019

For and on behalf of the Board of Directors

Debarati Sen

Managing Director

[DIN: 07521172]

B V Shankaranarayana Rao

Whole-time Director

[DIN – 00044840]

Mamta Gore

Chief Financial Officer

[PAN: AKIPG9089M]

V. Srinivasan

Company Secretary

[ACS – 16430]

ATTENDANCE SLIP
(To be presented at the entrance)

3M INDIA LIMITED

CIN: L31300KA1987PLC013543

Registered Office: Plot Nos. 48-51, Electronic City, Hosur Road, Bengaluru – 560100

Phone: 080-22231414, Fax: 080-2223 1450 email id: investorhelpdesk.in@mmm.com, website: www.3m.com/in

32ND ANNUAL GENERAL MEETING ON WEDNESDAY, AUGUST 14, 2019 AT 11.00 A.M.
at Trinity Hall, Taj MG Road, 41/3, Mahatma Gandhi Road, Bengaluru – 560 001.

I/We hereby record my / our presence at the 32nd Annual General Meeting of the Company on Wednesday, August 14, 2019 at Trinity Hall, Taj MG Road, 41/3, Mahatma Gandhi Road, Bengaluru – 560 001 at 11.00 A.M.

Member's Folio/DPID-Client ID No.

Member's/ Proxy's name in Block Letters

Member's/ Proxy's Signature

Note:

1. Sign this attendance slip and hand it over at the attendance verification counter at the entrance of the Meeting Hall.
2. Bodies corporate, whether a Company or not, who are members, may attend through their authorized representatives appointed under Section 113 of the Companies Act, 2013. A copy of authorization should be deposited with the Company.
3. In case of Shares held in demat/electronic form, the signature of the Beneficial Owner is liable for verification with the record furnished to the Company by NSDL/CDS.
4. Electronic copy of the Annual Report for the FY 2018-19 and Notice of the Annual General Meeting (AGM) along with attendance slip and proxy form is being sent to all the members whose email address is registered with the Company/ Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
5. Physical copy of the Annual Report for the FY 2018-19 and Notice of the AGM along with the attendance slip and proxy form is sent in the permitted mode(s) to all members whose email is not registered or have requested for a hard copy.

The electronic voting particulars are set out below:

| EVEN (E-Voting Event Number) | USER ID | PASSWORD |
|---------------------------------|---------|----------|
| XXXXXXX | XXXXXXX | XXXXXXX |

Please refer Notice for instructions on remote e-voting.

E-voting facility is available during the following voting period

| Commencement of remote E-voting | End of remote E-voting |
|---|---|
| August 11, 2019 (Sunday) (from 9.00 AM) | August 13, 2019 (Tuesday) (up to 5.00 PM) |

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration), Rules, 2014]

3M INDIA LIMITED

CIN: L31300KA1987PLC013543

Registered Office: Plot Nos. 48-51, Electronic City, Hosur Road, Bengaluru – 560100

Phone: 080-22231414, Fax: 080-2223 1450, email id: investorhelpdesk.in@mmm.com, website: www.3m.com/in

**32ND ANNUAL GENERAL MEETING ON WEDNESDAY, AUGUST 14, 2019 AT 11.00 A.M.
at Trinity Hall, Taj MG Road, 41/3, Mahatma Gandhi Road, Bengaluru – 560 001.**

Name of the member(s):

Registered address:

E-mail Id:

Folio No/ Client Id:

DP/ID:

I/We, being the member (s) of shares of the above named Company, hereby appoint :

- (1) Name:_____ Address:_____
- E-mail id:_____ Signature:_____or failing him;
- (2) Name:_____ Address:_____
- E-mail id:_____ Signature:_____or failing him;
- (3) Name:_____ Address:_____
- E-mail id:_____ Signature:_____or failing him;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company, to be held on **August 14, 2019, Wednesday at 11.00 A.M. at Trinity Hall, Taj MG Road, 41/3, Mahatma Gandhi Road, Bengaluru – 560 001** and at any adjournment thereof in respect of such Resolutions as are indicated below:

| Resolution No. | Resolutions | Optional* | |
|-------------------|--|-----------|---------|
| | | For | Against |
| ORDINARY BUSINESS | | | |
| 1. | Adoption of Financial Statements (Standalone & Consolidated) for the financial year ended March 31, 2019. | | |
| 2. | Re-appointment of Mr. Jongho Lee (holding DIN: 06720950) who retires by rotation. | | |
| SPECIAL BUSINESS | | | |
| 3. | Appointment of Mr. Biren Gabhawala (holding DIN: 03091772) as a Director of the Company. | | |
| 4. | Appointment of Ms. Sadhana Kaul (holding DIN: 02589934) as a Director of the Company. | | |
| 5. | Ratification of remuneration payable to Messrs. Rao, Murthy & Associates, Cost Auditors for the Financial Year 2019-20. | | |
| 6. | Re-appointment of Mr. Biren Gabhawala (holding DIN: 03091772) as an Independent Director of the Company for a second term. | | |
| 7. | Appointment of Mr. Ramesh Ramadurai (holding DIN: 07109252) as Managing Director of the Company. | | |

Signed this..... day of..... 2019

Signature of shareholder

Signature of Proxy holder(s)

Affix
Revenue
Stamp

Notes :

- This form of Proxy in order to be effective should be duly completed and deposited at the Registered Office/ Corporate Office of the Company, not less than 48 hours before the commencement of the Meeting. A proxy need not be a member of the Company.
- For the Resolutions, Explanatory Statement and Notes, please refer to Notice of the 32nd Annual General Meeting.
- It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. if you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate. Please complete all details including details of member(s) in above box before submission.

NOTES

NOTES



3M India Limited

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