

3M INDIA LIMITED
27th Annual General Meeting
CHAIRMAN'S SPEECH

Ladies and Gentlemen,

I have great pleasure in welcoming you all to this Twenty Seventh Annual General Meeting of your Company. I trust the Notice convening the Meeting; the Directors' Report and the Audited Accounts for the year 2013-14 have reached you on time.



As you are aware, there were changes in the composition of the Board of Directors during the year 2013-14. Mr. Ajay Nanavati relinquished his office as Managing Director of the Company effective September 30, 2013 consequent upon completion of his term and appointment within 3M Global. Mr. Amit Laroya was appointed Managing Director of the Company with effect from October 1, 2013 for a period of 5 years. Mrs. Sadhana Kaul ceased to be Whole-time Director of the Company from October 31, 2013 consequent upon her appointment as General Counsel for South East Asia Region, Singapore. Mr. Frank Little and Mr. John Houle resigned from February 10, 2014 consequent upon taking up higher responsibilities within 3M in USA. Mr. Ippocratis Vrohidis, Mr. Ashish Khandpur and Mrs. Sadhana Kaul were appointed as Additional and Non-Executive Directors from February 10, 2014. On your behalf, I would like to extend a warm welcome to Mrs. Sadhana Kaul. Mr. Biren Gabhawala was appointed as an Additional Director categorized as Independent Director from August 5, 2014. Mr. Ippocratis resigned as a Director from August 1, 2014 as he was appointed as Vice President for Middle East and Africa and Mr. Ashish Khandpur also resigned from August 1, 2014 consequent upon his appointment as Senior Vice President- Research and Development and Chief Technology Officer at 3M, USA. The item Nos. 4 and 6 to the AGM Notice pertaining to their appointment has now become redundant and I will request the members not to consider the same.

Last year was another challenging year for the Indian economy as the slowdown continued with expected recovery not materialising. The growth slowdown in the last 2 years was broad based affecting in particular the Industry sector. Ladies and Gentlemen, in spite of the difficulty faced by the economy, your Company was alert enough to adapt to this tough economic situation and initiated prudent measures to sustain profits, while remaining competitive in the market. The Company took measures like localisation, product portfolio prioritization, reduction and management of cost of goods sold and concentrated on streamlining processes and structures and focused on productivity improvement.

While the global economy showed some signs of stabilization, most of the emerging economies such as India faced capital outflows and intense exchange rate pressures. The current account deficit declined towards the end of 2013 primarily due to curbs on gold imports and other measures. Even though the Central Bank took steps to contain high inflation, it continued to be the above the comfort zone, owing primarily to the elevated level of food inflation. As per the Economic Survey 2013-14 tabled by the Government in this budget session, the Indian economy for the year 2014-15 is poised to overcome the sub 5% growth of GDP witnessed over the last 2 years. The fiscal deficit of the Centre as a proportion of GDP has declined for the 2nd year in a row as per the announced medium term policy stance. Reflecting the above and the expectations of a change for the better, financial markets have surged. Moderation in inflation would help ease the monetary policy stance and revive the confidence of investors, and with the global economy expected to recover moderately, particularly on account of performance in some advanced economies, the economy can look forward to better growth prospects in 2014-15 and beyond.

Ladies and Gentlemen, I now touch upon the performance of the Company for the year 2013-14.

The Company registered an overall turnover growth of 11.21% at Rs. 1,762 crores for the financial year ended March 31, 2014 compared to Rs. 1,585 crores in the previous year. The Profit before Interest and Depreciation was at Rs. 131 crores compared to Rs. 121 crores for the previous year. I am happy to inform you that almost 50% of the profit for the year under review has come from Jan-Mar 2014 quarter. The operating margin for the current year was at 7.42% compared to 7.64% for the last year. Profit before Tax was at Rs. 69 crores compared to Rs. 75 crores for the previous year. Profit after Tax was at Rs. 43 crores compared to Rs.52 crores for the previous year. Higher input costs combined with higher depreciation, interest, depreciation of the rupee against all currencies impacted our profit after tax. Export Sales was at Rs.29 crores for the year ended March 31, 2014 compared to Rs. 23 crores in the previous year. The Industrial business grew by 0.35%; Health Care business grew by 5.29%; Safety and Graphics business grew by 29.14%; Consumer business grew by 15.29% and Energy business grew by 27.77%. During the year under review, the new manufacturing processes at the Ranjangaon facility namely the non-woven and the medical factory were commissioned to manufacture indigenous products for the Indian Market.

For the Quarter ended June 2014, your Company achieved a turnover of Rs. 465 crores, an increase of 4% compared to Jan-Mar 2014 quarter and also up by 10% compared to last year June 2013 quarter. The Profit before Tax was Rs. 38 crores, same as compared to Jan-Mar 2014 quarter and up by 116% compared to last year Apr-Jun 2013 quarter. The Profit after Tax was at Rs. 25 crores same as Rs. 25 crores for the March 2014 quarter and Rs. 13 crores for the last year June 2013 quarter (up by 92%).

With the formation of the new Government, we expect speedy implementation of economic reforms for revival of the Indian economy and improvement in consumer sentiments. Your Company is well placed to capitalize on the opportunities arising out of the improved market conditions. Currently, the main challenges are to improve the quality of infrastructure, transparency in the processes and strike a balance at different levels of development in urban and rural areas. Your Company continues to be optimistic on medium and long term prospects and is looking forward to further growth, especially with products designed for the local market.

I would like to share with you that owing to my personal commitments, I have decided to step down from the Board of your esteemed Company. I hereby express my gratitude and appreciation to the Shareholders, the Board of Directors, employees at all levels for the relentless support extended to me during the tenure of my office. I shall always cherish my long association with this enviable company of yours. I hand over the responsibility to Mr. B.S. Iyer and wish him the very best in providing direction and vision for your Company's future growth.

To conclude Ladies and Gentlemen, I would like to express our sincere thanks to the Government of India and the State Governments of Karnataka, Maharashtra and Gujarat for their continued support. My thanks also goes to our customers, dealers, suppliers, bankers and yourselves including the Parent 3M USA and other 3M Group Companies worldwide. My special thanks and appreciation also go to the employees of the Company at all levels for their hard work, dedication and continued commitment.

Bangalore
August 4, 2014

D.J. Balaji Rao
Chairman

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.