

3M INDIA LIMITED
28th Annual General Meeting
CHAIRMAN'S SPEECH

Ladies and Gentlemen,



I have great pleasure in extending a warm welcome to all of you to this Twenty Eighth Annual General Meeting of your Company. I trust the Notice convening the Meeting, the Directors' Report and the Audited Accounts for the year 2014-15 have reached you in time.

As you are perhaps aware, there were changes in the composition of the Board of Directors during the year 2014-15.

- Mr. Ippocratis Vrohidis and Mr. Ashish Khandpur resigned with effect from August 1, 2014 as Non- Executive Director's consequent upon taking up higher responsibilities within 3M Global.
- Mr. D.J. Balaji Rao, did not seek re-appointment and consequently retired as a Director and Chairman at the conclusion of the General Meeting of the Company held on August 4, 2014.
- Mr. Biren Gabhawala was appointed as an Additional, Non-Executive Independent Director for a period of five consecutive years from August 5, 2014.
- Mr. B.C. Prabhakar, Non-Executive, Independent Director of the Company, after serving the Board of the Company for more than eight (8) years, resigned from the closing hours of March 27, 2015 due to his pre-occupation and other commitments.
- Mr. Bharat D Shah was appointed as an Additional, Non-Executive Independent Director for a period of five consecutive years from March 27, 2015.
- Mr. Ramesh Ramadurai and Mr. Manuel B Pardo were appointed as Additional Directors categorized as Non-Executive Directors of the Company effective from March 27, 2015.

The appointments of Mr. Biren Gabhawala, Mr. Bharat Shah, Mr. Ramesh Ramadurai and Mr. Manuel Pardo are placed before the members for approval as set out at item Nos. 5 to 8 of the Notice of Annual General Meeting.

On your behalf, I would like to extend a warm welcome to Mr. Biren Gabhawala, Mr. Bharat D Shah, Mr. Ramesh Ramadurai and Mr. Manuel B Pardo to the Board. I would also like to thank on behalf of myself and on your behalf to Mr. Balaji Rao and Mr. B.C. Prabhakar for their long association and significant contribution to the deliberations of the Board as well as Mr. Ippocratis Vrohidis and Mr. Ashish Khandpur for their inputs during their tenure as Directors of the Company.

Driving 3M India's success is the strength of the Company's business model and the relentless efforts of our people at all levels. In this year's Annual Report, you would have seen and read 3M's new tagline: *3M Science. Applied to Life.™*. These words embody the spirit of the enterprise, the power of science to make the world safer, more efficient and more prosperous. Your Company uses science to solve intricate challenges, providing customers with effective solutions, and enhancing every home and improving quality of life.

Last year was yet another challenging year for the Indian economy as the slowdown continued with expected recovery not materializing as per market expectations. Ladies and Gentlemen, in spite of the difficulty faced by the economy, your Company was prudent enough to adapt to this tough economic situation and initiated several measures to sustain profits, while remaining competitive in the market. The Company continued its measures like localization, product portfolio prioritization, reduction and management of cost of goods sold and concentrating on streamlining processes, structures and focusing on productivity improvement.

Ladies and Gentlemen, coming to the performance of the Company for the year 2014-15, the Company registered an overall turnover growth of 5.25% at Rs. 1,855 crores for the financial year ended March 31, 2015 compared to Rs.1,762 crores in the previous year. The Profit Before Interest and Depreciation was at Rs. 218 crores compared to Rs. 131 crores for the previous year. The operating margin for the current year was at 11.73% compared to 7.42% for the last year. Profit



Before Tax was at Rs.165 crores compared to Rs. 69 crores for the previous year. Profit After Tax was at Rs. 108 crores compared to Rs.43 crores for the previous year. Lower material cost and interest, portfolio prioritization and expense productivity increased the profitability at all levels for the year under review. Export Sales was at Rs.39 crores for the year ended March 31, 2015 compared to Rs. 29 crores in the previous year, an increase of 35.85%.The Industrial business grew by 6.69%; Health Care business grew by 16.69%; Safety and Graphics business grew by 8.13%; Consumer business grew by 8.26% while Energy business de-grew by 35.73%.

Ladies and Gentlemen, let me now give you an update on the performance of the Company for the first quarter April – June 2015, the results of which were announced yesterday evening.

For the Quarter Apr-June 2015, your Company achieved a turnover of Rs.520 crores, an increase of 7.27% compared to Rs. 485 crores for the Jan-Mar 2015 quarter and also up by 11.90% compared to Rs.465 crores last year Apr- June 2014 quarter. All segment business have grown quarter on quarter this year and also year on year quarter. The Profit Before Tax was at Rs. 61 crores, a decrease of 4.68% compared to Rs. 64 crores for the Jan-Mar 2015 quarter and up by 58.12% compared to Rs. 38 crores last year Apr-Jun 2014 quarter. The Profit After Tax was at Rs. 40 crores, a decrease of 5.11% as compared to Rs. 42 crores for the Jan -Mar 2015 quarter and up by 55.23% compared to Rs. 25 crores for the last year Apr-June 2014 quarter.

Ladies and Gentlemen, I give you an update on the present Economic situation in our country. Inflation in June crawled up to 5.4% from 5% in May due to a 70 basis points increase in food inflation. Inflation in pulses crossed 22% in June as production has suffered largely as a result of weak monsoons last year and damage to crops from unseasonal rains this year. So far, the monsoon scenario remains favorable with rainfall at 4% below long term average as on July 8, 2015. But, healthy and well-distributed rainfall in July and August months will be most crucial to watch.

Industrial production de-grew to 2.7% in May from 3.4% in the month of April. However, despite the volatility, Index of Industrial Production (IIP) numbers have averaged at a higher level in 2015 at 3.5% since January 2015 as compared to 1.4% in the five months prior to that. Therefore, IIP data suggests an improvement in industrial activity this year in comparison to 2014, so far. In May, IIP growth slowed as the manufacturing sector lost momentum on the back of weak performance of consumer oriented sectors. Unseasonal rains earlier in the year resulting in lower rural demand are weighing in on consumer goods.

Pick-up in consumer demand is still nascent with the month on month momentum remaining fragile. Therefore, going forward, core sector is expected to give a fillip overall growth supported by government's focus on infrastructure spending. Mean-while, the successful coal auctions should push growth in the mining and power sectors, early signs of which have started to reflect in the latest mining & quarrying sub-index in IIP data. (Source: CRISIL RESEARCH)

Your Company has identified for its CSR work 'Education, Social Innovation and Women Empowerment', which are in accordance with Schedule VII of the Companies Act, 2013. I am happy to inform that your Company has embarked on its CSR journey to give back to the community with a strong empathy driven approach that involves employees across the organization.

Before I 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 go to our customers, dealers, suppliers, bankers, shareholders, the Parent Company, 3M USA and other 3M Group Companies worldwide for their support and co-operation. My special thanks and appreciation to the employees of the Company at all levels for their hard work, dedication and commitment.

Bengaluru
August 4, 2015

B.S. Iyer
Chairman

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

